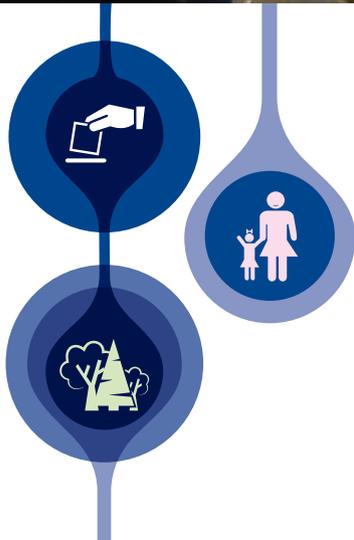




Country Strategy for Development Cooperation

KENYA 2016-2019

MINISTRY FOR FOREIGN AFFAIRS



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Abbreviations

ADA	Austrian Development Agency
AMISOM	African Union Mission in Somalia
BEAM	Business With Impact
CSO	Civil Society Organization
DFID	Department for International Development
GDP	Gross Domestic Product
GNI	Gross National Income
GOK	Government of Kenya
KFS	Kenya Forest Service
KIOS	NGO foundation for Human Rights
MFA	Ministry for Foreign Affairs of Finland
MTP	Medium Term Plan
NGO	Non-Governmental Organization
ODA	Official Development Assistance
PALWECO	Western Kenyan rural development Programme
PIF	Public Sector Investment Facility
SDG	Sustainable Development Goals
SGBV	Sexual and Gender Based Violence
SME	small- and medium-sized-enterprises
UNHCR	United Nations High Commissioner for Refugees
WSTF	Water Services Trust Fund
WSTG	Water Sector Technical Group

Executive summary

Kenya is a regional economic and political hub that is yet to reach its full potential. The overarching reforms introduced by the 2010 Constitution are still in their early stages. Almost 40% of Kenya's population lives in poverty, unemployment is high, and social and regional disparities are prevalent. Despite the gender provisions laid down in the Constitution, half of the population is still left behind because of cultural, political, legal and economic barriers. International development cooperation and related political dialogue are essential to supporting Kenya as it works to carry out its vast reform programme. Finnish development cooperation can contribute to stability in the country by helping to implement these reforms, which address the root causes of insecurity and radicalisation.

Finland's Country Strategy builds on a long-term positive development scenario as outlined in Kenya's development plan Kenya Vision 2030. The strategy is focused on three thematic impact areas that are crucial to Kenya's future: support for strengthening devolved governance; job creation and livelihoods; and women's and girls' rights. In all these impact areas Finland is in the position to make a difference through policy dialogue, financial inputs, technology transfer and expertise. Full and timely implementation of the Constitution, and especially the strengthening of accountable and effective county governance, is crucial to Kenya's development. New private sector jobs and markets are needed to push Kenya towards a sustainable and inclusive green economy. This would fuel economic growth and advance social well-being and political stability. The fulfilment of girls' and women's rights, as outlined in Kenya's development plans, is a prerequisite for poverty eradication, sustainable development and economic growth as well as for a peaceful and inclusive society.

This Country Strategy builds on Finland's previous cooperation with Kenya, but it takes a narrower focus. Rural development and agriculture will be phased out, and at the same time greater emphasis will be placed on supporting private sector cooperation and job creation, particularly in the forestry sector.



Finland's support for devolved governance will contribute to the development of county governance systems and create demand for better services and management. Finland supports the efforts under the World Bank's Multi-Donor Trust Fund to strengthen county governance systems, as well as the work undertaken by the URAIA Trust to inform citizens about their rights. In service delivery at county level, Finland's focus is on the water and sanitation sector through the support to the Water Services Trust Fund: six counties are receiving support for the development of sustainable methods of service provision. Water sector cooperation provides opportunities for technology transfer and trade.

In job creation and livelihoods, the focus is on the forestry sector, where Finland has a long and successful track record. The new strategy marks a change in approach: the priority has now shifted to increasing forestry sector productivity and to supporting private sector forestry. A new bilateral programme is planned for this impact area.

Finland continues to promote women's and girls' rights in Kenya. The aim is to ensure that gender-responsive policies, plans and legislation are put in place and implemented, especially at the county level. Finland supports UN Women's Country Strategy in Kenya. Finnish support for the URAIA Trust also contributes to this impact area. Furthermore, Finland aims to support selected counties and communities in addressing sexual and gender-based violence. A new bilateral programme is planned for this outcome area. Finnish NGOs already working on the issue will also contribute to these efforts.

Kenya is an important regional hub and as such an important partner for Finland. Finland's key objectives in its relations with Kenya are to advance regional stability and security, increase trade and commerce and contribute to the attainment of the Sustainable Development Goals through development cooperation and by other means. In the coming years the focus will increasingly move towards developing and supporting commercial relations between the two countries.

PART 1

1. Country Context

1.1 Political, economic and social development

Since the promulgation of its 2010 Constitution, Kenya has enjoyed relatively stable political development. The Constitution aims at consolidating democracy by promoting the accountability and transparency of public service delivery; increasing public participation and bringing services closer to the people; and establishing a two-tier government system and devolving significant decision-making power to the 47 county governments. County governments receive a minimum of 15% of total national revenue and can raise funds through local taxes to support implementation of their devolved functions across all sectors. The transition has been faster than originally planned and it has faced challenges particularly with respect to implementation capacity and intragovernmental tensions.

Kenya's relative macroeconomic stability has brought solid economic growth of around 5% a year for the past decade, and the medium-term growth projection is 6–7%. Kenya is the fifth largest economy in Sub-Saharan Africa, a regional hub for investments and innovation, and it plays an important role in regional stability and development. With the rebasing of its GDP, Kenya crossed the lower middle-income threshold in 2014. The most recent GNI per capita figure (2014) is USD 1,290. Kenya has generally followed a stability-oriented macroeconomic policy, keeping budget deficits within manageable limits and containing inflation through prudent fiscal and monetary policy. Kenya has recently invested heavily in transport and infrastructure. However, these investments are not always efficiently managed and in some cases implementation has been slow.

