



Country Strategy for Development Cooperation with

KENYA 2013–2016

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Abbreviations

AEG	Aid Effectiveness Group
AfDB	African Development Bank
ARD	Agriculture and rural development
CSO	Civil society organisation
CSP	Country strategy paper
DPF	Development Partnership Forum
DRR	Disaster risk reduction
EAC	East African Community
EASF	East African Standby Force
EIU	Economist Intelligence Unit
EU	European Union
FAO	Food and Agriculture Organisation
FMA	Financial management agency
GDP	Gross national product
GNI	Gross national income
GoK	Government of Kenya
HRBA	Human rights-based approach
ICC	International Criminal Court
ICIPE	International Centre of Insect Physiology and Ecology
ICRAF	International Centre for Research in Agroforestry
IEBC	Independent Electoral and Boundaries Commission
IFAD	International Fund for Agricultural Development
ILRI	International Livestock Research Institute
IMF	International Monetary Fund
KEFRI	Kenya Forest Research Institute
KFS	Kenya Forest Service
KJAS	Kenya Joint Assistance Strategy
LCF	Local cooperation fund
MDG	Millennium Development Goal
MMMB	Miti Mingi Maisha Bora (forestry programme)
MTE	Mid-term evaluation
MTP	Medium term plan
NGO	Non-governmental organisation
NHRI	National Human Rights Institution
NIMES	National Integrated Monitoring and Evaluation System
ODA	Official development aid

OECD DAC	Organisation for Economic Cooperation and Development; Development Assistance Committee
PALWECO	Programme for Agriculture and Livelihoods in Western Communities
PFM	Public financial management
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UN Women	United Nations Entity for Gender Equality and the Empowerment of Women
USAID	United States Agency for International Development
WSTF	Water Services Trust Fund
WRMA	Water Resources Management Authority

1 Executive summary: KENYA

Kenya is in a process of transition from the political crisis triggered by post-election violence in 2007-2008 towards a system of government based on democratic ownership and accountability. Kenya's new constitution, adopted in 2010, is a crucial benchmark and step forward in this process. At the same time, the transition poses a challenge in that the implementation of the constitution requires sustained political will in an environment of competing political and economic interests and ethnic loyalties.

Kenya is Finland's only long-term partner country in Africa that is not a least-developed country. Finland continues to support Kenya's development because the transition process promises a better future for Kenyans. It represents an opportunity for change towards a system whereby Kenya's serious political and social challenges, notably poverty, inequality and impunity, can be properly addressed. This can only be achieved, however, if Kenya demonstrates strong ownership and commitment.

The implementation of the provisions of the new constitution is the key for Kenya's successful development. Finland remains committed to supporting this process, including the devolution of power to the local level, which is an integral part of the constitution.

This country strategy reviews Finland's development cooperation with Kenya against the background of redefined priorities set out in the Finnish Development Policy Programme of 2012, including an added emphasis on human rights, democratic ownership and accountability, and results-based management. It is based on *Vision 2030* - Kenya's long-term development strategy - and on Kenya's new constitution.

Finland's country strategy for Kenya envisages support to the implementation of Kenya's key priorities. A human rights based approach is implemented through targeted interventions intended to improve, for example, access to justice and gender equality in line with Kenya's new rights-based constitution, and interventions that have a direct impact on the realisation of social and economic rights.

The country strategy entails more systematic application of results-based management than before. In practice, this means that the interventions are monitored and evaluated vis-à-vis their contribution to the achievement of selected development results, and Finland's respective objectives. The country strategy will be reviewed regularly, including in light of Kenya's emerging devolved governance structure and upcoming second medium term plan.

The country strategy defines three objectives for Finland's cooperation with Kenya:

- Kenya's development towards a democratic and accountable society that promotes human rights
- poverty reduction through inclusive green growth in the agricultural sector
- improved management and use of forest and water resources.

In all activities, Finland promotes active participation by local communities, civil society, and the private sector.

In policy dialogue, in addition to human rights based approach, the cross-cutting objectives of the Finnish development policy - gender equality, reduction of inequality and climate sustainability - will be central. Finland will also put more emphasis on furthering the aid effectiveness agenda in Kenya.

2 Country analysis

2.1 POLITICAL, ECONOMIC AND SOCIAL DEVELOPMENT

Kenya's political system is driven by ethnic loyalties rather than political ideologies. Kenya continues to face serious challenges with regard to the rule of law. Human rights violations occur frequently and equality is not put into practice. Impunity for serious crimes, notably human rights violations and corruption, remains a formidable challenge. The level of corruption in Kenya is high; in the Transparency International's Corruption Perceptions Index Kenya scored 139th out of the 176 countries surveyed in 2012.

The new constitution holds a lot of promise for Kenyans, and therefore gives reason for optimism about the future. The promotion of equality and respect for human rights are among its key elements. Devolution of power from central government to the local (county) level is also a crucial part of the constitution, as devolution, once implemented, will empower local communities and further democratic participation.

Kenya's development depends on how it will succeed in the implementation of its constitution. With the passing of new legislation implementing the provisions of the constitution, the general elections in 2013 are the first litmus test on whether Kenya can make progress in this regard.

