

**MINISTRY OF FOREIGN AFFAIRS OF DENMARK**  
Danida



# KENYA-DENMARK PARTNERSHIP

STRATEGY FOR DEVELOPMENT COOPERATION

2006-2010



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# LIST OF ABBREVIATIONS

AIDS	Acquired Immune Deficiency Syndrome
ASAL	Arid and Semi-Arid Lands
ASPS	Agriculture Sector Programme Support
BSPS	Business Sector Programme Support
CG	Consultative Group
CSOs	Civil Society Organisations
DCG	Donor Coordination Group
DEC	District Environmental Committee
DKK	Danish Kroner
EAC	East African Community
EC	European Commission
EMCA	Environmental Management and Coordination Act
ERSWEC	Economic Recovery Strategy for Wealth and Employment Creation
GDP	Gross Domestic Product
GJLOS	Governance, Justice, Law and Order
HAC	Harmonisation, Alignment and Coordination Group
HIV	Human Immunodeficiency Virus
HRDGG	Human Rights, Democratisation and Good Governance
HSPS-I	Health Sector Programme Support, Phase I
HSPS-II	Health Sector Programme Support, Phase II
IFU	Industrialisation Fund for Developing Countries
IGAD	Intergovernmental Authority on Development
IMF	International Monetary Fund
IP-ERS	Investment Programme - Economic Recovery Strategy
JSA	Joint Staff Assessment
KCG	Kenya Coordination Group

KES	Kenyan Shillings
KGGP	Kenya Good Governance Programme
KJAS	Kenya Joint Assistance Strategy
MDGs	Millennium Development Goals
MENR	Ministry of Environment and Natural Resources
MoJCA	Ministry of Justice and Constitutional Affairs
MS-Kenya	Mellemfolkeligt Samvirke-Kenya
MTEF	Medium-Term Expenditure Framework
NARC	National Rainbow Coalition
NEAP	Kenya National Environment Action Plan
NEMA	National Environmental Management Authority
NGOs	Non-Governmental Organisations
NHSSP	National Health Sector Strategic Plan
PRSP	Poverty Reduction Strategy Paper
PSDP	Private Sector Development Programme
SME	Small and medium-sized enterprises
SPS	Sector Programme Support
SRA	Strategy for Revitalisation of Agriculture
WB	World Bank

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# KENYA



# 1. INTRODUCTION

## **1.1 Denmark's Development Policy**

Poverty reduction is the major objective of Denmark's development policy. Danish development cooperation is aimed at improving the lives of the poor sections of the population by ensuring critical investments in people and promoting sustainable development through poverty-oriented economic growth. The promotion of human rights and democracy, participation of women in the development process and securing a sustainable environment are important considerations in Danish development cooperation. The delivery of effective assistance through strategic, performance-oriented activities centred on sector programme support (SPS) is a fundamental principle in Denmark's development policy.

Denmark's bilateral assistance is channelled to a selected group of countries - programme countries - that demonstrate the will and ability to promote long-term, sustainable development. These countries suffer from grave poverty but live up to their responsibility of combating poverty by developing and implementing long-term national poverty reduction strategies and at the same time upholding democracy, respect for human rights and good governance.

A fundamental principle of Denmark's development policy is that the cooperation should be based on the programme country's own strategies and policies. In addition, partnership is a cornerstone of Denmark's development cooperation. Partnerships with the Kenyan government, national and international institutions and agencies, the private sector, civil society, as well as the people that benefit from Danish development cooperation are strengthened in order to ensure effective poverty reduction.

This country strategy presents concrete plans for Denmark's development cooperation with Kenya for the five-year period 2006-2010 and also the framework for a continued long-term partnership with Kenya.

### **1.2 Kenya as a Programme Country**

Kenya has been a long-time development partner with Denmark. The Danish government has confirmed its commitment to keep Kenya as a Danish programme country because more than half the population presently live below the poverty line and because the new government in Kenya (democratically elected in 2002) has declared its commitment to pro-poor economic growth and good governance, including fighting corruption. Kenya's democracy has demonstrated its strength and endurance and civil society is growing. Multiparty democracy has, however, turned out to be quite difficult and vulnerable, leading to somewhat erratic implementation of reforms. Unfortunately, some setbacks cannot be avoided. Kenya has a strong potential for economic growth, particularly through its entrepreneurial private sector. Kenya also has an important regional role as a stabilising factor in the Horn of Africa and is committed to fighting international terrorism.

Denmark has provided bilateral development assistance to Kenya since 1963. Kenya was among the first countries to be selected as a Danish programme country in 1989. At times the cooperation has been difficult. From the late 1980s development cooperation between the two countries became increasingly tense due to President Moi's resistance to implement a multiparty system as well as endemic cases of bad governance, widespread large-scale corruption and a deteriorating human rights situation. As a consequence, bilateral assistance to Kenya decreased and the assistance was directed to district authorities, NGOs and local communities. Cooperation with the Kenyan government was minimal. The assistance was geographically concentrated in the Arid and Semi-Arid Lands (ASAL) in South Eastern Kenya.

After the democratic elections in December 2002 and with the declared politics of the new government, the opportunities for Danish-Kenyan development cooperation have improved. Denmark, along with other development partners readily recognised the need to support the new political reform programme and Denmark was among the first development partners to give Kenya a 'democracy dividend' by increasing the level of assistance by 40 pct. in 2003. It was at the same time decided to develop a country strategy for Denmark's cooperation with Kenya.

Kenya faces a multitude of development challenges that need development assistance, and both multilateral and bilateral development partners have recognised this and expressed support to Kenya. At this critical juncture, Denmark wishes to support democratic development and the fight against poverty in Kenya.

### **1.3 Lessons Learned from Previous Danish-Kenyan Cooperation**

In the five-year-period 2000-2004, the bilateral Danish support to Kenya totalled DKK 431 millions. Annual disbursements rose from DKK 50 million in 2000 to DKK 120 million in 2004. The sectors supported were: Health (DKK 135 million); Agriculture (DKK 129 million); Human Rights, Democratisation and Good Governance (DKK 64 million); Infrastructure (DKK 25 million); Education (DKK 22 million); Water and Sanitation (DKK 16 million) and Others (DKK 40 million).

In the second half of 2003, an evaluation of six projects funded by Danish International Development Assistance (Danida) took place in the Makueni and Taita Taveta districts. The projects were evaluated very positively, highlighting strong local ownership, a strong participatory approach in both project planning and implementation, and a high success rate in cost sharing among the projects, local authorities and the communities. It was clear, however, that long-term sustainability and impact could not be fully achieved through this project approach. The evaluation recommended that future activities should have a stronger focus on capacity and institutional building.

Over the last decade, Danish bilateral assistance has also included substantial support at national and local level to the areas of human rights, democratisation and good governance. The activities were mainly aimed at bringing forward democratic change. Furthermore, a range of activities was focused on gender equality. After the 2002 elections, the Danish development programmes have been aligned more closely with government programmes. There is strong evidence that a flexible approach, which makes it possible to shift between support for civil society, local institutions and the business community on the one hand and engaging central government in reform programmes on the other, have contributed considerably to the consolidation of democracy in Kenya.

The Private Sector Development Programme (PSDP) was launched in Kenya in 2002. It is functioning well and there is a growing interest from the private sectors in both countries.

The positive evaluation and experience from the Danish-supported development projects combined with the improved political situation in Kenya provide strong justification for expanding and enhancing bilateral development cooperation between Denmark and Kenya.

## 2.

# POVERTY AND DEVELOPMENT IN KENYA

### 2.1 Poverty in Kenya

During the period 1993-2003, poverty in Kenya increased. The proportion of the population living below the poverty line rose from 49 pct. in 1990 to 56 pct. in 2003. In addition, key social indicators such as life expectancy, infant and child mortality, maternal mortality, morbidity, nutritional status and illiteracy rate showed deterioration in the 1990's. The reasons for the increase in poverty are mainly lack of good governance and economic stagnation. At the same time, the growth of the population from 8 million people in 1963 to 31 million people in 2004 amplified the negative trend.

The average GNI per capita in Kenya in 2004 was USD 400. Social inequality in Kenya is significant. Based on 1997 figures, recent studies rank Kenya among the top ten most unequal countries in the world and the fifth in Africa<sup>1</sup>. Inequalities in Kenya are manifested in various forms. Differences in share of income and social services are observed across regions, genders and even specific segments of the population. The country's top 10 pct. of households controls 43 pct. of the total income, while the bottom 10 pct. controls 1 pct. Three quarters of the poor live in rural areas, but urban poverty is increasing with the growth of informal settlements with little or no access to public services.

There is scarcity of arable land in Kenya where 80 pct. of the country is classified as arid and semi-arid lands (ASAL). These areas support 25 pct. of the population. The low level of productivity is aggravated by poor cultivation

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<sup>1</sup> Figures here are based on 'Pulling Apart. Facts and Figures on Inequality in Kenya', Society for International Development. In 'Human Development Report 2005', the UNDP presents a slightly less dispersed picture, although the statistical material is similarly dated.

practices leading to soil and environmental deterioration, and by land tenure and land subdivision, with plots being too small for subsistence farming. The supply of water is inadequate in relation to the needs of humans, livestock, crops and wildlife.

