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Sida Country Report 2006

Kenya



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Acronyms

GDP	Gross Domestic Product
ASAL	Arid and Semi Arid Lands
KACC	Kenya Anti-corruption Commission
AGs	Attorney General's
TV	Television
ERS	Economic recovery strategy for Wealth and Employment Creation
TFG	Transition Federal Government
ICC	Islamic Courts Council
GJLOS	Governance, Justice, Law and OrderSector
GOK	Government of Kenya
HIV/AIDS	Human Immuno-Virus Acquired Immuno-Deficiency
IP-ERS	Investment Plan for economic recovery Strategy
KJAS	Kenya Joint Assistance Strategy
KNCHR	Kenya National Commission on Human Rights
IFMIS	Integrated Financial Management Information System
M&E	Monitoring and Evaluation
MDGS	Millennium Development Goals
COMESA	Common Market for East and South Africa
MSEK	Million Swedish Kronor
EAC	East African Community
EU	European Union
USA	United States of America
NALEP	National agriculture and Livestock Extension Programme
NGOs	Non Governmental Organization
ARV	Anti-Retroviral Therapies
HAC	Harmonization and Coordination
SWAp	Sector Wide Approach
GJLOS-MTS	
GJLOS-STPP	
MTEF	Medium Term Expenditure Framework
PFM	Public Financial Management

PRSP	Poverty Reduction Strategy Paper
PEFA	Public Expenditure and Financial Accountability
PSR&D	Public Sector Reform and Development
ICT	Information Communication Technology
SRA	Strategy for Revitalizing Agriculture
UN	United Nations
UNDP	United Nations Development Programme
NHSSP	National Health Sector Strategic Plan
AOP2	Annual Plan of Operation Two
DPs	Development Partners
JPWF	Joint Programme of Work and Funding
RAPP	Rich and Poor Project
COC	Code of Conduct
BCC	Behavioural Change Communication
MPs	Members of Parliament
DFID	department for International Development
ASCU	Agriculture Sector Coordinating Unit
WB	World Bank
AFD	French Development Agency
MOU	Memorandum of Understanding
LIMS	Land Information and Management System
FMA	Financial Management Agent
KENSUP	Kenya Slum Upgrading Programme
POM	Policy and Methods Department
NPO	National Programme Office
PO	Programme Officer
QUTE	Quality Assurance Team
QAC	Quality Assurance Committee
MDG	Management Development Group
MTR	Midterm Review
KES	Kenya Shillings
JFA	Joint Financing Assistance
EPS	Environment Programme Support
KWSP	Kenya Water Sector Programme
CCT	Conditional Cash Transfer
HQs	Headquarters

1. Summary

Sida's participatory development process is widely recognized as a comparative advantage. Sida is viewed by both government and civil society partners as reliable, flexible donor who lives up to its commitments, and is engaged for the long term

This quotation from the report of 2006 midterm review (MTR) of the Country Strategy summarizes the overall perception of achievements of development cooperation in Kenya.

The review noted Sida's achievements at both the strategic and programme levels. At the strategic level, Sida's support to fundamental issues such as governance is contributing to changes in performance of government. At the programmes level, results have been achieved in the four areas of the strategy (see 4, below). However, weaknesses were noted in areas such as monitoring and evaluation that need addressing to improve implementation.

The year started in a bleak political environment following the constitutional referendum of November 2005, but ended with good achievements in the economic front where GDP growth reached the highest level in 20 years. The Swedish development cooperation support anchored on four pillars¹ contributed to realization of commendable results in many sectors.

Overall achievements were also a result of improved harmonization and coordination, with strong leadership from Sweden. A draft Joint Assistance Strategy has been formulated with support of 17 development partners.

In spite of these achievements, corruption and insecurity remain big challenges to development in Kenya. Political disharmony among the political elite was also a major challenge to reforms and service delivery. This is expected to remain so, especially as 2007 general elections approach.