Despite its experience of domestic political turmoil, Kenya has a role as an "anchor of stability" in the East African region with Somalia and South Sudan as its neighbours. Over a number of years, there has been a substantial influx of refugees to Kenya from Somalia and South Sudan. Al-Shabaab remains a threat to Kenya's internal security.

Kenya has the largest and most diverse economy in East Africa, with an average annual growth rate of over 5% for nearly a decade. Its entrepreneurship and human capital give it huge potential for further growth, job creation and poverty reduction. The recent discovery of oil and other mineral resources creates great potential for the Kenyan economy, if the resources are managed properly and the benefits are distributed in a fair and transparent manner.

In Kenya, wealth has not been distributed equally, although the country's absolute poverty rate has declined slowly (46% in 2006). In fact, although the Human Development Index ranks Kenya highest in the region, Kenya's poverty rate is significantly higher than in the neighbouring countries Tanzania and Uganda. Within Kenya, regional disparities also prevail. Poverty is highest in the arid and semi-arid areas that cover about 80% of the land area and are inhabited by about 20% of the population. Poverty also affects the coastal area, which receives fewer resources. Rapid population growth is another major challenge, further complicated by high unemployment rates especially among the youth. About half of Kenya's population are under 18 years of age.

Kenya's progress in reaching the Millennium Development Goals (MDGs) has been patchy. Significant progress has, on the one hand, been made on universal primary education, gender equality and women's empowerment, and on HIV/AIDS. On the other hand, on improvement of maternal health, there has been outright negative development.

Kenya's natural resource base is under pressure due to fast population growth, unsustainable use of natural resources and weaknesses in governance. Climate change poses many challenges for Kenya. There is a need to adapt to and mitigate the effects of extreme weather conditions. There is also a structural deficit in the production of several key foodstuffs.

2.2 DEVELOPMENT SCENARIOS FOR THE COUNTRY

This country strategy is based on a long-term positive development scenario, which would require full and timely implementation of the constitution, including free, fair and peaceful elections, the establishment of a devolved government structure, as well as a stronger focus on the MDGs.

In addition, in this scenario, it is anticipated that new jobs and markets created by the private sector, including SMEs in the agriculture, forestry and water sectors, will shift Kenya towards a sustainable and inclusive green economy. This would fuel economic growth, social wellbeing, and advance political stability.

If the benefits from the natural resources, such as the newly recovered oil, gas and coal, as well as other resources, such as land, bio-fuels and forests, are distributed in a fair manner, considerable economic gains can be expected. Sustainable use of the natural resources coupled with proper regulatory mechanisms and practices would generate funds for government institutions and reduce their dependency on external funding. Well-functioning and deepening integration of the East African Community (EAC) countries would also give a further economic boost, increasing regional trade.

A positive development scenario would be endangered in the short term, if campaigning and the 2013 elections were to turn violent and their results be contested. Ethnic divisions could deepen further. Failure to implement the new constitution within stipulated timelines could fuel disappointment among the public towards the Government of Kenya (GoK) and further lead to unrest, violence and an increase in the number of internal refugees. This would also have a negative impact on investments leading to reduced economic growth.

In a longer perspective, inability to tackle such structural problems as poverty, rapid population growth, growing inequalities, increasing unemployment, corruption and impunity would pose a serious risk to Kenya's sustainable development.

Furthermore, instability in Somalia and South Sudan cause increased insecurity in Kenya. More intense and frequent droughts and flood patterns pose a challenge for food production and food security. Conflicts over scarce resources and food insecurity in certain areas, aggravated by climate change, could further fuel conflicts in the region.

3 Development context

3.1 NATIONAL DEVELOPMENT FRAMEWORK; DONOR HARMONISATION AND DIVISION OF LABOUR

Kenya's long-term development strategy *Vision 2030* was launched in 2007 after a broad-based consultation process. *Vision 2030* is implemented through five-year Medium Term Plans (MTPs). The first and current MTP runs until the end of 2012. The new MTP is being drafted for adoption by the new government in 2013. It is likely to bring some changes to the Kenyan priorities, objectives and targets within the framework of *Vision 2030*. It also needs to take into account the governance reforms stipulated in the constitution, including devolution.

Kenya's budget amounts to about USD 17 billion (2012). Under the provisions of devolution, the new 47 county governments will be responsible for providing basic social services, for which they will receive a minimum of 15% of the national revenue.

Kenya's development expenditure is financed by government borrowing or by grants from development partners. In 2010, Kenya received USD 1631 million of official development aid (ODA), which corresponds to about 5% of Kenya's gross national income (GNI). Compared with Tanzania and Uganda (ODA/GNI respectively at about 12% and 10%), Kenya is clearly not as dependent on external aid. Only 3% of the aid - both grants and loans - received by Kenya is channelled through the Ministry of Finance.

Kenya's ten biggest bilateral and multilateral donors are the US, the World Bank (International Development Association), the UK, Japan, the International Monetary Fund (IMF), France, the EU, Germany, the African Development Bank (AfDB) and Denmark. Among Kenya's new partners, China has a strong presence in the infrastructure sector and its importance is growing rapidly.

The Kenya Joint Assistance Strategy (KJAS) 2007-2012 forms the current framework for development cooperation in Kenya. Policy dialogue and to some extent performance review between the GoK and the development partners take place in the Development Partnership Forum (DPF). The aid effectiveness agenda is promoted in the government-donor Aid Effectiveness Group (AEG). Several working groups are established around the sectors defined in *Vision 2030*.