More women suffer from poverty than men. In general, female-headed households are worse off than male-headed households; women's participation in decision-making remains far below that of men; female illiteracy is almost twice that of males; and violence against women remains widespread. Cultural and traditional practices restrain women's access to economic resources, including land, despite the fact that 69 pct. of the active female population work as subsistence farmers. Women in the ASAL spend much of their time fetching water and fuel. Other groups vulnerable to poverty include the landless, pastoralists, urban slum dwellers, orphans, unemployed youth, victims of HIV/AIDS and people with disabilities.

HIV/AIDS has been declared a 'national disaster' by the Kenyan government. Although the national HIV prevalence is difficult to ascertain because of poor data, it is estimated to be around 6.7 pct.<sup>2</sup> (2003) of the population. Currently, AIDS-related deaths represent about 40 pct. of total mortality and 1.5 million Kenyans have died from AIDS. There are 1.2 million HIV/AIDS orphans in Kenya.

## **2.2 Kenya's Poverty Reduction Strategy**

In June 2003, the Kenyan government launched its 'Economic Recovery Strategy for Wealth and Employment Creation 2003-2007' (ERSWEC). An action plan for the ERSWEC, the 'Investment Programme' (IP), has also been developed. In May 2004, the IP-ERS was endorsed by the World Bank (WB) and the International Monetary Fund (IMF) as Kenya's Poverty Reduction Strategy Paper (PRSP).

The main objective of the ERSWEC is to reduce poverty by promoting strong economic and employment growth. Goals for poverty reduction linked to the Millennium Development Goals (MDGs) are identified and progress and targets indicators are established. Thus, the ERSWEC contains a broad development agenda, encompassing reforms aimed at accomplishing the following:

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<sup>2</sup> *Ages 15-49, UNDP Human Development Report 2005.*

- Economic growth through sound macroeconomic policies and the creation of a conducive environment for private sector investments supported by reforms of financial services and an expansion of investments in infrastructure.
- Equity and poverty reduction, which would be aided by actions to improve the access of the poor to basic services (primary education and health) and the revival of agricultural growth (including development of the ASAL).
- Governance through public sector reforms, including strengthening public safety, rule of law and anti-corruption measures.

The ERSWEC and IP-ERS have been well received by the bilateral and multi-lateral development partners. The primary strengths of the strategy are the strong emphasis on improving governance and restoring the rule of law and its comprehensive monitoring system. The strategy is, however, very ambitious and as since being launched it has become evident that the Kenyan government faces several dilemmas when prioritising among the many different objectives.

One of the main challenges is to make sure that the ERSWEC objectives are reflected in the national budget and the Medium-Term Expenditure Framework (MTEF). The Kenyan government is working on a closer integration of these processes and has developed a Budget Strategy Paper. Gradually, this exercise shall lead to pro-poor budgeting and contribute to linking budget outcomes to the IP-ERS. Although there have already been significant improvements, there is still some way to go. A crucial element in this process is the finalisation of the ongoing elaboration of coherent sector policies and strategies in order to define development objectives, indicators, targets and budgets at sector level. Furthermore, coherent sector policies and strategies are also a prerequisite for the needed progress in aligning donor assistance and moving towards sector wide approaches (SWAps).

The ERSWEC does not deal specifically with gender issues. However, the IP-ERS recognises this weakness along with the need for special efforts to empower women and reduce their vulnerability. Efforts to mainstream gender in the ERSWEC are ongoing. Constraints, however, include lack of gender-disaggregated analysis and gender-specific targets for defining improvements in the economic, social and legal situation.

Protection of the environment is a cross-cutting issue in the ERSWEC, which takes cognizance of the need to achieve the broad macro and sectoral objectives and targets without compromising the environment. In addition, important environmental actions are incorporated in the objectives for the agricultural sector.

The Kenyan government has elaborated the first annual progress report of the IP-ERS covering 2003-2004. The report marks an important shift in the planning process by focusing on results. However, there are still many weaknesses in the monitoring and evaluation systems. The reporting on trends in key performance indicators and on progress towards the annual targets indicates that the revitalisation of the economy is moving forward, but exposes limited achievements in the social sectors. The main success is the increase in the net enrolment in primary school from 5.9 million children in 2002 to 7.2 million in 2003. On a more horizontal level, the report states that important progress has been made in the ongoing process of strengthening public financial management. The WB/IMF Joint Staff Assessment of the progress report largely confirms the Kenyan government's views.

Along with other donors, Denmark will assist in strengthening the monitoring and evaluation systems of the Kenyan government. In this process, attention will be given to ensuring the existence of gender-disaggregated data both in terms of analysis and targets.

### **2.3 Additional Factors Affecting Development Cooperation**

Kenya's economy is the third largest in sub-Saharan Africa after South Africa and Nigeria. Kenya has a substantial development potential as a result of its relatively diversified economy. Agriculture is the most important sector, which contributes to 24 pct. of Kenya's Gross Domestic Product (GDP). Industry is the second most important sector, contributing 13 pct., while trade, tourism and hotels account for 12.7 pct. The trade balance is negative with a deficit of about USD 1.3 billion. Performance is relatively good in some areas of the agriculture sector, notably horticulture and tea production.

Kenya experienced an average annual GDP growth rate of 7 pct. between 1965 and 1980. Growth rates fell steadily in the 1990s to average rates of 2.2 pct. and as low as -0.2 pct. in 2000. During recent years the economy has grown by 1.1 pct. in 2002, 1.8 pct. in 2003 and 4.3 pct. in 2004. These rates should be compared to annual growth rates of around 6 pct. in the 1960s and 1970s. When taking the growth of the Kenyan population of 3.2 pct. (average per year 1975-2003) into account, the GDP per capita growth has in some years been negative.

The decline in economic performance in Kenya during the 1990s was caused by unstable macroeconomic policies, slow pace of institutional reforms, declining investments and productivity as well as structures of political and economic patronage. The country's economic decline has been further exacerbated by external factors such as recurrent drought/floods and low world market prices for Kenyan goods. Poor governance led to huge capital outflows and reduced inflows of aid. Under these circumstances, Kenya was unable to maintain its infrastructure and public services.

Public sector reform has been slow in Kenya. The ERSWEC has introduced plans for a pay reform for performance-based management and realignment of ministerial organisational structures based on core functions of government. This also means privatisation of a number of the public companies and parastatals, which is an area showing particular lack of progress. The level of public expenditure has been on a general upward trend despite the government's policy objective of containing overall expenditure. The wage bill is about 8.6 pct. of GDP. Achieving the 6.74 pct. target by 2008 will require a substantial downsizing of the civil service. The government's commitments to the IMF will require a total downsizing of the civil service by 29,740 people during the period. The ERSWEC includes a Voluntary Retirement Scheme (VRS) with a target figure of 21,500 civil servants. On a positive note the revenue from tax collection is on the increase.

The most important reform, however, is revision of the Constitution. Among the main issues debated is the distribution of power: between the president and parliament and between central government and local government. The revision process came to a preliminary conclusion when the new draft constitution was rejected in a referendum that took place on 21 November 2005. The draft constitution provided for increased devolution of authority to local levels, but local authorities only account for 5 pct. of the government revenue and most of them have very limited capacity. Decision-making is likely to remain highly centralised for some time into the future.

The constitutional issues are, however, likely to remain high on the political agenda, such issues include the powers of the president, devolution of authority to the local level, land rights and entrenchment of human rights. The victorious opponents to the latest draft have demanded further consultations on a way forward and the issues are under all circumstances so crucial and controversial that they will need to be addressed, at the latest in connection with the 2007 elections.

Corruption continues to be a major problem in Kenya. The ERSWEC recognises that poor economic governance, including endemic corruption and poor accountability in public resource management, are some of the key impediments to economic and social development. The current government made a strong pledge to combat corruption when taking office and has since confirmed this commitment. The Kenyan government has elaborated an anti-corruption action plan with specific actions, targets and indicators for preventing corruption in the future. The progress report on the first six months (published September 2005) shows progress in the institutional set-up, including passing of crucial laws. Petty corruption among lower civil servants is being addressed through streamlining and computerising administrative procedures. The government has, however, been fairly slow to produce specific follow-up on high-profile cases, and continued lack of transparency in relation to security related procurement, for example, has not been addressed. A perception of Kenya as a country with rampant corruption persists widely.

Kenya has a relatively strong and vibrant NGO community that has played a vital part in the development effort and especially the promotion of good governance and respect for human rights during the Moi regime. The government has confirmed that it sees an important role for the civic society and NGOs – national as well as international – and is committed to facilitating their participation. Reports from rural areas indicate that community based organisations are much more active than during the previous regime. However, there are also indications that the government can be very sensitive about NGO involvement when politically difficult areas such as the land issue are at stake. Some NGOs, including MS-Kenya, have complained about pressure and intimidation. In order to maintain the momentum in the political reforms, it is important that civil society organisations (CSOs) are allowed to continue to play a part in Kenya.

Kenya is an important political player in Africa and plays a positive role in the promotion of peace, stability and conflict prevention in the region. Kenya is constructively engaged in the peace processes in Somalia and Sudan and plays important roles in regional and sub-regional organisations such as the Inter-Governmental Authority on Development (IGAD), which is involved in mediation efforts. Kenya has suffered several terrorist attacks, which have significantly damaged the tourism industry. Kenya is firmly committed to the fight against international terrorism.

Kenya has also suffered from conflicts in the neighbouring countries in terms of economic relations and the influx of a large number of refugees, especially from Sudan and Somalia. Administrative and management problems have been immense. The refugees have been a huge burden on the government, the local communities and the environment, and armed elements have been associated with violence, crime and possibly terrorism. Kenya has served as a base for relief operations into neighbouring countries.