¹ The four pillars are democratic governance, pro-poor growth, sustainable management of natural resources and social development

2. Political, Economic and Poverty Development

2.1 Macro-economic development

The economy grew by an impressive 5.8% in 2006 compared to 5% in 2005, despite prolonged drought and high petroleum prices. Most sectors recorded high growth rates, with tourism, construction, agriculture, manufacturing, transport and communication showing rates above 5%. Although inflation rate remained above 10%, it is acknowledged that the fiscal and monetary policies have been prudently managed. The exchange rate has also remained stable. The Economic Recovery Strategy (ERS) continued to be the main policy document in the prioritization of government spending with education, health, infrastructure and agriculture sectors' share of the budget increasing in each of the last four years.

2.2 Political development

Political divisions from the 2005 referendum were carried over to 2006. Two groupings coalescing around the referendum divide are expected to play a significant role in the 2007 elections. A commission formed to seek public views after the referendum recommended an inclusive effort to heal the nation and fast track the constitutional review process.

The government's involvement in raiding a major media house in the guise of national security greatly dented its credibility. There were also a few instances where the police disrupted peaceful demonstrations.

Despite these set-backs, democratic space has continued to widen. Public budget hearings and performance contracting were other significant steps taken by the government to improve accountability.

2.3 Trends in corruption

Corruption was a major challenge despite steps to improve governance, such as Public Procurement Act, reforms in the judiciary and public service performance contracting. High profile corruption cases, such as the Anglo-leasing and Goldenberg scandals and the "Ndung'u" report on grabbed land, continued to feature in the mass media. The Attorney General's (AGs) office and KACC blamed each other for lack of progress in the war against graft. This indicated a lack of common purpose among anti-graft institutions. The 2006 Transparency International corruption index showed that Kenya had improved marginally compared to the previous year.

2.4 Ongoing or risk for conflicts

The country experienced the worst drought in fifty years with profound impact on water and pasture especially in the Arid and Semi-Arid Areas (ASAL). This led to conflicts, especially between and among pastoralists and with farmers. Increased frequency of droughts and degradation of the environment are expected to exacerbate these resource-based conflicts.

Inter-party competition, particularly over power and constitutional changes has raised political tensions. This is increasingly resulting in public demonstrations and confrontations with the police. These conflicts are expected to intensify in the run-up to the 2007 elections.

Instability in neighbouring countries and the inability of the government to effectively police the borders have resulted in uncontrolled inflow of refugees. This has contributed to open conflict between refugees and local residents over scarce resources. The inflow of small arms is fuelling violent crime in major urban centres.

Somali's Transitional Federal Government (TFG) dislodged the Islamic Courts Union (ICU) from power in southern Somalia, including Mogadishu with Ethiopian support. Alleged Kenyan support to the operation has provoked condemnation by local Muslims and may expose the country to retaliatory attacks by international terrorists.

2.5 Poverty reduction and inequality

An estimated 56% of the Kenyan population lives below the poverty line. Recent assessments indicate that poverty varies widely regionally, from a mean constituency headcount of 31 per cent in Central province to 65 per cent in Nyanza province². Among the 210 constituencies, the poverty headcount ratio ranges between 16.5 per cent for the least poor constituency and 84 per cent for the poorest constituency. A UNDP report notes that living standards of women have improved since 2003, but the gender development index shows big margins among provinces³. Although women participation in decision making at the household and national level is reported to have increased, it remained far below that of men. Inequality remains a big challenge to Kenya's development.

2.6 Annual follow-up of poverty reduction strategies

2.6.1 Economic recovery strategy

The Investment Plan of the ERS (IP-ERS) is built on three pillars of promoting economic growth, reducing poverty, and promoting good governance. These pillars are in line with the four pillars in the Country Strategy namely democratic governance, pro-poor growth, sustainable management of natural resources and social development.

2.6.1.1 Economic growth

Key achievements are: macroeconomic stability, financial sector development and revitalisation of trade, tourism and the manufacturing sectors. A mid-term review of the ERS shows that economic growth increased from 3.0% in 2003 to 5.8% in 2006⁴. Reforms in the financial sector resulted in the increase of revenue collection allowing the government to finance a higher proportion of the budget from tax revenues and reduce the stock of public debt. Reforms in the roads, transport and energy

² Annual progress report for IP-ERS, 2006

³ Kenya National Human Development Report, UNDP 2006

⁴ Midterm review of ERS, GOK 2006

sectors have improved service delivery. However, challenges still remain to make growth more equitable, deregulate the economy to reduce cost of doing business, rehabilitate key infrastructure and provide adequate housing. Swedish support has contributed to these reforms and is expected to be crucial in ensuring that the gains are not lost.