Despite the established structures, Kenya does not rank well with regard to aid effectiveness indicators. Of the Paris Declaration indicators only two - those concerning a development strategy and a results-based framework - have been achieved. Due to Kenya's poor track record in terms of the quality of public financial management systems, the use of country systems is still relatively low.

Currently, Finland is a donor co-chair in forestry and gender issues. In the area of governance and human rights, Finland is one of the most prominent donors together with Sweden, Norway and the Netherlands. Other major donors in the thematic areas where Finland is active include the World Bank, the African Development Bank, the EU, USAID and Japan.

The new MTP is expected to provide an opportunity for further coordination, alignment and division of labour among the development partners. It is also expected to bring clarity and coherence to sector definitions used by the GoK. Finland will actively take part in the dialogue to enhance aid effectiveness in Kenya.

3.2 HUMAN RIGHTS BASED APPROACH AND THREE CROSS-CUTTING OBJECTIVES OF FINNISH DEVELOPMENT POLICY

The situation in Kenya concerning human rights and the three cross-cutting objectives - gender equality, reduction of inequality, and climate sustainability - is challenging.

The Bill of Rights included in the 2010 constitution provides a strong mechanism for promoting respect for human rights. Of particular importance, given the high rates of poverty, are the social and economic rights. The Gini index, which is a commonly used measure of inequality, shows a relatively high coefficient for Kenya, underlining the economic inequality affecting the lives of Kenyans. In a multicultural country like Kenya, it is vital to ensure different communities the right to their own language and culture. The Bill of Rights includes the rights of special groups such as women, youth, the elderly, children, minorities and marginalised communities. The constitution does not, however, acknowledge the rights of sexual minorities.

Kenya does not rank well with regard to the World Bank democracy and corruption indicators. There are serious problems with regard to human rights violations and impunity despite the indictments by the International Criminal Court (ICC) against four Kenyans suspected of involvement in organising the 2007-2008 post-election violence. The ICC process is a critical message against impunity and also a deterrent in the future.

The slow progress in attaining the MDG on maternal health tells of the poor status of Kenyan women. Women's participation in decision-making is generally low; currently, only 10% of the members of parliament are women. The constitution states that either sex has the right as a group to a 1/3 representation in public service. Land legislation must recognise matrimonial property including the family home, and the protection of dependents of deceased persons, including those in actual occupation of land.

In Kenya, climate change acts as a multiplier of existing threats to productivity growth and food security, increasing the frequency of droughts, floods and other natural disasters. A Kenya Climate Change Action Plan is being developed. Climate change is expected to be a priority area in the new MTP.

4 Finnish cooperation to date and lessons learned

4.1 FINNISH COOPERATION TO DATE AND CONTRIBUTION TO COUNTRY LEVEL RESULTS

The current development cooperation is a result of a long-standing partnership - over thirty years - between Kenya and Finland. Finnish cooperation in Kenya has not been evaluated since 2002, which makes it difficult to draw evidence-based conclusions of the results and lessons learned to date. There have, however, been thematic evaluations on agriculture and forestry.

The agriculture sector evaluation recommended that support to agriculture programmes should be a combination of the productive sector in rural development, value chain development, agriculture research and institutional capacity building. These recommendations have been taken into account in the current cooperation in the agriculture and rural development (ARD) sector.

The forestry sector evaluation noted that improved effectiveness requires closer attention to changes in the political and economic environments and coordination between different interventions. Finland's current support aims to address this by supporting the forestry sector reform as a whole.

An important lesson learned from previous interventions in the water sector is that programmes need to align and harmonise their structures with the institutions in the sector. It has been considered vital to set up a revenue collection mechanism as part of the water supply scheme to improve sustainability, and this has been addressed in the current support to the Water Services Trust Fund (WSTF).

It is challenging to predict implementation rates in a changing and complex environment. Implementation is often slower than expected. The rate varies between thematic area; it tends to be high in the area of governance and human rights mainly due to the commonly-used basket fund modality; in other areas, where different modalities are used, implementation tends to be slower. It should be taken into account that even a partial use of country systems tends to result in a relatively lower rate of implementation, especially in a transition phase.

4.2 AID EFFECTIVENESS: KEY LESSONS AND RECOMMENDATIONS FOR FINLAND

Finland supports the aid effectiveness agenda in Kenya and participates in aid coordination and the various working groups. Even though the interventions funded by Finland are aligned to Kenyan priorities, the project modality is used in most of Finland's interventions. The limited use of programme-based approaches applies, however, not only to Finland but also to many other donors. This reflects the absence of government-led sector reform programmes and joint financing modalities especially in the thematic areas where Finland is active.

Currently, Finland uses country systems in a mixed manner. This means using financial management agencies (FMAs) in channelling funds and overseeing their use but, for example, opting in some cases for the use of local procurement legislation in an effort to use country systems where possible and also to facilitate local capacity building. The rationale for doing so is that, at the time when the interventions that Finland supports were designed, there was insufficient evidence on the integrity of Kenya's public financial management system.

