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COUNTRY DEVELOPMENT COOPERATION STRATEGY 2014-18

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CONTENTS

1. EXECUTIVE SUMMARY **3**

The Kenya Country Development Cooperation Strategy 3

2. DEVELOPMENT CONTEXT **9**

Political Context 9

Social Context 12

Economic Context 17

3. STRATEGIC RATIONALE **23**

Achieving the Goal 23

USAID/Kenya's CDCS Goal 25

Development Objective 1: Devolution effectively implemented **27**

Development Objective 1 Problem Statement 28

Development Objective 1 Hypothesis 28

Development Objective 1 Framework 29

Development Objective 1 Intermediate Results (Areas of Intervention) 30

Challenges and Opportunities for DO1 31

Role of Other Actors in DO1 32

Expected Outcome 33

IR 1.1 Accountable county governments effectively functioning in targeted counties 34

IR 1.2 Enabling environment for devolution strengthened 36

IR 1.3 Informed and empowered citizens participate in county affairs 39

Selectivity and Focus 42

Development Objective 2: Health and human capacity strengthened **45**

Development Objective 2 Problem Statement 45

Development Objective 2 Hypothesis 45

Development Objective 2 Framework 47

Development Objective 2 Intermediate Results (Areas of Intervention) 48

Challenges and Opportunities for DO2 49
Role of Other Actors in DO2 52
Expected Outcome 53
IR 2.1 Increased Kenyan ownership of health, education and social systems 54
IR 2.2 Increased use of quality health and education services 57
IR 2.3 Youth empowered to promote their own social and economic development 60
Selectivity and Focus 63

Development Objective 3: Inclusive, market-driven, environmentally sustainable economic growth 65
Development Objective 3 Problem Statement 66
Development Objective 3 Hypothesis 67
Development Objective 3 Framework 68
Development Objective 3 Intermediate Results (Areas of Intervention) 70
Challenges and Opportunities for DO3 71
Role of Other Actors in DO3 72
Expected Outcome 74
IR 3.1 Increased household food security and resilience – primarily for the rural poor 75
IR 3.2 More resilient people and ecosystems in a green growth economy 77
IR 3.3 Increased public and private capital flows 81
IR 3.4 Improved enabling environment for private sector investment 84
IR 3.5 Private sector engagement in infrastructure development facilitated 86
Selectivity and Focus 90

4. HOW WE WILL WORK 93
Towards a Mature Partnership 93
Whole of Government 93
Geographic Focus 93
Monitoring, Evaluation and Learning 94
Doing Business Differently 96

ACRONYMS 100

COUNTRY DEVELOPMENT COOPERATION STRATEGY

2014-2018

SUSTAINABLY TRANSFORMING KENYA'S GOVERNANCE AND ECONOMY

USAID/KENYA

"The journey towards the transformation of our country has begun ... we must not turn back. We must keep our eye on the goal of building a great Kenya for us, our children and the future generations."

Former President Kibaki
(December 2012 – National Day Speech)

EXECUTIVE SUMMARY 1

CHALLENGES AND OPPORTUNITIES

The United States and Kenya have enjoyed a close relationship over the past 50 years, which provides a firm foundation for achieving common development, diplomatic, economic and security objectives.

Kenya is an anchor country for President Barak Obama's new strategy for sub-Saharan Africa, and for United States government (USG) and United States Agency for International Development (USAID) initiatives in food security, trade, climate change, maternal and child health, Human Immunodeficiency Virus / Acquired Immune Deficiency Syndrome (HIV/AIDS), malaria, education, biodiversity, and energy. The partnership goes beyond the borders of Kenya, to include cooperation on countering violent extremism emanating out of Somalia, building resilience to drought emergencies throughout the Horn of Africa, and supporting Kenya's leadership in African regional organizations such as the East African Community.

With the historic 2013 elections declared peaceful, transparent and credible, Kenya now faces a vital five-year time period in which to implement a broad array of demanding and complex reforms. These include a comprehensive devolution of power and authority under the new constitution; economic reforms to accelerate growth, create jobs, reduce corruption and poverty, and expand domestic and international markets; and development of sustainable systems to ensure that all its citizens are healthy and educated with the skills and knowledge to effectively participate in the transformation of the country's economy and governance.

This dynamic transformation requires USAID/Kenya to embrace a new business model for implementing the FY 2014-2018 Country Development Cooperation Strategy (CDCS). Partnerships will be more strategic, mature, and mutually accountable; new and innovative alliances with the private sector and other donors will be pursued to leverage resources, impact and expertise; Kenya can and should exert greater leadership and take greater responsibility for its own development; and USAID Forward and collaborative learning approaches will be applied to adapt and respond to change. This transformational business model is consistent with Vision 2030, Kenya's long-term development blueprint. It will help transform Kenya into a globally competitive and prosperous country for all by using more innovative approaches to development.

However, the development context in Kenya is unstable and marked by numerous complex challenges. These include a poor enabling environment for economic growth; half of the population living in poverty with limited access to basic services; chronic drought and food insecurity; stubbornly high maternal and under-five mortality rates; weak rule of law allowing corruption and a culture of impunity to flourish; natural resource degradation; increased radicalization; and a growing youth population with limited employment options putting pressure on social systems. It is these challenges that Kenya, with its newly elected county officials and emerging democratic institutions, must address to make progress towards its Vision 2030 goals.

THE KENYA COUNTRY DEVELOPMENT COOPERATION STRATEGY

Why has Kenya been unable to take advantage of its abundant financial, human and natural resources

to achieve economic growth and prosperity? Political economy analyses conducted by the Department for International Development (DFID) (2004), the Drivers of Accountability Program (2012), and the USAID Devolution in Kenya (2011) study cite the corrosive link between income inequality and political and economic interests. The local political and business elite have ruled Kenya since independence, operating through patronage politics, ethnicity, and personal ties. Centralized power and a lack of transparency have been a fact of life. Corruption is pervasive and entrenched at all levels due to a complex business regulatory environment, low rule of law, and an opaque political process and system. However, the impetus for change has reached a critical point. A popular vision for change exists, with robust human and economic capacity and strong political support for it.

The time is ripe for a new USG strategy in Kenya. USAID/Kenya is positioned to play a catalytic role in accelerating growth and opportunity while reducing extreme poverty by building on over 50 years of partnership, the momentum of a new constitution, and a clear national vision.

PRESIDENTIAL POLICY DIRECTIVE FOR SUB-SAHARAN AFRICA

The USG strategic framework for engaging in Africa is found in the Presidential Policy Directive for sub-Saharan Africa approved by President Obama on June 14, 2012. It sets out four strategic objectives: (1) strengthen democratic institutions, improve governance, and protect human rights; (2) spur economic growth, trade and investment; (3) advance peace and security; and (4) promote opportunity and development.

The sectors in which USAID/Kenya works continue to be relevant, and will not dramatically change. But the approach to the work will – with increased collaboration, greater involvement of local organizations and the private sector, frank and open dialogue, greater innovation in implementation mechanisms and more emphasis on sustainability. There are enormous risks as Kenya's government, private sector and people – and its development partners – make course corrections and flesh out the provisions of the new constitution. Flexibility is essential.

Kenya's 2010 constitution marks a critical juncture in the nation's history. It responds to past imbalances and perceived injustice by drawing power away from the center toward the people. It is widely perceived by Kenyans from all walks of life as a new beginning, and provides a once in a generation opportunity to address diverse local needs, choices, and constraints with devolved government and reforms affecting land, rule of law, and gender. However, the enactment of legislation envisaged by the Supreme Court's advisory to give full effect and provide mechanisms by August 2015 for the actualization of the two-thirds gender rule in elective bodies remains a pressing need.[1] How Kenya's newly elected executives and constituent assemblies develop, interpret, and use their authorities and the systems they establish will create the enabling environment for future stability and growth. Good governance is indispensable in providing a level playing field in terms of access to quality health and education services, energy, and water and sanitation that are critical for not only boosting the potential for economic growth but also for reducing inequality and the prevalence of extreme poverty in society.

USAID/Kenya used an ambitious participatory process of internal and external consultations in this dynamic environment to inform the CDCS Results Framework and give it a "Kenyan Voice". Extensive internal small group discussions on the cross-cutting drivers and principles of the CDCS identified three key themes – equity and equality, participation, and empowerment and five principles – youth, devolution, resilience, peace and security and gender that permeate the strategy.

KENYA'S VISION 2030

USAID Kenya's strategy builds on local ownership in the context of Kenya Vision 2030, which articulates Kenya's long-term development strategy and goal: A newly industrializing, middle-income country providing a high quality of life to all its citizens by 2030 in a clean and secure environment. Vision 2030 is divided into incremental five-year Medium-Term Plans based on the following three pillars:

- ***The Economic Pillar aims to improve the prosperity of all Kenyans through a broad-based economic development program to achieve an average GDP growth rate of 10 percent per annum beginning in 2012.***
- ***The Social Pillar aims to build a just and cohesive society with social equity in a clean and secure environment, making special provisions for Kenyans with various disabilities and previously marginalized communities.***
- ***The Political Pillar aims to realize a democratic political system founded on issue-based politics that respects the rule of law, and protects the rights and freedoms of every individual in Kenyan society.***

Eight potential development objective areas evolved from this process, which after further discussion and debate led to the three Development Objectives (DOs) that integrated working groups have refined into the Results Framework presented in this strategy.

The internal consultations have been complemented by an equally ambitious external consultation agenda, seeking input from a wide range of public and private stakeholders, youth, women and donors on critical themes and issues related to Kenya Vision 2030, and on how the USG might best respond to the dynamics of Kenya's current economic, social, and political reality. They almost universally identify support for devolution and implementing the constitution as the top priority for USG assistance. They also consistently reveal broad skepticism regarding the executive branch's commitment to decentralization, the likely tensions between the national government and the counties, and the need to aggressively monitor progress on devolution and the basic assumptions of government commitment.

The Kenya CDCS Results Framework embraces the current dynamic situation with an aggressive and ambitious strategy that validates the aspirations of Kenya's people, pursues a more mature donor relationship with Kenya's government, and aims at achieving true transformational change. Business as usual is not an option. The situation demands more, Kenyans expect more, and USAID/Kenya is determined to respond.

GOAL AND OBJECTIVES

GOAL

Kenya's governance and economy sustainability transformed

The goal will be accomplished through three mutually reinforcing development objectives (DO) and eleven intermediate results (IRs).

DO 3 Inclusive, market-driven, environmentally sustainable economic growth

DO 2 Health and human capacity strengthened

DO 1 Devolution effectively implemented

Collaborating, Learning and Adapting.

Working Towards Partnerships with the Government of Kenya, Private Sector and Civil Society

ACHIEVING THE GOAL

The effective implementation of devolution is the game changer. Done well, devolution will propel all other reforms and address important economic, social and governance issues. If it fails, then Kenya's ability to respond to popular will, and achieve the transformational change required for its people to realize their aspirations, will be compromised and stability threatened.

Devolution is the strategic entry point: Devolution (DO1) targets effective and accountable government systems, primarily at the county level, while building essential linkages at the national level and with civil society, thus fostering an enabling environment for the success of devolution, and informed and engaged citizens. Health and Human Capacity (DO2) is a critical input to DO1; and Inclusive Economic Growth (DO3), with a focus on equity, participation, quality, and sustainability is enabled by and reinforces DO1.

Effective implementation of devolution is the game changer

Kenya's vision to become a middle-income country, able to support its people and nurture their aspirations, requires sustained economic growth and responsive governance. Their means to achieve this vision is a free market economy and a decentralized government. USAID/Kenya assistance will support this transformation by applying human, financial, and institutional resources to: support the devolution process; sustain rapid economic growth; strengthen human capacity; preserve the environment; and dramatically expand the political and economic participation of vulnerable and marginalized populations.

DEVELOPMENT OBJECTIVE 1: DEVOLUTION EFFECTIVELY IMPLEMENTED

The DO1 development hypothesis: If the devolution process is effectively implemented, then Kenya's governance and economy will be sustainably transformed.

Corollaries to this hypothesis are: If devolution is done right, it will propel all other reforms such as public financial management, land, and security and address governance issues such as corruption, equity, and conflict.

DO1 will be accomplished by three Intermediate Results:

- 1.1: Accountable county governments effectively functioning in targeted counties
- 1.2: Enabling environment for devolution strengthened
- 1.3: Informed and empowered citizens participate in county affairs

DEVELOPMENT OBJECTIVE 2: HEALTH AND HUMAN CAPACITY STRENGTHENED

The DO2 development hypothesis: If health and human capacity in Kenya are sustainably strengthened, then Kenyans will be able to effectively participate in and contribute to the transformation of their governance and economy.

DO2 will be accomplished by three Intermediate Results:

- 2.1: Increased Kenyan ownership of health, education and social systems
- 2.2: Increased use of quality health and education services
- 2.3: Youth empowered to promote their own social and economic development

DEVELOPMENT OBJECTIVE 3: INCLUSIVE, MARKET-DRIVEN, ENVIRONMENTALLY SUSTAINABLE ECONOMIC GROWTH

The DO3 development hypothesis: If there is inclusive, market-driven, and environmentally sustainable economic growth led by the private sector in a more positive business environment, then the economy of Kenya will be sustainably transformed.

DO3 will be accomplished by five Intermediate Results:

- 3.1: Increased household food security and resilience – primarily for the rural poor
- 3.2: More resilient people and ecosystems to climate change in a green growth economy
- 3.3: Increased public and private capital flows
- 3.4: Improved enabling environment for private sector investment
- 3.5: Private sector engagement in infrastructure development facilitated

USAID/KENYA

"We must all work hard, with our hands, to save ourselves from poverty, ignorance, and disease."

Jomo Kenyatta, 1963

DEVELOPMENT CONTEXT 2

Kenyans have worked hard in the 50 years since independence to make their nation what it is today. Kenya is East Africa's most populous country after Ethiopia, with its largest and most sophisticated economy; a young, ambitious, relatively healthy and well-educated workforce with a strong work ethic; and perhaps the most progressive constitution on the continent.

POLITICAL CONTEXT

Kenya enacted a new constitution in 2010 aimed at de-concentrating power; and, surmounting the weaknesses inherited from the colonial era and the worst abuses of prior governments. The constitution conveys extensive political, social, and economic rights and provides a platform for reforms to foster national cohesion, political competition and accountability, inclusiveness, the rule of law, and more effective government services. It sets the stage for transformational change in Kenya's governance and economy.

The devolution of power and authority to 47 new county governments lies at the heart of the 2010 constitution. Coupled with broad constitutional reforms regarding land ownership, gender equality, and judicial reform, devolution will be the key to addressing past inequities. New positions within the Government of Kenya (GOK) have been created from this process including governors (the administrative head of each county), senators (who represent county interests within the parliament), and elected county assemblies. The success of devolution hinges in large part on the new county governments' ability to deliver to their citizens and quickly demonstrate the relevance of the system. The success of devolution is critical for Kenya to build on the current momentum to provide the economic and political opportunities for which its people long, and change itself into the middle-income country it aspires to become.

The success of devolution hinges in large part on the new county governments' ability to deliver to their citizens and quickly demonstrate the relevance of the system.

Kenyans went to the polls in record numbers to elect new leaders in March 2013. Kenya shed the image left by the violence following the 2007 elections by holding a largely peaceful electoral process, and a final result adjudicated by the Supreme Court and accepted by the losing parties. The era of devolved governance, a process eagerly anticipated by a population ready for change, has begun. The president has named a new streamlined cabinet comprised of technocrats and new faces on the political landscape. Six of the 18 cabinet members are women, conforming to gender balance standards set in the new constitution. Newly-elected county governors are moving quickly to set up local government structures, while both national and local levels work to define their new roles and responsibilities under devolution.

Devolution will impact everything the GOK wants to achieve for the country and its people, and will, in turn, be impacted by both challenges and opportunities. Expectations are high that this change will address the need for national cohesion, political competition and accountability, inclusiveness, stronger rule of law, and more effective government services and will lead to a stronger, more unified Kenya with greater potential to transform its economy and achieve stability.

A United People

Kenyans esteem democratic norms, but in practice ethnic and tribal affiliations supersede national identity. Political parties are often expressions of regional and ethnic interests, and it is consistently easier to mobilize voters around ethnicity[2] than around issues or national problems. However, ethnic groups share legitimate grievances over corruption, poor service provision, lack of jobs and opportunities for meaningful participation and influence, and the lack of accountability by politicians to constituents. These led to broad based support for the new constitution, and high expectations that it will remedy long-standing injustices and improve service delivery. Nowhere are expectations higher than in public anticipation of devolution.

There are powerful factions that are widely believed to oppose reforms, including devolution, because reforms will undermine their power and limit their access to resources for patronage. If devolution fails, and if there is not meaningful change, the legitimacy of the state will erode, divisions between groups will increase, development will be hampered, and the young and marginalized will grow increasingly alienated, posing a threat to the stability of the country.

Competition and Political Accountability

Successful devolution coupled with other constitutional reforms will pave the way for broader political competition. Devolution de-concentrates power and creates a new level of competition at the county level, increasing opportunities for small political parties and independents. Power will be dispersed among national and local institutions, with more checks on the executive branch. Vertical, horizontal, and internal oversight will ensure that entities, such as the judiciary operate properly and with integrity. There is, however, a risk that political competition at the county level will increase tensions in mixed-ethnicity constituencies, with minority groups concerned that they will remain marginalized under the new system.

Successful devolution requires an effective civil society. Early signs show a marked and mutual distrust on the part of government and civil society regarding motivation and capacity to deliver. Civil society groups are competitive, often have difficulty working together and are not immune to ethnic appeals and influence. As local government is established at the county level, the structure and focus of civil society organizations (CSOs) will also need to change. Nairobi will no longer be the exclusive center of influence. This means civil society structures and partnerships will need to engage at two levels – influencing decentralized policies that affect daily life, while managing large-scale influence that benefits all the citizens of the nation.

As local government is established at the county level, the structure and focus of CSOs will also need to change. Nairobi will no longer be the exclusive center of influence. Recently a number of national CSOs have demonstrated a capacity to hold government accountable and to press for change. CSOs can make a real difference at this early stage of devolution by helping citizens become more engaged, empowered and assertive; and by helping county governments become more responsive to citizen needs. But they must make sure they have a constructive voice. CSOs hold the key to moving Kenyans from a 'government versus the people' mentality to engaging with the government of the people envisioned in the constitution.

Media in Kenya is dynamic, considered fair and open, and plays an important role in promoting transparency and accountability. However, the professional quality of journalism remains uneven, with major media outlets influenced to one extent or another by Kenyan politicians through direct ownership or the makeup of editorial boards. The Kenyan media played a constructive role in keeping the March 2013 elections peaceful, but was criticized for not reporting more on the violence that occurred in parts of the country. The media's ability to play an effective watchdog role merits observation.