2.6.1.2 Reducing poverty

Significant achievements have been reported in the respective sectors in both the annual IP-ERS reports and the midterm review of ERS. Compulsory free primary programme resulted in increased school enrolment, from 6.1 million in 2002 to 7.6 million in 2006. The reforms in the health sector have led to improved access to health services, especially in rural areas. The proportion of budgetary allocation to the sector increased from 7% in 2003/04 to 8.6% in 2005/06. Agriculture recorded increased growth – from negative growth in 2002 to 6% growth in 2006. Exports from the sector have also grown tremendously. Poverty targeted programmes especially in the ASAL enabled some communities to withstand the effect of the long drought. The Health, land, agriculture and water programmes will continue to play a significant role in ensuring that reforms remain on course. The programmes will develop medium and long-term strategies for disaster management in view of the challenges of global climate change.

2.6.1.3 Promoting good governance

Poor economic governance is a key impediment to economic and social development. Achievements in this pillar include establishment of anti-corruption institutions, reforms in the police, prison service and public service. Performance contracting has produced profound results in the performance of government department and ministries. However corruption remains a challenge to improvement of governance. Other challenges include negative ethnic-based political competition, sophisticated as well as violent crime, impact of HIV/Aids on staff, and low capacity in the judiciary. The GJLOS, Civil Society and PSR programmes have contributed to achievements in this pillar and will continue to be important even within the KJAS framework.

2.7 HIV/AIDS situation

Antenatal HIV prevalence is estimated at 8.0%. About 150,000 children are living with HIV and there are about 1.1 million Aids orphans. HIV prevalence varies considerably by age and gender, but women in all age categories are more susceptible to HIV infections than men. HIV prevalence among males and females aged 15–19 also varies by province. Prevalence ranges from 0% in North Eastern to 15.1% in Nyanza. Recent data indicate that national adult prevalence rate has declined from about 10% in the late 1990s to under 7%. This is attributed to various HIV/Aids programmes and streamlined coordination through the National AIDS Control Council. About 150,000 people are reported to be receiving ARVs. However, the full effects of the HIV/Aids pandemic to the economy are yet to be felt.

2.8 Changes in development cooperation and partnerships

A major achievement was the formulation of the draft KJAS through the HAC. The process of formulating the KJAS included a comparative advantage analysis by Development Partners and preparation of partnership principles/code of conduct by various sector-working groups. Ken-

yan and Swedish priorities were guiding benchmarks for identifying Sida's comparative advantages. SWAp workshops were held for Health, Water, GJLOS, Roads and Agriculture sectors to strengthen aid effectiveness. Donor coordination was strengthened through monthly sector meetings, public budget hearings and thematic working groups.

3. Swedish Development Cooperation – Overall Assessment of the Country Programme

The 2006 MTR confirm the continued relevance of the strategy. The root causes of poverty as identified in the strategy continue to be the main bottlenecks to development in Kenya. The review identified Sida's strategic strengths to include: alignment to ERS; promotion of human rights; promotion of SWAp; support to long-term, profound reforms; and promotion of HAC, among others. At the strategic level, Sida is influencing the national agenda on issues such as governance, corruption, human rights and equality. It has also contributed to establishment of structures for discussion around those issues based on reality and experiences. Ongoing reforms are steadily, if slowly, showing results.

The economy grew for the fourth consecutive year. There is also a growing culture of results which is contributing to improved efficiency of public institutions. Despite occasional setbacks, democratic gains are being consolidated. A robust media has continued to put the spotlight on high level corruption, while a strong political opposition is keeping the government on its toes on constitutional reforms.

The strategy and Country Programme are consistent with the draft KJAS. It will thus be easy for Sweden to adopt to KJAS when it replaces the Country Strategy in 2007. Sida is playing an active role in the formulation of KJAS to make the highest possible impact on the joint strategy. In particular, Sida will lend its strength in dialogue on mainstreaming of human rights to the strategy. Sida is also prioritising sectors that target root causes of poverty in its comparative advantage analysis.