The new government has moved Kenya towards a more active involvement in the New Partnership for African Development (NEPAD), including the Peer Review Mechanism. Economically, Kenya is a key player in the regional economic cooperation within the East African Community (EAC) and the Common Market for Eastern and Southern Africa (COMESA).

#### **2.4 Support Provided by Other Donors**

Since independence, Kenya has received an estimated USD 18.4 billion in development assistance. In 2004 (latest figures), Kenya received USD 616 million, which was a 15 pct. increase compared to 2003. However, the 2004 disbursements were considerably less than the USD 1.4 billion received in 1990. The ratio of grants to loans is approx. 3:1.

In 2004, the bilateral donors contributed 57 pct. of the development assistance to Kenya, while multilateral donors provided 37 pct. The balance was made up by contributions from particularly Swiss, Finnish and Austrian NGOs. In 2004, the USA was the overall leading donor followed by the World Bank, the UN, the UK and the EU. Denmark presently ranks as number 9 (2004).

Infrastructure attracts the largest amount of foreign assistance. Health, including HIV/AIDS, comes second and agriculture third. Support to governance, energy and education are other major intervention areas. Aid allocations thereby reflect the country's development priorities contained in the ERSWEC.

### 3.

## COOPERATION BETWEEN KENYA AND DENMARK

### **3.1 General Objectives and Strategic Goals**

The country strategy for Danish development cooperation with Kenya for 2006-2010 will build on a) the Kenyan government's development plans, as outlined in the ERSWEC, b) Denmark's development policy<sup>3</sup>, c) the extensive past experience of development cooperation between Denmark and Kenya, and d) the already agreed goal of steadily closer cooperation with other development partners. In accordance with this framework, the overarching objective of the Danish-Kenyan development cooperation will be the reduction of poverty and the creation of sustainable development through pro-poor economic growth.

The major strategic directions in Danish development cooperation with Kenya in the period 2006-2010 will be:

- Active participation in and support to the government's reform agenda.
- Active participation in harmonisation efforts with other development partners, with a view to attaining full alignment with government procedures and structures.
- A shift from project assistance to sector programme support.

These directions will be implemented with due caution, taking into consideration the Kenyan government's capacity and political will to adhere to best practices with regard to transparency and accountability. The cooperation will be designed with a view to promoting Kenyan ownership of the development

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<sup>3</sup> 'Globalisation - Progress through Partnership. Priorities of the Danish Development for Assistance 2006-2010', based on the strategic foundation of "Partnership 2000".

processes in the country and strengthening the necessary, but not always popular, administrative and economic reforms. Improved access to information and popular participation in the decision-making process will remain a major challenge in the years to come. This means that support needs to be given to the public administration system, in order to enable it to deliver results, increase transparency and demonstrate greater responsibility vis-à-vis the public, not least in the districts.

In order to achieve its development aspirations, Kenya will need an even stronger growth than what has been achieved since 2002. In this endeavour Kenya will build on its private sector, which has demonstrated its strength and resilience over the years. In order to develop this potential, the Danish Country Strategy for Kenya targets two productive sectors: agriculture and business. Better conditions for private initiatives will generate employment and improve living conditions in Kenya. Private sector-led economic growth requires a positive business climate that can attract investors. Marginal areas and small producers should be involved in this effort in order to secure optimal impact on poverty alleviation.

In order to reach the targets set for poverty alleviation and improved human development, a concerted effort is required in the social sectors. The Danish Country Strategy for Kenya thus focuses on two areas: health and water & sanitation. Improved health is at the heart of the MDGs and also directly affects the productivity of the labour force. The same is true for water; indeed, improved access to water is at the top of the priority list for many local communities in Kenya. Water is also crucial for the intensification of Kenya's agriculture. Water and health have been chosen rather than education because of the strong Danish experience in these sectors and the opportunity to build synergies also with the agricultural and environmental programmes.

Improved governance is a key to societal development, where the economic growth of the productive sectors is invested in human development and poverty alleviation. Against this background, the Danish Country Strategy for Kenya includes support to government reforms, enhancing the democratic space and strengthening the respect for human rights, including the role of CSOs. The challenges posed by fundamentalist and terrorist groups are of particular concern. This effort is supplemented by Danish support for regional peace and stability.

Natural resources provide the foundation for economic growth: Kenya's environment is very rich but also very fragile, and care must be taken not to cause environmental degradation or over-exploit natural resources. Long-term sustainable growth and development is the goal. That is why the Danish Country Strategy for Kenya includes an environmental sector support programme.

It has been decided to terminate Danish support for the road sector. Infrastructure is generally well funded and several other donors have become involved in implementing the approaches developed through the Danish assistance to the road sector.

A change from the present project approach to first-generation SPS will be initiated in the country strategy period, 2006-2010. This represents a major challenge given the fact that comprehensive and coherent national sector policies are still being elaborated for most sectors, putting considerable strain on national capacity. Whenever capacity problems, institutional weaknesses and/or lack of proper policies or enforcement are not conducive to implementing SPS, Denmark will actively and in close collaboration with other development partners address these shortcomings through policy dialogue and direct support, including technical assistance (TA) for reforms in public sector management, not least in financial management. The outcome of the constitutional debate will set a new framework for decentralisation, which Denmark will support, while continuing to encourage civil society and local communities to take an active part in planning and managing development activities.

Even though some donors, including the World Bank and the EC Delegation, are providing budget support, Kenya is not found at present to have the capacity in terms of financial management and accountability to meet Danish requirements. Denmark will, however, in close collaboration with other development partners, explore the possibilities for offering sector budget support and actively support initiatives to strengthen public financial management. Progress may be achieved within the strategy period that will prepare the ground for this type of support.

The changes in the Danish-Kenyan development cooperation are expected to result in greater ownership of development efforts by the Kenyan government that will ensure long-term sustainability. At the same time, coordination and harmonisation of support - with a view to aligning development cooperation fully with Kenyan policies and structures - are expected to reduce transaction costs and improve the quality of development cooperation in the medium and long term.

Multiparty democracy has created a very fluid political situation. The constitutional referendum and the 2007 elections are likely to create considerable tension. Some of the proposed reforms, not least the anti-corruption drive, are likely to generate resistance from influential circles. Although the Kenyan economy is doing better, there are some concerns that the growth is mainly concentrated in a few sectors (the flower industry, tea and tourism), while the broad-based growth needed for sustainable economic growth might be lacking. The recent surge in oil prices has contributed to increasing inflation, pointing towards vulnerability vis-à-vis external shocks. Despite the emerging economic recovery, international business confidence in Kenya has remained fairly low, and Kenyan capital rather than foreign direct investments (FDIs) presently generates most investments. In view of these uncertainties, this strategy will adopt a flexible approach.

If the government is successful not only in implementing its reform programme – especially prioritisation of its development initiatives, civil service reform, anti-corruption drive and deregulation – but also in achieving concrete, confidence building results, there will be scope for increasing and deepening the development cooperation between Kenya and Denmark as described in the following presentation. If, on the other hand, the reform process stalls or is slowed down, it will hardly be possible to go beyond the current level of cooperation.

However, if political progress is reversed and oppression increases again, if instability develops and new examples of corruption at the higher levels are revealed or similar developments occur, it will be difficult to maintain the current level and form of assistance. Another mode of assistance focused at direct interventions at local level, capacity building and support for civil society will be considered.

### **3.2 Performance Goals**

The overall performance objectives for the Danish-Kenyan development cooperation are based on the targets and indicators laid down in the ERSWEC and conform with the MDGs where relevant. The ERSWEC entails a number of targets and indicators, the most important of which are listed below. Where relevant, these will be supplemented by performance goals from sector strategies. As the ERSWEC covers the period 2003-2007, no targets have yet been formulated for 2010. These targets will be integrated in the Danish-Kenyan cooperation as soon as the Kenyan government identifies them. Progress towards achieving the Kenyan government's general objectives and the country strategy's performance goals will be reported annually in connection with the Embassy's 'Assessment of Country Programme'.

Area	Kenyan government	Indicator objective	Baseline	Target value	MDG
Poverty	Reduce absolute poverty	Proportion of population living below the poverty line	56% (2003)	46% (2007)	17.5% (2015)
Growth	Accelerated economic growth	Real annual growth rate of GDP	1.1% (2002)	3.8% (2008)	n.a.
Health	Infant mortality per 1,000 live births	Infant mortality	114	100 (2008)	29 (2015)
	Maternal mortality per 100,000 births	Maternal mortality	590	450 (2008)	126 (2015)
Agriculture <sup>4</sup>	Revitalise growth of the agricultural sector	Real agricultural GDP grow	1.5% (2003)	3.1% annually (2004-2007)	n.a.
Water	Rural water coverage	Percentage of rural households with safe and reliable water	50%	60% (2007)	77% (2015)
Business	Expand trade and industry	Growth of volume of exports	-	5.7%	n.a.
Governance	Public safety, law and order; Public reforms; Elimination of corruption; Judicial reform	Percentage change in overall Kenya Bribery Index <sup>5</sup>	-	-	n.a.
		Percentage change in Citizen Satisfaction Rating of key government (GJLOS) institutions <sup>6</sup>	-	-	n.a.
		Percentage change in Human Rights Index <sup>7</sup>	-	-	n.a.

<sup>4</sup> Strategy for Revitalisation of Agriculture, March 2004.