The mixed use of different administrative systems and regulations has served to create confusion, which has at times unduly complicated project management. On occasion, prolonged confusion has affected implementation negatively.

5 Objectives of Finnish development cooperation with Kenya

5.1 COUNTRY DEVELOPMENT GOAL

A globally competitive and prosperous nation with a high quality of life by 2030 (*Vision 2030*).

5.2 COUNTRY DEVELOPMENT RESULTS AND FINLAND'S STRATEGIC CHOICES

Vision 2030 is built on economic, social and political pillars, which include the following three expected development results:

▶ **To maintain a sustained economic growth of at least 10% per annum from 2012 and beyond**

Under the economic pillar, Kenya envisages objectives such as development of tourism, increasing value in agriculture, a better and more inclusive wholesale and retail trade sector, manufacturing for the regional market, business process offshoring, and financial services.

▶ **A just and cohesive society enjoying equitable social development in a clean and secure environment**

The social pillar includes such objectives as development of education and training and the health sector, water and sanitation, the environment, housing and urbanisation, gender, youth and vulnerable groups as well as equality and poverty elimination.

▶ **An issue-based, people-centred, result-oriented, and accountable democratic political system**

The political pillar, in turn, addresses such objectives as the strengthening of the rule of law, electoral and political processes, democracy and public service delivery, transparency and accountability as well as security, peace-building and conflict management

As to Finland's strategic choice, Finland will continue to support all the above-mentioned three development results, as explained below. In parallel, Finland will support the implementation of the new constitution, which, with *Vision 2030*, provides the framework for Kenya's development. Finland believes that the full implementation of the constitution is a prerequisite for attaining the *Vision 2030* development goal.

Kenya's objectives under the social and political pillars (with some exceptions under the social pillar) are highly relevant to Finland's cooperation with Kenya. Finland will support these objectives, which not only serve to reduce poverty and inequality but also promote a democratic and accountable society - the core issues in Finland's Development Cooperation Policy Programme.

While *Vision 2030* focuses on economic growth, the new constitution guides governance reforms in the coming years. Therefore Finland believes that supporting the implementation of the new constitution is the key to furthering such reforms.

The development result under the economic pillar is relevant to Finland's cooperation with Kenya because sustained economic growth can, if distributed fairly, contribute to poverty reduction. The economic pillar involves however, a wide range of specific objectives, of which only one – increasing value in agriculture – is taken up in the current country strategy.

One of Kenya's specific objectives in this regard is to transform the small-holder agriculture from subsistence farming to an innovative and commercially oriented modern and competitive agriculture, which can increase its contribution to Kenya's GDP. The transformation will be accomplished through adding value to farm and livestock products, increasing productivity, improving market access, and revising land policies.

Under the social pillar, the objectives relating to forestry and water are also highly relevant to Finland. In these areas, Kenya's objectives are, respectively, to ensure that Kenya attains a 10% forest cover by 2030 and that improved water and sanitation services are available and accessible to all. Given ongoing cooperation with Kenya and established Finnish expertise in both fields, Finland considers continued cooperation in these thematic areas important.

5.3 FINLAND'S OBJECTIVES

In its cooperation with Kenya, Finland will focus on three objectives. These are presented below under the country development results to which they contribute.

(N.B. The order of presentation deviates from the pillar structure of *Vision 2030*. It should also be noted that while Finland's objectives correspond to Kenya's country development results, they do not fit into the pillar structure in terms of presentation, as some objectives extend over two pillars).

COUNTRY DEVELOPMENT RESULT 1: AN ISSUE-BASED, PEOPLE-CENTRED, RESULT-ORIENTED, AND ACCOUNTABLE DEMOCRATIC POLITICAL SYSTEM

Finland's objective under this country development result is

A democratic and accountable society that promotes human rights

Finland believes that the implementation of the provisions of the new constitution is the key for Kenya's successful development in the future. This process is of crucial importance in consolidating the rule of law and a democratic and accountable society in Kenya.

Finland's specific objectives are:

- Capacity of the Independent Electoral and Boundaries Commission (IEBC) increased and opportunities for women, youth, minorities and persons with disabilities participation in the electoral process improved, and organisation of civic education
- Capacity of National Human Rights Institutions strengthened to promote access to justice
- Capacity of strategic Kenyan actors increased to promote gender equality

Finland will support the preparation of Kenya's elections in 2013 in an effort to contribute to the organisation of free, fair and peaceful elections, which will allow all Kenyans to participate on a par in the democratic process.

Support to government oversight agencies in the field of human rights and gender equality, which have an independent status in the new constitution, is considered important because they promote, in practice, accountability by virtue of their watchdog role, and because they generally need support, including capacity development, to implement their mandates more effectively. They also need to be able reach out to the counties, which will be the new administrative units after devolution. Finland also supports key CSOs in their efforts to promote respect for human rights, including countering impunity and protecting human rights defenders.

Finland considers continued support to activities related to gender equality as an important part of its contribution in the thematic area of governance and human rights. Finland's profile on gender issues in Kenya is already high but further support is warranted to secure the implementation of the gender provisions in the new constitution.

This support also contributes to the stability of the business environment and, therefore, promotes private sector development and investment in Kenya.