Dialogue on the mainstreaming of the rights-based approach is impacting positively on programme delivery (see also section 4, below). A report by the Kenya National Commission on Human Rights (KNCHR) noted that involvement and collaboration of diverse groups of stakeholders in the Roads and Agriculture programmes have successfully strengthened links between claim holders and duty bearers. People at the community level are being increasingly sensitized on the links between human rights issues and development and are being encouraged to demand their rights. The poor are increasingly able to benefit from programme resources.

The inequality perspective is now in the mainstream of most public, political and policy debates. A national conference on inequality supported through the RAPP project proposed recommendation on how to tackle inequality to spur growth and equitable development. The government, which was represented at ministerial level, pledged to act on the

recommendations. Leadership training by the Gender and Governance programme in 140 constituencies and to female leaders in government, parliament and the media is expected to increase the number of female contestants in the 2007 elections.

Disbursements for 2006 totalled just over 352 MSEK against a total allocation of 350 MSEK (slightly over 100% of the total allocation). There were only slight variations from the original prognosis, such as disbursement of 21 MSEK to NALEP II. A delay in the launch of the PFM strategy meant that no funds were utilised for the programme.

The Swedish portfolio compliments the work of the EU in Kenya. The EU shares with Sweden the basic analysis of the developments in Kenya. Moreover, EU is an important part of the HAC group which is currently developing the KJAS and has also participated in the comparative advantage analysis.

4. Country Programme Overview of the Swedish Development Cooperation

4.1 Democracy, human rights and good governance GJLOS (95 MSEK 2004–2009)

The March 2006 raid on the Standard media house caused significant slow-down in the implementation of the GJLOS programme. The annual joint review meeting, planned for March, was postponed. However, the issues were resolved and the programme went back on track by mid year. The review meeting was held in September.

GJLOS-STPP ended in March and an audit of the financial management agent was carried out with satisfactory results. Delays in signing of financing agreements for the GJLOS-MTS period led to shortages of funding in the basket. Six of the original eight basket donors have now signed new financial agreements.

Some of the key achievements during the year include anti-corruption and human rights training and development of a national anti-corruption plan. Other achievements were development of a policy on community policing, increased visibility of the police and establishment of gender desks within police stations. Legislations on sexual offences and on political parties were also passed. A policy for legal aid was developed and a bill for Small Claims Court drafted.

The annual report of the GJLOS independent advisory team gave recommendations on how to improve the management and sustainability of the programme. These include the need for GJLOS to align to government system and MTEF priorities, management of political risks, high level ownership of the programme, and strengthening of monitoring and evaluation systems. Similar recommendations were made by the mid-term review. The implementation of these recommendations will be a major focus for 2007.

A household survey was presented during 2006 as one of three studies for the baseline work. This work aims to improve the indicators and target setting for the programme.

4.2 Support to Civil Society (Total 164 MSEK for 2004–2007)

Swedish support to Kenyan human rights organisations through UNIFEM, UNICEF and UNDP has improved the NGOs capacity especially in the areas of planning and financial management. However, cumbersome bureaucracy in the UN organisations affected timeliness of the support.

Through support to UNDP, paralegal training has contributed to increased awareness and claims for civil, legal and political rights by communities. Women have also benefited from the programme through legal aid services and increased participation in community governance structures.

Sida support through UNIFEM contributed to the formulation of policy and enactment of legislation to promote and protect women's human rights, such as the Sexual Offences Bill. Sida is also supporting "Women Agenda", a new network of women leaders that is pushing for policy changes for gender equality and empowerment of women within the proposed minimum constitutional reforms.

Sida support to the Ministry of Gender and the National Commission on Gender and Development contributed to the finalisation of a Sessional Paper on Gender Equality and Development. Leadership training for women MPs, judges and administrators that included a study tour to Sweden was undertaken during 2006.

The Conditional Cash Transfer (CCT) programme through UNICEF enlisted more beneficiaries and also raised the amount of funding to each household. The government has allocated funds for expansion of the programme to 15 additional districts.

Child Protection Units in 14 Police stations have been built with Swedish support through the Save the Children, Sweden. Synergies on Juvenile Justice have been established with the GJLOS programme and will continue to be sought with UNICEF.

4.3 Water (Agreed 2005–2009, 190 MSEK)

The programme partnership between Sida, Danida and GoK is a first step towards the development of SWAp planning in the water sector. The support includes assistance to the Ministry of Water and Irrigation to lead the institutional reforms in the sector, establishment of new institutions, and support to activities in water resources management and water services delivery to rural areas.