The latest official figures on poverty in Kenya date from 2006, but projections indicate that poverty is continuing to decline very slowly. It is estimated that almost 40% of the population still lives



below the poverty line. There also remain stark regional disparities. During the past 50 years, infant mortality has been halved, and school enrolment at primary and secondary level has more than doubled. However, maternal mortality remains high at around 400/100,000 live births. Rapid population growth poses a major challenge for public service provision, which is further complicated by high unemployment rates especially among the youth. About half of Kenya's population is under 18 years of age, and getting them into employment over the next decade will require much faster job creation.

Kenya's Constitution comprehensively safeguards human rights. However, progress in implementation of the Constitution is slow and discrimination against women, disabled persons and minorities persists. Human rights violations by law enforcement agents and security forces, for instance, still occur, and human rights defenders, whistle-blowers and journalists continue to face severe threats. Although the Constitution promotes gender equality and women's empowerment, there is still significant resistance to implementing existing legislation and policies. Pervasive corruption continues to undermine Kenya's development: Kenya is ranked 145th out of 176 countries in the 2016 Transparency International Corruption Perceptions Index. Significant advances have been made in addressing corruption through asset recovery and anti-corruption courts, for instance, but a culture of impunity prevails.

Insecurity is a concern. Political and economic exclusion and marginalisation in the northern, north-eastern and coastal regions create fertile ground for the radicalisation of young people. Al-Shabaab has been conducting attacks in Kenya since the country joined the AMISOM operation in Somalia. In the northern regions, cattle rustling and conflicts between communities escalate every now and then due to the lack of jobs, infrastructure and opportunities for participation. The conflicts between communities are often fuelled by access to and control of natural resources. Kenya also hosts large numbers of refugees from surrounding countries, especially South Sudan and Somalia. There is growing concern about the situation in Kenya, and there are plans to close the large refugee camps.

1.2 Development scenario for the country

The Country Strategy is based on a long-term positive development scenario as outlined in Kenya's development plan Kenya Vision 2030. The strategy works from the assumption of full and timely implementation of the Constitution, including free, fair and peaceful elections, the strengthening of devolved government structures, as well as a strong focus on SDGs. In addition, it is anticipated that new private sector jobs and markets, including SMEs in the agriculture, forestry and water sectors, will push Kenya towards a sustainable and inclusive green economy in the long run. A vibrant private sector and comparatively well-educated workforce provides Kenya with good opportunities to achieve its 2030 vision of becoming a 'newly industrialized country, placed in the middle-income category with high quality of life for its citizens in a healthy and safe environment'.

However, failure to tackle structural problems such as poverty, rapid population growth, growing inequalities, increased unemployment, corruption and impunity pose serious risks to Kenya's sustainable development. Furthermore, instability in the region, notably in Somalia, is a considerable security risk, which is further aggravated by terrorism and radicalisation among the Kenyan youth. These instabilities can lead to large movements of refugees fleeing conflict and insecurity. In the short term the main risk comes from the 2017 elections, if they were to turn violent or if their results were contested. Ethnic divisions could deepen further.

More intense and frequent droughts and floods pose a challenge for food production, food security and energy production. Conflicts over scarce resources and food insecurity in certain areas, aggravated by climate change, could further fuel conflicts both within Kenya and in the region more widely.



1.3 Finland's relations with the country and prospects for more diverse relations

Kenya and Finland enjoy good relations. 2015 marked the 50th anniversary of diplomatic relations between the two countries, and development cooperation started over 30 years ago. As a regional hub of trade and international organisations and a central player in terms of regional stability and security, Kenya remains an important partner for Finland. Finland also wants to support Kenya's development towards a more equal society. Kenya is one of the fastest growing economies in Africa and therefore commercially interesting for Finnish business.

The key objectives of Finnish relations with Kenya are to advance regional stability and security, increase trade and commerce and contribute to the attainment of the Sustainable Development Goals (SDGs) through development cooperation and by other means. In the coming years the focus will increasingly shift to developing and supporting commercial relations between the two countries. The further development of commercial relations holds great potential since Kenya is a regional economic and financial hub and a gateway to East African markets. There are also possibilities for increasing institutional relations (including education, research and culture) as Kenyan institutions are keen to seek partners for skills, knowledge and technology transfer. It is envisaged that in medium term, the role of grant ODA will diminish further in Kenya and will be used for very specific catalytic activities.

1.4 Themes of dialogue and advocacy

Finland engages in political dialogue with the Government of Kenya (GoK) bilaterally and as part of the EU and the larger international community. The overall theme of political dialogue in Kenya is to promote the full and timely implementation of the Kenyan Constitution and the reforms it entails. The Constitution is aimed at realising human rights in Kenya and at addressing the structural obstacles that have led to poverty, inequality and injustice. One of the main tools for addressing these is devolution of decision-making and service delivery to the 47 counties that were created in 2013. Finland and other development partners can play an important facilitating role in the tensions created in this process and advocate for a democratic and accountable new governance structure in Kenya. In this respect, fighting corruption will be one the main themes for political dialogue. The issues of equality, justice and their implications for security will also be on the agenda. Finland will also promote the role of the private sector and CSOs in development.

Finland has played a leading role in promoting gender equality in Kenya during the last few years. During the strategy period, Finland's focus in policy dialogue will be on promoting women's participation in decision-making, addressing sexual and gender-based violence and strengthening women's role in peace and security. Finland is also Kenya's lead development partner in the forestry sector. In the policy dialogue the focus will be on further enhancing forest governance issues based on situation analyses and assessments. Finland is also committed to promote investments and trade in the forestry and water sectors.



2. Development Cooperation Context

Kenya's long-term development goals are set out in Kenya Vision 2030. Launched in 2008 following a participatory process, the plan is endorsed by different ethnic and political groupings. Its aim is to transform Kenya into a 'newly industrialising, middle-income country providing a high quality of life to all its citizens in a clean and secure environment'. Vision 2030 will be implemented through five consecutive medium-term plans (MTPs), which also serve as the basis for the alignment and coordination of development partners. The emphasis in the current MTP II for 2013–2017 is on national coherence and reconciliation, and it identifies key focus areas for Kenya's economic, social and political development. In accordance with the Constitution, MTP II is to be implemented in close cooperation with county governments. An evaluation of MTP II is currently under way and its findings will contribute to the drafting of MTP III, in which the SDGs will be mainstreamed. In addition, Kenya's external resources policy is elaborated to provide guidance for the development partners' relations with both national and county governments.