<sup>5</sup> The Kenya Bribery Index is developed by Transparency International. The baseline and the target for the Danish Country Strategy for Kenya will be the same as the ones chosen for the GJLOS programme. However, these have not been fixed yet.

<sup>6</sup> The Citizen Satisfaction Rating is under development by the Kenya Human Rights Commission, which will also monitor and report on the indicator. The baseline and the target for the Danish Country Strategy for Kenya will be the same as the ones chosen for the GJLOS programme. However, these have not been fixed yet.

<sup>7</sup> The Human Rights Index is under development by the Kenya National Human Rights Commission, which will also monitor and report on the indicator. The baseline and the target for the Danish Country Strategy for Kenya will be the same as the ones chosen by the GJLOS programme. However, these have not been fixed yet.

### **3.3 Alignment and Harmonisation of Development Cooperation**

The Kenyan government's efforts to coordinate, harmonise and align development cooperation are concentrated in the Kenya Coordination Group (KCG) under the chairmanship of the Ministry of Finance (MoF). On the donor side, the major development partners in Kenya are organised in the Donor Coordination Group (DCG). The DCG has a number of sector sub-groups, including a special group on Harmonisation, Alignment and Coordination (HAC), which has been set up to streamline procedures. A sector group system on the government side exists, although, not all the groups are functioning.

In general, coordination, harmonisation and alignment in Kenya have not progressed as far as in some other Danish programme countries. This is mainly due to legacy from the previous government, where Kenyan government/donor cooperation cooled down. This has left the Kenyan side unaccustomed to development coordination at all levels. However, the situation is improving. The Kenyan government as well as development partners adhere to the Paris Declaration and the parties work towards improving aid effectiveness. Development partners have declared their commitment to coordinate, harmonise and align cooperation with the ERSWEC as the central framework. The special donor harmonisation group, HAC, coordinates its efforts with the government, especially the MoF, which in turn works to improve the coordination of line ministries.

As the latest initiative, the HAC-donors in cooperation with the Kenyan government have embarked on the development of a Kenya Joint Assistance Strategy (KJAS), along the same lines as joint strategies that have been developed or will be developed in Tanzania, Uganda and Zambia. The work on the KJAS is in its initial phases, although a completed KJAS is expected to be presented at the KCG meeting in April 2007. Denmark intends to participate fully in the KJAS. The KJAS process may lead to adjustments in the current strategy – most likely closer cooperation with other donors or the reduction of Denmark's involvement in one or two sectors.

Denmark is an active HAC member and Danish efforts within coordination, harmonisation and alignment will, therefore, be supporting the objectives identified by HAC: 'To increase the effectiveness and efficiency of aid and reduce transaction costs of the government by avoiding duplication of work, simplifying and standardising procedures, and supporting development partners efforts to align their support with mutually agreed development priorities to the extent possible'. Specifically, Denmark will pursue the following targets:

Targets	Indicators
Donor coordination: Denmark will support all steps aimed at strengthening the coordination of development cooperation in Kenya.	Full participation in all activities aimed at promoting coordination, incl. KCG, DCG, HAC and government-driven processes at central level as well as in the sectors.
Harmonisation: Denmark will promote donor harmonisation within all relevant focus areas.	<p>Full participation in all harmonisation activities, incl. joint sector reviews and possible future joint country analysis/strategy.</p> <p>By the end of the strategy period, joint administration of funds has been adopted in at least two of the Danish-supported programmes.</p>
Alignment: Denmark will ensure that bilateral development assistance closely adheres to the Kenyan governments plans.	<p>All sector programmes and major projects will be designed to support the implementation of the ERSWEC.</p> <p>At least three of the main partner institutions have demonstrated significant improvement in financial management according to Kenya's auditor general.</p>

All progress on indicators will be reported annually in connection with the Embassy's 'Assessment of Country Programme'.

### 3.4 General Strategic Priorities

The need for development of the private sector on the one side and the delivery of sustainable services in the social sectors on the other as reflected in the Kenyan ERSWEC, as well as experience gained from the past Danish development cooperation has led the country strategy to focus on four sectors: health: water and sanitation, agriculture and the business sector. Human rights, democracy and good governance; environment; the Private Sector Development Programme (OSDP); anti-terrorism; and support to the Refugee-Affected Areas Programme are other areas of cooperation.

In order to maintain an overall focus and reduce the management burden, maximum coordination and synergy among the programmes will be pursued where relevant. Areas where mutual reinforcement will be promoted include, for example, agriculture, business and the PSDP as well as agriculture, water and environment programmes. Actions implemented through the Human Rights, Democracy and Good Governance Programme will contribute to the promotion of pertinent reforms vis-à-vis all sectors.

The sector distribution of the country budget frame is as follows:

<b>Sector</b>	<b>2006<sup>8</sup></b>	<b>2010</b>
<b>Productive Sectors</b>		
Agriculture	17%	17%
Business	18%	17%
<b>Social Sectors</b>		
Health	31%	30%
Water and Sanitation	19%	17%
<b>Others</b>		
Good Governance	12%	12%
Local Grant Authority	3%	7%
<b>Total</b>	<b>100%</b>	<b>100%</b>

In addition, the following activities are supported outside the country frame (million DKK):

	<b>2006</b>	<b>2010</b>
The Environment Sector Programme Support (ESPS)	12.5	20
The Refugee-Affected Areas of Origin Programme (Nærområdeindsatsen)	48.5 <sup>9</sup>	50
The Private Sector Development Programme (PSDP)	10	16
Anti-terrorism activities	5	5

Cross-cutting issues - gender equality; environment; and human rights, democracy and good governance - are reflected in the bilateral activities both through programmatic support and mainstreaming into the SPS. These issues

<sup>8</sup> Based on the Draft Danish 2006 Finance Bill.

<sup>9</sup> The figure includes bilateral assistance, multilateral assistance as well as assistance through Danish NGOs.

are considered when designing the interventions to ensure maximum impact. Equal participation in the implementation process and monitoring of the ERSWEC, as well as equal access to the outcomes is a priority for Danish development cooperation. This is particularly important in rural areas, where female-headed households and subsistence farmers experience a higher incidence of poverty than the population in general. In order to maximise impact and facilitate strong mainstreaming, the new good governance programme will be designed with a view to securing a close coordination with the governance aspects of other Danish-supported sector programmes. Involving local communities' management of public services, such as water supply and health facilities, will be a key feature of new programmes. Despite renewed focus on improvement of human rights, women in Kenya still face serious discrimination. In general, this complex of law and tradition implies that women in the Kenyan society are more vulnerable than men, and women's participation in decision-making processes is restricted. To contribute to the deconstruction of these imbalances and ensure maximum impact, gender equality is considered when designing the interventions both within the selected sectors and thematic areas of interventions as well as across the country programme.

Environmental degradation is threatening the livelihoods of millions of Kenyans, especially in the ASAL. Thus, the existing activities, notably the agricultural projects, have been designed to take environmental issues into consideration. In addition to the designated environment of support, mainstreaming environmental aspects will continue in all relevant sectors, especially within agricultural and water sectors. Environmental impact assessments are carried out in connection with the planning of new activities where relevant.

### **3.5 Assumptions and Obligations of Both Parties**

The cooperation between Denmark and Kenya is based on the assumption that both parties fulfil the obligations presented below. The obligations of each party are summarised as follows:

**Denmark** is fully committed to supporting the ERSWEC as the framework for Kenya's social and economic development. Denmark will assist Kenya in its endeavours to combat poverty through support to the selected sectors described in the country strategy. Denmark is committed to initiating first-generation SPS within the strategy period with a view to integrating its assistance fully in the implementation of the ERSWEC. Denmark is obliged to report on the flow of funds to the MoF on a regular basis to contribute to transparency with respect to use of funds.

In order to reduce transaction costs of support and improve the quality, timely delivery and cost-effectiveness of Danish bilateral cooperation, both Denmark and Kenya are committed to the coordination, harmonisation and alignment of external support.

**Kenya** is expected to stay committed to the priorities in the ERSWEC. Poverty in Kenya cannot be alleviated without the profound economic, social and political reforms outlined in this strategy. The implementation of the ERSWEC will be monitored through the annual progress reports of which the first was published in March 2005 covering the financial year 2003/2004.

Wealth is distributed very unevenly among the few rich and the vast majority of poor people in Kenya. Efforts to bridge this gap are crucial for the further development of a cohesive, peaceful and just society. Economic growth is paramount for the Kenyan government's efforts to alleviate poverty and create better living conditions for the poor. It is, therefore, expected that the Kenyan government will continue to address the necessary reforms of the economy and the private sector outlined in the ERSWEC in order to secure growth.

The commitment and efforts of the Kenyan government to improve governance and especially to take firm steps to combat corruption are crucial for the continued strengthening of the modalities for Danish-Kenyan development cooperation. The Kenyan government is, therefore, expected to implement its own action plan to fight corruption in the form it was given after the KCG-meeting in 2005 and any subsequent versions of the plan that may follow.

The continuation of the positive trend of constructive dialogue with civil society remains highly important in the ongoing process of improving governance. The Kenyan government is expected to respect the pluralism of civil society, including the media, and to continue the process of transparency and dialogue with all sections of Kenyan society. At the same time, the government is expected to refrain from introducing limitations on the freedom of speech or the freedom to organise.

Despite the falling rate of HIV/AIDS prevalence found in official Kenyan statistics, the pandemic continues to be the most severe social threat to the country's economic development. If the spread of HIV/AIDS is not curbed, development efforts will be undermined. The Kenyan government is expected to forcefully implement its policies to combat HIV/AIDS.