The programme focus is three-fold: dialogue on participation and transparency for new institutions; follow-up on service delivery; and support to the SWAp process. About 400,000 people benefited from the Water Services Trust Fund out of a target of 750,000 when the project is completed. Technical Assistance has been provided to the Ministry and all the new institutions. A financial management information system has also been implemented and resulted in improved financial management and audit follow up. An initial assessment of support to human resource management of the Ministry and the sector was carried out to address the challenge of staffing.

An interim Sector Investment Plan and Sector Information System were presented at the first ever water sector conference in Kenya and launching of the SWAp. Various undertakings for the sector were agreed. Further work was carried out on extending the Joint Finance Arrangement (JFA) to include other partners such as UNICEF and the Netherlands. A value for money audit was carried out to improve on accountability of the sector. Partnership principles were signed for the sector support by all relevant stakeholders in the sector as well as the GoK.

After the severe drought in 2005–2006 a decision was taken to support a sub-component on droughts and floods mitigation. Preparation for the support was initiated.

4.4 Environment (Agreed 2006–2011, 85 MSEK)

Kenya, Sweden and Denmark have initiated a new joint 5-year programme known as the Environment Programme Support (EPS). A decision was taken in 2005 to prepare for co-financing the programme through a delegated cooperation with Danida, with approximately 85 MSEK. Agreement was signed in November 2006.

The aim of the EPS is to contribute to good environmental governance and empower civil society to raise environmental awareness and put forward demands on environment matters to the Government. It will also support civil society participate in planning at national and local levels. The inception phase started with an emphasis on carrying out a functional analysis of the involved authorities, developing the system for monitoring and evaluation, and strengthening of financial management systems.

The EPS budget is equivalent to 208 MSEK, making it the largest programme supporting the environment sector in Kenya. The EPS is well linked and complementary to the rest of Sida's programme portfolio in Kenya, e.g., GJLOS, water and agriculture programmes. It is expected that the initiatives will mutually support each other's impacts.

Sida support to the sector also included funding to three NGOs – East African Wild Life Organisation, Forest Action Network and Resource Projects Kenya. A joint annual review with the NGOs aimed at improving the efficiency of the support was held in October 2006.

4.5 Roads (130 MSEK)

Sweden supports the Roads 2000 programme with SEK 130 million out of the total programme budget of SEK 163 million over the period January 2005 to December 2008. Good progress in the physical implementation was witnessed during 2006, after a slow start in 2005. A total of 350 km of road works, out of a programme target of 5,200, were rehabilitated. Training programmes were conducted for labour-based contractors from the private sector and the Ministry's supervision staff. Equipment was also procured and delivered. Field manuals covering technical information for road works and cross-cutting issues were developed. Other achievements included investments in the IT environment at the programme (including development of an improved Road Maintenance Management System), the launch of the project website, environmental audits including implementation of off-road soil conservation interventions, and development of improved participatory methods for local communities in overall management and oversight in the programme.

Procurement and commissioning of the monitoring consultant was finalised in October 2006. Efforts on closer donor coordination in the sector bore fruit with the realisation of a joint annual review exercise, in which most of the donors active in the rural roads sector participated. A National Road Safety Action Plan was finalised and launched in early 2006, under the stewardship of the Ministry of Transport and Communications. The Ministry has however not taken strong lead in implementation. Increased dialogue will be prioritised during 2007 to achieve a reduction in road accidents.

4.6 Health (13.9 msek BRIDGING PHASE 2006–2007)

A SWAp process to support the Kenya National Health Sector Strategic Plan (NHSSP II) was developed during 2006 with the active support of Sida. A SWAp Bridging Agreement covering the period January to

September 2007 has been signed as a continuation of the support to capacity development related to the implementation of the Second Annual Plan of Operation (AOP2) of the NHSSP II and preparations of the SWAp.

The Health Sector Performance Report reviewed achievements against agreed indicators for the year 2005/06. Achievements were poor for essential indicators such as immunization of children and deliveries assisted by skilled persons. However, there were good achievements in distribution of impregnated bed-nets to pregnant women and children and for treatment according to the norms of Integrated Treatment of Childhood Illness. Based on the Report, a joint review of the performance of the sector was done.