Since 2010, Kenya's tax revenue to GDP ratio has been around 16–17%, a relatively high figure by regional comparison. There are ongoing efforts to further enhance the efficiency of tax administration with a view to increasing domestic revenue.

Foreign direct investment in Kenya used to be lower than in its neighbouring countries. In 2013 the figure stood at USD 514 million, but in 2014 it rose to USD 944 million. In 2015 it increased by a further 35%. Private sector investment at around 15% of GDP is also lower than in Kenya's neighbouring countries. Remittances from the Kenyan diaspora are the fourth most important source of foreign currency in Kenya. In 2015 their value reached a record USD 1.55 billion.

Development assistance amounts to some 10% of the state budget, although the figures vary widely between different sectors. ODA accounts for some 40% of the investment budget, however. Most ODA is in the form of concessional loans. The largest development partners are the USA, the World



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Bank, the International Monetary Fund, Japan, the African Development Bank, the United Kingdom, Germany, France, the European Union, Sweden and Denmark. In terms of funding Finland is a relatively small donor, but according to the Country Strategy evaluation its de facto role has been greater than can be inferred directly from its financial portfolio. A large number of other donors and international NGOs are also present in Kenya.

An important platform for development partner dialogue is the Development Partners Forum, which is chaired by the Deputy President. Aid is coordinated through the Aid Effectiveness Group chaired by the National Treasury, and through the Development Partners Group. Sectoral and/or technical working groups are organised according to the medium-term expenditure framework. The commitment of both development partners and the government to the aid effectiveness agenda is volatile. Many development partners are increasingly engaged with private and civil society actors. The EU has elaborated a joint cooperation strategy that is aligned with MTP II. Finland participates actively in the political and policy dialogue and general aid coordination structures, and has been co-chairing the gender sector working group and the forest issue group together with the government.

There are thousands of local CSOs in Kenya that are active in all sectors of development, both in supporting service delivery and in rights-based advocacy work. Their operating environment is volatile to political manoeuvrings, and the legal framework is not fully supportive of their work. Implementation of the Public Benefits Organizations Act (2013) has been delayed and there have been several attempts to amend it and restrict the scope of CSO work.



3. Finnish Development Cooperation to Date and in the Future

Development cooperation between Kenya and Finland today is the result of a long-standing partnership. Some sectors, such as water and forestry, have been consistent priorities in cooperation ever since the 1980s. An evaluation of Finland's development cooperation with Kenya in 2007–2013 concluded that Finland has managed to gain a significant role in the sectors in which it is present. This is by virtue of a long-term commitment in the chosen sectors, especially good governance, rural development and natural resources, as well as active work in donor coordination and policy dialogue. The evaluation recommended that Finland remain engaged in the same sectors, but also start preparing a new strategy to pave the way for a transition away from aid-dominated cooperation. It also recommended that Finland support projects that contribute specifically to capacity-building at the county level. According to the evaluation Finland should also actively seek opportunities for facilitating cooperation and coordination among Kenyan actors, while at once striving for increased economic cooperation between Finland and Kenya.

According to the evaluation, recent reforms in Kenya have slowed down project implementation, but on the other hand project planning has also overestimated the partners' absorption capacities. In the governance sector, the evaluation found that the provision of diversified support to different actors was justified. In natural resources, the evaluation stated that Finland has a strong position and experience. Support in both the forestry and water sectors has contributed to the decentralisation of functions to counties. In the water sector, Finnish and Swedish support has helped to create a model for county-level engagement in water supply and sanitation, which will now also be applied by development partners such as the EU and Denmark. In the forestry sector, Finland's support has been crucial in facilitating the devolution of sector functions to the counties.



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Finland was able to consolidate implementation of the 2013–2016 Country Strategy due to relatively stable country context over the past few years. The overall the overall performance of the strategy can be rated as good. Progress with implementation has been particularly strong in the areas of good governance and human rights, mainly due to the basket-funding modality. In other areas applying different modalities, implementation has been slower. Finland has contributed actively to dialogue on development policy, aid effectiveness, women’s political participation and water and forestry legislation.

Finland is committed to continue its support for Kenya. This Country Strategy 2016–2019 is fully aligned with Finland’s new 2016 development policy. The strategy promotes democratic institutions, the functioning of society, and women’s and girls’ rights. Work will be continued to improve access to water and sanitation, and in the forestry sector a key focus will be on job creation and the promotion of economic opportunities. Private sector development and synergies with private sector involvement and trade will also receive greater focus. In general the Country Strategy for 2016–2019 is increasingly streamlined and avoids further fragmentation. As recommended by the evaluation, Finland will continue in the same sectors as before. However the impact areas identified for the strategy are thematic rather than sector-specific, which means that some interventions will contribute to more than one impact area.

Finnish CSOs remain active in Kenya. In 2015 disbursements to 25 Finnish CSOs in Kenya totalled 5.6 million euros. These include 12 partner organisations that receive multi-annual programme support. Among the partner organisations with activities in Kenya in 2015 were the Finnish NGO Foundation for Human Rights (KIOS), the Abilis Foundation, Fida International, Finn Church Aid, the Finnish Red Cross, Frikyrklig samverkan, the International Solidarity Foundation, Operation a Day’s Work, Plan Finland, Siemenpuu, World Vision and Save the Children.

In 2015 Finnish humanitarian assistance to Kenya amounted to 1.5 million euros.

Private sector financing instruments are in active use in Kenya. In 2015 disbursements through Finnfund amounted to almost 9 million euros. Finnfund had three major investments in Kenya, including Lake Turkana’s Windmill Park, Finnfund’s biggest investment in Sub-Saharan Africa. Finnpartnership

awarded almost 100,000 euros to 10 different applicants. In 2006–2016 Finnpartnership received 82 applications, of which it approved 42.

The two main UN organisations receiving Finnish core support relevant to implementation of the Country Strategy are UN Women and UNFPA. The most important development financing institutions are the World Bank and the African Development Bank.