## 4. FOCAL SECTORS AND THEMATIC AREAS

The programmatic elements of Denmark's development cooperation with Kenya in the strategy period 2006-2010 are described in the following chapter. The chapter will present the planned support to the selected sectors and thematic areas. The selection of sectors is not least based on the possibility of creating synergies between the chosen sectors. It is important to note that most objectives and indicators are drawn from the ERSWEC and/or national sector plans. Many correspond directly to the MDGs. Hence, targets are not directly related to the support provided by Denmark but represent sector-wide goals. Achieving these depends on the coordinated efforts of the Kenyan government, donors and other stakeholders. At programme level, quantifiable indicators will be developed where necessary in order to measure progress.

### 4.1 Agriculture

Objective (SRA)	Indicators (SRA)
Development objective: To attain economic recovery by transforming Kenya's agriculture into a profitable, commercially oriented and productive activity that provides high-quality gainful employment to Kenyans.	Population below poverty line reduced by 50% by the year 2015.
Immediate objective: To revitalise growth of the agricultural sector by providing a conducive policy and institutional environment for increasing agricultural productivity and promoting investments in agricultural enterprises and agri-business.	Real agricultural GDP growth by 3.1% annually 2003-2007.

Agriculture is the backbone of Kenya's economy, directly contributing to 26 pct. of GDP and 60 pct. of export earnings. About 80 pct. of Kenya's population live in rural areas, and among the poor households subsistence farmers and pastoralists account for over 50 pct. About 70 pct. of smallholder farmers are women. Broad-based growth in the agricultural sector is therefore a key factor in the Kenyan government's ability to successfully reduce poverty and improve the livelihood of the population.

The strategic framework for the Danish support to the agricultural sector is Kenya's Strategy for Revitalisation of Agriculture (SRA) (March 2004), which contributes to attaining MDG 1's objective of reducing by half the proportion of people living below the poverty line by 2015. The overriding goal of the strategy is to achieve a lasting reduction in unemployment and poverty in Kenya, and the main challenge is the transition of farming enterprises from subsistence to commercial production. The strategy identifies five critical areas requiring public action for modernisation of the agricultural sector: reform of the legal and regulatory framework; promotion of research and technology development; reform of the extension system to create effective linkages among research, extension and farmers; establishment and development of a market-based agricultural credit and inputs system; and promotion of domestic processing. Denmark has supported the pilot phase of the implementation of the agricultural sector reforms.

The investment plan for the ERSWEC 2003-2007 (March 2004) estimates that 11 pct. of the total costing of the ERSWEC will be used for agriculture and rural development. In the investment plan, the Kenyan government expresses its commitment to a significant rationalisation of agricultural parastatals and to allocating a greater share of resources to priority programmes.

Denmark has supported agricultural development in semi-arid districts for many years. The projects initiated in 1999 will come to an end in 2005. The support has included: support to smallholder farmers and community initiated agricultural support activities; support to micro and small enterprise development; and support to micro finance initiatives.

A 'first-generation sector programme' with Danish support was launched in July 2005. The Agricultural Sector Programme Support (ASPS) will address poverty alleviation through support to economic growth and employment creation in the smallholder-farming sector and amongst small entrepreneurs.

The ERSWEC and the SRA call for a redefinition of the role of the state as facilitator for private sector growth and investment in agriculture. The programme will assist the Kenyan government in establishing clear roles of the public sector through support to the development of the policy and regulatory framework for agriculture, including capacity building. Denmark's support will in this area form part of a basket funding arrangement provided by like-minded donors.

The Danish assistance will support agricultural business development, including rural finance. Smallholders and small entrepreneurs constitute the majority of Kenya's business sector and the change from subsistence farming is vital for the economic development in agriculture. The ERSWEC aims at creating 500,000 jobs annually. Although this target is hardly realistic, the majority of new jobs will have to come from smallholders and small enterprises. The support to agricultural business development as a private sector intervention will be implemented by private sector stakeholders.

Finally, the ASPS will support districts in establishing rural infrastructure and agricultural advisory services to reduce transaction costs for agricultural business. The decentralised support will be implemented by decentralised governments and will also assist in building capacity for the devolution process expected to be included in Kenya's new constitution. The Kenyan government emphasises the importance of creating economic development in ASAL areas, where 65 pct. of the population is poor. The ASPS district-based interventions will initially target seven semi-arid districts.

The overall outcomes described in the SRA and the ERSWEC will be used for monitoring. The ASPS will support the development of the monitoring and evaluation system for impact monitoring developed for the ERSWEC and the SRA. The ASPS will furthermore liaise with research institutions to document the scope of interventions in the semi-arid areas creating viable economic development and reducing poverty and vulnerability. Output indicators will be gender-disaggregated. Specific component targets and indicators have been developed.

The Kenyan government recognises that gender inequality is a fundamental challenge to economic growth and productivity in the agricultural sector. Support to gender equality will form an integral part of the ASPS, and emphasis will be given to addressing the special problems faced by women in agriculture. Within traditionally male dominated areas, such as market-oriented agriculture, agri-business and use of advisory services, the target is that 50 pct. of the ASPS-beneficiaries will be women. Gender-sensitive baseline studies and indi-

cators will form the basis on which progress will be measured. The training activities will be gender-sensitive and the inclusion of women in decision-making processes will be given priority, as will women’s participation in business-related activities, including access to credits.

The semi-arid lands in Kenya are environmentally vulnerable, and support to productivity enhancing agricultural interventions to promote effective and sustainable utilisation of the natural resources and environmental protection forms part of the support. In the targeted ASPS districts, the environment support programme will support the districts’ capacity to integrate environmental aspects in their planning, thereby creating synergy with the ASPS.

The programme will support prevention of HIV/AIDS and mitigation of the impact of the epidemic through pilot interventions designed to include the more vulnerable segments of the population in economic development. Finally, the programme will support good governance and democracy by assisting the Kenyan government in developing transparent and democratic decentralised planning and accounting processes at local levels.

#### 4.2 Private Sector Development

Objective (ERSWEC)	Indicator (ERSWEC)
Expand trade and industry.	Growth of volume of exports raised to 5.7% per annum.

The ERSWEC takes full recognition of the importance of private sector development in poverty reduction, and it is stated that the productive sectors of the economy represent the core of the government’s economic recovery strategy. In the context of the ERSWEC, the productive sectors are agriculture, tourism, trade and industry. The government estimates that these sectors account for approximately 50 pct. of GDP and provide 628,000 formal sector jobs and 3.7 million informal small and medium-sized enterprises (SME) sector jobs.

Reviving private sector activity and investment, and specifically micro-enterprise and SME development, feature prominently in the Kenyan government’s strategy for raising incomes and productivity. The government’s objectives, policies and strategy for private sector development are articulated in four critical policy and strategy documents: (i) the ERSWEC; (ii) the IP-ERS, which translates the government’s mandate into a prioritised programme of action for the coming years and emphasises the importance of especially the micro and small enterprise

sector in job creation; (iii) the Private Sector Development Strategy, which is presently being prepared by the Ministry of Trade and Industry (MoTI); and (iv) the ‘Micro and Small Enterprise Sectional Paper’. The latter two documents lay the policy framework and government vision for the sector’s development.

The Kenyan government is committed to improving the environment for private sector growth and investment, mainly by removing barriers to investment and lowering the cost of business. This will include measures to further liberalise trade, strengthen the financial market, enhance the infrastructure, improve security, facilitate use of technology licences, review mechanisms for wage determination and improve access to quality training.

To help describe the business climate in Kenya, the following four indicators have been identified from the World Bank ‘Doing Business’ survey:

Indicator	Measured in	Score in 2005
Starting a business	Time (days)	47
Registering property	Time (days)	39
Enforcing contracts	Number of procedures	25
Protecting investors	WB disclosure index	2

Implementation of the Business Sector Programme Support (BSPS) will commence in late 2005. The BSPS aims to improve the overall environment for private sector growth and support to the following areas:

- Support the Kenyan government’s efforts to implement its Private Sector Development Strategy and action plans, especially in terms of strengthening private sector advocacy, capacitating business associations, enhancing public-private partnership, and monitoring and evaluating interventions in private sector growth.
- Enhance the competitiveness of SMEs through promotion of vertical linkages, access to new markets, technologies standardisation and financial services.
- Improve labour market productivity through support to the implementation of labour market reforms, with an initial focus on occupational health and safety, HIV/AIDS, labour productivity and benchmarking studies, as well as and the promotion of tripartite dialogue.

The BSPS aims to improve the overall environment for private sector growth and will concentrate on regulatory reforms and improved capacity building

within the private sector. This support will provide a coordinating framework for private sector efforts, particularly the PSDP and mixed credits. It will also be coordinated with the business component of the ASPS. In the area of private sector growth, as well as in general, a regional approach will be sought where feasible, aiming at improving commercial relations to neighbouring countries, especially Tanzania and Uganda within the East African Community.

HIV/AIDS is an important issue for the private sector in Kenya and it is generally agreed that the pandemic has had a negative impact on productivity, although very little research has been done on the subject. At present, very few private sector companies have a clear HIV/AIDS policy. The BSPS addresses the HIV/AIDS issue by balancing the social responsibility obligations of enterprises with the productivity aspects. Promotion of women's and men's equal access to the business sector is incorporated in the BSPS and special attention is given to enhancing women's capacities and active participation in the business sector.