Inputs, instruments and resources

Finland conducts an active political and policy dialogue with the Government of Kenya bilaterally and as part of the EU and like-minded countries. The issues under this objective will also be an important item on the agenda of regular bilateral consultations and in other forms of policy dialogue.

In view of the upcoming elections in Kenya, Finland will contribute to a basket fund through which assistance is channelled to the IEBC, which is in charge of organising the elections. In addition, Finland will support URAIA, a Kenyan CSO network, in the provision of civic education related to the elections.

Finland will continue to support key government oversight agencies in the development of their capacities to take their services outside of Nairobi, and provide rights-based training in their areas of competence for the new county administrations. Finland seeks to ensure that the county governments have capacity to implement the provisions arising from the rights-based constitution, and to carry out participatory and gender sensitive planning and budgeting.

Finland will continue to support UN Women and allocate funding to the implementation of their Kenya country strategy. The objective is to channel financial and technical support through UN Women to relevant authorities and CSOs working on gender issues, notably in the context of securing the implementation of the benefits that women have gained in the new constitution. Through UN Women, Finland will also continue its support to the implementation of Kenya's 1325 National Action Plan.

Finland uses its local cooperation fund (LCF, a small grants facility) in Kenya to support key CSOs in the governance and human rights field, in particular, in order to further facilitate the implementation of the new constitution through their activities.

COUNTRY DEVELOPMENT RESULT 2: TO MAINTAIN A SUSTAINED ECONOMIC GROWTH OF 10% PER ANNUM OVER THE NEXT 25 YEARS

Finland's objective under this country development result is

Poverty reduction through inclusive green economic growth in the agricultural sector

Finland believes that empowerment of rural communities, with wide stakeholder participation and the use of knowledge, innovation and business development to agriculture, has a lot of potential in Kenya and can significantly contribute to poverty reduction.

Finland's specific objectives are:

- ▶ Improved livelihoods for the poor in Busia County
- ▶ Increased agricultural production and food security in Busia County
- ▶ Promotion of business development, innovation and knowledge sharing in the agricultural sector

Finland will continue cooperation in Western Kenya based on previous experience of cooperation in the same area. Focussing on one county, Busia, is considered useful also because it allows support to the devolution process. With devolution progressing, increased capacity development and advocacy work is necessary to help county government officers in assuming their new responsibilities, and civil society and private sector organisations at the county and district levels in participation in the new system of governance. There is also a need for awareness-raising with regard to such rights as women's right to inherit and own land.

Given the unequal distribution of wealth in Kenya, and the poverty that affects the vast majority of Kenyans, ways should be found to develop economic activity in the agricultural sector to improve the livelihoods for the poor - to increase their income and create employment opportunities in the sector. This will also contribute to increased agricultural production and food security, building up the resilience of local communities.

Inputs, instruments and resources

By participating in the agriculture and rural development sector policy dialogue Finland will contribute to reform processes which are expected to take into account the needs of small-holder farmers, including women and young farmers. Special attention will be paid to the transparency of public financial management, and the agriculture sector governance in the context of devolution. Finland will also advocate and encourage the participation of CSOs in policy dialogue.

The Programme for Agriculture and Livelihoods in Western Communities (PALWECO) provides long-term support to seven districts of Busia County in Western Kenya in order to reduce poverty, decrease food insecurity and improve the livelihoods of the population, especially women and vulnerable groups. It aims to revitalise the agriculture, using sustainable methods and the value chain approach, to improve the access of agricultural products to markets through improved infrastructure as well as to provide new employment opportunities especially for the youth. The programme represents a significant investment by Finland and Kenya to the development of Busia County.

PALWECO is a multi-sector programme and geared towards poverty reduction. Although not originally designed as a devolution support programme, it effectively supports the devolution process because it involves capacity development in the context of one county. This aspect of the programme needs to be further elaborated in the coming years. It is envisaged that innovations and good practices for participatory county development could later be replicated nationally or by other counties.

The mid-term evaluation of the PALWECO programme, planned for 2014, offers an opportunity to integrate the human rights-based approach to the programme even more systematically, as well as to align the programme even better with devolution.

Finland also contributes to the achievement of the ARD sector objectives in Kenya through regional agriculture research programmes, an institutional cooperation programme, and support to Finnish and international NGOs. Like PALWECO, these programmes aim to contribute to inclusive green economic growth by contributing to better rural livelihoods and improved food security. Several of the programmes emphasise climate sustainability.

In order to support the *Vision 2030* objectives and to make Kenyan agriculture competitive it is necessary to study possibilities to support, in the future, more trade-related and private sector activities in the ARD sector. New innovations and knowledge sharing will be promoted in the programmes funded by Finland and in the ARD sector working group. Synergy and better coordination between the various ARD programmes will be encouraged.

COUNTRY DEVELOPMENT RESULT 3: A JUST AND COHESIVE SOCIETY ENJOYING EQUITABLE SOCIAL DEVELOPMENT IN A CLEAN AND SECURE ENVIRONMENT

Finland's objective under this country development result is

To improve the management and use of forest and water resources with increased participation of communities, civil society and private sector

Finland will continue to support sustainable management and utilisation of forest and water resources and the improvement of rural water and sanitation services in Kenya. Finland believes that increased participation of communities, civil society and private sector stakeholders is important vehicle when advancing these objectives.