PART 2

4. Expected Results of the Development Cooperation Programme

4.1 Impacts

This Country Strategy has three expected impacts: 1) accountable devolved governance that ensures the realisation of rights; 2) improved access to jobs and livelihoods; and 3) improved realisation of women's and girls' rights.

The first impact area – accountable devolved governance that ensures the realisation of rights – is focused on the devolution, an overarching and ambitious reform process established in the 2010 Constitution and put in practice after the 2013 elections. It is based on the political pillar of Kenya Vision 2030 and aims at a more equitable, democratic and accountable governance system that facilitates the realisation of the rights of the Kenyan people. Devolution is expected to reduce long-standing inequalities and disparities between regions by transferring both additional resources and decision-making power to decentralised levels of government. The Constitution also establishes a more inclusive role for citizens through transparency and participation at all stages of the county planning and budgeting processes. The successful roll-out of devolution is vital to the achievement of Kenya's development goals, with major implications for poverty reduction, service delivery and economic growth. One of the key devolved functions is the provision of water and sanitation services, which is often identified by communities as the most pressing need: only 48.8% of the rural population has access to improved water sources and 66% to basic sanitation. Sewerage coverage currently stands at 9.4%, which is mostly in urban areas. In rural areas coverage is still zero. Access to quality water and basic sanitation is both a human right and a gender equality issue. Devolved units are still



at a nascent stage, and support is therefore imperative in order to enhance both service delivery and the accountability of rights holders. Finland has a long and successful record of collaboration in both the water and governance sectors, and the impact is also in line with the goals of Finnish development policy.

The second impact area is improved access to jobs and livelihoods. One of the main objectives of Kenya Vision 2030 and its medium-term plans is to reduce poverty and to create more jobs in Kenya. Population growth is putting increasing pressure on the country's resources and making rural communities increasingly vulnerable. There is a growing need for new jobs and livelihoods. Finland has strong expertise in the forestry sector, and according to Kenyans bilateral cooperation has contributed significantly to the recovery of Kenya's forests and water resources. The GoK is planning a strategic shift from a focus on forest governance and conservation to productive forestry through private sector development. Strengthening the capacities of the various private sector stakeholders active in forestry is expected to increase opportunities for both jobs and livelihoods. In addition to its extensive know-how and advanced technologies, Finland has an excellent track record in policy dialogue with countrywide impacts, including bringing other donors on board and widening the sectoral funding base. One of the four key priorities of Finnish development policy is to strengthen developing countries' own capacity to generate more jobs, livelihood opportunities and well-being.

The third impact area of improving the realisation of women's and girls' rights supports implementation of the cross-cutting gender equality goals that come under the social pillar of Kenya Vision 2030. These so-called flagship initiatives include gender mainstreaming, where the aim is to enhance the capacities of decentralised gender functions, to collect and use gender disaggregated data, and to establish integrated services to respond to sexual and gender-based violence. A specific impact area was defined in order to highlight the Finnish contribution to gender equality, which is one of the key priorities of Finnish development policy. Finland has also played a key role in facilitating sector-wide dialogue and donor coordination that relates to gender equality and women's empowerment, and its contributions are well-recognised and appreciated in Kenya.

4.2 Outcomes and outputs



IMPACT 1: ACCOUNTABLE DEVOLVED GOVERNANCE THAT ENSURES THE REALISATION OF RIGHTS

Outcome 1.1: Increased accountability in county-level governance

The outcome is focused on increased accountability, which is one of the key objectives of devolved governance. Accountability in governance is also an enabling factor for sustainable development and poverty reduction: it is an important anti-corruption measure, and it contributes to more efficient and equitable public service delivery and increases democratic ownership of both governance and development processes.

Outputs:

- County governments have increased capacity for citizen participation and accountability
- Increased demand for accountability by citizens

The outputs have been selected to reflect both the duty bearers' and rights holders' roles and responsibilities in advancing accountability in devolved governance. County governments are mandated to engage with citizens in all their planning and budgeting processes, as well as to ensure timely access to information. Implementation of the national capacity-building framework is supported in order to strengthen the capacities of county governments in all aspects of their mandate. In addition to conventional mechanisms of accountability such as political checks and balances, accounting and auditing systems, administrative rules and procedures, one particular focus is on sufficient and timely mechanisms to enable public participation and accountability. This is in line with and contributes to Finland's tax and development action programme, particularly its objective to strengthen the ability of civil societies to hold governments accountable for increasing tax revenues and using them for public services.



Kenya is still a relatively young democracy and people are often discouraged, sometimes even intimidated from voicing their concerns and making claims relating to their rights. The second output focuses on civic education and the promotion of public participation and other citizen-driven accountability measures, such as public expenditure tracking, the monitoring of service delivery, investigative journalism, public commissions and citizen advisory boards. There are already some encouraging examples of how citizen participation in county planning and budgeting processes has contributed to a more equitable investment of resources within a given county.

Instruments, inputs and linkages:

Finland engages in policy dialogue with the GoK bilaterally and as part of the EU and other like-minded countries. Devolution, accountability and transparency will also be important items on the agenda of regular bilateral consultations and other forms of policy dialogue. Active participation in aid coordination structures is another key input.

Finland will continue its partnership with the World Bank in the framework of the Kenya Accountable Devolution Programme. Finland will also continue its partnership with the URAIA Trust and other Kenyan CSOs in order to address the demand for accountability. Finland will use its local cooperation fund, a small grants facility, to support the efforts of selected CSOs to further facilitate transparency and accountability, and to function as a watchdog of the implementation of the Constitution.

As far as human resources are concerned, the Coordinator for governance will play a key role in this outcome area.

There are linkages with the programmes of both Finnish and international NGOs. Most Finnish NGOs are involved in devolved governance in a way or another, often through sectoral themes such as children's rights, child protection, education or peace-building. The OXFAM programme on domestic resource mobilisation in Kenya and Vietnam is aimed to create awareness and understanding of the importance of revenue collection and public service delivery.

Outcome 1.2: Improved access to water and sanitation services in selected counties

This outcome has been selected to showcase both the constitutional right to water and the role that devolution is meant to play in bringing both decision-making and services closer to the people. It is also in line with the goals of the social pillar of MTP II. Finland has added value in the sector by working closely with Sweden and local authorities to develop an approach to working at the county level that is also being adopted by other partners. Improved access to water and sanitation also has other catalytic effects, for instance in improving gender equality and public health.