As part of the SWAp process, a Joint Program of Work and Funding (JPWF) 2006–10, draft Code of Conduct (COC), AOP2, Procurement Improvement plan, Draft Human Resource for Health Plan, Draft Performance Monitoring Framework, Draft Referral Guidelines and Health Norms & Standards have been developed. It is expected that donor funding will start to flow through the SWAp mechanism in July 2007 to support the AOP 3.

4.7 HIV/AIDS (48 msek, 2004–2009)

Capacity building and financial support to NGOs through AMREF in western Kenya (the Maanisha programme) is up and running. More than 200 grassroots organisations have been granted support. During the period, AMREF managed to finalize the monitoring and evaluation framework, gender as well as human rights mainstreaming strategies. It also developed a Behavioural Change Communication (BCC) strategy and tested a Grant Management Information System. The Maanisha programme is supporting and collaborating with other Sida programmes such the Roads 2000. Synergies with a similar programme planned through the Lake Victoria Initiative are starting to get clearer since the latter programme has now gone through its first phase of planning. Discussions are at an advanced stage for DFID to join in Sida's support to the Maanisha programme through a delegated partnership.

4.8 Agriculture and rural development (Agreed 2006, 49 M SEK)

Support to the agriculture sector is aimed at coordinating the implementation of the Strategy for Revitalizing Agriculture (SRA) within the framework of ERS. Support to the SRA process contributed to enhancement of harmonization, alignment and coordination through basket funding. The outcome of this sector coordination included formulation of draft food and nutrition policy, draft national agriculture sector extension policy and its implementation framework and a consolidated legislation for the sector. In addition, reviews of the functional analysis of ASCU and SRA processes were recommended the strengthening of the ASU to strategically coordinate revitalization of the sector. Medium and long-term plans for SRA implementation will be finalized to improve sector coordination.

The second component of agriculture support was aimed at reforming the agriculture extension service. An impact assessment concluded that the reforms have led to better service delivery and that the programme is reaching more poor and vulnerable farmers. The assessment noted that yields have increased and that farm diversification has led to increased farm incomes and food security. Capacity within the implementing

ministries and small holders was also noted to have improved. The impact report notes that the programme has done well in mainstreaming the principles on human rights and democracy. Challenges of extension harmonization, marketing of agricultural production and lack of finance for the small holder farmers will continue to impact on the achievement of the overall strategy goal.

An expanded support to phase II of the programme was concluded in December 2006. The total support for phase II is 327 MSEK for the period 2007–2011 and will cover all the districts (from 43 to 71). The new phase will formulate and implement strategies and approaches for disaster risk management in ASAL that experience prolonged droughts and severe floods related to the effects of climate change. In addition to this, a financial sector deepening programme was concluded in 2006 with a budget of 47 MSEK for the period 2006–2010. This support will provide capacity development to financial institutions to better meet the needs of small holder farmers. This is a sector programme in collaboration with DFID, WB, AFD and the Ministry of Trade.

4.9 Land and Urban development (48,5 MSEK)

A draft national land policy was finalised with participation of different segments of the Kenyan society. The policy gives recommendations to spur growth, promote equity, enhance good governance and preserve the environment. The policy also gives direction on tenure security as well as management, institutional arrangements and legislative (including constitutional) reforms needed for effective land reforms. A framework to prepare for the implementation of the policy was developed. Presentation of bill to Parliament was postponed to 2007 awaiting a national symposium and an African peer review of the draft policy.

A road map for the development of a modern computer-based land information and management system (LIMS) was finalised. The LIMS is expected to improve access to land and enhance accountability, transparency and efficiency in land management. A methodology for undertaking inventory of informal settlements was finalised and a data base designed. The initial design of the overall LIMS data-base will be initiated in 2007.

A task force to develop Eviction guidelines was set up and human rights principles underpinning the process developed in a consultative process. A task force to prepare implementation of the recommendations of the Ndung'u report on land grabbing was also set up, but progress, like in other anti-corruption initiatives, has been slow. The Financial Management Agent (FMA) developed a financial management capacity programme, but little training happened due to weak commitment by the management. A comprehensive capacity development programme for the implementation of land reforms will be developed in 2007 with benchmarks for monitoring.