The support in the thematic areas of forestry and water is expected to contribute to poverty reduction, especially in the rural areas, and to good governance and the reduction of inequality. Finnish support in this thematic area is also relevant to the implementation of the constitution, as the programmes take into account the provisions of the new constitution, which recognises the right to water and a clean environment among other social economic rights.

Finland's specific objectives are:

- Progress in forestry sector reform and strengthened forestry governance, including improved capacity and performance of key institutions
- Improved contribution of forests to rural livelihoods, including more equal benefit-sharing, and environmental sustainability
- Improved water and sanitation services for the rural poor and more sustainable and efficient water resource management

These objectives are justified because of the currently unequal and inefficient access to and allocation of forest and water resources as well as related services and benefits in Kenya. In many areas, unsustainable patterns of resource use and the lack of appropriate institutional structures and incentives have contributed to environmental problems, such as degradation of water catchment areas and a poor quality of water.

Socially, environmentally and economically sustainable forest and water resources management contributes to poverty reduction. It is also an important precondition for the development of many other areas, such as energy, agriculture and tourism.

Inputs, instruments and resources

Through policy dialogue on forestry and water, Finland will promote better alignment of relevant policies and institutions, better coordination and clearer and more coherent sector definitions. As part of the policy dialogue, Finland also puts emphasis on good governance, human rights and equality, as well as climate sustainability. In policy dialogue and in programme implementation, Finland will advance partnerships with Kenyan and Finnish CSOs, the private sector, and relevant educational and research institutions.

The Finnish-funded forestry programme Miti Mingi Maisha Bora (MMMB) 2009-2014 supports Kenya's forestry sector reform. It aims to improve the livelihoods and living standards of the poor, restore the environment and contribute to Kenya's economic growth.

The programme provides financial and technical support in a number of areas. The Finnish support is channelled through the Kenya Forest Service (KFS) and the Ministry of Forestry and Wildlife, with the Kenya Forest Research Institute (KEFRI) and other institutions participating in the implementation. CSOs and the private sector are envisaged to play an increasingly important role in the implementation in the future. Finland expects that, given the exhaustive good governance review that has been conducted, the MMMB will be able to effectively integrate good governance into implementation. The mid-term evaluation of the programme, scheduled for 2013, is expected to provide recommendations in this regard, and also to give direction with regard to the integration of the human rights based approach (HRBA) and the devolution agenda into the programme activities.

Finland's support to the rural window of the Water Services Trust Fund aims to increase access to water services and improved sanitation for the poor and enhance sustainable water resource management. It also facilitates capacity development for the WSTF, communities, and other stakeholders, such as the Water Resources Management Authority (WRMA) so that they will be able to manage water resources and deliver their services more efficiently and sustainably. Finland will continue to support the WSTF with a considerable multi-year contribution.

5.4 HUMAN RIGHTS BASED APPROACH AND THREE CROSS-CUTTING OBJECTIVES OF FINNISH DEVELOPMENT POLICY AS PART OF COUNTRY STRATEGY

This country strategy is premised on HRBA. Support to the implementation of Kenya's new rights-based constitution, including devolution, is a crucial element of the country strategy. If the implementation fails, the prospects for achieving sustainable development results elsewhere are radically diminished.

If implemented in full, the constitution will make a difference in the lives of all Kenyans. One of Finland's objectives is directly linked with the promotion of respect for human rights. The interventions under this objective will contribute to the capacity development of public officials as duty-bearers, and to the awareness of people as rights-holders. The promotion of access to justice means in practice that people will be able to claim their rights by resorting to the legal services provided by various government oversight agencies, which have an independent status according to the new constitution.

The human rights based approach will also be more systematically integrated into other interventions. To an extent, this is the case insofar as they already contribute to inclusiveness and equality by securing the participation of local communities and vulnerable groups, and to the realisation of their social and economic rights.

Kenya's human rights situation, including impunity, is the subject of formal discussions in different formats of policy dialogue with the Government of Kenya.

The reduction of inequality runs through the country strategy as a cross-cutting objective; all Finnish-funded programmes in Kenya are based on the principle of democratic participation and include activities that seek to promote the equal status of women and vulnerable groups. Gender equality is further promoted through targeted interventions facilitated by UN Women. Equality in terms of distribution of wealth is addressed through interventions that contribute to wealth creation for the poor.

The ARD, forestry and water programmes, including the regional programmes and projects implemented by local CSOs and Finnish NGOs, are linked to climate sustainability and contribute to disaster risk reduction (DRR). The forestry and water programmes will enhance this by seeking to improve the management of forest and water resources, and by promoting sustainable utilisation of forest and tree products, including use of wood as a source of energy. All components of PALWECO and the forestry and water programmes contribute to climate change adaptation through building up the resilience of the poor to climate change. Other programmes will address this in a more indirect way, for instance by empowering women and easily marginalised people to participate in decision-making. Finland also funds regional programmes on climate sustainability.

5.5 POVERTY REDUCTION AS PART OF THE COUNTRY STRATEGY

Support to the implementation of the constitution contributes to the strengthening of the voice of the poor in decision-making and reform processes of Kenya, thus addressing the structural causes of poverty. The implementation of the constitution is highly relevant to poverty reduction also because social and economic rights are prominent in the constitution.