Kenya has participated in the **Private Sector Development Programme (PSDP)** since 2002. The overall goal of the programme is to contribute to economic development in Kenya through the facilitation of long-term business linkages between companies in Kenya and Denmark. During the first years of the PSDP in Kenya, most activities have been in the feasibility phase. There has been a good diversity in the sectors involved, which included agro-industry, industrial production, and the service sectors. A number of activities are now being implemented and others are in the pipeline.

The Kenyan government has strongly emphasised the role of private business in the economic recovery and the PSDP is considered to have great potential. Against this background, Denmark will continue to support the PSDP in Kenya during the strategy period 2006-2010 within the framework created by the Business Sector Programme. The PSDP will also be closely coordinated with the private sector component of the ASPS. Furthermore, the programme will establish a close cooperation with IFU with a view to identifying and supporting joint ventures with the potential to develop into IFU projects.

Kenya is eligible for Danish mixed credits projects in both both the public and private sector. A number of potential initiatives for this form of financing are under consideration. Opportunities that supplement existing and previous Danish development cooperation programmes with infrastructure or small in-

dustrial plants are deemed to be good and have a significant positive impact in the current economic environment in Kenya.

### 4.3 Health

Objective (ERSWEC)	Indicators (ERSWEC)
Expand basic health services.	Reduction of under 5 mortality from 114 per 1,000 live births to 100 per 1,000 live births by 2008 (MDG 4).
	Reduction of maternal mortality rate from 590 per 100,000 women to 450 per 100,000 women by 2008 (MDG 5).

The strategic framework for the Danish support to the health sector is Kenya's National Health Sector Strategic Plan 1999-2004 (NHSSP). A new five-year NHSSP is being developed for 2006-20-10. The NHSSP focuses on reducing the burden of disease, increasing decentralisation, reallocating more resources to preventive and promotive services, strengthening health management systems and human resources, restructuring the Ministry of Health (MoH) to support health sector reforms, and increasing the flow of resources. Development partners, including Denmark, view the NHSSP as a satisfactory framework for the health sector, although implementation has been very slow. It is important that the revision of the sector strategy and the health sector reforms promised by the Kenyan government are implemented as soon as possible in order for Kenya to break the downward spiral of deteriorating social indicators. A revised sector strategy is also a prerequisite for a SWAp.

In order to implement the NHSSP, the Kenyan government has promised to increase total government spending in the health sector from 5.6 pct. of the total public expenditure in 2002 to 12 pct. in 2007, two thirds of which is to be spent on salaries. The World Health Organisation (WHO) recommends that countries spend USD 34 per patient per annum. However, Kenya presently spends approximately USD 12 per patient per annum. Although this is comparable with the situation in other African countries, the health sector will continue to be under-funded in the strategy period, even with the planned doubling of the government resources.

Denmark has supported the health sector in Kenya for over three decades. In the mid 1990s, a move towards SPS was initiated. However, the political situa-

tion and poor governance made it necessary to channel assistance directly to the provincial level, with close financial monitoring.

In line with the objectives of the health sector in the ERSWEC and the IP, Denmark will support the efforts to improve the health status in Kenya, particularly among poor and vulnerable people. The support will aim at expanding primary health care and making it more effective, accessible and affordable.

In the strategy period, the Danish-supported health activities will be carried out in two phases. In the first phase, 2005-2006, the existing District-Based Health Support Project in Coast and North Eastern Provinces and the new 'first-generation sector programme' – Kenya Health Sector Programme Support, Phase I (HSPS-I), – will be run in parallel and coordinated by HSPS-I. HSPS-I includes support to four components: health sector reforms; support to the pharmaceutical sector; a health information system; and children and adolescents. In 2007, the two activities will be merged into a full-fledged sector programme – Kenya Health Sector Programme Support, Phase II (HSPS-II).

Danish health activities will support improvement of the primary health care system. The success of the support will depend on the Kenyan government's ability to provide primary health care for poor and disadvantaged population groups and on the health sector's performance in terms of accountability and transparency in the use of funds. Coordination and harmonisation of support from development partners in the health sector are making good progress and reinforcement of this trend will be given high priority. The two impact indicators for the health sector described in the ERSWEC (see above matrix) correspond to MDGs 4 and 5. Output and outcome indicators for monitoring the Danish-supported health activities will be selected.

The sector support programme component 'Health Management Information Systems' will promote the collection and analysis of data disaggregated by sex and age, providing a better basis for gender sensitivity in the planning and implementation of the health sector support. Proper handling and discarding of expired drugs will address environmental considerations. Transparency and decentralisation of activities in the health sector will be strengthened at community level.

Throughout the long Danish-Kenyan cooperation in the health sector, extensive capacity and experience have been built in the primary health area. Denmark has over the years contributed to the mainstreaming of HIV/AIDS into

the primary health sector in Kenya. Assisting in the prevention of the spread of HIV/AIDS and addressing the consequences of the pandemic continues to be an underlying theme throughout the health activities. Efforts will focus on preventing further spread of the disease, especially among adolescents. Initiatives that supplement these efforts will be included in other sector programmes. In parallel, reproductive health is a main area of activity under the sector support programme's component for children's and adolescents' health.

#### 4.4 Water and Sanitation

Objective (Kenyan government)	Indicators (Kenyan government)
Provide 100% of the population with access to clean and safe water by 2010.	600 water points/schemes constructed or rehabilitated and 500 boreholes drilled and handed over to the communities from 2003-2006.
Increase coverage and access to water and sanitation services, especially to the poor, by 8% per annum until full coverage is attained.	With 100% coverage, 46% of the poor will gain access to improved services in the period 2003-2010.

The ERSWEC places strong emphasis on the water sector, especially in the ASAL. The MDG related to the water and sanitation sector is to halve the proportion of people without access to safe water and sanitation by 2015. The objective of the Kenyan government is to provide 100 pct. of the population with access to clean and safe water by 2010. The government is committed to increasing coverage and access to water and sanitation services, especially to the poor, by 8 pct. per annum until full coverage is attained.

The government's efforts in the water and sanitation sector have led to significant investments and improvements in water supply service (65 pct. in urban and 40 pct. in rural areas). A reform programme has been initiated to ensure the provision of reliable, sustainable, and affordable water and sanitation services to all categories of consumers. With respect to sanitation, about 40 pct. of the rural population have access to sanitation – mainly pit latrines. A sanitation policy is under preparation. The rural water supply and sanitation service coverage is particularly low in the ASAL, where ground water resources are scarce, surface sources are not perennial and the population is nomadic.

It is an ambitious plan to implement the 2002 Water Act, including the establishment of new authorities, in a process that promotes a democratic culture and respect for human rights and gender equality. The Water Act foresees a completely new institutional environment, separating water resources management from water services and leaving water services provision to the private sector.

The sector reform programme includes the development of clear and well-supported water and sanitation services strategies and investment plans; implementation of an institutional framework that will lead to a clear separation of functions and ensure effective policy making by the Ministry of Water Resources Management and Development (MoWRMD); independent regulation by the Water Services Regulatory Board (WSRB) and effective business planning and asset development by the Water Services Boards (WSBs); accountability and efficient performance by the Water Service Providers (WSPs) contracted by community user groups such as Water User Associations (WUAs) and Water Resources Users Associations (WRUAs).

Danish support to the water sector will support the implementation of the 2002 Water Act and the fulfilment of the ERSWEC objectives. Through this cooperation, Denmark will contribute to the improvement of the living conditions of the poor, disadvantaged and marginalised women and men of Kenya by providing better access to and control over water and sanitation-related services. The support will contribute to the prevention of HIV/AIDS through integration in relevant plans and activities such as training and extension.

The activities are designed in cooperation with the Swedish International Development Cooperation Agency (Sida) as an SPS. Other development partners are expected to join by 2009. A first phase will be implemented with support to sector investment in a manner that is consistent with the Kenyan government's new reform process. Support will be given to technical and institutional capacity building at different levels, linking these together. In a second phase, a basket fund will be established leading to an SPS. The expected outcome of the joint Kenyan government/Danida/Sida-supported activities is a sustained and replicable improvement in the water and sanitation sector.

The indicators described for the water sector in the ERSWEC will be used as outcome indicators. The indicators include the number of water points/schemes constructed or rehabilitated; the proportion of the poor with access to improved services; the reduction in time spent by women in fetching water; and the number of female entrepreneurs engaged in water-related eco-

conomic activities. Additional gender-sensitive qualitative and quantitative indicators that are specific to water resource management, capacity building and consolidation of the sector reform programme will be used. Specific component targets and indicators are being developed together with targets and indicators for sanitation at sector and component level, as these are not included in the ERSWEC.

#### 4.5. Good Governance, Regional Stability and Anti-Terrorism

Objective (IP-ERS)	Indicator (IP-ERS)
Public safety, law and order; Public reforms; Elimination of corruption; Judicial reform.	<ul style="list-style-type: none"> <li>• Percentage change in overall Kenya Bribery Index.</li> <li>• Percentage change in Citizen Satisfaction Rating of key government (GJ-LOS) institutions.</li> <li>• Percentage change in Human Rights Index.</li> </ul>

The promotion of good governance is of major importance to Kenya’s development. Rampant corruption and nepotism as well as a poor human rights record have marred the country’s past. Progress has been made since the NARC government came into office in 2002, especially in the legal and institutional framework. However, much still needs to be done.