The Kenya Slum Upgrading Programme (KENSUP) remained dormant for the most part. However communication and capacity development strategies were finalised. KENSUP was reorganised and given operational autonomy from the Housing Department. Budget allocations for the programme were marginally increased, despite lack of expenditure in the previous financial year. A fund known as the Kenya Slum Upgrading Facility was gazetted during the year.

Interventions through the NGOs are influencing service delivery, especially in provision of water and sanitation and land in slums.

Through precedent-setting housing innovations, the NGOs have started small-scale upgrading of three settlements in Nairobi using resources from the slum dwellers themselves. A slum dwellers federation is now active in all major towns and is leading in mobilising slum communities to resist evictions, bargain for land rights and claim various rights, especially in relation to various devolved funds. Incidences of forced evictions have declined dramatically. However, NGO linkages with government programmes have remained ad hoc and opportunistic. A mid-term review of NGO support will be done in 2007.

Dialogue is ongoing with UN-Habitat to ensure coordination of support to the Ministry of Housing.

4.10 IFMIS (22 MSEK)

The current phase of IFMIS is nearly two years behind schedule due to reasons explained in previous reports. Implementation was also slow in 2006, indicating weak project management, lack of ownership and low prioritisation among high level officials. The project steering committee met only twice in early 2006. Support for the project implementation in ministries appeared weak and uncoordinated, indicating lack of overall project leadership. However some progress was also registered.

Connectivity had been installed in 13 ministry buildings in 2006 to make a total 23 ministry buildings so far, allowing for link-up with Treasury. The project provided initial training in 10 ministries in 2006 for a total of 32 ministries so far. Rolled out the system was complete in 24 ministries by the end of 2006. A cheque printing system was developed and tested, and a total of 15 ministries were issuing cheques only through the system by end of year. An assessment to determine the impact to governance in the 15 ministries is yet to be undertaken..

Sida took over the funding of technical assistance from DFID for six months to allow a full tendering process to be completed. It was noted that technical assistance and capacity building need to be better organised to create internal capacity and promote ownership within government. The project has now been integrated within the PFM programme as a key cross-cutting component. An evaluation of the programme will be undertaken in 2007.

4.11 Public financial management (100 MSEK to be agreed)

Sweden, in the capacity as Lead of the PFM donor group, organised and led a 35 member mission to assess the draft Public Financial Management reform strategy in March. Sida/POM participated in the mission which had representatives from 14 donors. The assessment, based on Sida at Work, gave a number of recommendations that were integrated into later versions of the strategy. The Sida Project Committee recommended approval of the strategy in May.

A Memorandum of Understanding was signed between the Development Partners and Government. A Joint Financing Arrangement was also signed. The specific agreement with government will be signed early 2007 with a Swedish contributing of 100 million over 3 years.

A Public Expenditure and Financial Accountability (PEFA) review, initiated in parallel to the joint review mission in March, was successfully concluded, and its results accepted by the Government of Kenya. The review was supported by Sida and the independent team was also led by a Swedish based consultant.

4.12 Public sector reform (40 MSEK to be agreed)

The Office of the President launched its strategic Work Plan for the Public Sector Reform and Development Secretariat (PSR&D). The emphasis was on “Result-Based Management”, Rapid Result Initiatives and upgrading of the Kenyan Institute of Administration (Training centre for civil servants). A Public Service Performance Contracting policy has been developed and all senior public servants have signed their contracts. An initial assessment of the PSR support was initiated. The assessment was not concluded partly because DESA, who had to be consulted as part of the assessment process, did not respond to the Embassy request until December. The proposed financial contribution will amount to 40 MSEK over two years, out of which 8 MSEK will be available for the PSR&D secretariat to draw from a SIPU frame/call off contract and 32 MSEK will be channelled through a UNDP basket with Sida.

4.13 Budget support,

A partial assessment of the feasibility of a budget support was initiated during the year. The outcome of the assessment notes the significant risks associated with budget support at this time and concludes that the political will to curb corruption is not sufficiently strong to consider the support.

4.14 ICT

No further actions have been taken in the area of ICT. However, the ICT secretariat acted as discussants in the Project Committee in Stockholm for the PFM programme, which has a big IT component. The ICT secretariat has reintroduced the post of regional advisor who will also focus on Kenya. The utilisation of that resource will be part of the country planning process.