Inclusion

Perceptions of exclusion from governance and the economy are a consistent source of conflict and an impediment to development, the extreme example being the secessionist movement on the Coast. Ethnicity, gender, and age all factor into a Kenyan's ability to acquire title to land or a national identity card, which in turn affects getting a passport, registering to vote, taking a loan, or getting a job. Youth aged 15 - 34, comprising one third of the population, are marginalized with limited access to educational, political, and economic opportunities. With a small political elite controlling and often abusing state resources, corruption could further disillusion, or radicalize, marginalized groups. Women also suffer from low status, making it difficult to exercise their rights. They face obstacles to enjoying their property rights, are poorly integrated into public service, and lack proportional representation in all elected institutions. For example, all 47 new governors are male with only eight women serving as deputy governors and 18 women nominated as senators by their respective political parties, but not one woman was elected to the Senate.

The 2010 constitution addressed this by requiring multi-ethnic political parties and allocating women, youth, and the disabled a set number of seats in newly created representative bodies. These groups are enthusiastic about the prospects afforded by the constitution, but will need continued support to ensure effective representation for their constituents.

The Rule of Law

After years of ignominy due to poor performance and suspicions of corruption, the justice sector is being transformed, with an increasingly positive public perception of the Judiciary. However, problems remain. Equality before the law has not been achieved; ordinary citizens do not receive the same treatment as the elite. The culture of impunity persists, with few corruption cases ever prosecuted. Of the many reforms promulgated in the constitution, police reform is lagging. Poor and marginalized groups are especially vulnerable to police and justice sector corruption and pervasive court delays.

The new constitution seeks to remedy these issues by separating the office of the Director of Public Prosecutions from the Attorney General; changing the role of the president from appointing members of the judiciary to nominating only; and putting in place an open vetting process for judges and magistrates. Reform proponents must be vigilant to ensure the political elite, the judiciary themselves, the police, and the legal fraternity play a constructive role and do not block justice sector reform. The justice sector is not being devolved, but county governments will play a vital role in maintaining the rule of law and linking to the judiciary.

Government Services

Inequitable provision of public services is a continuing source of frustration and anger. Kenyans expect the new county system to increase the opportunity to interact with political representatives, and move service provision closer to the people, which could place a heavy financial and managerial burden on a weak and corrupt civil service apparatus. This is particularly true in urban areas where over 15 million Kenyans, or 32% of the population, live, most of them in informal settlements. Kenyan cities struggle to meet

rapidly growing service demand, hampered by infrastructure bottlenecks, weak finances and poor management. These urban challenges will now fall to the new county governments. Survey data also indicate that many believe the most important service devolved governance will bring is job creation. Unless properly managed, expectations could compromise devolution's success. But Kenya also shows signs of a growing middle class – a potential internal driver of economic growth. Its urban transition will play a key role in determining the country's growth prospects and social stability.

Many believe the most important service devolved governance will bring is job creation.

Gender

Kenyan women remain disadvantaged compared to men in rural and urban economies, in education, in health and in relation to democracy and governance. However, there is high variability in the situation of women across the country. Disparities are often influenced by complex interactions between Kenya's wide variety of agro-ecological zones and their associated production systems, differences in livelihood generation opportunities in urban and rural areas, a wide variety of cultural norms governing gender relations, and multiple sources of social, political and economic change.

Kenya's rank in the 2011 Human Development Index (HDI) placed it at 143 out of 187 countries with comparable data, but at the top of the index in the East Africa region. However, Kenya's rating in the 2011 Gender Inequality Index (GII) was fourth in the East Africa region, just above Burundi, and below Uganda, Tanzania and Rwanda.

Gender norms in Kenya, though highly situation-specific, typically restrict women from fully exercising their ability to make rational decisions regarding the use of productive resources at the household and community level. They reduce women's ability to benefit from education opportunities, restrict overall development, and render women more vulnerable to HIV/AIDS infection, sexual and gender-based violence.

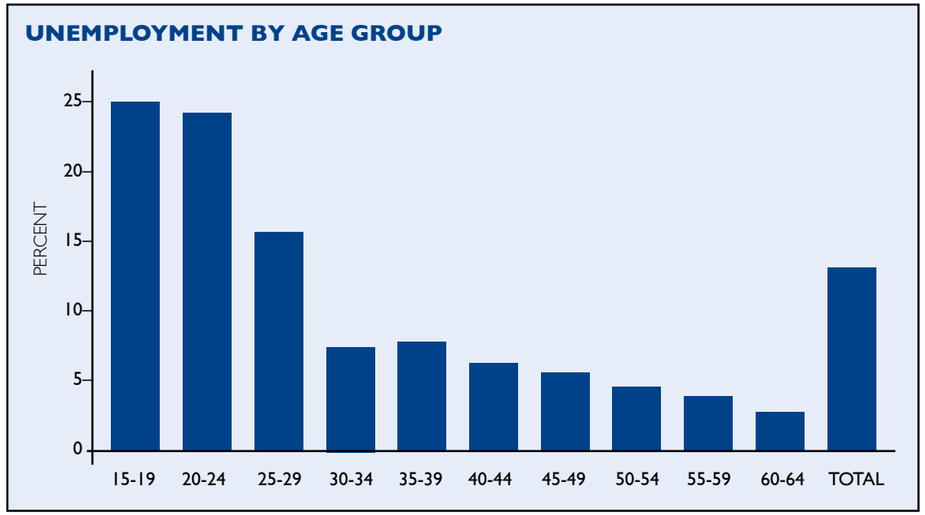
SOCIAL CONTEXT

Kenya's economy is growing, and poverty is being reduced. But the pace is slow and the benefits of growth are not felt equally across the population. Kenya still needs to provide food, education, housing, health care and employment to one million new Kenyans each year. Kenyan women remain disadvantaged economically, and in access to education, health services, and in exercising their rights. The enduring influence of traditional culture has limited women's decision-making power and access to resources. Socialization, norms and the stereotyping of women and men, including through the media, has reinforced the tendency for decision-making and conflict management initiatives to remain primarily male dominated. Thirty-nine percent of women report experiencing physical or sexual violence while literacy levels between men and women differ, with 30% of women illiterate compared to 14% of men. In rural areas, societal roles set by cultural expectations divide and define the roles of girls and boys and the opportunities available to them. Opportunities for rural women are constrained by limited access to, ownership and control of land, property and resources. Kenya's Constitution provides a powerful framework for addressing gender equality issues and the potential of women and girls is gaining greater attention in Kenya. Counties will need to address gender constraints and ensure that men's and women's different needs inform planning, resources allocation and ensure that ethnic dynamics do not undermine gender equality.

Youth and the Demographic Dividend

Kenya's population is young and increasingly urbanized. Young people under the age of 15 make up 43% of the population. Youth between the ages of 15 and 34 constitute another third of the population. With an average of 7.3 years of education, Kenya's youth are a potential driver of future economic growth, however many lack the requisite skills to contribute to the formal economy. The number of secondary school graduates is expected to triple by 2030 from six million to 18 million. But less than 50 percent of high school-aged youth are currently in school, and only two percent continue on to higher education. This is a product of insufficient facilities and teachers, coupled with the high costs of education and inadequate supply of student loans. In higher levels of education, most students are learning theoretical knowledge, not the practical skills demanded by industry. Kenya has a limited, but enticing, window of opportunity to reap the advantages of the demographic dividend over the next two decades as birth rates decline and the current large "youth bulge" moves into their working years. Ensuring that the workforce is prepared to be productive and managing population growth will be key to accruing the dividend.

Kenya's young, educated and vibrant population is hungry for opportunity. "While the national unemployment rate is about 10 percent, which is high for a country with large informal and traditional sectors, youth unemployment rates are usually much higher. The highest unemployment rates are for people around 20 years old, at 35 percent." Annual entrants to the workforce (800,000) far outstrip formal job creation (50,000). The informal sector, which Kenyans call jua kali (out in the hot sun), is the main source of job creation in the economy, engaging 77% of the working age population. Kenya's youth unemployment trends show that unemployment is considerably higher among young females than males with the gap being larger at younger ages than at older ages. At its highest point, youth female unemployment rate is almost 50 per cent compared to the youth male unemployment rate of slightly above 30 per cent. At around the age of 34 years, the unemployment reduces to above 15 and 5 per cent for youth females and males, respectively. Youth migrating to cities in search of employment contribute to the growth



Source: KNBS, Labor Force Analytical Report, 2008, Kenya Integrated Household Survey 2005/6

of urban slums and insecurity. Social inequality, political exclusion, extreme poverty and multiple deprivations make them fertile recruiting ground for criminal gangs and extremists. Violence during Kenya's 2007 disputed election left over 1,100 dead and 600,000 displaced from their land – many of these atrocities were committed at the hands of youth, for sums as low as six U.S. dollars. Youth are also the most at risk for HIV and unplanned pregnancies. Addressing the needs of Kenya's youth, and maximizing their economic contribution, will require multi-sector efforts involving health, education, and the public and private economic sectors.

Health

President Kenyatta announced the new government's policy for free universal maternity and primary health care on June 1, 2013. The policy responds to Kenyans' constitutional right to life and to the highest attainable standard of health. Implemented properly, the policy could help Kenya realize the Millennium Development Goal for improving maternal and newborn health. However, it raises the bar for county governments even higher than the Kenya Health Policy (2010 – 2030), which calls for equitable, affordable, and quality health care and related services. The free universal maternity care policy serves as an archetype for the recurring challenge the USAID/Kenya CDCS will address over the coming five years: balancing progressive national policies against the capacity of nascent county governments to fund and deliver services.

The reality of maternity care in Kenya is that the percentage of pregnant women receiving antenatal care and delivering with skilled birth attendants declined between 1998 and 2008. Only 47% of pregnant women make the recommended four antenatal care visits, only 44% deliver with a skilled attendant, and at least 7,000 women die each year from pregnancy-related complications. Neonatal and maternal mortality rates remain almost stagnant. This is the baseline from which county governments are expected to provide universal maternal care.

Kenya has made remarkable progress in reducing child deaths, with a decline of more than 30% in both child and infant mortality. The major contributing factor is the increase in the percentage of children who are fully immunized against preventable childhood diseases to 93%. A second major factor is the success of malaria interventions. Ownership of insecticide-treated mosquito nets in malaria-endemic areas rose dramatically, from 11% to 77% in Nyanza province. Similarly, approximately 42% of all women took Intermittent Prophylaxis Treatment (IPTp) during pregnancy in 2008. However, challenges still remain, over 20% misuse of treated nets in lake endemic regions pointing to intra-household decision-making dynamics. Others include addressing pneumonia and diarrhea, the major causes of death for children under five. In addition, more than one-third of Kenyan children are stunted, with life-long consequences for their

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intellectual and physical development and ability to learn. The nutrition status of women has also shown stagnating patterns, with up to 1%, and 12% of adult women being stunted and having unacceptably low body mass index respectively. Under-nutrition is higher amongst women aged 15 – 19 years and in rural areas of the country.

HIV prevalence among adults was 6.3%, while it is 1.9 times higher in women (8%) than that in men (4.3%) according to the 2008 Demographic and Health Survey (KDHS), with wide variation by region, age, sex, and socioeconomic status. The Kenya AIDS Epidemic Update estimated the number of people living with HIV/AIDS in Kenya as 1.6 million in 2012, and the USG President's Emergency Plan for AIDS Relief (PEPFAR) data report that 580,000 people are being supported on anti-retroviral therapy. An estimated 1.1 million Kenyan children are orphans due to AIDS and in 2011 women represented 59% of all people living with HIV/AIDS. Adult HIV prevalence remains greater in urban areas (8.4%) than rural areas (6.7%). Increased vulnerability for women and girls to HIV /STI infection is compounded by intimate partner violence, rape, and coerced sex and indirectly as a result of women's inability to protect themselves or refusal to negotiate for safer sex (including condom use), seek health care and increased risky behavior and substance abuse. The KDHS (2008/9) reported that 39% of women aged 15-49 years had been physically or sexually assaulted by their husbands or intimate partners during their lifetime. About 21% of the women aged 15-49 years reported having been sexually violated while 12% of the respondents reported coerced first intercourse. Sexual violence is associated with an increased risk of a range of sexual and reproductive health problems including, unwanted pregnancies, pelvic inflammatory infections, infertility, gynecological disorders and the transmission of HIV and other STIs. Although sexual violence is mostly perpetrated by men against girls and women, sexual violence against boys is also common. Studies reveal that approximately 20 per cent of women and 5-10% of men report being victims of sexual violence as children (KDHS. The GOK has expanded Prevention-of-Mother-To-Child-Transmission services as part of comprehensive antenatal services at most public health facilities, and services are generally available in private and faith-based facilities. Widespread co-infection between HIV and tuberculosis (TB) challenges efforts to combat both diseases; an estimated 44% of new TB patients are also HIV infected including emergence of drug resistant TB since 2005, particularly in males.

Kenya was the first country in sub-Saharan Africa to establish a national family planning program. The use of contraception by married women has risen from 7% in the late 1970s to 46% in 2009. Health service statistics in 2013 indicate a considerable increase in the use of family planning services. However, the population is still growing at nearly 3% per year, total fertility for the country is 4.6 births per woman, and the unmet need for family planning is 25%. Much of the unmet need corresponds to youth in rural areas and urban slums. The Kenya Population Situation Analysis reports 103 in every 1,000 pregnancies being attributed to girls between 15 and 19 years. The age of first marriage for women is also much lower than that of men. Half of all women enter marriage before their 20th birthday, while only 10% of men marry before their 20th birthday. According to the KDHS 2008/09, teenage childbearing is highest in Nyanza (27%) and Coast (26%) regions and lowest in the Central region (10%).

Kenya is facing an acute shortage of health workers and inequitable distribution of those that exist. This is a result of hiring constraints in the public sector as well as weak human resource management practices. The effects are felt more in the rural facilities, which serve a majority of the population. Kenya faces major challenges in mobilizing additional financial resources for health and improving the efficiency of resource allocation and use. Government expenditure on health is approximately 6% of the budget, well short of the Abuja Declaration target of 15%. However,

even though the proportion of funding to the sector has declined during the last decade, the absolute amount allocated to health care has been increasing.

One of the biggest challenges facing Kenya is achieving universal health coverage, a priority for the country. A key way to achieve this is to make health insurance more readily available to the public. An estimated 30% of people receiving care in the public facilities could afford to use private services if they had insurance. Insuring them would allow the government to focus public sector resources on the poorest and most vulnerable citizens. For this reason the new government is exploring options for supporting public and private health insurance.

Devolution has enormous implications for health in terms of leadership and governance, workforce development and deployment, drug and commodity procurement, financing, information systems, and service delivery. The Ministries of Health began timely planning for devolution, but maintaining the health gains made by national programs faces serious challenges as responsibility for public health service delivery devolves to Kenya's 47 counties. These include the capacity and readiness of county governments to assume functions previously carried out by the national government, the adequacy of funds/commodities/human resources to maintain existing levels of health service coverage and quality, and the appropriate role of the national government in a devolved health system. Overall responsibility for policy, planning, development of guidelines and standards, coordination and capacity-building remains with the national level. Counties have been given responsibility for planning, management, and implementation of service delivery, and for monitoring and reporting on results.

Maintaining the health gains made by national programs is a challenge as responsibility for public health service delivery devolves to Kenya's 47 counties.

Education

Unlike the health sector, Kenya's constitution allocates education policy, standards, curricula, examinations, and the granting of university charters to the national government, leaving no room for devolving service delivery to the counties – with the exception of pre-primary education and village polytechnics. The constitution states that: "every person has the right to education"; "every child has the right to free and compulsory basic education"; and "a person with any disability is entitled to access educational institutions and facilities for people with disabilities (PWD) that are integrated into society to the extent compatible with the interests of the person."

The GOK introduced free universal primary education in 2003, increasing total public and private primary student enrollment from 5.9 million 2002 to 9.8 million in 2011. This amounts to a Net Enrollment Rate (NER) of 95.7%. However, the effect of such drastic change on service delivery and instructional quality – including reading – was damaging. Kenya's reading proficiency dropped from second to fifth of the 15 African countries participating in the Standard 6 examination administered by the Southern Africa Consortium for Monitoring Educational Quality between 2000 and 2007. A recent assessment reported that only 30% of Standard 3 children could read a Standard 2 level story in English or Kiswahili. The 95.7% NER masks other challenges: low enrollment rates in the Northeast (near Somalia) and urban informal settlements; and an average of 57 children per teacher. Among the marginalized communities in the arid and semi-arid pastoralist regions and urban slums, very few girls make it to school and of those that do, many drop out by primary grades 4-5 due to cultural practices such as female genital mutilation, teenage pregnancies, early and forced marriages. Meanwhile, the education sector's budget allocation dropped from 16.5% in 2008 to 13.5% in 2011. Since Kenya spends 79% of its education budget on teacher salaries, the resources available for development and quality enhancements are extremely limited.

Access to secondary education depends upon student performance on the primary school leaving exam. Since there are not enough secondary school classrooms and teachers, the exam sifts out the 48% of children who perform well enough to go to secondary school, leaving the rest without access to post-primary education. Only 1.8 million students were enrolled in secondary school in 2011. Although free secondary education for day students was introduced in 2008, the limited capacity means only the highest scorers on the national exam are accepted. And many counties have few day schools, and boarding costs are prohibitive. In 2011, 68.96 % girls transitioned to secondary compared to 71.60 % boys. Almost eight percent of girls who enrolled in secondary form 1 in 2008 did not make it to form 4 (secondary school final exam class) in 2011 compared to 1.32 % of boys. These gender disparities influence their performance at the tertiary and university levels including in career choices. Only 80,000 students were enrolled in national or private accredited universities in 2011, with another 65,000 enrolled in teacher training colleges, polytechnics, and other technical institutions. Girl students only exceed boy students in national polytechnics in health and applied sciences, information and liberal studies, and in education. In all the other science and engineering courses, boy students exceed girl students. Women also seem to be declining even in traditional careers such as teaching; in 2007 females comprised 50.1% of primary teacher trainees compared to 49.6% in 2011. Both secondary and higher education emphasize theoretical knowledge rather than practical skills.

A 2007 Analysis of early grade reading in the town of Malindi found that the average grade 2 student could read just 11 words per minute, far below the international standard of 52 words per minute for 'at risk' grade 2 students.

ECONOMIC CONTEXT

Kenya has the largest economy in East Africa, with a gross domestic product (GDP) of $40 billion and per capita gross national income (GNI) of $820. But its overall performance is disappointing, with low economic growth rates, widely disparate income levels, and stubbornly high poverty rates, including possibly over 41% in extreme poverty. Current economic growth projections fall well short of the government's ambitious Vision 2030 target of 10% per year. Wealth is concentrated and economic inequality abounds. One and a half million Kenyans are chronically food insecure. Kenya's economy grew by an average of 4.6% per annum during the recent global economic downturn; solid performance, but lower than most of its neighbors.