Outputs:

- Improved capacity of selected counties to manage water services delivery
- Strengthened capacity of selected counties to promote sanitation

These outputs have been selected with a view to addressing the capacity shortfalls in county governments, water utilities and water service delivery, and on the other hand the shortfalls in the promotion of basic sanitation. The enforcement of county water bills is supported in order to regulate and provide mechanisms for improved service delivery through the establishment of water quality and performance indicators for utility companies. Water utility companies are strengthened in order to improve the efficiency and effectiveness of the largely existing infrastructure so that they are better able to apply business approach models such as efficient revenue collection, management, and reduced non-revenue water.

In sanitation, the county-level duty bearers are to a certain extent different from those in water service provision. Despite devolution, sanitation and health services often remain underfunded. For this reason counties tend to focus increasingly on preventive rather than curative measures. It is necessary to increase public awareness especially about the importance of household sanitation and the risks of open defecation, which is still prevalent in rural households. A community-led total sanita-



tion strategy has been deployed to empower citizens to take charge of their sanitation at the village level. This involves frequent sensitisation and monitoring to ensure compliance with open defecation free zones. Public sanitation facilities in rural markets and towns are also being improved and a pro-poor tariff structure is enforced to ensure clean facilities and sufficient water supply.

Instruments, inputs and linkages:

Finland is a key member of the Water Sector Technical Group (WSTG) that engages donors collectively in policy dialogue with the GoK. A joint bilateral programme with Sweden provides support for the Water Sector Trust Fund (WSTF). Finland actively promotes aid effectiveness and harmonisation efforts within the WSTF.

In Kenya's most arid counties, the NGO Finn Church Aid is seeking to improve access to quality water in order to promote peace and reconciliation between pastoralist communities. These efforts are complemented by the work done by World Vision Finland in Western Kenya. The Coordinator for environment and natural resources together with the Counsellor for green economy play a key role in the attainment of this outcome.



IMPACT 2: IMPROVED ACCESS TO JOBS AND LIVELIHOODS

Outcome 2.1: Increased productivity and economic opportunities in forestry and agriculture

This outcome has been defined based on the objectives of the Kenyan Constitution, Kenya Vision 2030 MTP II (2013–2017) and the national forest programme. For decades, Finland's main focus in this sector has been on forest conservation and governance. The ban on timber harvesting in the Kenya Forest Service's (KFS) plantations, imposed with conservation in mind, has had the side effect of hampering opportunities to engage with the private sector, and even led to the closure of indus-



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tries. The potential contribution that forests can make to the Kenyan national economy is not yet fully appreciated. The Kenyan Constitution sets the target of a 10% forest cover in the country, up from the current figure of 7%. The support provided for the national forest programme's selected thematic clusters is intended to increase productivity, strengthen forest governance and attract investments in forestry. The main focus under this outcome will be on collaboration with the private sector and the KFS, the biggest owner of Kenya's forest plantations.

Outputs:

- Kenya Forest Service model plantations managed efficiently with stakeholders
- Improved products and market access among farmers and their organisations
- Forestry-related SMEs strengthened to efficiently manage and operate timber value chains

The selected outputs reflect the key needs of increasing productivity and creating jobs especially in timber value chains.

The management of KFS plantations has improved since the timber harvesting ban was lifted in 2011, but there still remain a number of challenges. During the timber harvesting ban in 1999–2011, there were only minimal inputs into management and harvesting. There is a risk therefore that the acreage available for harvesting will run out within just a few years' time and that the supply of timber will then fall drastically, causing great difficulty for forest industry SMEs. The programme plans to encourage partnerships between the KFS, private sector actors and community forestry associations with a view to increasing productivity. These operations are highly labour intensive and therefore create significant opportunities for jobs and livelihoods. New technologies and methods are to be introduced in order to assure the quality of forest operations.



The scattered and small-scale forest plantations do not meet the demand of forest industry SMEs, and their potential to create jobs and livelihoods is limited. The development of more effective timber markets will require closer links between organised groups of forest owners and SMEs. The technical quality of the plantation management system will also need improving. The programme will cooperate with tree growers' organisations in strong partnerships with county governments, which will be the main actors in driving the extension of forest areas.

Kenya's forestry sector SMEs are motivated to invest in new technologies. Finland will focus on the upper segment of SMEs and seek to identify those that have the potential to develop sustainable and well-governed business practices and so to increase job opportunities. This will cover the whole timber value chain from plantation establishment to final processing. Forestry sector SMEs will be strengthened in order to reduce operational bottlenecks, to increase their efficiency and competitiveness, and to increase their adherence to governance and labour standards. The support will preferably be channelled through institutions representing forestry sector SMEs such that the same opportunities can be offered to all. At the same time, the KFS and other relevant stakeholders will develop a regulatory framework and upgrade standards of labour safety, technology, management etc. for SMEs.

Instruments, inputs and linkages:

A new bilateral programme will be set up to cover the outcome. Finland will also engage increasingly with relevant private sector actors in Finland and Kenya in order to facilitate the access of Finnish forest technology providers to the Kenyan marketplace. Finland will continue to support Finnish-Kenyan partnerships on training, education and research. The integrated rural development programme PALWECO, which will end in mid-2017, will also contribute to the outcome.

The Counsellor on green economy together with a local Coordinator will contribute to this outcome.



IMPACT 3: IMPROVED REALISATION OF WOMEN'S AND GIRLS' RIGHTS

Outcome 3.1: Gender-responsive legislation, plans and strategies are implemented at national level and in selected counties

The outcome is derived from the MTP II flagship initiatives that are aimed at mainstreaming gender in all government actions. Kenya has in place a relatively comprehensive legal and policy framework for supporting gender equality. If the laws and policies were properly enforced and implemented, that would enhance the realisation of women's and girls' rights at both the national and county level. In addition to technical and financial support, policy dialogue contributes significantly to this outcome. Finland has a long and successful track record in promoting gender equality and women's empowerment in Kenya.