PALWECO and Finland's support in the thematic areas of forestry and water directly improve the livelihoods of the poor. The combined volume of these programmes in financial terms is considerable. In addition, PALWECO contributes to the empowerment of the poor in rural communities to influence the decisions that affect their lives, including in the context of devolution. Finland will also in the future emphasise the dialogue on pro-poor policies and equality in the above-mentioned areas.

6 Management of Strategy and Programme implementation

6.1 PARTNERSHIPS

Finland cooperates with the Government of Kenya bilaterally and with other development partners involved in relevant thematic areas. Among like-minded partners, the Nordic and Nordic+ countries and the EU form a typical framework for collaboration. In the EU, Finland will promote and actively participate in initiatives which support joint programming and division of labour in Kenya. Finland is part of a larger donor community in the Development Partners Forum and the various working groups. Finland collaborates with other development partners on the human rights based approach to promote joint initiatives, coordination and harmonisation.

Finland further partners with a number of multilateral organisations that are resident in Kenya and that play an important role in the implementation of the country strategy, that is, UNDP and UN Women, which administer Finnish support to Kenyan partners in certain programmes. Finland also cooperates and engages in dialogue with other relevant multilateral organisations and international financial institutions in important issues, for example in agriculture, forestry and water and sanitation (FAO, WFP, IFAD, the World Bank, AfDB, ICRAF, ILRI, Biodiversity International, ICIPE, UNEP).

In the bilateral programmes, Finland partners with Kenyan implementing agencies, ministries and institutions, including research institutes and universities, as well as CSOs. Finland has also created close working relations with government oversight agencies, such as the Kenya National Commission for Human Rights, the National Gender and Equality Commission, and the Ombudsman's Office (Commission for Administrative Justice). Partnerships are also sought with Finnish NGOs and research institutions in the areas where Finland is active. The potential for stronger involvement by the private sector will be explored during the strategy period.

6.2 AID MODALITIES, IMPLEMENTATION AND AID EFFECTIVENESS

Finland's current interventions are well in line with Kenya's priorities as stated in the constitution and *Vision 2030*. The preparation of MTP II provides an opportunity to explore possibilities for further alignment to MTP II priorities, the development of programme-based approaches as well as joint financing mechanisms with other development partners and especially within the EU.

The GoK is expected to integrate the aid effectiveness agenda into the preparation and eventual implementation of MTP II. This implies a need for more clarity in sector definitions, sector working groups, coordination and the division of labour, as well as more coordinated performance assessments. Within the context of the emerging MTP, Finland will contribute to the development of programme-based approaches with strategic partners and especially within the EU. This will be taken up in the Aid Effectiveness Group as well as in bilateral discussions with relevant ministries.

Given the 2012 assessment of Kenya's public financial management (PFM) as well as the recent enactment of relevant legislation, which indicate improvements in the system, devel-

opment partners are likely to increasingly channel their development financing through the Kenyan PFM system in the future. It is envisaged that the bilateral programmes funded by Finland will be further aligned with government systems. Within the first two years of the strategy period, Finland will assess whether the use of government systems can be increased.

Finland will support the implementation of UN Women's country programme for Kenya. This is expected to enhance the effectiveness of UN Women's work, and lead to greater impact at country level.

Finland also aims to improve aid effectiveness in its engagement with the Kenya National Commission for Human Rights, the National Gender and Equality Commission and the Ombudsman's Office by promoting a joint funding mechanism and performance assessment. With regard to LCF, aid effectiveness will be enhanced by concentrating support only on one result area, namely governance and human rights, and, with other donors, aiming at core funding of key strategic partners.

There are several regional programmes and interventions implemented by Finnish NGOs and funded by Finland, whose added value needs to be considered from the point of view of the country strategy.

6.3 MAIN FORA OF POLITICAL AND POLICY DIALOGUE

The political and policy dialogue with the Government of Kenya takes place within aid coordination structures, namely the biannual Development Partnership Forum, the Aid Effectiveness Group and the various sector working groups. Currently, Finland participates in the working groups on PFM, devolution, ARD, food security and nutrition, forestry, and governance. Finland will further streamline its participation in these forums according to the objectives of the country strategy.

As a member of the EU, Finland participates in the Article 8 dialogue and other EU meetings with the Government of Kenya, which provide important channels for dialogue.

The regular consultations on cooperation between Finland and Kenya constitute a main forum for bilateral political and policy dialogue. The next round of consultations will likely be held in the second half of 2013. High-level visits to and from Kenya provide additional opportunities for dialogue. Political and policy dialogue also takes place in bilateral meetings with relevant ministers and government officials. The regular meetings of the programme management bodies of the bilateral programmes provide further opportunities for dialogue.

6.4 INTERNAL MANAGEMENT ARRANGEMENTS

The country strategy is implemented by a team in the Ministry for Foreign Affairs in Helsinki and the Embassy of Finland in Nairobi. The internal management arrangements are defined and regularly updated by the Ministry's Department for Africa and the Middle East, and the Embassy. The division of labour within the team, including issues of delegation, will be further clarified.

The expertise available in the Unit for Sectoral Policy in the Department for Development Policy will be systematically used to support the implementation as well as review of the country strategy.