Kenya is a regional finance and transportation hub. It is home to 43 commercial banks, eight deposit taking microfinance institutions, and 108 foreign exchange bureaus. Large amounts of financial assets are held in government securities, and financial institutions earn much of their income from fees. Coupled with the wide spread between lending and deposit rates, this helps explain low growth rates in both deposits and loan expansion.

According to Kenya's Central Bank, almost one-third of Kenyans have bank deposit accounts, but only one percent of Kenyans have formal bank loans. In addition, the major mobile service provider, Safaricom, reports that one-third of Kenyans have an M-Pesa mobile money account.

Kenya is a sophisticated financial hub with a strong and risk averse banking system that prefers storing money to putting it to productive use.

In terms of transportation, the port of Mombasa is the gateway for commodity trade affecting millions of lives in East Africa. Eighty-five percent of regional trade moves via the Northern Corridor, which runs from Mombasa through Nairobi and on to the interior of Kenya, Uganda, and Rwanda. But, it is more expensive to transfer a container from Mombasa to Kampala than to move the same container from Japan to Mombasa. These high transportation prices could threaten the primacy of Mombasa port unless significant changes are made.

Technological innovation is helping Kenyans bypass the banking system and access funds and credit through mobile banking. Kenya is a world leader in mobile banking, with its M-Pesa platform serving as a mobile payment system for businesses across the country, as a basis for banking (M-Kesho), and as a peer lending network (M-Shwari). In response, financial institutions are starting to offer mobile banking products and money transfers that facilitate secure, transparent transactions.

The Kenyan economy is shifting to a more service-based economy, but agriculture remains the bedrock of the economy and an important source of foreign exchange. Tourism is also a major source of foreign exchange and a significant source of employment. According to the World Bank (2008) the tourism sector in Kenya still has considerable room to grow, and World Travel and Tourism Council (WTTC) data for 2011 reinforces the importance of tourism to Kenya.

The Government of Kenya has managed the country's finances well over the past decade. Kenya is experiencing positive economic growth, with only a modest rise in government budget deficits, and moderate inflation – currently 9.4% annually. The country's debt to GDP ratio is 44.1%, which appears manageable. But financing the costs of devolution, combined with following through on spending promises and a small tax revenue base, will challenge the ability of Kenya's new government to rein in the fiscal deficit.

Competitiveness is the big issue. Kenya's overall business and governance environment is simply not conducive to accelerated economic growth or characteristic of the middle income country status to which it aspires. The 2013 World Bank Doing Business Report places Kenya 121st of 185 countries. Its complex and burdensome regulatory environment encourages corruption, with Kenya ranked 139th out of 176 countries on Transparency International's 2012 Corruption Perceptions Index.

The new government recognizes that accelerated economic growth will require expanding and diversifying agricultural exports, along with government commitment to supporting land titling and ownership, clean water, irrigation, and energy to increase food security. It also recognizes that more effort is needed to protect Kenya's flora and fauna, respond to the threat of climate change, and enhance biodiversity. And it acknowledges that policy reform is essential to improve the business environment; attract investment, including in infrastructure, logistics, and energy; achieve land reform; and encourage innovation, investment, and growth.

Agriculture

Over 10 million working age Kenyans are engaged in small-scale agriculture and pastoralism – the primary means of livelihood for over 75% of rural households. Small-scale production accounts for 75% of the total agricultural output, and 70% of marketed agricultural produce. Kenya's main crops are maize, wheat, horticulture (cut flowers and vegetables), sugar cane, coffee, and tea. Targeted interventions that improve productivity in key agriculture value chains that engage the poorest Kenyans will help to reduce poverty and affect growth more broadly. Agriculture generates 25% of Kenya's GDP, and over 65% of exports. Yet Kenya remains a net importer of food. Kenya's agriculture depends almost entirely on rainfall, with considerable scope for using improved technologies. The sector is ripe for modernization, but to realize its potential agriculture must be made more attractive to young, progressive, entrepreneurial farmers.

The USAID Kenya Inclusive Growth Diagnostic study identifies the most binding constraints to growth as: political stability and the rule of law; non-urban infrastructure, especially energy and transport; and the complexity of regulatory compliance.

*– Kenya Inclusive Growth Diagnostic Annex IV**

New legislation and policy reforms are expected to spur modernization. The Agriculture, Fisheries and Food Authority Act, the Crops Act, and the Kenya Agriculture and Livestock Act consolidate outdated laws and regulations to promote agriculture and strengthen agricultural research. New policies and frameworks include a shift away from seed and fertilizer subsidies to market incentives. With the right incentives, productivity will increase as young entrepreneurial farmers enter the sector and embrace the use of technology to transform subsistence agriculture to commercial operation. Private investment is driving agricultural expansion, but blockages in key agricultural value chains are inhibiting growth.

Kenyans' relationship with land is a central part of their culture and one of the greatest sources of conflict since independence. Access to land for youth will require new policy frameworks and new approaches to land use, such as land rental markets, to enable the economies of scale needed by commercial operations. Almost one-third of Kenya's population is landless, with land and inheritance rights for women a significant issue. Much of the privately held land is controlled by the political and economic elites, who exercise significant influence over land tenure issues. Land reform is a critical part of the reform agenda and the 2010 Constitution. Key elements of the National Land Policy are being implemented, including establishment of the National Land Commission, enactment of a Land Registration Act and Lands Act, and efforts to formulate a national Land Use Plan.

Natural Resources Management (NRM), Water, Sanitation, and Hygiene (WASH), and Land

Kenya is subject to extreme climate variations, which contribute to frequent droughts and floods. The arid and semi-arid lands (ASALs) account for 80% of Kenya's land area. Rainfall is highly variable, surface water resources limited, and water

**Annexes can be found at*
http://www.usaid.gov/sites/default/files/documents/1860/CDCS%20Annexes.pdf

storage and distribution a challenge in the face of competing demands.

One of the biggest challenges Kenya is facing is to strike a balance between satisfying human livelihood needs and sustainable use of resources for posterity.

Population growth and urbanization are straining Kenya's water supply, with over 13 million Kenyans lacking access to clean drinking water, and 19 million to adequate sanitation. This combination makes water-related diseases and associated conditions the leading cause of morbidity and mortality in children under-five, accounting for 80% of all case loads. Deforestation, recurrent droughts and floods, poor water management, contamination and population growth are all major issues affecting water supply.

Women and girls remain the main collectors and users of water in rural Kenya with collection consuming up to 40% of women's time, averaging 3 to 5.25 hours daily, more in arid and semi-arid lands that have experienced prolonged drought. Water collection increases women's workload and shifts their priorities from family care or engaging in other productive activities. Similarly, youth have not been adequately engaged in natural resources management or other income generating activities.

Wildlife depletion and human-animal conflict remain unresolved, but a new consensus is emerging on conservancies. Tourism is highly dependent on Kenya's 23 national parks and over 120 conservancies, which cover over 50,000 km² (9% of Kenya's land mass). The goal is to double the number of tourist arrivals by 2030, which will require continued attention to wildlife conservation issues, including the loss of corridors, general habitat degradation, and poaching.

Resource over-extraction is exacerbated by Kenya's historically poor land use and NRM. Kenya loses about 2,400 hectares of forest annually and conservation is inextricably tied to local livelihoods. Natural resource degradation is influenced by insecure land tenure, illegal land use, poor land-use planning, and land conflict. Furthermore, local communities lack the incentives to manage wildlife resources outside of protected areas. One of the biggest challenges Kenya is facing is to strike a balance between satisfying human livelihood needs and sustainable use of resources for posterity.

The NRM sector is highly fragmented. The National Environment Management Authority (NEMA) and the Kenya Wildlife Service (KWS) have clear mandates, but limited capacity and budget resources. Multiple international and local non-governmental organizations (NGOs) are engaged in environmental issues, but often work at cross-purposes and with little accountability. The GOK recognizes the need for environmental governance frameworks to sustain environmental management and generate associated poverty alleviation and economic growth benefits. The National Land Bill has been passed, the Wildlife Bill is under discussion, and the National Water Strategy is being planned. All will require building systems and the capabilities of institutions and people to put Kenya on to a more environmentally sustained growth path.

Recent success in organizing community conservancies to address issues of land management, water use, and human-wildlife conflict serves both as a way forward for addressing many of the natural resource management challenges, while offering encouraging examples of participatory governance that can inform the devolution process.

Although land is central to sustainable livelihoods in Kenya, development initiatives have not taken cognizance of this reality. While inequalities in access and rights to natural resources especially land in Kenya are profound, women and young girls are further disproportionately affected by socio-cultural factors. Women represent only 1% of registered land title holders in Kenya, of which joint titles are 5-6%. For a majority of women, access to land is dependent on marital and natal affiliations. Patriarchal cultures, predominant in most parts of Kenya, ensure that men as de facto heads of households have the largest role in decision-making over resources in the household, community and the larger society. Similarly, succession of natural assets such as land is done through the male lineage. While some differences exist depending on socioeconomic status, the dominance of gender and age inequalities in access to, and control over productive natural resources, responsibilities, benefits and decision making power is apparent. Development initiatives need to be put in place to ensure that land plays its primary role in economic growth and more particularly in social reconstruction, enhancing economic opportunities for women, strengthening governance, managing environment, promoting conflict resolution and driving agricultural modernization.

Energy

Equitable access to clean, reliable energy is critical to lay the foundation for the growth necessary for Kenya to reach its ambitious targets over the coming years. It is critical to Kenya meeting health, education, environmental, economic, and equality objectives. Kenya is well endowed with renewable energy resources, but the economy suffers from high electrical generation costs, low access, and low reliability. The average retail tariff is about $0.18/kwh which is high compared to Kenya's neighbors; however, Kenya does not subsidize the price of electricity. Seventy-seven percent of Kenyans do not have electricity. Power outages average 69 days per year, causing loses as high as 6.3 % of total sales of firms and 0.26% of the national GDP. Electricity generation is growing at an average of 5.1% annually, while consumption is growing at 6.1%.

Kenya's heavy reliance on hydroelectricity production has made the country vulnerable to climatic changes, such as drought and erratic rainfall patterns. Kenya needs to develop a more resilient and stable supply of electricity, while rapidly developing its base load of electricity production to meet growing demand. Geothermal energy in Kenya has the potential to provide an abundant, reliable, and environmentally friendly source of energy. The Rift Valley contains an estimated 7,000-10,000 megawatt capacity. At $0.09/kwh, geothermal energy is less expensive than wind at $0.12/kwh and hydroelectricity at $0.18/kwh. Vision 2030 reaffirms the GOK commitment to energy sector reform, including a stronger regulatory framework, encouraging the entry of independent power producers, and completing the unbundling of services provided by the Kenya Power and Lighting Company. The ambitious GOK plans for energy development aim to double electricity penetration levels by 2018. Kenya is also developing newly-discovered oil fields in the north and potential offshore gas reserves, but is at least four years away from commercial production. Kenya is also in the process of developing coal reserves at Kitui in the eastern part of the country.

The GOK has expressed a commitment to green growth, and is interested in developing a low carbon economy. Kenya is still a relatively low-emitter of greenhouse gases (GHGs), but its emissions are expected to rise as it develops. Kenya's clean energy development plan will require significant financing, with approximately $7.3 billion needed by 2018 and $46 billion by 2030 – ninety percent for generation and the remainder for transmission. It is therefore vital to continue support for Kenya's essential climate management capacity to develop and implement a Low Emissions Development Strategy, deepen national capacity for low emissions pathway analysis, as well as to promote expansion of renewable energy options.

Kenya's vision to become a middle-income country, able to support its people and nurture their aspirations, requires sustained economic growth and responsive governance.

USAID/SIEGFRIED MODOLA

STRATEGIC RATIONALE 3

The USAID/Kenya CDCS Goal is: **Kenya's Governance and Economy Sustainably Transformed.** It contributes to the achievement of Kenya's Vision 2030, and its 2013-2017 Medium Term Plan (MTP II), and is consistent with the objectives of the USG Presidential Policy Directive for sub-Saharan Africa, the Department of State's Bureau for African Affairs Joint Regional Strategy FY 2015-2017, and US Embassy priorities.

ACHIEVING THE GOAL

The Kenya CDCS works to achieve the Goal through three mutually reinforcing development objectives and eleven intermediate results (IRs) aligned with the three pillars of Kenya Vision 2030 and key elements of MTP II (Table 1 below). It treats the effective implementation of devolution as the game changer. Done well, devolution will propel all other reforms and address important economic, social and governance issues. If it fails, then Kenya's ability to respond to popular will, and achieve the transformational change required for its people to realize their aspirations, will be compromised and stability threatened.

TABLE 1: CDCS STRATEGIC ALIGNMENT WITH MTP II

MTP II Pillar/Focal Area	Development Objective / Intermediate Result
ECONOMIC	**Development Objective 3**
Agriculture, Livestock and Fisheries	Increased household food security and resilience – primarily for the rural poor
Financial Services Sector	Increased public and private capital flows
Manufacturing	Improved enabling environment for private sector investment
Trade	Private sector engagement in infrastructure development facilitated
Tourism	More resilient people and ecosystems to climate change in a green growth economy
SOCIAL	**Development Objectives 1, 2, and 3**
Environment, Water and Sanitation	Improved management of natural resources
Gender, Vulnerable Groups and Youth	Youth empowered to promote their own development
Health, Population, Education and Training	Increased Kenyan ownership of health, education and social systems
Urbanization	Accountable county governments functioning in targeted counties
POLITICAL	**Development Objective 1**
Devolution	Accountable county governments functioning in targeted counties
	Enabling environment for devolution strengthened
Governance	Informed and empowered citizens participating in county affairs

The development hypothesis hinges on devolution as the strategic entry point. Devolution (DO1) targets effective and accountable government systems, primarily at the county level, while building essential linkages at the national level and with civil society, thus fostering an enabling environment for the success of devolution, and informed and engaged citizens. Health and Human Capacity (DO2) is a critical input to DO1; and Inclusive Economic Growth (DO3), with a focus on equity, participation, quality, and sustainability is enabled by and reinforces DO1.

The overall hypothesis is as follows: Kenya's vision to become a middle-income country, able to support its people and nurture their aspirations, requires sustained economic growth and responsive governance. Their means to achieve this vision is a free market economy and a decentralized government. USAID assistance will support this transformation by applying human, financial, and institutional resources to: support the devolution process; sustain rapid economic growth; strengthen human capacity; preserve the environment; and dramatically expand the political and economic participation of vulnerable and marginalized populations.

ILLUSTRATIVE GOAL INDICATORS:

1. Ibrahim Index of African Governance
2. Ibrahim Index of Sustainable Economic Opportunity

USAID/SEGRIED MODOLA

USAID/KENYA: COUNTRY DEVELOPMENT COOPERATION STRATEGY: FY 2014 - 2018

USAID/KENYA

"Devolution has generated tremendous hope and expectations amongst Kenyans."

World Bank, June 2012 report on Devolution

DEVELOPMENT OBJECTIVE 1: DEVOLUTION EFFECTIVELY IMPLEMENTED

Kenya's 2010 Constitution and Vision 2030 provide the foundation for transformational change in governance and the economy. The constitution sets Kenya inexorably on a path to devolution, creating a new two-tier system with one national and 47 county (local) governments.

In this context, devolution is the single most significant governance challenge that Kenya faces over the next decade. USAID analysis and CDCS focus group results support this view. According to a recent World Bank Report, "Devolution is at the heart of the new constitution and a key vehicle for addressing inequities." The objectives and principles of devolution, as outlined in the constitution, are to bring government and resources closer to the people while empowering citizens and local leaders to manage their own affairs. The functions and powers devolved to counties by the 2010 constitution include agriculture, health, pollution control, cultural activities, transport, animal control and welfare, trade, county planning and development, pre-primary education and polytechnics, public works and services, fire-fighting and disaster management, drug and pornography control, and community participation in governance at the local level. To the national government falls the responsibility of policy and regulations, foreign affairs and natural resources among others. A full list of national functions, and functions devolved to counties, is included in Annex II*.

Placed in a historical context, devolution is a purposeful attempt to reduce the power of the executive branch by establishing 47 elected county governments, each with their own power and authority. New positions within the Government of Kenya have been created from this process including governors (the administrative head of each county), senators (who represent county interests within the parliament), and elected county assemblies.

Devolution will impact everything USAID is proposing to implement under this CDCS.

Kenya's Vision 2030 envisions a democratic system that is issue-based, people centered, results oriented and accountable to the public. Vision 2030 seeks to transform Kenya's political governance in areas related to rule of law, electoral and political processes, democracy and public service delivery, transparency and accountability, and security and peace building.

Health and agriculture are already in the process of devolving to the county level; much of the education sector will remain centralized for the immediate future, though certainly will be impacted by county governments. The extensive list of devolved functions presents new economic and social opportunities as well as challenges. As

Annexes can be found at
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such, devolution will impact everything USAID is proposing to implement under this CDCS.

Though one of the objectives is to create a more representative and inclusive form of governance and one which in the end will be more efficient and responsive to constituent needs, devolution will have many direct as well as opportunity costs as it gets established. In the budget presented by the new administration in May 2013, the county allocation was $2.4 billion. This was well over the required 15% of national revenues that are to be transferred to counties, but significantly lower than the Commission on Revenue Allocation's (CRA) recommendation that the counties receive $2.8 billion. It is likely the contentious debate over how much the counties should receive will be revisited each year. Whatever the final total allocation is, the amount will then be divided up between the counties based on a formula devised by the CRA (weighted heavily towards counties with greater populations and higher rates of poverty, among other factors). Whether or not the counties actually receive these funds is an entirely different matter. In other decentralized systems, transfers from central governments are often late, lower than expected, and their amount is sometimes in dispute between the two parties. There is a substantial amount of distrust by the counties towards the national government and many have expressed public and private concerns that the transfers will not be made in full.

Development Objective 1 PROBLEM STATEMENT

While counties now have new responsibilities and power, most of them lack the capacity and resources to effectively improve services and meet the extremely high expectations of their citizens. Devolution as a process, system of governance, and collection of individuals and institutions officially began March 5, 2013 after the general elections. It is still in its infancy and USAID has an incredible opportunity to support the process from inception.