Outputs:

- Women's increased opportunities to participate in decision-making at different levels
- Capacities of national and selected county governments enhanced in gender-sensitive planning and budgeting

In order to increase women's participation in decision-making, support will be provided to strengthen women candidates' capacities to take part in the 2017 elections. This includes support for the development of an adequate legal framework and for the promotion of internal democracy in political parties. After the elections both elected and nominated women will be further mentored in order to prepare them better for their decision-making role. At the same time, the national gender machinery (State Department of Gender and National Gender and Equality Commission) will be strengthened to deliver their mainstreaming, coordination and oversight functions. County governments are supported so that their planning and budgeting processes are more gender-sensitive.



For the implementation of both outputs, financial and technical support will be channelled to relevant authorities and CSOs working on gender issues, notably in the context of securing implementation of the key laws and policies that ensure the benefits that women have gained in the 2010 Constitution.

Instruments, inputs and linkages:

Finland engages in policy dialogue with the GoK bilaterally and as part of the EU and other like-minded countries. Gender equality will be an important item on the agenda of regular bilateral consultations and in other forms of policy dialogue. Finland has been co-chairing the gender sector working group and the development partners' gender group, both of which are important mechanisms for policy dialogue.

Finland will continue to work closely with UN Women in implementing its Kenya Country Strategy. Mainstreaming gender into the World Bank Accountable Devolution Programme is another key input. URAIA's work on elections also contributes to this end. Through UN Women, the Fund for Local Cooperation and CSO partnerships, Finland will also continue to support implementation of Kenya's National Action Plan on UN Security Council Resolution 1325 and related resolutions.

In terms of human resources, one of the Counsellor positions will contribute to this end.

Outcome 3.2: Sexual and gender-based violence addressed in selected counties

A specific outcome on sexual and gender-based violence has been defined in order to address one of the gravest human rights violations that women and girls continue to face in Kenya. Policies, norms and protocols have been developed, but the challenge is their effective implementation so that women and girl survivors of violence are protected and receive adequate services. The need for these services is greatest in the counties. However, at county level the capacities of the duty bearers still need strengthening so that the complexities of the issue can be adequately addressed.

Outputs:

- Capacities of relevant duty bearers in selected counties strengthened in the fight against SGBV
- Communities mobilised in the fight against SGBV in selected counties

The two outputs are chosen to reflect the strengthening capacities of both duty bearers and rights holders. They will be defined in closer detail in the new programme's planning process.

A number of duty bearers share the responsibility for the prevention of and response to sexual and gender-based violence: the health authorities, the justice sector, law enforcement, education, etc. There are often shortfalls in their capacities to detect cases of violence or to provide coordinated services for survivors of violence. Devolution has implied a shift in the responsibilities of service provision to county governments, yet not all the services that survivors of violence need are devolved. This presents yet another challenge for effective response. Therefore both the capacity-building and coordination mechanisms will be strengthened. Special attention is paid to sustainability.

The rights holders, women and men, girls and boys, need information on sexual and gender-based violence and on the services that are available or that should be available for potential victims. Communities can play a key role in increasing detection and reporting, and their engagement and demand for services also contributes to sustainability. Increasing men's awareness will be one of the key strategies in the prevention of sexual and gender-based violence.

Instruments, inputs and linkages:

A new bilateral programme will be identified for the implementation of this outcome. Its modality will depend on the programme planning process that will follow. Support for the UN Women Country Strategy will also contribute to addressing sexual and gender-based violence, even though the



Finnish support is mainly concentrated on the governance-related outcomes of the UN Women Country Strategy. A few Kenyan NGOs will also be funded through the Fund for Local Cooperation.

In terms of human resources one of the Counsellor positions will contribute to this end.

Some of the Finnish NGOs and foundations also work with local partners, mostly at the community level, to address sexual and gender-based violence and female genital mutilation.

5. Implementation

5.1 Complementarity and coherence

Finland has extensive interaction with Kenya that goes beyond development cooperation. Political dialogue between the countries takes place bilaterally, through the EU and other international organisations. Finland emphasises the importance of regional stability and security as well as gender aspects and human rights. Finland has supported the drafting of Kenya's National Action Plan on UN Resolution 1325 (women, peace and security). Finland has also seconded an officer to the planning section of the Eastern Africa Standby Force in Kenya. Trade relations are facilitated in the context of the development cooperation programmes described in Chapter 4, especially in the water and forestry sectors. In addition, all the private sector instruments available (Finnfund, Finnpartnership, BEAM and concessional credits) are in use in Kenya. Kenya is also a potential target country for the new Public Sector Investment Facility (PIF) launched in 2016. The Team Finland network in Kenya is active, and Finpro's East African office is located in Nairobi.

The most relevant UN actor with regard to the Country Strategy in Kenya is UN Women, which is also supported directly at country level. This support is in line with the Finnish policy of supporting UN Women. Finland also participates in EU coordination and joint programming.

Many regional development cooperation programmes funded by Finland also cover Kenya. The most relevant among these with regard to the Country Strategy are programmes related to the Aid for Trade agenda. Finland supports TradeMark East Africa, which is aimed at developing an enabling business and trade environment in the region. Finland also supports the World Bank's InfoDev Trust Fund, especially in the thematic areas of digital entrepreneurship and innovative agribusiness. The trust fund supports start-ups through business enablers. The Energy and Environment Partnership Programme funded by Finland, the DFID and ADA supports projects in renewable energy, energy efficiency and clean technology.



5.2 Partnerships and modalities for development cooperation

Finland's support is based on Kenya's long-term and medium-term plans and priorities (Vision 2030 and MTP II) as well as existing sector-related plans. Joint financial arrangements and joint programmes are the preferred mode of implementation if available. These arrangements can be government, multilateral or non-state actor led. Finland also contributes actively to the enhancement of aid coordination at general and sector levels and to the harmonisation and use of country systems in development effectiveness dialogue with the GoK and other stakeholders. In addition, Finland supports the further development of EU joint programming in Kenya. Finland seeks predictability in funding and putting aid on budget. Country systems are used whenever considered feasible for the achievement of programme objectives.