7 Strategic steering

7.1 MONITORING AND REPORTING OF RESULTS AT COUNTRY LEVEL, AND OF FINLAND'S PERFORMANCE

Kenya has not established any coordinated mechanism to monitor the progress in attaining the development goals and results set out in *Vision 2030*. This information can, however, also with regard to Finland's objectives to some extent, be collected from the national indicators and the National Integrated Monitoring and Evaluation System (NIMES). The system is still under development and will have to be further strengthened, especially in the context of devolution.

The GoK publishes a national reporting indicator handbook, which provides a comprehensive framework for monitoring the MTP. Progress in terms of achieving the objectives under the three pillars of *Vision 2030* is measured by means of sixty-four indicators. There are also annual progress reports on the implementation of the MTP.

The data to monitor country progress in the areas of this country strategy will be gathered once a year from the above-mentioned government sources. In governance and human rights, information from the World Bank will be used to monitor country progress. With respect to Finland's specific objectives, data will be obtained mainly from programme progress reports.

Reporting on results will take place biannually. The second semi-annual report will include more complete information on indicators pertaining to the country development goal and results than the more concise first report. Both reports will include an assessment of Finland's performance in implementing the country strategy.

In the programmes funded by Finland, mid-term evaluations (MTEs) are envisaged to take place with regard to the MMB (2012), MDG Phase II (2012), and PALWECO (2014). In addition to possible short-term consultancies focusing on monitoring and evaluation matters, the MTEs provide an opportunity to revise the programmes as may be needed, including developing indicators that concern the specific objectives of the country strategy and Finland's priorities, such as the programmes' impact on empowering women and vulnerable groups. This will be essential to enable reporting on results on these specific issues and the human rights based approach in general. Measuring impact will also require that relevant baseline data exists.

An evaluation of the whole Kenya country programme will be conducted during the current strategy period to guide further programming.

Fragmentation is not a serious concern in Finland's current development cooperation with Kenya. The number of Finland's bilateral and multilateral interventions financed from the country appropriation will be reduced from seven in 2013 to four in 2016. The planned annual average disbursements are EUR 2.4 and 3.5 million respectively.

7.2 RISK MANAGEMENT

The greatest risks in the country programme are related to political and governance issues. Incomplete and flawed implementation of the constitution and a failure of the election process 2013 would also pose a major risk to Finland's cooperation with Kenya. There is no specific strategy to mitigate negative scenarios after the elections, except that - depending on the circumstances - bilateral cooperation could, in an extreme case, be suspended.

Devolution creates an opportunity but also a risk, because it fundamentally changes Kenya's governance structure within a relatively short period of time. The country strategy aims to mitigate this risk by integrating support to devolution in relevant programmes, for example in the form of capacity building for budgeting, PFM and procurement. The risk of corruption is also real, including with regard to the new counties, which will need capacity development. To minimise the risk of corruption on national and county levels, transparency and accountability need to be enhanced by supporting state oversight agencies and CSOs and, generally, by empowering communities. The use of financial management agencies will be complemented by PFM capacity development activities. The state of PFM in Kenya will be monitored.

Finland will manage political and governance-related risks by working with and supporting relevant Kenyan and international processes that promote good governance. An important element of the country strategy is to create partnerships with a wide range of Kenyan actors (CSOs, the media and government oversight agencies) in a flexible way, and combining this with a monitoring system that disseminates information widely and rapidly. This will enable the programmes to respond quickly to both emerging risks and opportunities.

Another general risk is related to the regional and national security situation in Kenya. This risk is difficult to mitigate. Finland will contribute to fostering regional peace and security, for example, by supporting the East African Standby Force (EASF).

8 Tentative financing plan (Budget)

During the strategy period, subject to budgetary approval, it is anticipated that Finland will support Kenya's development with a total of **EUR 57.8 million**. The table below shows the planned allocation of bilateral funding per objective and programme (EUR million).

	2013	2014	2015	2016
OBJECTIVE: A DEMOCRATIC AND ACCOUNTABLE SOCIETY THAT PROMOTES HUMAN RIGHTS				
Programme				
Support to the organisation of Kenya's elections	2.0			
Support to government oversight agencies		1.0	1.0	1.0
Support to gender equality	1.7	1.6	1.4	1.9
Subtotal	3.7	2.6	2.4	2.9
OBJECTIVE: POVERTY REDUCTION THROUGH INCLUSIVE GREEN ECONOMIC GROWTH IN THE AGRICULTURAL SECTOR				
Programme				
PALWECO	4.7	4.3	5.5	7.1
MDG Phase II	3.2			
Subtotal	7.9	4.3	5.5	7.1
OBJECTIVE: IMPROVED MANAGEMENT AND USE OF FOREST AND WATER RESOURCES WITH INCREASED PARTICIPATION OF COMMUNITIES, CIVIL SOCIETY AND PRIVATE SECTOR				
Programme				
MMMB	2.8	3.5	2.1	
WSTF	1.5	3.5	4.0	4.0
Subtotal	4.3	7.0	6.1	4.0
TOTAL	15.9	13.9	14.0	14.0

The implementation of the country strategy is further supported by smaller-scale funding from the LCF, the institutional cooperation instrument, and by Finnish NGOs' projects in Kenya which receive funding from the Ministry for Foreign Affairs.

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