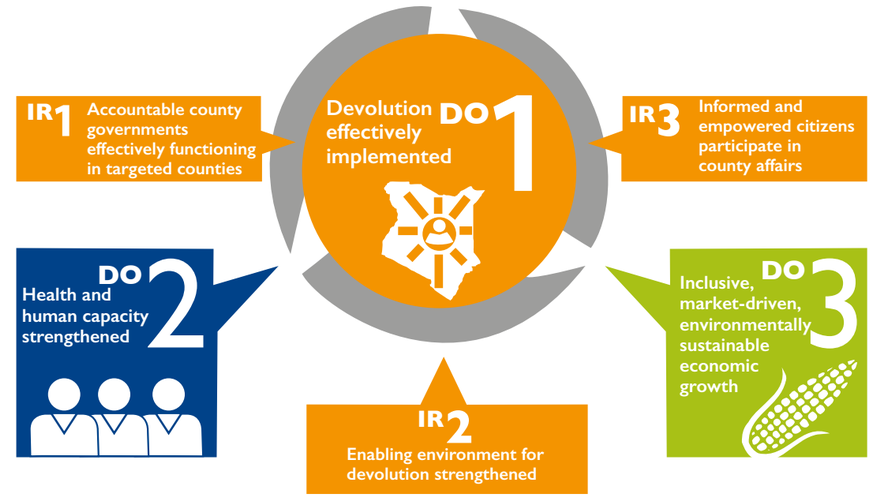
Lessons learned from decentralization around the world are that it can successfully create more responsive, open, and pluralistic government. But it also risks systemic failure that exacerbates the problems it was intended to alleviate, which could lead to a frustrated populace and a re-centralization of power. Potential issues range from political interference to the extent and quality of the process itself. In addition, devolution takes time for systems, processes and institutions to become established and function efficiently.

USAID/Kenya's efforts over the next five years to improve democracy and governance systems in targeted counties will contribute to local government legitimacy, build capacity to provide quality services, respond to needs, and forge a stronger link between citizens and government. This will establish a strong foundation for devolution throughout Kenya in future years.

Development Objective 1 HYPOTHESIS

The DO1 development hypothesis is that if the devolution process is effectively implemented, then Kenya's governance and economy will be sustainably transformed. Corollaries to this hypothesis are: If devolution is done right, it will propel all other reforms such as public financial management, land, and security and address governance issues such as corruption, equity, and conflict. If devolution fails, then Kenya's ability to respond to the will of its people will be compromised. Therefore, DO1 deliberately seeks to achieve transformational change by working with all levels of government and civil society to make devolution work.

DEVELOPMENT OBJECTIVE 1 FRAMEWORK

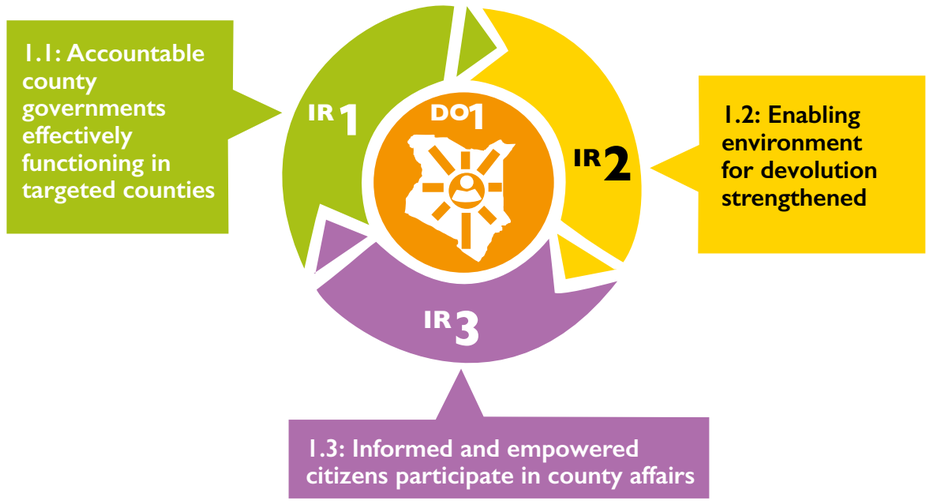


Over the next five years, USAID support will positively impact the effectiveness of devolution. This will be done by strengthening the governance systems in targeted counties – making them more competent, transparent, accountable and inclusive in their governance and service delivery; supporting the institutions and structures that enable counties to cooperate and advance their interests with the national government; and building civil society organizations; including women's rights groups, capacity to be more sustainable and effective at representing citizen interests and aspirations to county governments. By strengthening the capacity of county governments to deliver, USAID will address the supply side of the equation. By enhancing the participation of civil society especially women's capacities to advocate, negotiate, represent their views and to dialogue with county entities to influence decision making, USAID will address the demand side. And by supporting systems, USAID will create an enabling environment that will integrate supply and demand. Collectively, these three areas of intervention will support effective implementation of devolution, which in turn will help transform Kenya's governance and economy.

DO1 directly supports and contributes to the achievement of the other two DOs. It supports the equitable delivery of quality services by helping ensure accountable and good governance in a devolved context (DO2). DO1 efforts also contribute to sustainable economic growth by supporting the effective county delivery of agricultural extension, business development and environmental services (DO3). The main focus is on effectively implementing devolution, but it will also collaborate with DO2 and DO3 to deliver services to Kenya's most vulnerable and marginalized populations. It will also actively work to inform and empower citizens, especially women and youth, to effectively participate in county affairs.

DEVELOPMENT OBJECTIVE 1: DEVOLUTION EFFECTIVELY IMPLEMENTED
INTERMEDIATE RESULTS (IRs) AREAS OF INTERVENTION

DO1 will be accomplished by three Intermediate Results, as follows:



DO1 is based on the following assumptions and risks:

Assumptions:

- The national government and donors will provide technical support to county governments, and technical and grant assistance to civil society organizations
- The Government of Kenya will continue its overall commitment to the decentralization process
- Other donors will support pieces of decentralization and other reforms necessary for success

Potential Risks:

- Services may be devolved either too quickly (before counties are ready) or too slowly (undermining the process)
- Skilled Kenyans may be unwilling to work in certain counties
- Bureaucratic obstacles could greatly hinder the devolution process
- Graft and corrupt practices at the county level may undermine Kenyans' hope for devolution
- County officials may not be interested in creating a better service delivery environment, and/or increasing oversight and accountability
- There may not be sufficient civil society infrastructure or capacity in target counties that can be built rapidly enough to have an impact in the next five years
- Tensions within some targeted counties could become so severe, and result in such conflict and violence, as to preclude project operation in those counties

CHALLENGES AND OPPORTUNITIES FOR DO1

The devolution of power to the counties represents an important means to improve services and tackle corruption if it is properly implemented. However, the lack of clarity and overlap between the responsibilities of the new county governments with the national government (and with the district and provincial levels of administration, the county commissioners appointed by the executive branch, and the line ministries whose services are being decentralized) is a potential source of friction. The bodies which manage the process, such as the Transition Authority, have so far proven weak where coordinated and balanced support for the process is needed. Exercising a balanced approach between national and county, within new elements of the national government and between the now two legislative bodies, will be critical.

Funding for new county governments is also problematic. The current required allocation of 15 percent of government revenue was made with little economic or budget analysis, and is unlikely to be adequate for the long list of tasks laid out in the constitution – even with proposed adjustments for population and poverty levels. A lack of clarity on a number of other issues may impede devolution, such as: uncertainties on the workings of the new public finance system; the absence of a formal or legal framework for citizen participation; and the absence of criteria to determine the preparedness of counties to assume devolved powers. It is important that implementation of devolution be holistic, including various branches of the government that have a say in the accountability, financing and oversight of offices at the county and national levels. Finally, resistance to devolution from key political and civil service figures at the central level must be anticipated as this represents a threat to their power. The passage of the Transition to Devolved Governance Act,

DEVOLUTION AND GENDER

Devolution presents an opportunity to consolidate the gender gains articulated in Kenya's Constitution, especially the Bill of Rights and the Affirmative Action Principle. These promote the inclusion of women in decision making at both the national and county level. Many women first engage in politics at the local level, and local governments offer women an important entry point to participating in decision-making and leadership. The most immediate threats to gender gains provided for by devolution and the constitution will remain non-commitment and the cost of implementation, especially of the affirmative action provisions.

2012 is an important starting point to address some of these issues; how it is implemented and the performance of the Transition Authority is crucial. Devolution will impact everything the Government of Kenya wants to achieve for the country and the Kenyan people, and presents key challenges and opportunities. The opportunities are significant. Devolution will completely remake Kenya's governance structure, impacting every facet of life in Kenya and every service delivered by the GOK. It will affect every sector in which USAID/Kenya is engaged, and especially democracy and governance, health, agriculture and natural resources, economic growth, opportunities for youth engagement, and eventually education. It is arguably the single most significant governance process that Kenya faces over the next decade, and USAID/Kenya is positioned to get in on the ground floor supporting the government and people of Kenya as devolution unfolds. Improving democracy and governance systems contributes significantly to the legitimacy of local governments and their ability to provide improved services, thus doing a better job of meeting needs and forging a stronger link between citizens and their government. DO1 will help implement a key reform of Kenya's 2010 Constitution and in doing so will address longstanding grievances.

The challenges are daunting, but there is great opportunity for effective USAID engagement. Moving forward, there is a need for national cohesion, political competition and accountability, inclusiveness, stronger rule of law, and more effective government services. Addressing these challenges will affect the success of devolution and result in a stronger, more unified Kenya, which has greater potential to sustainably transform Kenya's governance and economy.

ROLE OF OTHER ACTORS IN DO1

Devolution is a key focus for many other donors working in Kenya. USAID continues to coordinate on planning for and implementation of devolution activities with the international donor community either bilaterally or under the umbrella of the Development Partners Group and its various working groups. The World Bank, DFID, Danish International Development Agency (DANIDA), the European Union (EU), Australian Agency for International Development (AusAID) and the United Nations Development Programme (UNDP) have all begun planning and implementation of activities to support devolution.

The World Bank, with funding from DFID and AusAID, has supported national government preparations for devolution. Their support has focused primarily on national-level systems and processes such as public financial management. The World Bank and USAID have been providing technical assistance to the Transition Authority (TA) while it gets established to implement its ambitious workplan through the Kenya School of Government (KSG), which serves as the national training center for the executive branch of the GOK. UNDP, in collaboration with USAID, has been organizing capacity building support to governors and newly elected officials at the national and county-level since the election through the KSG and the Center for Parliamentary Studies and Training. The EU is supporting civic education on devolution, and plans to implement direct county government support in five counties beginning in late 2013: Kilifi, Makueni, Isiolo, Uasin Gishu, and Kisumu.

The most significant Government of Kenya institutions that will support devolution include the new Ministry of Devolution and Planning, the Treasury, the Parliament (both the National Assembly and the Senate), the Transition Authority, the Commission on Revenue Allocation, the Kenya School of Government, the Center for Parlimentary Studies and Training, the newly formed Governors Council, and the proposed County Assembly Speakers Forum. Finally, line ministries will also be very involved in the initial stages of devolution providing guidance on asset transfer, human resource management, and budgeting to the TA and to its staff at the county level. The Ministry of Agriculture, Livestock and Fisheries and the Ministry of Health are especially important actors.

Recently, USAID/Kenya worked with DFID, the current Chair of the Democracy and Governance Donor Group, to request formal creation of a Devolution Sector Working Group (DSWG). That request was approved by the GOK on May 27, 2013. USAID concurrently led successful discussions with representatives from the World Bank and UNDP on a unique tripartite leadership structure for the new DSWG shared among USAID, UNDP and the World Bank.

USAID/Kenya's efforts will be highly integrated and implemented under all technical portfolios. The Office of Population and Health (OPH) is actively engaging donors, partners, and government entities in devolution of health services and budgets to the country level. The Agriculture, Business and Environment Office (ABEO) has started to engage donors and county officials on income generation and agriculture service delivery.

USAID/Kenya as a whole is coordinating with other donors to harmonize activities in order to create synergies, avoid duplication, and ensure that as many counties as possible will receive support. Having a formal DSWG approved by the Government of Kenya helps ensure that the Government will continue to support this process at both national and local levels.

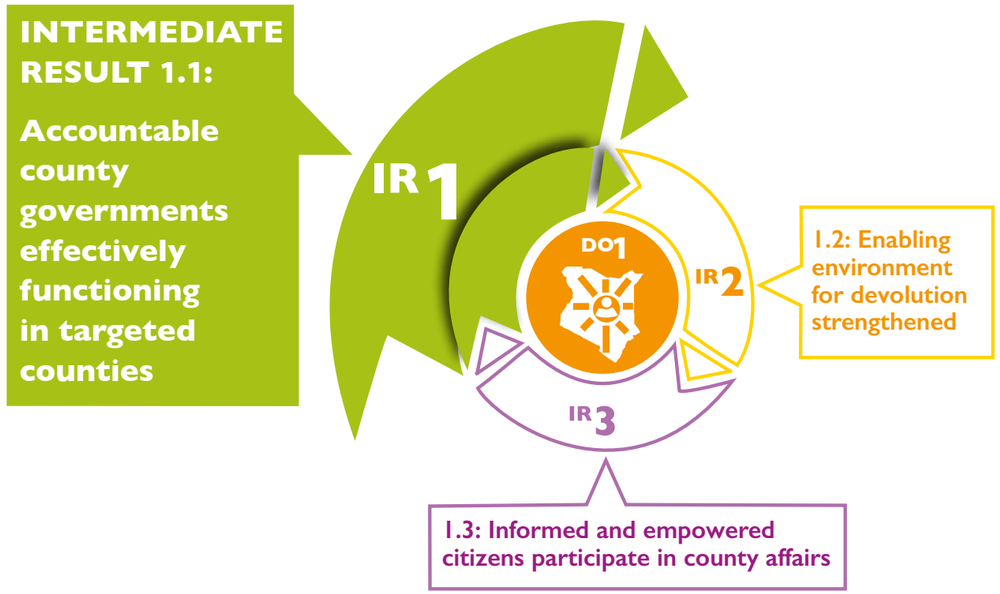
Illustrative Indicators for DO1:

- National level indicators:
  - Percentage of TA work plan completed
  - Public perception of national government effectiveness in devolution implementation
  - Annual difference between planned and actual budget transfers from the national to county level
- County level indicators:
  - Percent of target county governments effectively functioning
  - Percent of target counties receiving their full allocation of resources from the national government
  - Percent of target counties where residents feel that their government is providing quality services

EXPECTED OUTCOME

By the end of the CDCS Kenya will see the TA's mandate, as defined in the constitution and in their work plan, achieved. In our 17 target counties the governments (both executive and legislative) will be functioning effectively. Actual budget transfers between the national government and the 17 target county governments will match planned allocations, and public perception of the national government effectiveness in implementing devolution will be positive.

Development Objective 1: Devolution effectively implemented
Intermediate Result 1.1



This IR will address the lack of county government capacity to effectively fulfill their mandates, especially providing services to citizens as outlined in the constitution. Therefore, IR1.1 will be accomplished by capacity building and technical assistance at the county level to support county officials and executive and legislative branches of the county government. This includes developing the leadership, knowledge, and skills of county officials; and strengthening planning, performance, oversight, and public financial management and revenue generation systems in target counties. This will create the foundation for effective delivery of health, agriculture, business, environment, natural resources, youth, and education services. Capacity building will be complemented by activities promoting accountability through structures for public participation, strengthening inter-county coordination and collaboration, and building the capacity of county assemblies.

The Transition Authority and ministries are currently working to transfer functions and responsibilities to the counties as outlined in the constitution, but specific details regarding the management of people, assets, and budgets are still to be addressed. Devolution is meant to bring government closer to the people, and make it more transparent and accountable. But it also provides new entry points and opportunities for local corruption and resource conflict. Therefore, USAID/Kenya support will focus on helping make county governments more transparent, open, and responsive to citizens. Our aim is to help counties establish resilient institutions, and set up the structures that will increase citizen participation in governance and enable them to hold their government to account.

In response IR 1.1 has the following sub-IRs:

- 1.1.1: Leadership, knowledge and skills of county officials enhanced
- 1.1.2: Public management systems strengthened for effective service delivery in target counties
- 1.1.3: Targeted county governance structures for public participation established
- 1.1.4: Inter-county coordination and collaboration strengthened
- 1.1.5: County assembly law making and oversight functions supported

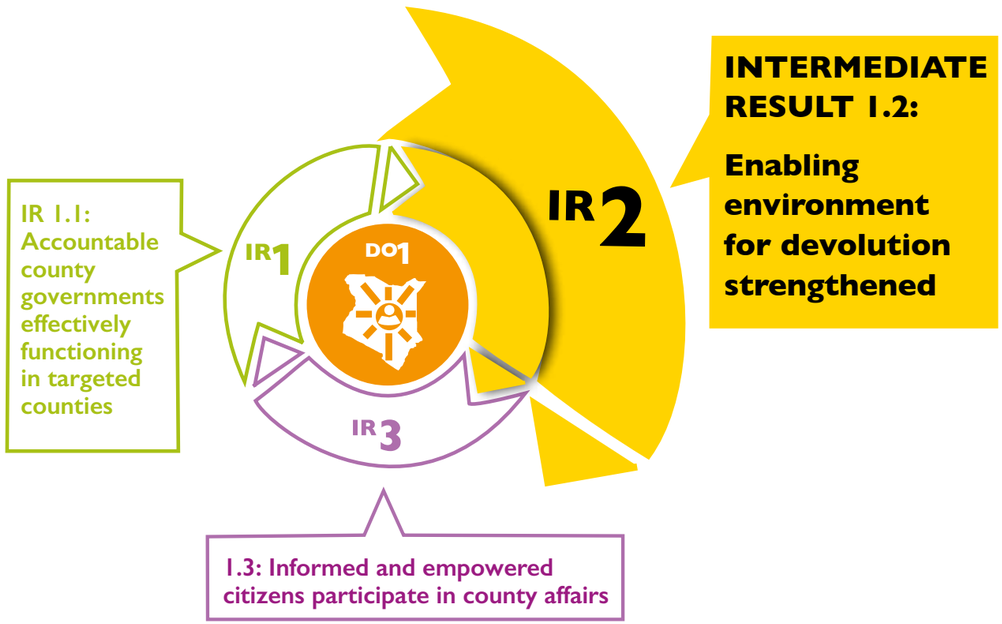
Illustrative Indicators for IR 1.1:

- Knowledge, skills, and attitude of county officials.
- Effective and transparent structures in target counties to engage citizens in decision-making regarding service delivery planning and implementation.
- Percentage of service delivery data made public in target counties.
- Number of target counties with improved citizen satisfaction over time.