Finland's programmable bilateral assistance is based on different partnerships and modalities. It is envisaged that in most programmes, Finland will work together with or through partners. UN Women and the World Bank's Multi Donor Trust Fund for Accountable Devolution are supported through multi-bi cooperation. In the water sector, Finland co-finances the Water Services Trust Fund together with Sweden. The model for county-level engagement in water supply and sanitation created with this support will also be applied by other development partners, such as Denmark and the EU. Finland also works closely with the URAIA Trust in civic education and with other CSOs through the Fund for Local Cooperation. The Western Kenyan rural development programme (PALWECO) is an example of a more traditional bilateral programme where funding and technical assistance are channelled through a consultancy company. New forestry and gender programmes will look into possibilities of establishing partnerships with private sector actors and CSOs. Most programmes include a technical assistance component. Finland will also explore innovative and sustainable ways of supporting private sector development, and it will aim to attract and leverage financing through other sources, such as Finnfund, the BEAM programme and private investments. Furthermore, twinning arrangements between Finnish and Kenyan institutions will be pursued where possible. Finland will also keep in close contact with Finnish CSOs working in Kenya.

5.3 Long-term sustainability

The long-term sustainability of Finland's Country Strategy, like many other development interventions in Kenya, is achieved by taking counties as entry points and supporting them in strengthening their structures and capacities to carry out their duties. In this respect, the first impact area of the Country Strategy is vital. It is based on an approach that is geared to improving and developing county structures and systems in general and those in the water and sanitation sectors in particular. In the water and sanitation sectors, Finland's support contributes to establishing county-level systems for service delivery. These systems are based on partnerships that are considered to be sustainable in the medium and long term. On the other hand, within this impact area Finland is also committed to strengthening the capacities of people's organisations to make county governments accountable for the use of public funds. ODA support is needed at this early stage of reform, but can be considered a temporary measure.

The second impact on jobs and livelihoods through forestry strengthens non-state actors' capacities to increase forestry sector productivity and to develop related jobs and livelihoods. The third impact area on women's and girls' rights works with and through national state and non-state actors to enhance their capacities. In the outcome area of sexual and gender-based violence, the entry points are the counties, so that they can develop sustainable systems with which to address the issue.



5.4 Risk management

The main risks for the implementation of the Country Strategy stem from the country context, namely the turbulence that may follow the 2017 general elections in Kenya. The elections are for President, Parliament (two houses), County Governor and assemblies as well as for Women Representative's positions at National Assembly and are therefore highly complex. It is expected that the elections will be the most fiercely contested in the counties, but national politics is not without its tensions either. The elections will in any case delay implementation of the strategy, but at worst they may undermine confidence in the government's commitment to implementing the constitutional reforms. Further risks relate to a possible deterioration of the security situation, and possible breakdowns in government, civil society and development partner relations. Management of the contextual risks will require active follow-up of the country's political economy and participation in political and policy dialogue in different fora.

Kenya represents a high-risk environment for corruption. The institutional risks mainly have to do with the possible mismanagement or misuse of funds. The upcoming elections may pose a risk in this sense, too, if Finland's support is seen as an intervention in political campaigning. The main programmatic risk has to do with the political and financial commitments to devolution in general and in sectors that Finland is supporting. Separate mention must be made of the risks related to the potential political and economic barriers to business development in the forestry sector.

The management of institutional and programmatic risks is based on the principles of good development management. This includes safeguards such as the selection and screening of partners and funding channels, and the monitoring, auditing and evaluation of Finland's support. Participation in the programmes' decision-making bodies is also an integral part of risk management. Attention will also be paid to Finland's own human resources management and continuous skills development.

6. Monitoring and evaluation

Country Strategy monitoring is based on ongoing monitoring of development projects, programmes, policy dialogue and other cooperation by the Embassy. This work follows the MFA's principles and guidelines, especially the Guideline on Results-based Management, the Manual for Bilateral Programmes and the Evaluation Guidelines. In joint arrangements, Finland will participate in joint reviews and evaluations.

The Country Team will continuously monitor the validity of the assumptions made in the Country Strategy and its Logic Model (Annex I) as well as the identified risks, and take corrective measures as needed. The use of Country Strategy budgeted funds is monitored on an ongoing basis using automated reports from the MFA financial accounting systems.

The Country Team will prepare an annual report following the MFA reporting format in the first quarter of the calendar year. The annual report provides an overview of Country Strategy monitoring and reporting. The potential need for corrective measures will be determined by the Department for Africa and the Middle East.

Findings of project-level management reviews and mid-term, final and potential impact evaluations, as well as relevant thematic evaluations also feed into Country Strategy monitoring and reporting.

The Country Strategy as a whole will be evaluated towards the end of the strategy period (MFA Evaluation Unit).

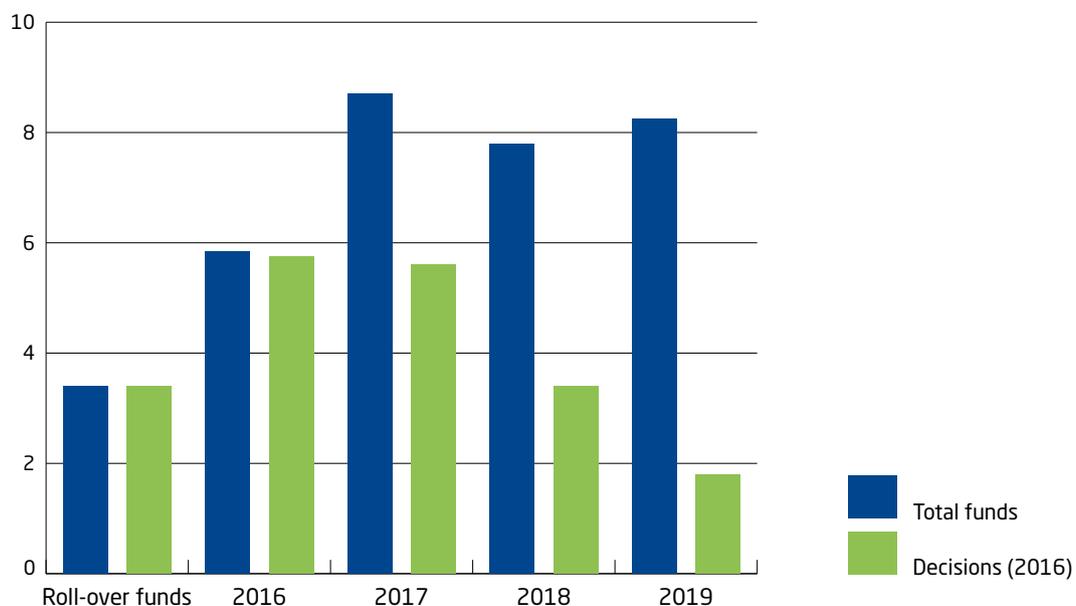


7. Tentative financing plan (budget)

The planned budget frame for 2016–2019 is 34 million euros, with annual budgets of around 8 million euros. The financing plan applies only to bilateral development cooperation that comes under the Country Strategy. It does not include humanitarian aid, private sector instruments or the Finnish CSOs referred to in Chapter 3.