5. Office and Administrative Issues

5.1 Current resources and staffing

Staffing for the section includes the Head of Section, the Economist, 2 sent-out Programme Officers, 5 National Programme Officers and three assistants. The position of health PO was filled after the resignation of the NPO. An additional position of assistant was approved and filled. Duties among the assistants were redistributed for improved effectiveness and efficiency. In general the staffing situation improved allowing for more time to be spent on quality assurance through the embassy-wide *Quality Assurance Team* (see below). It was also possible to continue uninterrupted implementation despite staffing gaps (Economist and Programme Officer for Democracy) at various times of the years. However, the decision to scrap the position of NPO-Health in 2007 will mean a reduction in human resources for the section.

5.2 Follow-up of quality assurance measures

Quality Assurance Team (QUTE) was established in 2005 to improve quality issues within development cooperation. Assistants have undertaken a number of activities to support programme officers and enhance overall quality. Regular spot-checks in files, quality checks in the PLUS system and follow-up on agreement conditions have enhanced quality of administrative routines. However, more work needs to be done in line with the recommendations of the 2006 audit report.

The Quality Assurance Committee (QAC) has met several times during the period to discuss assessments of programs. Guidelines of routines have been developed and shared with Monthly Development Group (MDG). QAC has improved inter programme learning and enhanced the overall quality of programmes.

An Embassy-wide anti-corruption strategy was finalised and an action plan developed for different sections. The strategy is expected to improve internal controls and thus enhance efficiency. A training in capacity development was delivered to programme staff to assist them in analysing programme capacity needs.

5.3 Monthly development group (MDG)

Monthly meetings were held to promote the links between national and regional programmes. The meetings provided avenues for sharing, learning and discussing Sida policies and information from Stockholm. The meetings also provide opportunities for joint planning and joint responses to Sida HQ requests.

5.4 Reviews during the period

The mid-term review of the Country Strategy was carried out during 2006. The review concluded that substantial progress has been made in the implementation of the strategy. It noted Sida's strengths in participatory development processes, alignment with government and donor harmonisation among others. It however noted that Sida programmes have not been systematic, or sufficiently output focused. It recommended that Sida integrate a systematic high quality output/outcome oriented M&E into the programmes. Programme-specific reviews were done for UN, Water, Agriculture, Roads, GJLOS, Health and PFM programmes. Some of the outputs of the reviews are mentioned under 4, above.

Annex



Country report - Kenya

Outcome and forecast in TSEK

Delimitation:

Status: I, P, A and C (agr end > 200600 or Outcome <> 0)

Region/Country: Kenya

Other:

Responsible Unit (All)

Outcome 2006			
Allocation Frame	Allocation Account	Main Sector	Total
Inside country allocation	155008 Somalia	05 Conflict, peace & security	279
	155008 Somalia Total		279
	155016 Kenya	01 Health	42 447
		02 Education	0
		04 HR & Democratic governance	128 111
		07 Infrastructure	46 350
		09 Natural resources&environm.	128 023
		11 Other	7 273
		(blank)	0
	155016 Kenya Total		352 205
Inside country allocation Total			352 484
Outside country allocation	155029 Reg prog.Africa (excl West Africa)	08 Trade, business & fin. syst	0
	155029 Reg prog.Africa (excl West Africa) Total		0
	15551 Research	02 Education	0
	15551 Research Total		0
	15561 Non-governmental organisations	01 Health	1 831
		02 Education	654
		03 Research	0
		04 HR & Democratic governance	20 560
		05 Conflict, peace & security	-20
		07 Infrastructure	5
08 Trade, business & fin. syst		19	
09 Natural resources&environm.		316	
11 Other	855		
15561 Non-governmental organisations Total		24 220	
15571 Humanitarian assistance	06 Humanitarian assistance	6 238	
15571 Humanitarian assistance Total		6 238	
Outside country allocation Total			30 458
Grand Total			382 942

Halving poverty by 2015 is one of the greatest challenges of our time, requiring cooperation and sustainability. The partner countries are responsible for their own development. Sida provides resources and develops knowledge and expertise, making the world a richer place.



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