CURRENT AND FUTURE ACTIVITIES:

USAID will build on current successes mobilizing civil society and providing civic education to support expanded public participation and civic engagement, especially by marginalized groups, at the county-level. In the March 2013 general elections, 82 women were directly elected and comprise about 6% (82 out 1,450) of all members of the 47 county assemblies. An additional 680 women were also nominated in line with the constitutional two-thirds gender provisions. Of the 47 county executives committees (akin to the national level cabinet), only 16 have satisfied the two- thirds rule. Similarly, men constitute 44 out of 47 county assembly speakers. These skewed gender compositions reveal the challenges that women and other marginalized groups face in terms of representation and participation. To secure the gains made at the county level, the focus will be to build on multi-faceted approaches that enhance women's inclusivity and equal participation. This will be done by providing funding and mentoring to established community networks to help them engage with government within counties, among counties and with the national government. We will also continue nurturing and supporting the network of local peace champions to help mitigate potential conflicts, while helping county governments establish mechanisms for conflict mitigation with citizen input. CSOs at the community level will be strengthened to help them play a constructive role in conflict mitigation and citizen participation and advocacy. Alternative dispute resolution mechanisms at the grass-roots level will be strengthened.

Development Objective 1: Devolution effectively implemented
Intermediate Result 1.2



This IR will address the dearth of systems and institutions and the lack of capacity at both the national and county level needed for devolution to become established and prosper. Therefore, IR1.2 will be achieved by supporting the institutions responsible for managing transition and strengthening and operationalizing policy-making processes at national and local levels. This will be complemented by strengthening essential national and county government systems particularly for communication and coordination; improving public and private oversight; encouraging support for other key constitutional reforms and regulations (public financial management, land, human rights, justice, procurement, taxes, licensing, electoral, etc.); and promoting an enabling environment for private investment.

OVERLAP BETWEEN IR 1.1 AND IR 1.2

There is significant overlap between IR1.1 and IR1.2, but also important distinctions. Whereas, IR1.1 focuses primarily on the individuals and the structures of county governments, IR1.2 focuses on the links between county and national governments, the links between devolution and other constitutional reforms, and the links with civil society and the private sector up and down the chain and across the network. IR1.2 is the glue that will meld the systems, networks, and institutions together and allow devolution to take root and flourish.

Since the links are yet to be identified or are emerging now, flexibility within IR1.2 will be critical. Collaboration, learning and adapting will form an important aspect of the entire CDCS and will be particularly pertinent within IR1.2 due to how new devolution is and due to the dynamic opportunities that this newness presents.

The enabling environment for devolution is critical to its success, and financing is one of the biggest concerns. The national government is required to transfer funds to the counties, but those funds may not be adequate. Many counties will need to raise additional revenues to fund their activities. This potential funding gap dramatically impacts service delivery and when filled by donors creates disincentives for eventual county ownership of service delivery. Therefore, strengthening coordination systems for efficient funds flow will be critical.

It is also important that counties work closely with each other, so support for the Council of County Governors and the proposed County Assembly Speakers Forum, as well as regional efforts to get counties communicating and working together, is needed. It is equally important that counties have an effective working relationship with the national government. Therefore vertical as well as horizontal linkages will need to be strengthened, as well as strong linkages between both houses of parliament and the county assemblies. In particular, key senators can mentor county assembly members. Counties are part of Kenya, which means relationships and communications between the national and county-levels must be fostered for national cohesion.

In response IR 1.2 has the following sub-IRs:

- 1.2.1: Institutions responsible for transition supported
- 1.2.2: National and local policymaking processes strengthened and operationalized
- 1.2.3: Essential national and county government interrelationships and systems effectively strengthened
- 1.2.4: Public and private oversight systems improved
- 1.2.5: Other key constitutional reforms and regulations encouraged
- 1.2.6: Enabling environment for private investment promoted

Illustrative Indicators for IR 1.2:

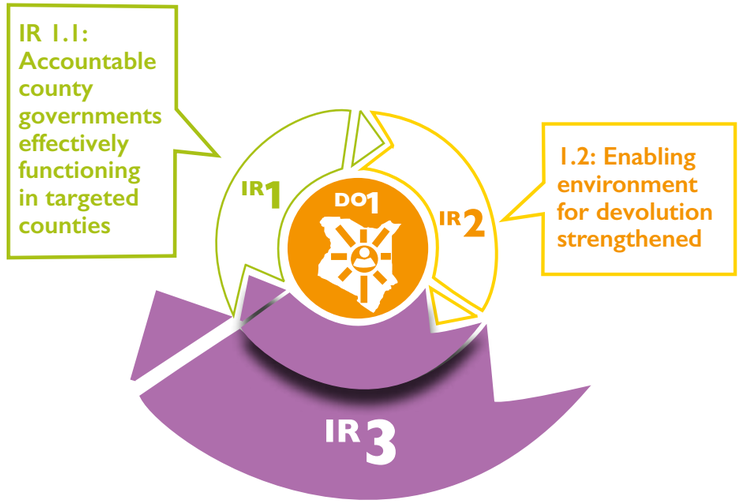
- Number of coordinating institutions functioning efficiently
- Number of public-private-partnerships formed
- Number of functions fully devolved to target counties
- Number of target counties implementing more than 75% of total devolved functions
- Number of policies affected by USG-supported efforts and advocacy campaigns

CURRENT AND FUTURE ACTIVITIES:

New ministries are still being consolidated and cabinet secretaries were only sworn in in June 2013. Nevertheless, USAID/Kenya has begun and will significantly increase support to national-level institutions responsible for implementing devolution to ensure that the transition is effective and responsible; and help counties establish coordination and cooperation mechanisms to make their governments more responsive and resilient. Activities will focus on helping new county assemblies establish policy-making systems, and effectively implement national policies at the county-level. In addition, activities will support county efforts to establish an enabling environment conducive to private sector growth and citizen participation. In addition, USAID/Kenya will support bodies like the Council of County Governors, County Assembly Speakers Forum, and regional efforts to get counties communicating and working together. USAID/Kenya will strengthen relationships and communications between the national and county-levels to help ensure successful roll-out of devolution.

USAID/NICHOLE SOBECKI

Development Objective 1: Devolution effectively implemented
Intermediate Result 1.3



INTERMEDIATE RESULT 1.3:

Informed and empowered citizens participate in county affairs

This IR will address the lack of capacity within civil society, the lack of collective action among CSOs, and the constraints that impede civil society from communicating and coordinating well with local and national government to participate effectively in Kenya's governance. IR1.3 will be achieved by improving the capacity for civic engagement, and increasing the participation and representation of youth, women, and marginalized groups in local government. It will also require strengthening conflict mitigation mechanisms at the county level, enhancing citizen access to government information and services, and strengthening elections and political party systems. This last, in particular, recognizes that voting is the foundation of citizen participation and that Kenya's next general election will occur towards the end of this strategy implementation. IR1.3 addresses the demand side of devolution and has significant overlap with IR1.1 and IR1.2, while also having some distinct differences. Activities within this IR target institutions and individuals largely, but not exclusively, outside of government.

In response IR 1.3 has the following sub-IRs:

- 1.3.1: Capacity for civic engagement improved
- 1.3.2: Women, youth and marginalized groups participation and representation enhanced
- 1.3.3: Conflict mitigation mechanisms at the county level strengthened
- 1.3.4: Citizen access to government information and services enhanced
- 1.3.5: Elections and political party systems strengthened

Illustrative Indicators for IR 1.3:

- Degree of satisfaction by citizens in their access to information and ability to influence target county governance
- Amount of budgeted and expended county investment on services for youth, women, and marginalized groups by target counties
- Number of local government entities engaging youth, women, and persons from marginalized groups in service delivery planning and implementation in target counties
- Number of women and youth involved in political party leadership and eventually as candidates and elected officials

CURRENT AND FUTURE ACTIVITIES:

USAID/Kenya will build on current successes mobilizing civil society and providing civic education to support expanded public participation and civic engagement, especially by marginalized groups, at the county-level. This will be done by providing funding and mentoring to established community networks to help them engage with government within counties, among counties, and with the national government. USAID/Kenya will also continue nurturing and supporting the network of local peace champions to help mitigate potential conflicts, while helping county governments establish mechanisms for conflict mitigation with citizen input. CSOs at the community level will be strengthened to help them play a constructive role in conflict mitigation and citizen participation and advocacy. Alternative dispute resolution mechanisms at the grass-roots level will be strengthened.

USAID/DONATELLA LORCH

SELECTIVITY AND FOCUS

DO1 has been postulated as a USAID/Kenya-wide approach with multiple funding streams including from Feed the Future, Global Climate Change (GCC), Education, Youth, Water and Sanitation, and Democracy, Rights and Governance. With limited funding, many reforms and issues to address, and other partners engaged, USAID/Kenya made a strategic decision to focus on devolution recognizing the key role that devolution will play as a driver of other reforms.

As a result, the following reforms and issues will be addressed only as they relate to devolution and, therefore, will be affected by the success of DO1, but will not be a significant focus of this CDCS nor have direct activities to achieve them. Under DO1, USAID/Kenya will not be undertaking a robust program on judicial reform, security sector reform, human rights, public sector reform, or anti-corruption. Each of these areas is discussed briefly below including which institution outside of USAID may be providing support.

Judicial reform is progressing well under the careful guidance of Chief Justice Willy Mutunga and his Judicial Transformation Framework 2012-17. USAID/Kenya worked with the judiciary to help build capacity for electoral dispute resolution prior to the 2013 election and this was a vital component of the elections preparations. Though USAID/Kenya did intervene successfully and trained police prior to the 2013 election, security sector reform is a challenge for USAID/Kenya given the USG restrictions and waiver requirements for engaging with security personnel. In addition, the Department of State, DFID, and Sweden will continue to engage on security sector reform. The Scandinavian countries will continue to focus on human rights and Germany is investing in this sector as well. The World Bank will continue supporting public sector reform with an emphasis on public financial management, which transcends directly into devolution. Corruption is a particularly thorny issue in Kenya. USAID/Kenya will address this issue by promoting transparency and accountability at the county government level and by supporting civil society organizations that can play a watchdog role, but under this CDCS, will not have the resources to launch and sustain a nation-wide program on anti-corruption. Finally, though there will not be an investment in a significant way in any of these important areas, USAID/Kenya will continue to invest in civil society strengthening which could affect and influence policy reform in a whole host of areas including the judiciary, security sector, human rights, public sector, and corruption. USAID/Kenya recognizes that this is an ambitious objective. International experience shows that devolution can take decades to become firmly established. What is expected by the end of five years is that key government staff will be well-trained, civil society actively engaged and influencing decision-making, and that the systems, processes, and institutions that support devolution will be established and functioning at an acceptable standard in the target counties. In addition, enabling conditions will have been established that allow for replication, expansion, and deepening of devolution in the remaining 30 counties.

This does not mean that all problems will have been resolved. It does mean that key county government functions (strategic planning, budgeting and accounting, outreach and communication, transparency and accountability, and procurement) will have reached an acceptable standard consistent with international best practices. All of the target county governments should be receiving their full allocation of financial resources from the National Treasury, and the remaining 30 counties a percentage of planned allocations. Finally, public perception of service provision by the target county governments will be positive. By the end of the CDCS, Kenya will be heading into the next general election, where devolution and its impact on constituencies will almost certainly be a significant campaign issue.

Given the analysis of what other partners (the GOK, the international community, and civil society including the private sector) are investing in, the resources USAID anticipates, past experience supporting the National Assembly, constitutional reform, civil society and conflict mitigation, and the emerging strong relationship with county governments and the national institutions responsible for devolution, USAID/Kenya proposes to focus and concentrate resources within counties to directly support county governments, civil society, and the enabling environment to create conditions for the effective implementation of devolution. This is where USAID/Kenya's comparative advantage can be found and will be a critical component of the CDCS as it affects how government relates to its citizens, how resources will be allocated for social and economic development, and how the elements of the 2010 Constitution involving equity, justice, transparency, and accountability will be realized. Under DO1, USAID/Kenya will naturally continue to collaborate with all partners and across the other DO's to support the sustainable transformation of Kenya's governance and economy.

GEOGRAPHIC FOCUS

DO1 will strategically focus on counties based on the following criteria:

- **The potential to maximize synergy with other existing efforts funded by the USG and other donors**
- **The demonstrated commitment of county officials**
- **The advantages of working in urban areas and reaching large populations for greater impact, as well as the possibility of early success to create momentum**
- **The need of a county for assistance relative to others**
- **The ability to concentrate resources and achieve economies of scale in particular regions**
- **The risk for conflict in target counties and the potential for mitigation**
- **The overall strategic relevance of the county**

USAID/NICHOLE SOBECKI

"Every person has the right to the highest attainable standard of health, which includes the right to health care services, including reproductive health care;... and education."

Chapter Four, Article 43 of the Constitution of Kenya, 2010

DO 2

DEVELOPMENT OBJECTIVE 2: HEALTH AND HUMAN CAPACITY STRENGTHENED

The future of Kenya lies in its people, and in their ability to actively and effectively promote transformational change. Such change is a direct outcome of all people participating in and contributing to both governance and economic growth.

Kenya's health and education sector programs are grounded in the principles of the 2010 Constitution, which affirms the right of all citizens to equitable, affordable, and quality health care, including reproductive health care and education. For children, the rights include basic nutrition, shelter, health care, and free and compulsory basic education.

Development Objective 2 PROBLEM STATEMENT

Kenya today is a far cry from what the constitution envisions. As described in the Development Context, Kenya's basic indicators for health and education; maternal mortality; newborn deaths; HIV prevalence; malaria burden; early grade reading proficiency; and teacher/pupil ratios show that it still has a lot to do to achieve its goals. Studies and stakeholder consultations affirm the constraints faced by the health and education systems. These include: insufficient financial resources to provide basic health and quality educational services to all citizens; a public education system that is not adequately equipping children and youth to participate in the economy; significant shortages of key professionals – for example, a deficit of over 66,000 teachers in Kenya's schools and a highly inequitable distribution of health workers around the country – that threaten government's ability to respond to challenges; heavy reliance on donor funding to support areas such as HIV treatment; and insufficient private sector involvement.

DO2 launches a forward-looking phase of USAID/Kenya's engagement in the social sectors, one that fosters mutually accountable partnerships between USAID/Kenya and public and private stakeholders. USAID/Kenya will support Kenyan leadership in social services delivery through joint planning, implementation, and resource leveraging to achieve sustainable health and education results. There will be a profound and varied impact on social services delivery as the GOK redefines its governance structures and delineates the roles and responsibilities of national ministries and county governments. This transition period provides the opportunity to innovatively engage stakeholders – including national and local governments and institutions, youth, civil society, and the private sector – in ways that transcend buy-in, adjusting our engagement and assistance to make it more relevant to the current development environment. This is truly a new way of doing business, and the social sectors in Kenya are a fertile venue for exploring this change.

Development Objective 2 HYPOTHESIS

DO2 enables and empowers the people of Kenya to be agents of transformation in their country. It contends that, if health and human capacity in Kenya are sustainably strengthened, then Kenyans will be able to effectively participate in and contribute to the transformation of their governance and economy.

- HIV/AIDS targets the most productive age category in most countries (15-49) reducing worker productivity, savings and investment. In Kenya, HIV prevalence for women ages 15-49 is 6.3%. Harmful practices such as female genital mutilation, sexual abuse and forced marriages present further risks for Kenya's young women and girls. With a significant proportion of women (12%) reporting that their first sexual intercourse was against their will (KDHS 2008/09), gender-based violence increases the risk of HIV infection both directly through increased biological risk due to coercive sex, and indirectly, e.g., through reduced negotiation power concerning condoms due to fear of violence. Many orphans or young caregivers of sick parents, live in unstable socioeconomic environments, being forced to leave school and earn money for the family. The vast majority of HIV transmissions take place through heterosexual sex. It is estimated that 44% of new infections occur among regular or steady partners. However, risk perception and related use of condoms is low among this group, in particular among married or cohabiting couples. Women in polygamous unions have a risk of infection twice as high as that of women in monogamous unions. Discrimination and legal sanctions directed towards members of most at risks groups that do not conform to dominant socio-cultural gender norms, such as sex workers or men who have sex with men, significantly restrict their access to health services and information, and therefore enhance their vulnerability to HIV infection. The direct cost of terminal AIDS cases in Africa is estimated as 50% or more of the annual income for rural households. This illustrates the relevance of gender relations in controlling and managing the epidemic.
- There is a direct correlation between eradicating malaria and increasing economic growth. A retrospective 1998 study showed that a 10% reduction in malaria was associated with 0.3% higher growth per year. A 2012 Centers for Disease Control and Prevention (CDC) report estimated the direct cost of malaria in Africa to be at least $12 billion per year.
- "Skills development is vital in reducing unemployment, inequality and poverty, and promoting growth. It is also a wise investment. For every $1 spent on education, as much as $10 to $15 can be generated in economic growth." (UNESCO Global Monitoring Report 2012). Countries that have experienced surges in literacy rates of 20-30% have seen simultaneous increases in GDP of 8-16%. Each year that a girl attends school beyond fourth grade results in a 20 percent increase in wages.
- Research has found that 171 million people globally could be lifted out of poverty if all students in low-income countries left school with basic reading skills – the equivalent of a 12% drop in world poverty.
- Every additional year of formal schooling for males reduces the risk of their becoming involved in conflict by 20%.
- Citizens of voting age with a primary education are 1.5 times more likely to support democracy than people with no education, rising to 3 times more likely for a person with a secondary education.
- Educated women marry later, have fewer children and seek better antenatal care. Their children have higher survival rates, better health and nutrition, and are more likely to attend and succeed in school, creating a ripple effect throughout society. The KDHS 2008/09 found that the GBV prevalence rate to be 45% of women ages 15-49 having experienced either physical or sexual violence while Female Genital Mutilation prevalence rate was reported at 27 %. This presents significant health challenges and increases the high cost of treatment and care posing a high burden on overall health costs.

DEVELOPMENT OBJECTIVE 2 FRAMEWORK

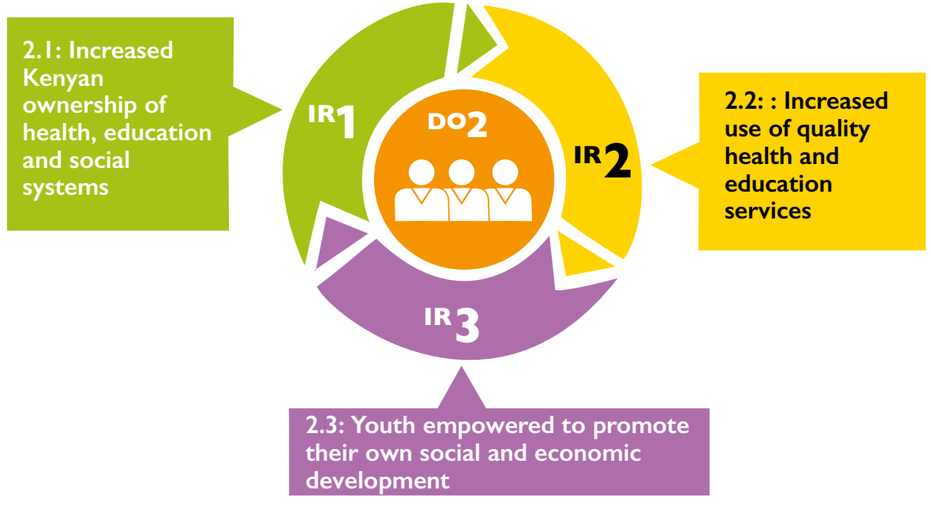
USAID/Kenya will draw upon its rich experience supporting national health and education programs in Kenya to significantly impact health and human capacity in all 47 counties over the next five years. There will be an emphasis on working with the youth of today to improve health, increase skills, and develop individual and community resiliency to violent radicalization and extremism, terrorist sympathies, support, or recruitment and manipulation while simultaneously laying the foundation for the youth of tomorrow.