Budgeting framework 2016–2019

(million euros)

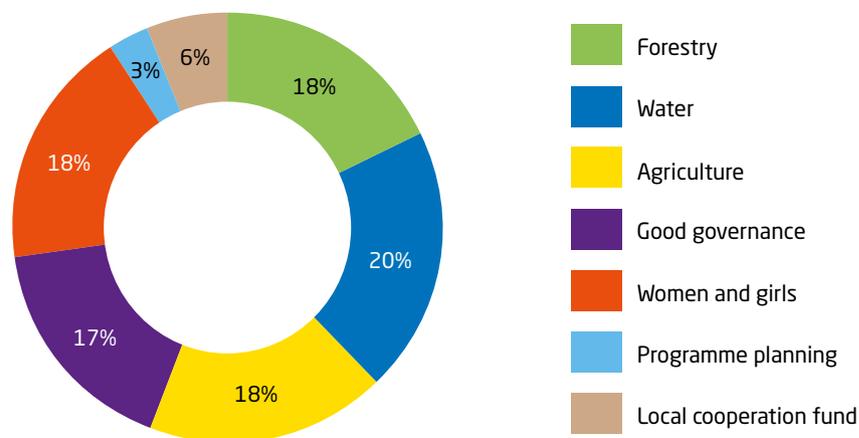


KENYA

Each programme area is roughly the same size, accounting for around 20% of the budget. The rural development programme will be phased out in 2017, but will still account for some 18% of the total Country Strategy budget.

Planned budget allocation 2016-2019

(Total funds 34 million euros)





Annexes

ANNEX I: Logic Model

IMPACT	OUTCOME	OUTPUT	Key assumptions linking outputs/ outcomes/impacts	Instruments and inputs
1. Accountable devolved governance that ensures the realisation of rights	1.1. Increased accountability in county-level governance	1.1.1. County governments have increased capacity for citizen participation and accountability	<p>Impact-related: Political stability; peaceful elections in 2017; GoK commitment to devolution; continued commitment to implementation of the Constitution; central and county government relations remain stable.</p> <p>Outcome-related: County governments' commitment to comply with legislation concerning citizen participation and accountability; citizens have time to engage and participate in county planning processes; not too problematic transfer after 2017 elections at county level; continued support for other development partners.</p>	World Bank Multi-Donor Trust Fund on Accountable Devolution.
		1.1.2. Increased demand for accountability by citizens		Bilateral support, together with other donors, to URAIA Trust, FLC.
	1.2. Improved access to water and sanitation services in selected counties	1.2.1. Improved capacity of selected counties to manage water services delivery	<p>Outcome-related: Counties are receptive and have adopted the County Water Bill. WUs accept the business model approach in service provision. Allocations to water and sanitation sectors are increased. National and county government remain committed to improving water and sanitation provision and their relationship is improved.</p>	Bilateral support to Water Services Trust Fund.
		1.2.2. Strengthened capacity of selected counties to promote sanitation		Bilateral support to Water Services Trust Fund.

KENYA

IMPACT	OUTCOME	OUTPUT	Key assumptions linking outputs/ outcomes/impacts	Instruments and inputs
2. Improved access to jobs and livelihoods	2.1. Increased productivity and economic opportunities in forestry and agriculture	2.1.1. Kenya Forest Service model plantations managed efficiently with stakeholders	<p>Impact-related: Private sector is motivated and willing to invest in new efficient technology and improve its management. There is increased demand for forest-related expertise in the private sector and among the public. Farm forestry associations are well managed and willing to engage in forestry-related value chains.</p> <p>Outcome-related: Sector institutions and stakeholders remain stable and committed to support private sector. KSF willing to open up the forest sector. Anti-corruption measures implemented. Markets for products are available, accessible and competitive. There are private sector actors willing to support or partner with communities in farm forestry. County governments are willing to support community-level business development.</p>	Bilateral programme under planning; policy dialogue; PALWECO programme (outcome level)
		2.1.2. Improved products and market access for farmers and their organisations		Bilateral programme under planning; policy dialogue
		2.1.3. Forestry-related SMEs strengthened to efficiently manage/operate timber value chains		Bilateral programme under planning; policy dialogue



IMPACT	OUTCOME	OUTPUT	Key assumptions linking outputs/ outcomes/impacts	Instruments and inputs
3. Improved realisation of women's and girls' rights	3.1. Gender-responsive legislation, plans and strategies are implemented at national level and in selected counties	3.1.1. Women's increased opportunities to participate in decision-making at different levels	Impact-related: GoK's continued commitment to advance gender equality; institutions are in place to support implementation of policies that promote gender equality; political stability; attitude and behavioural changes related to gender equality.	Policy dialogue; support for UN Women Country Strategy; URAIA Trust; FLC
		3.1.2. Capacities of national and selected county governments enhanced in gender-sensitive planning and budgeting	Outcome-related: Constitutional quota legislation in place and implemented; political parties comply with quota legislation.	Policy dialogue; support for UN Women Country Strategy
	3.2. Sexual and gender-based violence addressed in selected counties	3.2.1. Capacities of relevant duty bearers in selected counties strengthened in the fight against SGBV	Outcome-related: County governments committed to fight against SGBV; devolved level budgets are allocated and transferred timely; community members are interested and have time to engage.	Policy dialogue; UN Women to certain extent; bilateral programme to be defined; FLC
		3.2.2. Communities mobilised in the fight against SGBV in selected counties		Policy dialogue; bilateral programme to be defined; FLC



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