The ERSWEC stresses that ‘in an effort to revive the economy and meet the expectations of Kenyans for better living conditions, the starting point is better governance....’. The ERSWEC highlights the promotion of the rule of law and the control of corruption as key impact indicators and targets for improved governance.

To institutionalise the government’s efforts, a new Ministry of Justice and Constitutional Affairs (MoJCA) has been created, and a new department established, under the president’s office, in charge of governance and ethics. Other institutions created include the Kenya Anti-Corruption Commission (KACC) and the Kenya National Commission for Human Rights; the latter to initiate judicial, police and prison reforms.

In line with these overall government policies, the MoJCA has actively led a process of strategic planning that takes a SWAp to justice. In early 2003, the Kenyan government launched the Governance, Justice, Law and Order Sector (GJLOS) Reform Programme covering the years 2003-2008. The process is led

by the MoJCA, in close coordination with other government institutions. The GJLOS Reform Programme has seven key result areas: Ethics, Integrity and Anti-Corruption; Democracy, Human Rights and Rule of Law; Justice, Law and Order; Public Safety and Security; Constitutional Development; Legal Services; and Leadership and Management Development.

GJLOS is the closest Kenya is to an integrated SWAp. A total of 19 development partners have so far joined GJLOS and almost all have signed up to a Joint Statement of Intent. Funding is secured both through a basket arrangement and through direct contributions. Denmark has been a member of the basket from the beginning. All donors, including the non-basket members, are coordinated through an activity matrix, which is regularly updated. Common reporting in GJLOS is structured around semi-annual reviews undertaken by an independent team of experts.

A further institutional strengthening of the democratic institutions in Kenya is needed. The prolonged constitutional review process clearly illustrated that respect for democratic ground rules is not inherent in the political system but will have to be nursed. It can also be foreseen that external support to the democratic process in Kenya will be called for in connection with the upcoming 2007 elections in the form of support to the election committee as well as civic education.

Civil society in Kenya continues to play an active role in the promotion of human rights, democracy and good governance. Kenyan civil society actors are particularly concerned about the establishment of a new constitutional framework and the lack of progress in this process. The 'watchdog' function with respect to transparency and accountability remains essential and contributes to keeping government and citizens alert on the necessary reforms. The operational framework for civil society - organisations as well as media - has improved since 2002, but the need for continued awareness and strengthened capacity remains.

Another contested topic of wide implication for the Kenyan society is land issues. In June 2003, a Judicial Commission of Inquiry on Illegal and Irregular Allocation of Public Land (the Ndungu Committee) was established. The recommendations in the commission's report are being implemented including the establishment of a Land Titles Tribunal and an advisory task force under the Ministry of Lands and Housing (MoLH) to work on the recovery of seized land. The land issue, however, continues to be a complex and highly politicised topic in Kenya and the practical implications of the Ndungu Committee still remain to be seen. A number of NGOs are engaged in this and some have re-

ceived Danish support. The ASPS will also, to a limited extent, support farmers in receiving title deeds on their lands.

All of the above constitute the framework for Danish support to good governance in Kenya. Danish support has been provided to human rights, democratisation and good governance in Kenya for many years and has – together with support from other like-minded donors – been instrumental in bringing about the recent democratic changes in the country. The Human Rights, Democratisation and Good Governance Programme (HRDGGP) ended in 2005 and a new Kenya Good Governance Programme (KGGP) has been approved for the 2005-2010 period. The KGGP supports the government reform programme, including the key GJLOS Reform Programme and anti-corruption activities. The KGGP also includes support to civil society in order to strengthen the role of civil society, enhance dialogue and interaction with the government with a view to improving democracy, human rights and good governance. Finally, the KGGP supports the further strengthening of Kenya's democracy through support to future democratic election processes. Gender issues will be mainstreamed throughout the programme as well as being specifically targeted, for instance through support to women CSOs and gender-sensitive voter training.

Stabilising the region is important to ensure that development in Kenya and the neighbouring countries can proceed unhindered. Even a short period of insecurity and violent conflict can undo many years of development work. Denmark plays an active role in supporting regional efforts. Through, for example, the Africa Programme for Peace, Denmark supports the efforts of regional and sub-regional organisations in conflict resolution, peace-building, reconstruction and development.

Denmark also supports the stabilisation in Kenya and the region and promotes human security through anti-terrorism efforts. The bilateral activities have focused on identifying Denmark's comparative advantages and have concentrated on 'softer' interventions aimed at making local communities more resistant to extremism and political radicalisation, rather than 'hard' interventions in the form of support to the security sector. In Kenya, the bilateral activities have been branded as the 'Peace, Security and Development Programme'. A pilot phase launched in 2005 consists of support to four local CSOs in the Muslim-dominated Coast Province. The focus of the pilot is vulnerable local communities with a view to promoting dialogue, tolerance and inclusion of marginalised groups in the Kenyan democracy. Support is provided for implementing outreach activities, including information campaigns; public education activities; community forums; inter-faith dialogue meetings; training of peace and security facilita-

tors; and information sharing and trust-building between religious community leaders. The objective of the Peace, Security and Development Programme is to contribute to the promotion of a democratic Kenyan society open to all ethnic and religious groups as an attractive alternative to political violence. Thus, the programme will aim at the deep roots of terrorism by targeting economic and political exclusion, thereby linking up to the general priorities of Danish development assistance, including poverty reduction and the promotion of democracy. The programme will contribute to reducing the breeding ground for new generations of potential terrorists and weaken the environment that allows international terrorists to hide and operate from local communities. The experience gained from the pilot will feed into the preparation of a more comprehensive programme, which will start up in 2006.

Furthermore, Denmark will allocate support through the multilateral development budget to Kenya's efforts to implement the provisions of Security Council resolution 1373 and other relevant legislation. This will be administered at headquarters level by the Ministry of Foreign Affairs and channelled through international organisations. A two-year project was initiated on 1 December 2005. Based on the experience from this project, more activities may be considered.

The anti-terrorism efforts will be closely associated with the KGGP and especially the civil society component of that programme. Coordination with other donors is a priority, although most other donors in the sector tend to focus on supporting 'hard' security activities.

#### 4.6. Assistance to the Environment

Objective	Indicators
Ensure environmental sustainability.	State of the Environment Reports approved by Parliament.
Implement the Environmental Management and Coordination Act (EMCA) 1999.	National Environment Management Authority's Compliance Unit operating effectively with key business sector, i.e. enterprises to comply with environmental impact assessments and environmental assessments.
Implement the National Environmental Action Plan (NEAP).	District Environment Officer and District Environmental Communities in place and operational.

The ERSWEC recognises the need to achieve development without deterioration of the environment. The Kenyan government is committed to environmental management and sustainable development, as demonstrated by the adoption of the Kenya National Environmental Action Plan (NEAP) in 1994 and the enactment of the Environmental Management and Coordination Act of 1999. The government has emphasised the need for conservation, sustainable utilisation and management of the environment and natural resources. The EMCA establishes national environmental principles and provides guidance and coherence in good environmental management. The EMCA created various organs to implement the provisions of the act, such as the National Environmental Management Authority (NEMA) and District Environmental Committees.

The key challenges include support to the Ministry of Environment and Natural Resources (MoENR) and NEMA to build the necessary capacity to enable the development of tools and standards for effective management and monitoring of environment policies in key sectors.

NEMA should maintain a policy and regulatory function, leaving implementation to ministries and institutions that already have the local capacity to do so. The Danish support to the sector will be provided under a special mechanism with earmarked funds set-up in accordance with Kenyan government decisions. The set-up will provide a comprehensive approach to environmental management, creating synergy with the Water SPS and the Agricultural SPS by focusing on work in the same ASAL districts as those two programmes. The Danish support is planned for a period of five years, starting in 2006. Joint cooperation with other development partners is foreseen.

The support will be poverty focused and gender-sensitive. The overall development objective is to ensure sustainable management of natural resources and enhanced livelihood with special emphasis on poor and marginalised women and men. The programme will address: (i) technical and institutional capacity building of the MENR, NEMA, district authorities and relevant stakeholders in line ministries; ii) support for community user groups through training and support to environmental projects through district authorities and NGOs; and iii) integrated coastal zone management. The intention is to undertake a capacity building programme and to involve the community in environmental management in order to demonstrate that environmental management and improvement in the livelihood of the poor can go hand in hand. Therefore, a substantial amount of the Danish support will be provided for community implemented sustainable development projects.

All the activities are based on NEMA's Strategic Plan (2005-2010), and priority areas have been chosen in close cooperation with other donors.

Kenya's vulnerability to climate change is a challenge which needs to be addressed as a cross-cutting concern affecting many aspects of sustainable development. It is important to address the negative impact of climate change through climate-friendly energy solutions and through adaptation responses to reduce the vulnerability of the country. Therefore climate change needs to be taken into consideration where relevant in Danish development cooperation with Kenya.

## 5. OTHER ACTIVITIES

### **5.1. Assistance to Refugee-Affected Areas**

The objective of the Programme Assistance to Refugee-Affected Areas is to alleviate poverty among refugees and host communities. Currently, assistance is provided to regions in Kenya, Tanzania, Zambia and Northwest Somalia (Somaliland) and Uganda. The Danish assistance to refugee-affected areas has a long-term perspective and is focused on areas where it is possible to contribute to improving the livelihood of the target groups, including refugees, internally displaced and host populations. Conflict prevention is an integrated element of the programme.