This will help forge healthy, productive workers who will be more engaged and politically active citizens over the long term. Investments will progressively enable Kenya's people to take advantage of political and economic opportunities in the short term, generating transformational momentum. It will also build the capacity of health and education institutions and systems to sustainably deliver quality and gender responsive services in the long term, strengthening the human capital needed to fuel Kenya's development. Kenya's transition to a new, devolved governance structure will profoundly impact social services delivery over the next five years. This coupled with the promise of Kenya's demographic dividend provides unique opportunities for USAID to do business differently and engage stakeholders in ways that safeguard Kenyan interests and leadership.

DO2 is closely linked with the other two DOs: it ensures that accountable and good governance in a devolved context (DO1) will result in equitable delivery of quality services, and ensure a healthy, skilled workforce to support a growing and sustainable economy (DO3). The main focus is on health and education, but it will also support activities in collaboration with DO2 and DO3 to mitigate the needs of Kenya's most vulnerable and marginalized populations, especially women and youth. Other areas that cut across DO2 and DO3 include, water, sanitation and hygiene (WASH), maternal and child nutrition, and activities aimed at improving the self-sufficiency of People with Disabilities (PWDs).

DEVELOPMENT OBJECTIVE 2 : HEALTH AND HUMAN CAPACITY STRENGTHENED
INTERMEDIATE RESULTS (IRs) AREAS OF INTERVENTION

DO2 will be accomplished by three Intermediate Results, as follows:



DO2 aligns with MTP II priorities, and contributes to the achievement of Vision 2030's Social Pillar, "a just and cohesive society enjoying equitable social development in a clean and secure environment," by targeting a cross-section of human and social welfare projects and programs. DO2 health activities will contribute to Kenya's National Health Policy 2012-2030 goal of, "attaining the highest possible health standards in a manner responsive to the population needs" by supporting equitable and quality health and related services delivery. The USAID/Kenya Health Implementation Framework (2010-2015) supports national GOK plans and strategies, including: the National Road Map for Accelerating the Attainment of the Millennium Development Goals related to Maternal and Newborn Health; the Child Survival and Development Strategy (2008-2015), the Kenya National AIDS Strategic Plan (2008-2013) and its successor; the National Malaria Strategy (2009-2017); and the Kenya Health Sector Strategic and Investment Plan (KHSSP, 2013-2018).

This DO also aligns with USG strategies, including, the 2011 USAID Global Education Strategy, the USG Global Health Initiative (GHI), the USAID Policy on Gender Equality and Female Empowerment, the United States' strategy to prevent and respond to gender-based violence, the USAID Youth Policy, and the USAID Water and Development Strategy. It supports USAID's vision of Ending Preventable Maternal and Child Deaths, and the USG commitment to an AIDS-Free Generation. DO2 is particularly tied to the USG President's Emergency Plan for AIDS Relief (PEPFAR) and Presidential Malaria (PMI) initiatives, which support HIV/AIDS and malaria activities respectively. While these are interagency programs, the funding managed by USAID will contribute directly to CDCS results, particularly those for DO2. PEPFAR alone provides approximately 75% of the annual budget for health and 60% of the annual budget for USAID/Kenya.

DO2 is based on the following assumptions and risks:

Assumptions

- GOK works to meet the Abuja Declaration commitment of increasing government expenditure on health to 15% from the current 6%
- Kenya Health Sector Strategic and Investment Plan is revised to reflect devolution and is implemented
- National Hospital Insurance Fund is reformed
- GOK maintains its commitment to the Education for All goals set in the 2000 Dakar Declaration
- The National Education Sector Support Program is finalized and adopted
- National and county governments implement the constitutional mandate to provide free and compulsory basic education for all children
- The international and Kenyan private sector continue to be involved in social service delivery

Potential Risks:

- Insufficient USG funding available to support projects targeting youth
- Changing sector priorities for the GOK or USG
- Prolonged uncertainty regarding the division of responsibility and labor between the national and county levels
- Insufficient GOK budget allocations for counties to fulfill their responsibilities
- Weak roll-out of devolution, including sector development plans, and poor national-county level coordination and county level governance

CHALLENGES AND OPPORTUNITIES FOR DO2

The challenges in the social sectors are many, but constitutional reforms – especially devolution – afford an unprecedented opportunity to tackle issues using new ways of doing business, while building on our past successes. This is an historic moment to be working with the government and people of Kenya to address the health and human capacity challenges which hinder Kenyans' effective participation in the economy and governance.

Health Sector Challenges and Opportunities

Kenya faces a serious challenge in providing its citizens with high quality health care. The Kenyan public sector health system currently provides 60% of health care in the country, while the private sector – including profit, not-for-profit and faith based facilities – provides 40%. Kenya's reliance on private care to serve the needs of its people is demonstrated by the fact that private spending (including out-of-pocket expenditures) is 39% of total expenditures. The cost of private treatment is a major barrier to access, especially for the poor.

Kenya public sector health care also faces issues regarding the supply and geographic distribution of health care professionals. The effects of staffing shortages are felt more in rural facilities, which serve the majority of the population. Kenya faces major challenges in mobilizing additional financial resources for health and improving the efficiency of resource allocation and use. As noted, government expenditures in health

are approximately 6% of total government expenditures, well short of the Abuja Declaration targets of 15%. However, while the proportion of the government spending on health has declined over the past decade, the absolute amount has been increasing. Kenya depends heavily on donors (31% of total health spending) to finance key programs, particularly HIV/AIDS and malaria. This leaves the sector particularly vulnerable to changes in external financing. It is imperative that Kenya continue to increase country financing of these services to ensure long-term stability.

USAID will continue working in key health areas corresponding to Kenya's most pressing health challenges as reflected in the KHSSP and USG global health priorities: HIV/AIDS; malaria; family planning; maternal, newborn and child health; TB; nutrition; and water, sanitation and hygiene. Opportunities also exist to improve screening and treatment for GBV during routine check-ups to improve data collection especially on risk exposure of various marginalized population groups. Support for strengthening health systems, including: human resources; logistics and drug and commodity supply chains; and health care financing also reflect mutual priorities.

Health is the most completely devolving sector, with counties now responsible for human and financial resources, planning, budgeting, and service delivery. Functions retained at the national level include policy and some aspects of drug and medical supply procurement. In these early days of devolution the division of resources and responsibilities is not completely clear. Therefore, USAID/Kenya and other development partner support during the official three-year transition period will be extremely important in determining how well the process works.

USAID/Kenya's approach during the CDCS period will be to balance direct assistance for health service delivery at the county level with support for systems strengthening at both national and county levels. USAID/Kenya will also pursue opportunities for direct partnership with the GOK and local NGOs. Health care financing is another major area of focus, especially the reform and expansion of health insurance. Increased strategic involvement with the private sector will be pursued to increase options for those who can afford to "leave" the public sector.

Education and Youth Sector Challenges and Opportunities

Kenya's basic education system consists of two years of early childhood education, eight years of primary school, and four years of secondary education. Access to secondary and tertiary education depends on student performance on standardized exams at the end of the primary and secondary cycles. Approximately 95% of children enroll in primary school, 48% in secondary, and just 2% in college or university. There are few options for those who do not continue through the formal education system. Educational options are limited to poor-quality, village-based technical/vocational institutions, and employment options are legally limited until the age of 18. Each year 800,000 children and youth exit the formal education system, with limited options and opportunities: stakeholder consultations identify "youth idleness" as a key social and economic growth challenge.

Kenya's high Net Enrollment Rate (NER) of 95.7% still leaves over one million children out of school, and masks low pockets with low enrollment rates – especially in the Northeast (near Somalia) and urban slums. And there are persistent gender challenges to overcome, particularly teenage pregnancies, recruitment into crime and gangs or child labor or domestic chores, largely contingent on factors such as poverty, mode of life, and cultural norms such as patriarchy, and boy child preference. The opportunity cost of educating children is high for many parents, and the promise of bride price is a powerful incentive for arranging a daughter's marriage while some parts of Kenya have high numbers of child-headed households where schooling is just not an option. Cultural norms such as female genital mutilation, early and forced marriages that lead parents to exclude girls from school are particularly strong in the coast and north eastern regions, where boys also have low participation rates. Indeed boys face specific gender challenges such as recruitment into crime, gangs, insurgents and terrorist groups, drugs and substance abuse and their primary to secondary school transition rates are slowing.

Many of those in school are not mastering basic skills, and are not being adequately prepared to participate in the 21st century workforce. Kenya is progressing relatively well towards meeting the Dakar Framework for Action, Education for All goals. But it is falling short in some key areas, especially with regard to quality education. For example, evidence shows that one-third of second graders cannot read a single word. Without a solid educational foundation, children are prone to repetition or dropping out. Parents, frustrated that their children are not learning, may remove them from school to work at home or on the family farm; girls face higher vulnerabilities due to the risk of early and forced marriages. Additionally, both secondary and higher education emphasize theoretical knowledge rather than practical skills, and vocational education is not keeping pace with technological change or the skills demanded by the private sector. This negatively impacts youth participation in the economy, with over 2.5 million Kenyan youth either unemployed or inactive.

Youth challenges extend beyond the education sector to include lack of access to finance, insufficient youth-friendly social services, unemployment, lack of internship and skills building opportunities, and a lack of voice in shaping their futures. "Youth unemployment rates are high, and youth represent, by far, the bulk of unemployed people. The unemployment problem in Kenya is to a large degree, thus, a youth problem. The most pressing challenge is to provide jobs for young people aged between 18 and 25 years." However, over the next five years the formal labor market is unlikely to absorb large numbers of youth. "Promoting youth unemployment requires specific policies to increase the capacity of the informal sector to incorporate young people, particularly for those in their teens and early 20s." USAID/Kenya will therefore focus on the immediate, informal labor market challenges facing youth, while also addressing knowledge and skills gaps to complement DO3 private-sector led economic growth activities.

Three key opportunities will catalyze our engagement in education and youth.

- First, devolution gives county governments the authority for technical/vocational institutions. Present capacity is weak, but over time the counties will be free to localize content in partnership with the private sector to respond to labor market needs within the county. USAID/Kenya is well placed to facilitate that process across the portfolio.
- Second, USAID/Kenya is working with the Ministry of Education to formulate its new five-year strategy, including working with them to help shape policies related to quality, access, marginalized groups, gender issues, and the use of technology in schools. There is an unprecedented commitment from the ministry to expand the early grade reading pilot programs nationwide, to every school in all 47 counties. The program will be implemented using Government-to-Government (G2G) mechanisms mid-way through the CDCS period.
- Third, Kenyan youth have established one of the largest, democratic youth networks on the continent through our Yes Youth Can! (YYC) program. This network of one million members in 20,000 village organizations in 30 counties gives us the capability to support DO1 youth and civil society engagement in devolution activities, and DO3 economic growth activities, and to reinforce the promotion of healthier gender norms and opportunities across all three DOs.

ROLE OF OTHER ACTORS IN DO2

Kenya's health sector has a strong set of donors who work well together and coordinate through the Development Partners in Health for Kenya group. The USG, and USAID in particular, is the largest donor in the sector. The Global Fund for HIV/AIDS, TB and Malaria, for which the USG is one of the largest funders, is also a significant donor. Through GOK sector coordination committees, USAID plans closely with the Global Fund to ensure that PEFPAR, PMI, and TB resources are complementary and used to support national objectives. USAID (on behalf of the USG) and France represent bilateral donors on the Global Fund Country Coordinating Mechanism. DFID is also an important partner, focusing on reproductive health and malaria. This past year, USAID and DFID put an agreement in place which channels DFID funding through a USAID project that employs Indoor Residual Spraying in the prevention of malaria. The German entities German Society for International Cooperation (GIZ) and the German Development Bank (KfW) are strong partners in reproductive health and health care financing efforts. The Japan International Cooperation Agency (JICA) is working on community health and immunization. The UN family are close partners in maternal and child health (UNICEF), family planning (UNFPA), malaria (WHO), HIV/AIDS (UNAIDS) and systems strengthening (WHO).

USAID/Kenya is committed to proactive international development partners coordination in education, and plays a lead role in ensuring donor and host country efforts are complementary. USAID/Kenya is a member of the Education Development Partners Coordination Group, which is chaired by the Ministry of Education (MOE) Principal Secretary and includes all education donors in Kenya. The World Bank provided substantial direct budgetary support to the MOE between 2005 and 2010. However, their education sector support is currently limited following a MOE corruption scandal in 2009. DFID recently partnered with USAID to expand the early grade reading pilot program to 800 more schools, and are discussing jointly funding a nationwide expansion of the program. JICA is spearheading capacity building and training in the area of teaching math and science at the primary and secondary school levels. UNICEF is implementing projects in the Coast and North Eastern regions with a focus on child-friendly schools and early childhood development education.

The new government's initial statements on education, training, and entrepreneurship address the need to consolidate and harmonize the youth and women's funds to facilitate greater access to financing for aspiring entrepreneurs. They also acknowledge the link between education and employment, especially in today's knowledge-based global economy, promising to increase the number of institutes of technology in every county.

Illustrative Indicators for DO2:

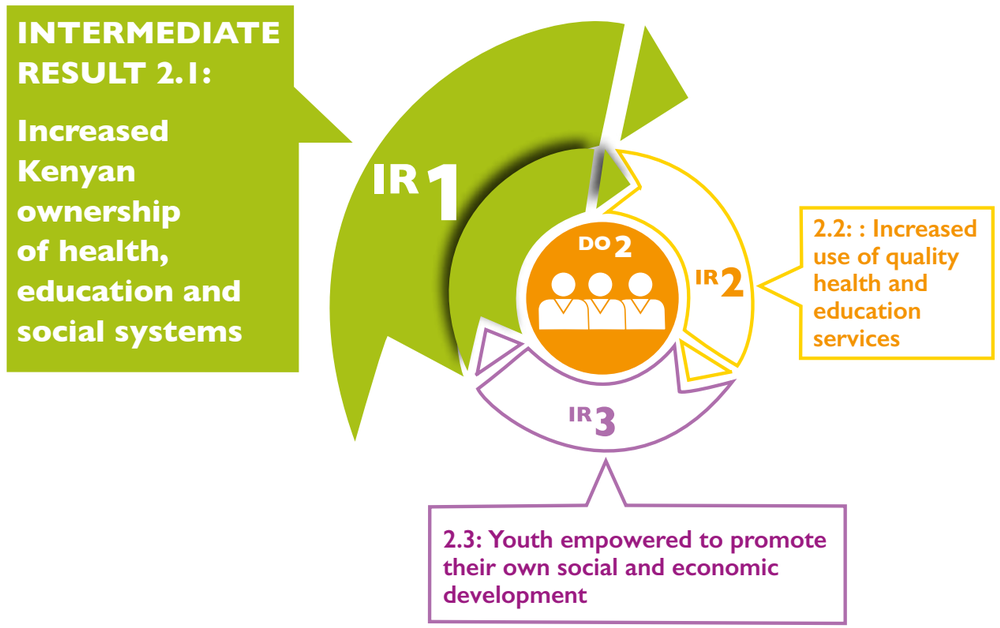
- Percent change in Kenya's under-five mortality rate
- Percent change in Kenya's maternal mortality rate
- Percent change in Kenya's Grade 1-2 performance in literacy
- Percent change in Kenyans reporting that the most important problems that the government should address are health, education, AIDS, sickness/disease, or orphans/street children/homeless children (Afrobarometer)
- Number of persons receiving new or better employment (including self-employment) as a result of participating in USG-funded workforce development programs

EXPECTED OUTCOME

The achievement of DO2 goals and objectives will, at the very least, ensure that devolution does not result in backsliding on key health and education sector indicators. Other expected outcomes include better coverage and greater use of health services and products, including HIV testing, antenatal care, delivery with a skilled health provider, long-lasting insecticide-treated bed nets to prevent malaria, and contraception. As well as a greater percentage of the population covered by health insurance, more children reaching Grade 3 with appropriate literacy skills, and a greater percentage of youth employed.

USAID/RANELLE SYKES

Development Objective 2: Health and human capacity strengthened. *Intermediate Result 2.1*



"To the United States, country ownership in health is the end-state where a nation's efforts are led, implemented, and—eventually—paid for by its government, communities, civil society, and private sector. To get there, a country's political leaders must set priorities and develop national plans to accomplish them, in concert with their citizens—women and men. These plans must be effectively carried out primarily by the country's own institutions—government, civil society and faith-based organizations, and private sector alike. And these groups must be able to hold each other accountable for improving and saving lives."

Secretary Clinton's Remarks at the Global Health Summit, June 2012.

Sustainable transformation of Kenya's governance and economy requires Kenya to strengthen country ownership of its institutions and systems. Increased Kenyan responsibility for its education and health sectors is also integral to the achievement of the CDCS goal. However, there is currently a lack of clarity regarding national and county roles in those systems, and civil society and the private sector are equally unclear as to who is responsible for what. Even though Kenya's health and education sectors are allocated the largest share of the budget, impact the lives of nearly every Kenyan, and employ the most government workers, donor assistance has been overly important in supporting effective service delivery. For example, USAID/Kenya's health and HIV/AIDS budget is equal to approximately 50% of the budget for the entire Ministry of Health.

The historic changes taking place in Kenya, combined with the aspirations and increasing capacity of its people, demand a transformed USAID/Kenya relationship with Kenyan institutions and society. IR2.1 provides the platform for that transformation in the social sector, building a more mature partnership with Kenya. USAID/Kenya's efforts to foster country-owned and country-led responses are a fundamental shift in orientation towards achieving sustainable social sector outcomes concurrent with Kenya's ability to support and achieve better health and education for its own people. This shift involves moving away from providing aid to investing in and using Kenyan systems and organizations, empowering youth to promote social and economic development, emphasizing mutual accountability and transparency, and improving coordination with government, civil society, private sector, and other stakeholders.

USAID/Kenya's health and HIV/AIDS budget is equal to approximately 50% of the budget for the entire Ministry of Health.

In response, IR 2.1 has the following Sub-IRs:

- 2.1.1: Expanded partnerships at national and county levels and with the youth bunge network
- 2.1.2: Strengthened GOK engagement with donors and coordination of support
- 2.1.3: Expanded innovative means of leveraging private sector resources

Illustrative Indicators for IR 2.1:

- Number and value of direct USAID/Kenya agreements/contracts with Kenyan prime partners
- Change in the proportion of government, donor, and out-of-pocket expenditures on health
- Percent change in GOK budget expenditures for health and education
- Percent change of Kenyans (disaggregated by sex) who report positively on how the national government is handling basic health services, addressing educational needs, and combating HIV/AIDS (Afrobarometer)

DEVELOPMENT PARTNER COORDINATION

USAID/Kenya will further strengthen coordination among development partners and with the GOK including supporting and buying into aid effectiveness matrices to increase development partner alignment with strategies, plans and funding, and to harmonize support for county and national priorities. There will be support to sector bodies such as the Health Sector Coordinating Committee and oversight groups like the Country

CURRENT AND FUTURE ACTIVITIES:

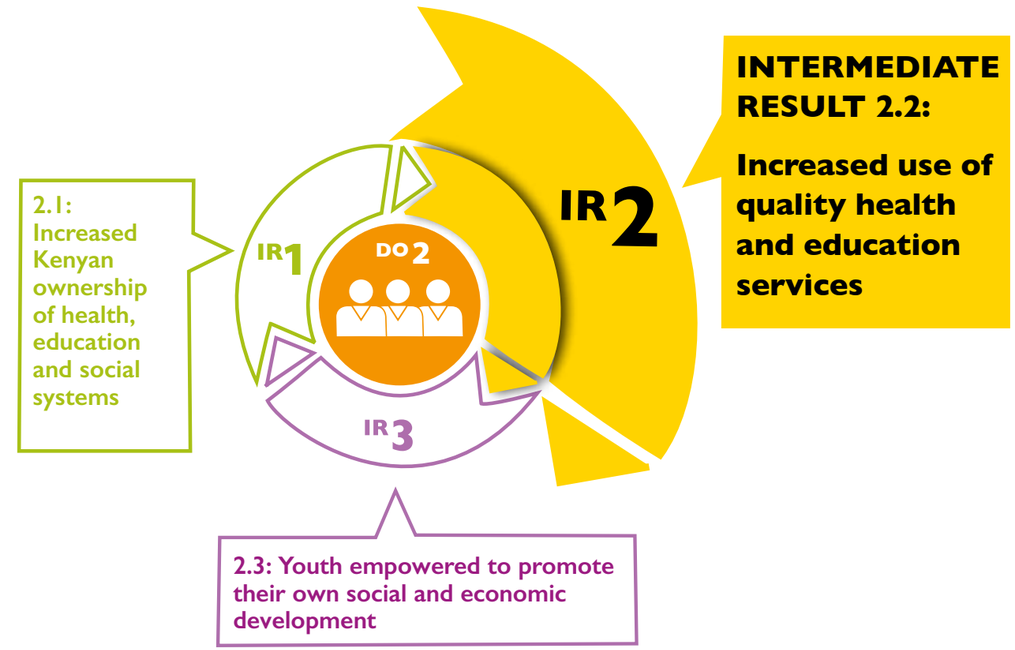
USAID/Kenya will strengthen relationships with national and local government, private sector, and civil society to achieve significant, measurable, and sustainable development impact. In addition, USAID/Kenya will:

- Engage purposefully in local partnerships
- Involve planning and technical personnel in the design, implementation, and management of projects
- Advocate for increased GOK fiduciary and management responsibility of social sector initiatives
- Engage in Government–to-Government (G2G) agreements with the Kenya Medical Supply Agency, the Kenya Institute of Curriculum Development, the Teachers Service Commission, the Kenya Education Management Institute, and the Kenya National Examinations Council
- Transition appropriate activities to local NGO partners, such as those working on TB and work with orphans and vulnerable children
- Increase performance-based service delivery funding through Kenyan government and non-government organizations, and transition to using Kenyan monitoring, implementation, and financial systems
- Engage the one million member youth bunge (Kiswahili for parliament) network to promote "youth-owned, youth-led, and youth-managed" initiatives that support devolution and "voice" (DO1), the social sectors (DO2), and economic growth (DO3)

USAID/Kenya will also promote creative public-private partnerships with Kenya's dynamic private sector, actively seeking investment partnerships with companies, youth, academia, and foundations to leverage projects created through social impact business models. A partnership with the Kenya Private Sector Alliance (KEPSA) will increase private sector support for the development and use of Informational and Communications Technology (ICT) in schools and empowerment programs for women and youth. There will be coordination with DO3 activities to scale up market-based WASH service delivery models, support the development and/or expansion of public and private health insurance plans, and expand evidence-based successful youth and early grade reading programs.

Coordinating Mechanism for the Global Fund in areas where we are active. USAID/Kenya will remain engaged in donor coordination groups such as the Development Partners for Health Kenya forum and the Education Development Partners Coordination Group, drawing upon leadership and resources to promote stronger coordination at all levels. Through such groups a multi-donor joint funding of programs will be promoted to prevent policy fragmentation and duplication of efforts.

Development Objective 2: Health and human capacity strengthened. *Intermediate Result 2.2*



Use of health and education services is a critical input to achieving strengthened health and human capacity. However, they must be readily available, of high quality, and delivery must be accountable to the population.

Inequity in Kenya's social sectors, including health and education, arise from people's inability to access quality services as a result of exclusion (gender or other prejudices), cost, geography, and other factors. The fact that 39% of health expenditures are "out-of-pocket" indicates that many families and communities may not be able to afford spending scarce resources on health, especially without a viable health insurance system.

Health indicators reveal great geographical variation in access to and use of services. For example, the former Central Province area looks almost like most middle income countries, with high modern contraceptive use, and relatively low infant and maternal mortality rates. Western Kenya and the coast, on the other hand, have significantly higher infant and maternal mortality rates. Not surprisingly, the Household Health Expenditure Survey (2007) indicates that areas such as the former Central Province use public facilities more (69.1%) than western Kenya (47.8%) and the coast (56.3%). The KHSSP highlights the special needs of the ASAL region, an area with enormous geographical, infrastructural, political and security challenges that impact availability of and access to health care.

In education total public and private primary student enrollment was 9.8 million in 2011, a net enrollment rate of 95.7%. However, educational quality is an issue, with studies reporting serious problems with reading proficiency. Access to secondary education is also a problem, with only 48% of primary school leavers enrolled in secondary school. This is further reduced at the next level, with only 10% of secondary school leavers going on to further their education.

The availability, or 'supply' side, of IR 2.2 is directly aligned with the principles of the 2010 Constitution and devolution: providing more equitable access to quality services. The intention is to address geographical, economic, gender based and other barriers to receiving health and education services. One of the main promises of devolution is that county governments, closer to beneficiaries, will be more accountable to them. This affords USAID/Kenya with a tremendous opportunity to increase support for county-level service delivery. This will be done by strengthening county-level institutional capacity, leadership, gender-responsiveness, oversight and management of services in collaboration with DO1. Health is the most devolved sector, but some health sector and most education sector functions are still held at the national level. In health these include policy and standards, some elements of drug and medical supply procurement and technical leadership for national programs including HIV/AIDS, malaria, and reproductive health. The education sector has devolved early childhood education and vocational/technical education to the county level, but primary, secondary, and tertiary education and policy will continue to be managed at the national level. As the GOK reorganizes around these divisions, USAID/Kenya will support and encourage solutions that ensure equity, accountability, and quality service provision.

USAID/Kenya and its partners will also seek to ensure that all Kenyans, especially underserved and marginalized populations, participate in social services through increased awareness of and ability to demand quality services – the "demand" side of the IR. Underserved populations include youth, women, and orphans and vulnerable children. They also include ethnic minorities in various geographic areas. By specifically addressing the needs of these underserved populations, human capacity will be improved in an inclusive and equitable way, contributing to Kenya's Vision 2030 goals. DO2 activities in this area link to DO1 IR3. These linkages and synergies will be further elaborated in the mission gender strategy that builds on the Kenya gender analysis and action plan.

In response, IR 2.2 has the following sub-IRs:

- 2.2.1: Strengthened national health and education institutional capacity, leadership, and programs to provide increased access to quality services
- 2.2.2: Improved county-level accountability, institutional capacity, leadership, and management of health and education service delivery
- 2.2.3: Greater community involvement in social service delivery promotion and utilization

Illustrative Indicators for IR 2.2:

- Percent change in Kenyans reporting that they had not paid a bribe, given a gift, or done a favor to a government official to get a place in primary school or extra lessons for a child (Afrobarometer)
- Contraceptive prevalence rate
- Increase in the percentage of Kenyans covered by the National Hospital Insurance Fund
- Decrease in the rate of mother-to-child transmission of HIV
- Number of community and parent-driven initiatives to support and demand quality health and education services (linked to DO1, IR3)

CURRENT AND FUTURE ACTIVITIES:

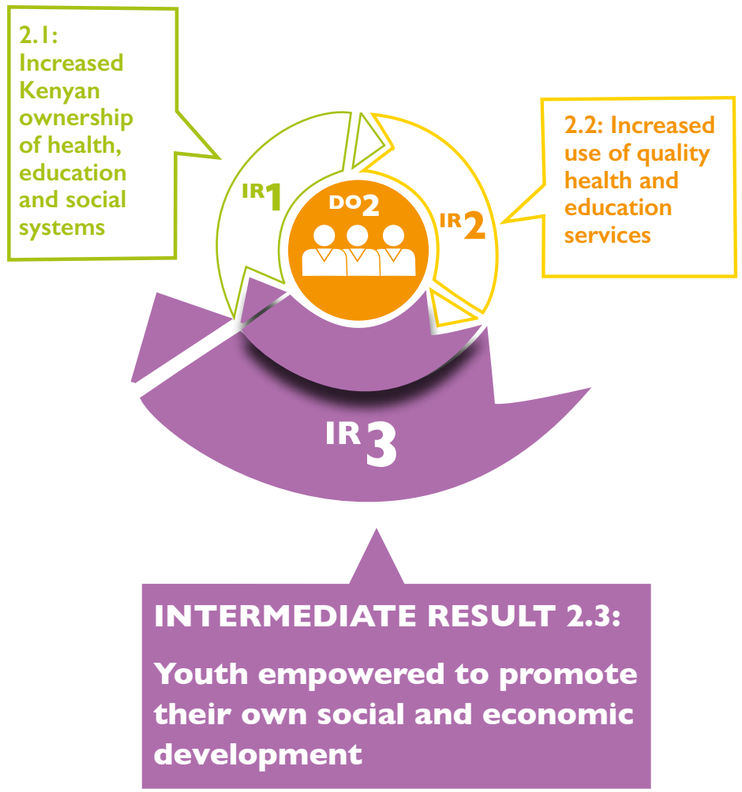
USAID/Kenya will help the national Ministries of Health and Education strengthen their capacity to deliver public services in their sectors, drawing on experience and skills in systems strengthening, policy development and implementation, and technical standards. A significant focus in the health sector will be supporting universal health coverage, particularly by expanding health insurance through both public and private sector initiatives. Institutional capacity will be built for supporting systems that provide nationwide services, such as drug and medical supply needs forecasting, procurement, warehousing and distribution, and the national health information system. In education, there is a plan to review the Ministry's human and institutional capacity to effectively manage a new G2G early grade reading program, and work with the GOK and other partners to strengthen areas of deficiency.

USAID/Kenya will support integrated health services delivery, including HIV/AIDS care and treatment, maternal, neonatal and child health, family planning, nutrition, malaria, tuberculosis, water and sanitation at the county level and below. As the CDCS period progresses, there will be further focus and concentration on service delivery support on high need areas. This will include strengthening local leadership capacity to build more sustainable systems and helping them develop and implement key policies and strategies. USAID/Kenya will bring its comparative advantages to bear most directly in: leadership; research, scaling up, and replicating innovations; and expertise in human and systems capacity building and improved governance.

USAID/Kenya will increase access to secondary and tertiary education for youth from marginalized backgrounds by providing scholarships, mentorship, ICT, and life skills training. Deliberate efforts will be made to close gender gaps, and improve access to and quality of learning for girls (or boys where they are the marginalized). Specifically, these measures will pay attention to specific vulnerabilities faced by boys and girls due to physical barriers including long distances to local schools, and disruptions of education caused by droughts, strife and related movement and displacement. Measures that give girls opportunities to escape the relentless pressure for early marriage and teenage motherhood will be employed. Integrated measures such as access to boarding facilities will allow vulnerable boys and girls to have access to regular, nutritious meals, health care, structured time for study, and housing options particularly for girls who have reached puberty and are at risk of being married off. We will engage women, youth, and PWDs in activity design, management, and implementation; and parents and communities will be supported to engage in education, HIV/AIDS, and other issues. USAID/Kenya will work to decrease stigma and improve care-seeking behavior for HIV, particularly for men and youth. Other health activities will target maternal and child health and nutrition services and family planning interventions to the most underserved populations. USAID/Kenya will continue to analyze and address social norms and barriers to using services, such as delivery by a skilled health provider. DO3 activities that harness private sector support, such as financing and credit to increase access to WASH products and services, will also support the IR.

USAID/Kenya aims to reduce barriers to awareness of and access to services among underserved populations by increasing their involvement in the quality and operations of these services. Activities carried out in conjunction with youth-focused activities in IR 2.3, will expand social and community level empowerment and mobilization for health, education, and social protection services and increase citizen knowledge of their rights to these services. Existing client networks, youth 'bunge' groups, and community associations will be supported to build mutual partnerships with health, education, and social service institutions in their areas. On-the-ground and virtual mobilization, through community gatherings, social media and mobile technology, will provide platforms for dynamic client and citizen participation in how social services are provided.

Development Objective 2: Health and human capacity strengthened. *Intermediate Result 2.3*



The concentration of opportunities since Kenyan independence in a small elite political class based on rent-seeking using non-transparent economic arrangements, corrupt practices, and restricted access to assets, now manifests itself in the exclusion of youth from viable economic livelihoods and positive citizen engagement in issues that affect them. Youth, defined as people between 18 and 35 years old, constitute 32% of Kenya's 39 million people. Approximately 800,000 youth leave school each year, but over the last six years the Kenyan economy has generated only 150,000 formal sector jobs. Therefore, annually this leaves hundreds of thousands of youth without formal employment opportunities. The informal jua kali sector is the principal source of income for the 67% of Kenyans who live on less that $2 a day , but is subject to pressures to pay fees to local police and youth gangs in order to buy security and continue to operate.

Aggressive action is needed to address the needs and priorities of Kenya's youth. USAID/Kenya will build on the success of the "youth-owned, youth-led, and youth-managed" YYC program, increase gender-sensitive youth livelihood opportunities and foster female and male youth voice, enabling them to drive their own futures. USAID/Kenya will support youth empowerment by helping them: address the multiple facets of livelihoods that limit their ability to develop entrepreneurial skills and employment opportunities; engage as citizens in local and national issues that affect them; and empower themselves to be positive forces for change in their communities. Authentic youth empowerment means program design must embed youth ownership at all levels in every activity, including the internal dynamics of project decision-making. It must enhance youth leadership capabilities for self-development, and expand genuine voice to promote youth interests and youth needs advocated by youth organizations with the capacity to be agents of change. It must also incorporate deliberate efforts to eliminate gender gaps, addressing the needs of both sexes and foster healthier and more equitable gender norms among youth. By building the capacity of youth and their village, county, and national youth organizations, they will positively contribute to USAID/Kenya's CDCS goal of sustainably transforming governance and the economy.

USAID/JOAN LEWA

In response, IR 2.3 has the following sub-IRs:

- 2.3.1: Increase economic prospects for youth through skills development and access to finance to create: economically viable microenterprises; self-reliant community level economic development projects; and employment opportunities
- 2.3.2: Improve youth voice in county and national policy dialogue through enhanced advocacy capabilities
- 2.3.3: Expand youth access to essential services that are more youth-friendly

Illustrative Indicators for IR 2.3:

- Number of youth trained in life or work skills
- Percentage of girls aged 15-19 who are pregnant
- Percent change in citizen perception that youth have the knowledge and skills needed to practice leadership and effect change
- Number of persons receiving new employment or better employment (including better self-employment) as a result of participation in USG-funded workforce development programs

CURRENT AND FUTURE ACTIVITIES:

USAID/Kenya will help youth to obtain the practical knowledge, skills, and behaviors to find employment when this is a viable option. Working directly with youth, and with the private and public sectors and civil society, USAID Kenya will strive to harness Kenya's demographic dividend and transform the youth bulge into a skilled, contributing cohort of formal and informal sector employees. This includes building youth skills to participate in economic growth activities in coordination with DO3. The network of 25 youth-led Savings and Credit Cooperatives established through our YYC program will provide grants and loans to support male and female youth-led and male and female youth-owned businesses. USAID/Kenya will seek opportunities for youth to benefit from GOK resources and policies, such as the Youth Enterprise Development Fund and the recent decision to allocate 30 percent of government contracts to companies and organizations led by youth, women, and people with disabilities. Capacity building efforts will be harmonized with the Young African Leaders Initiative (YALI), and seek ways to engage Washington Fellows upon return from the US-based summer leadership institute, to foster linkages with education institutions and enhance relationships with the private sector, including through internship opportunities.

USAID/Kenya will support the National Youth Bunge Association, helping build leadership and communication capacity to advocate at the county and national levels for youth-identified priorities. Youth will be helped to implement the recommendations of the USAID/Kenya Gender Analysis and Action Plan, addressing barriers and providing opportunities for increasing gender equality and female empowerment. Youth will be supported to engage county governments on the design and oversight of county development plans in collaboration with DO1. USAID/Kenya will also seek to establish a youth action fund to provide grants to youth bunges in support of key constitutional reforms and youth-identified social issues, like gender based violence, inter-ethnic cohesion and extremism. The youth action fund will also provide an opportunity for youth bunges to leverage public and private resources, and to build upon existing relationships they have with Coca Cola and Microsoft.

Efforts will be expanded to equip educators, healthcare professionals, community members, and youth themselves with the knowledge and skills needed to help children and youth become healthy, engaged, and productive Kenyan citizens. USAID/Kenya will work with PEPFAR and other USG initiatives to provide scholarships and leadership training to orphans and vulnerable children, strengthen HIV/AIDS and life skills curricula and policies, and improve government capacity to provide quality gender sensitive healthcare and education. A revision of the Kenya Adolescent and Youth Sexual and Reproductive Health Policy will be supported to ensure that resources are made available for their health, e.g., contraception to reduce unwanted pregnancies, prevention programs to reduce health risk behaviors leading to HIV and substance abuse, and to create opportunities to enhance their autonomy, decision-making capabilities, and economic prospects.