In Kenya, the programme is implemented in close cooperation with the Kenyan authorities and UNHCR. The long-term objective is that the Kenyan government protects asylum seekers and refugees in compliance with the country's international obligations. Activities are aimed mainly at Sudanese and Somali refugees, who constitute the vast majority of the approximately 300,000 refugees living in Kenya. As the local host population often live under worse economic and social conditions than the refugees, the programme seeks to address the needs that exist among the refugees as well as among the local population. The programme therefore focuses on improving livelihood of refugees as well as the host population. To the extent that it is possible, the programme also seeks to support voluntary repatriation.

Furthermore, the programme includes a component aimed at building the capacity of the Kenyan refugee and asylum system. The Kenyan government is seeking to increase its involvement in the protection of and assistance to refugees and is preparing the adoption of a refugee bill. Denmark is supporting

these efforts through assistance to the Kenyan Refugee Secretariat under the Ministry of Immigration and Registration of Persons.

### **5.2. Danish NGOs in Kenya**

A number of Danish NGOs are active in Kenya: MS-Kenya (Mellempfolkeligt Samvirke-Kenya), DanChurch Aid (Folkekirkens Nødhjælp), the Danish Red Cross (Dansk Røde Kors), the Danish Outdoor Council (Friluftsrådet), the Danish Boy Scouts Association (Fællesrådet for Danske Drengespejdere), the LO/FTF Council (U-landssekretariatet) and International Aid Services (Pinsekirken). In 2000-2004, a total of DKK 103.8 million was disbursed through these organisations. The main areas of activity were: advocacy and capacity building; human rights; democratisation; civil education; children and youth; small-scale farmers; and natural resource management. MS-Kenya is the biggest Danish NGO in Kenya. DanChurch Aid mainly works with refugees from Sudan and Somalia, presently encamped in Kenya.

In general, the Danish NGOs contribute to broadening the scope of the development cooperation between Denmark and Kenya and are instrumental in securing public support in Denmark for development assistance to Kenya. With respect to support to the refugee relief work, the level will be closely linked to the peace processes in Somalia and Sudan and to the return of the refugees to their country of origin.

### **5.3. Research Activities**

Direct cooperation between Danish and Kenyan research institutions and individuals can be supported outside the country frame through the Ministry of Foreign Affairs of Denmark, which funds research activities as part of Denmark's International Development Cooperation. Research support is defined as funding given to research activities aiming at generating scientific knowledge as well as building research capacity. Furthermore, support can be provided for major collective research projects which aim to generate new problem-orientated knowledge relevant to the needs of developing countries. These strengthen cross-cutting research cooperation and innovative alliances between research environments, especially in the form of partnerships between Danish researchers and researchers from developing countries.

Through the support to international research, Denmark at present supports the following international agricultural research within the CGIAR (Consultative Group on International Agricultural Research) institutions based in or with regional offices or activities in Kenya: ILRI (International Livestock Re-

search Institute), ICRAF (World Agroforestry Centre), ICRISAT (International Crops Research Institute for the Semi-Arid Tropics) and IPGRI (International Plant Genetic Resources Institute). In addition, Denmark has supported other research institutions based in Kenya: ICIPE (International Centre for Insect Physiology and Ecology) and AERC (African Economic Research Consortium).

The research support schemes aim at strengthening closer coherence between research, development policy and the practical development cooperation. Furthermore, operational research can be supported through the SPSs.

#### **5.4. Technical Advisers and Scholarships**

As the ERSWEC unfolds with its civil service reforms, public expenditure reviews, parastatal reform and local government reform, Denmark, together with other development partners, will seek to transfer responsibility for management of SPS, including financial management to, Kenyan structures. Kenya has a comparatively skilled and well-educated labour force. However, the institutional capacity is poor, mainly due to decades of bad governance.

Technical assistance in the form of international and local advisers will be needed for the successful implementation of the country programme. Monitoring, evaluation and accountability of funds are areas where capacity building is especially needed. In moving towards SPS, a better integration of advisers in national structures will be secured through the implementation of Danida's new technical assistance policy.

Scholarships to Kenyans will in the future be integrated in the sector programmes.

#### **5.5. Multilateral Development Organisations Based in Kenya**

A number of international organisations have global or regional offices in Nairobi. Furthermore, Kenya has a plethora of country offices for various organisations. The World Bank and the IMF are major players in the donor community. UN organisations are also present, often with strong regional offices, but play a less important role than they do in many other countries. Denmark engages actively with the IMF and the World Bank on their programmes in Kenya and simultaneously encourages UN funds and programmes to make their expertise available for joint development efforts through participation in the various coordination processes, including the ERSWEC.

## 6. MONITORING THE COUNTRY PROGRAMME

The overall progress of the country programme will be monitored through the annual monitoring of the ERSWEC undertaken by Kenya's government. A monitoring framework for the ERSWEC with quarterly progress reports is planned. This will allow monitoring of development activities and dialogue based on a shared understanding of progress. The National Economic and Social Council (NESC) will oversee the implementation of the ERSWEC. Denmark will support this work. A shortlist of indicators monitored will be incorporated in the annual progress report of the ERSWEC.

There is still a need for designing and implementing a comprehensive monitoring and evaluation framework that refers to the MDGs as benchmarks for the achievement of progress in development. Strengthened capacity will be required to accomplish this. A well-defined and effective Medium-Term Expenditure Framework (MTEF) and Public Expenditure Review Process are necessary to review budget allocation and actual expenditure.

Data on poverty has been obtained from the 1997 Welfare Monitoring Survey. More recent and comprehensive data will enable the Kenyan government to design its policies. The Integrated Household Budget Survey in 2005/2006 will help to fill the gaps in poverty assessment by providing critical data for estimating poverty incidence, depth, distribution and trends. Denmark has supported the survey.

Monitoring of the country programme will be undertaken through high-level consultations between Denmark and Kenya, which will focus on the implementation of the ERSWEC and Danish support to the selected sectors. Ongoing monitoring will be assured through annual reporting by the Danish Em-

bassy in Nairobi of the country programme and through performance reviews conducted every other year. This monitoring will encompass the measurement of progress in achieving general objectives in the partnership between Denmark and Kenya (as stated in the country strategy) as well as objectives for the cross-cutting issues and for donor coordination, harmonisation and alignment.

Monitoring of SPS and other programmes supported will be undertaken by the programme management using three sets of indicators:

- Output indicators to be monitored annually (e.g. the number of health clinics established).
- Outcome indicators to be monitored every third year (e.g. the number of persons having access to primary health care).
- Impact indicators to be monitored after five years (e.g. reduced child mortality and increased life expectancy).

Monitoring systems for SPS and other supported programmes should be integrated into national monitoring systems, and, where possible, indicators should be identical to national indicators (impact indicators should be PRSP indicators).

## Annex 1: Key Economic and Social Figures

Key economic figures	Unit	Source *
Area	580.000 km <sup>2</sup>	(WDR)
Population (2004)	32.2 million	(WDR)
GNI per capita (2004)	400 USD	(WBGNI)
Annual economic growth (GDP) (2004)	4.3 %	(IMF)
Growth in GDP per capita (2003)	-0.9 %	(WBGNI)
Economic sectors:		(WDR)
Agriculture	24 %	
Industry/Manufacturing	13 %	
Services <sup>10</sup>	25.5 %	
Development assistance per capita (2001)	15 USD	(WDR)
<b>Foreign debt (year)</b>		
Total foreign debt (current USD in billions)	4.5 USD	(WB, CAS)
- of which multilateral debt <sup>11</sup>	3.0 USD	(WB, CAS)
Current value of foreign debt (total debt/export)	29.9 USD	(WB, CAS)
Debt service (ratio to exports - TDS/XGS) (2001)	11.4 %	(HDR/WDF)

Key social figures	Unit	Source
Population growth (annual average) (1975-2003)	3.2 %	(HDR)
Life expectancy (at birth) (2003)	47.2 years	(HDR)
Infant mortality (Per 1000 live births) (2003)	79	(HDR)
Access to clean drinking water (percentage without access) (2002)	38 %	(HDR)
Access to health facilities (percentage without access) (2004)	59.2 %	(HDR)
Number of doctors (per 100,000 inhabitants) (1990-2004)	13	(HDR)
Adult literacy rate (2003)	73.6 %	(HDR)
Primary education (Children reaching grade 5) (2001/02)	59 %	(HDR)
Girls in primary education (Net primary enrolment) (2002/03)	66 %	(HDR)
Social sectors (percentage of GDP) (95-01)	8.2 %	(WDI)
Military expenditure (percentage of GDP) (2003)	1.7 %	(HDR)
Distribution of income (percentage of national income) (1998/1999)		
Richest 10% of population	42.72 %	(SID)
Poorest 10% of population	0.76 %	(SID)

<sup>10</sup> Covers Trade, Tourism & Hotels; Financial Services; Transport & Communication.

<sup>11</sup> Covers IBRD, IDA, IMF and 'other multilaterals'.

## \*SOURCES

- (WDR): World Development Report, World Bank, most recent version.
- (WBGNI) World Bank 'Per Capita Income Guidelines for Operational Purposes
- (HDR): Human Development Report 2005, UNDP
- (WDF): World Development Finance, World Bank
- (WDI): World Development Indicators, World Bank
- (UDV): Memorandum on the annual revision of per capita income limits for countries receiving Danish development cooperation.
- (SID): Society for International Development, 'Pulling Apart. Facts and Figures on Inequality in Kenya', p. 6.



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