SELECTIVITY AND FOCUS

USAID/Kenya will be selective in supporting education and youth sectors programming in line with the USAID global education strategy and Youth Development and Gender Equality and Female Empowerment policies. Priority areas are early grade reading in primary schools and youth empowerment, including access to education for out-of-school children and youth. USAID/Kenya has recently ended or will soon end programs supporting early childhood education, pre-service teacher training, and a U.S.-Kenya higher education partnership. There is no plan to re-engage in those areas. In addition, basic education funds will not be used to engage in school infrastructure development or the strengthening of technical/vocational institutions. Partnerships with government and private sector are a high priority, particularly where USAID expertise can add value and investments are highly cost-effective. The USAID health program reflects the priorities of the USG and many of the priorities of the GOK as expressed in both the MTPII and the KHSSP. USG Initiatives and earmarks for HIV/AIDS, malaria, maternal and child health, family planning, nutrition, TB and WASH are all part of the USAID/Kenya portfolio, and are appropriate reflections of the needs in Kenya. The newly appointed Cabinet Secretary of Health has indicated that his three top priorities are devolution, maternal and child health, and adequate and sustainable financing. USAID will be supporting all of those areas in some fashion.

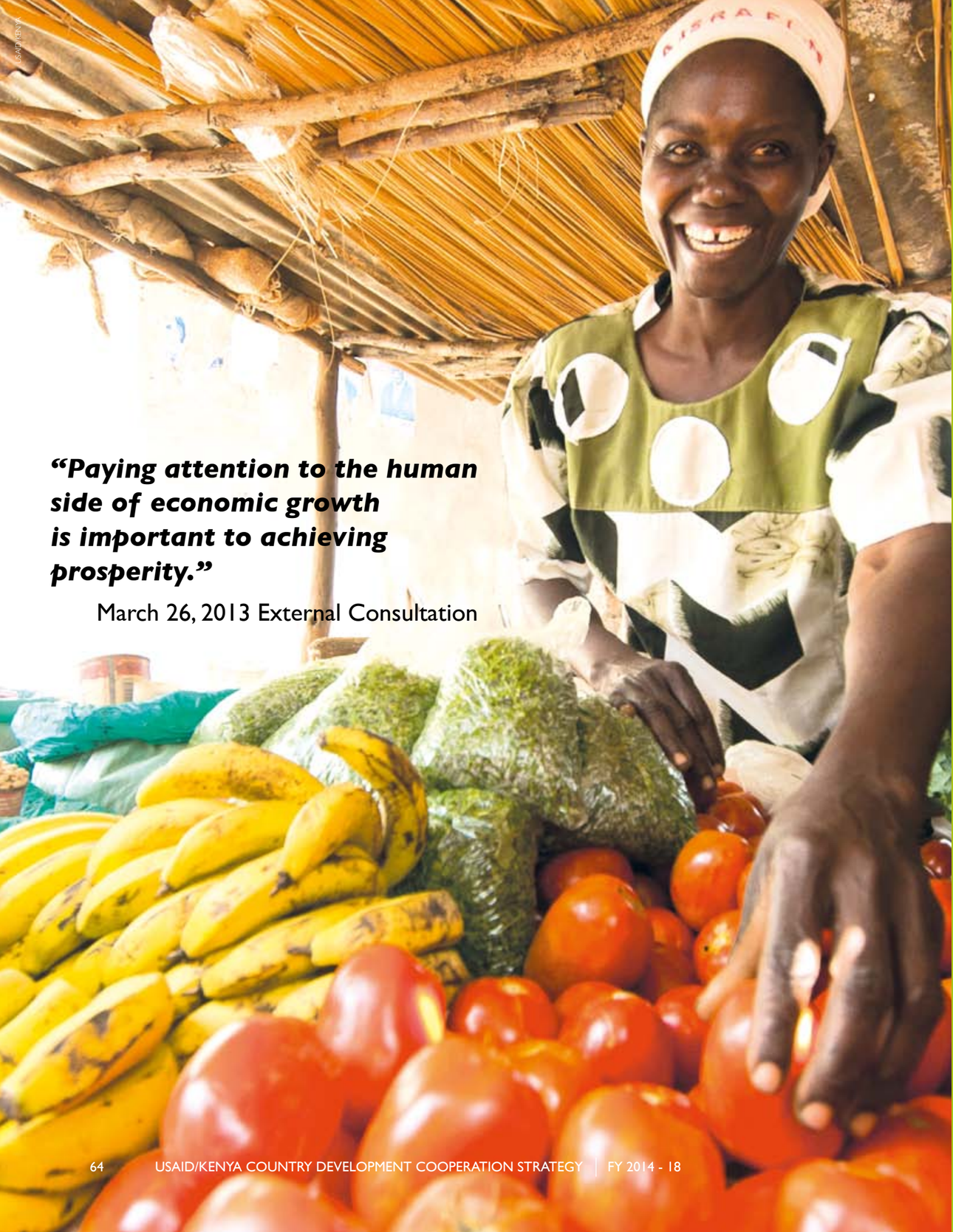
There is areas of USG or GOK interests, where USAID/Kenya will not engage. These include non-communicable diseases, neglected tropical diseases, basic research, emerging pandemics, and medical tourism. USAID/Kenya will not provide support to the Health Sector Service Fund, which other donors are expanding. However, there will continue to be support for health systems strengthening for sustainability, both at the national and county levels.

GEOGRAPHIC FOCUS

The geographic location of the six integrated service delivery projects is in some cases driven by disease epidemiology, particularly for HIV/AIDS and malaria.

It is also driven by low health statistics, such as for maternal and child mortality and family planning USAID is supporting GOK services in all 47 counties as the CDCS begins.

USAID intends to review this within the first 18 months of the CDCS period in light of the changing environment under devolution to see if some counties are ready for direct G2G grants, and if others no longer need direct funding for service delivery but just technical assistance.



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"Paying attention to the human side of economic growth is important to achieving prosperity."

March 26, 2013 External Consultation

DO 3

DEVELOPMENT OBJECTIVE 3:

INCLUSIVE, MARKET-DRIVEN, ENVIRONMENTALLY SUSTAINABLE ECONOMIC GROWTH

Kenya is the largest and most diverse economy in East Africa, and a regional financial and transportation hub. But its economic performance continues to disappoint, with low growth rates, widely disparate income levels, and stubbornly high poverty rates. Kenya is ranked 106th out of 144 countries in the most recent World Economic Forum Global Competitiveness Report.

Economic growth has rarely exceeded 5%, and even the most optimistic projections fall well short of the ambitious Vision 2030 target 10% annual growth rate. Kenya's wealth is also highly concentrated, with a Gini coefficient of 47.7 (the sixth highest in Sub-Saharan Africa). Nationally, an estimated 45.2% of the population lives below the poverty line with rural poverty estimated at 50.5% and urban at 33.5%. Of the people living in poverty an estimated 1.5 million or more than 3% of the population are considered chronically food insecure.

Kenya's overall business and governance environment is simply not conducive to accelerated economic growth or characteristic of the middle-income country status to which it aspires. Agricultural modernization remains central to Kenya's long-term economic growth strategy. The private sector drives agricultural expansion, but blockages in key links of the agricultural value chains are inhibiting growth.

Kenya faces extreme climate variations, contributing to frequent droughts and floods. Rainfall is highly variable, surface water resources limited, and water storage and distribution a challenge. Population growth and urbanization are straining Kenya's water supply, with over 13 million Kenyans lacking access to clean drinking water, and 19 million to sanitation. Water-related diseases and associated conditions are the leading cause of morbidity and mortality in children under-five and a major factor in child malnutrition. Deforestation, recurrent droughts and floods, poor water management, contamination and population growth are major issues affecting water supply. The GOK also recognizes the need for environmental governance frameworks to sustain environmental management and associated poverty alleviation and economic growth benefits.

Kenya's overall business and governance environment is simply not conducive to accelerated economic growth or characteristic of the middle-income country status to which it aspires.

Kenya is well endowed with renewable energy resources, but has high electrical generation costs. It must provide reliable, cost-effective electricity and increase energy efficiency to attract the investment needed to meet economic growth goals. Kenya's ambitious clean energy development plans require nearly $45 billion in investment by 2030. Vision 2030 reaffirms the GOK commitment to energy sector reform,

including a stronger regulatory framework, encouraging Independent Power Producers, and completing the unbundling of the Kenya Power and Lighting Company. Kenya is currently developing newly-discovered oil finds in the north and offshore natural gas, but is at least four years away from starting commercial production.

Development Objective 3
PROBLEM STATEMENT

Inclusive, market-driven, environmentally sustainable economic growth is needed to transform Kenya into a middle-income country by 2030 and meet the global target of ending extreme poverty. In this context, achieving the CDCS goal requires addressing five fundamental areas.

First, increased household food security and resilience is an essential outcome of inclusive economic growth and sustainable natural resource use. So is building resilience and reducing the vulnerability of rural communities in the arid and semi-arid lands to climate variability, which has the potential to incur very large costs affecting health, agriculture, and biodiversity in general. Eighty percent of Kenyans live in rural areas, 67% of Kenyans live on less than $2 a day , and 75% of Kenyans derive all or part of their livelihoods from agriculture. Improving livelihoods entails increasing household food security especially through securing women's land tenure rights, improving their role in household decision making which is critical for the health and productivity of the next generation especially disadvantaged and vulnerable children The arid lands, chronically dependent on food aid, need integrated programs that link livelihoods, health, education, sound natural resource management, and good governance to build resilience. Increasing rural household food security and resilience creates a foundation for the poor to engage in broader economic growth activities.

Eighty percent of Kenyans live in rural areas, 67% of Kenyans live on less than $2 a day, and 75% of Kenyans derive all or part of their livelihoods from agriculture.

Second, the natural resource base is the bedrock of Kenya's economic growth. Yet land degradation due to poor agricultural practices and climate change is accelerating. The 7% of GDP derived from tourism which stems from the abundant wildlife is also at risk. Elephant and rhino poaching is increasing, and is at times alarming. Over 2,400 hectares of forest disappear every year, often for use as firewood. The availability of water for agriculture and human consumption is also an issue, with 80% of Kenya arid and semi-arid, and shrinking aquifers.

Third, Nairobi is the financial hub for East Africa, but foreign direct investment is extremely low, pension funds are swelled with cash, and banks have huge liquidity reserves. Putting this capital to productive use and unleashing financial innovation requires reforms to stimulate economic transformation and create the enabling environment for expanded investment. This is true for agriculture, trade, energy, environmental services, and tourism.

Fourth, public and private economic institutions must become more market-oriented and competitive, instead of being cartel-like with rent-seeking gatekeepers. Regulatory reform is particularly vital to improve the enabling environment for investment and market expansion to make Kenya more internationally competitive, particularly in agriculture, tourism, and energy.

Fifth, non-urban infrastructure is a critical constraint to economic growth and gender equality, with transport infrastructure and reliable, affordable electricity at the top of the list. Small scale market infrastructure also needs to be expanded in support of agricultural development and modernization, and to facilitate expanded value chains into value added end products.

Promising economic transformation trends include the statement of economic rights in the 2010 Constitution. Kenya is currently revamping all of its economic and commercial legislation, including: a new commercial code; new commercial courts to arbitrate disputes to enforce contracts; new agricultural legislation that reduces the number of laws from 52 to four with clear directives towards modernization; new land policy and legislation; and a new wildlife bill. This constitutional and legislative foundation creates a sound basis for transforming the DNA of economic institutions, corporate cultures, market relationships, and the economy as a whole.

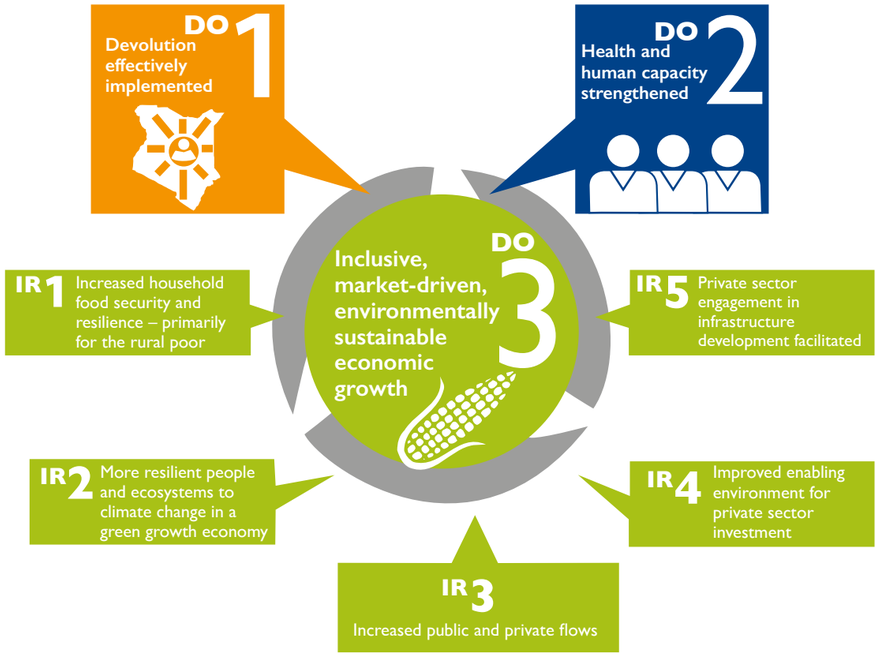
Development Objective 3
HYPOTHESIS

USAID/Kenya's DO3 development hypotheses is that if there is inclusive, market-driven, and environmentally sustainable economic growth led by the private sector in a more positive business environment, then the economy of Kenya will be sustainably transformed. DO3 therefore seeks to support inclusive and environmentally sound economic growth, creating widespread economic opportunities, increasing employment, generating the revenues Kenya needs to meet its social commitments, and laying the foundation for a transformed economy.

"Inclusive" means increased opportunities to participate in the economy, and share more broadly in the benefits of economic growth for women, youth, and other marginalized communities, including the most disadvantaged populations such as the extreme poor. The newly devolved county government structures create a new opportunity for broadening the base of economic growth. "Market-driven" means that sustainable economic growth must be driven by the private sector with enabling public policies. "Environmentally sustainable" means conserving and using natural resources to maintain and increase their contribution to economic growth and livelihoods preserving the rights of future generations.

USAID/KENYA

DEVELOPMENT OBJECTIVE 3 FRAMEWORK



During the next five years USAID/Kenya support will make a significant contribution to laying the foundations for long-term economic growth by increasing food security, improving natural resource management, improving the business and regulatory environment, and increasing competitiveness and investment. Efforts will help generate the economic opportunities and employment needed to sustainably transform Kenya's governance and economy. USAID/Kenya will specifically work in five fundamental areas to create the institutional platform and policy environment needed to accelerate growth while expanding access to historically marginalized populations, particularly women, youth, and pastoral communities.

DO3 will be accomplished by activities that help create the enabling environment needed for Kenya to achieve inclusive, market-driven, and environmentally sustainable economic growth. Increased household food security and ecosystem resilience, and increased capital flows for productive investment, combined with a more business-friendly enabling environment for private investment, and efforts to address critical energy and transport infrastructure issues are essential to transforming Kenya's economy. USAID/Kenya will support policy and regulatory reform to reduce the burden of compliance, create incentives to unlock Kenyan capital for productive use, and reduce barriers to domestic and international trade. Activities will specifically promote agricultural productivity and value chain competitiveness while conserving natural resources and strengthening resilience. Critical constraints to domestic and international trade and investment will be addressed including: access to affordable finance, market linkages, improved infrastructure, and other non-tariff barriers.

USAID/Kenya will work with the GOK and civil society to implement reforms which improve the management of natural resources to conserve biological diversity, protect critical water towers, prevent soil erosion, mitigate climate change, and preserve major habitats for wildlife. USAID/Kenya will promote markets for environmental services, specifically for watersheds and WASH delivery systems. The Development Credit Authority (DCA) will be employed to promote investment in nature-based businesses that directly support biodiversity and natural resource conservation.

The Kenyan economy is highly vulnerable to climate change, and adaptation is a priority. USAID/Kenya will strengthen Kenya's scientific capacity and improve access to and use of climate information and evidence-based analysis to help reduce that vulnerability. In addition, activities will focus on supporting efforts to diversify livelihoods, develop human capacity, conserve water, climate proof infrastructure, carry out afforestation and reforestation, and promote resilient agricultural systems to reduce the potential impacts of climate change.

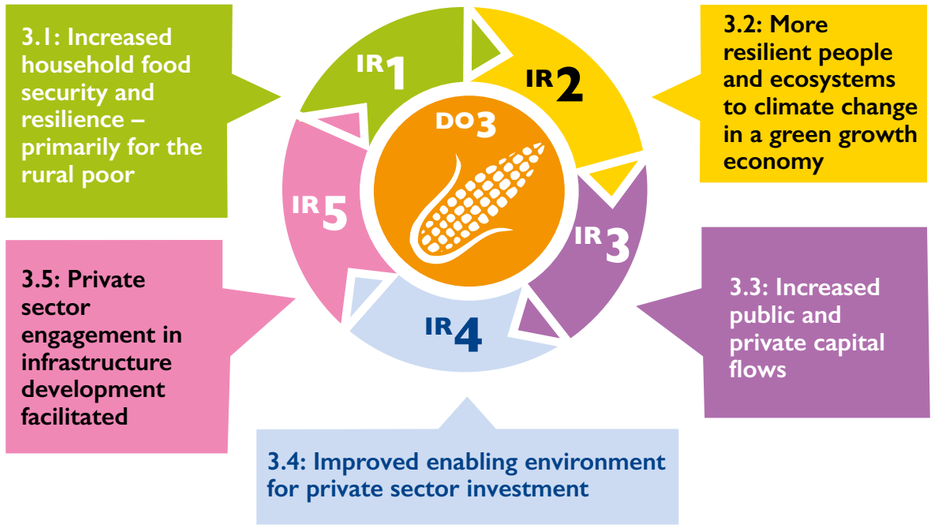
USAID/Kenya will support efforts to increase the supply of and access to reliable, affordable, and sustainable electricity for economic growth and ensure responsible, transparent, and effective management of energy resources. Kenya is a focus country for the Enhancing Capacity for Low Emissions Development Strategies (EC-LEDS) initiative under the GCC Initiative and is also a focus country for the new Power Africa Initiative. By maintaining relatively low greenhouse gas emission levels, which links long-term economic growth to a minimal carbon footprint, Kenya serves as a leader in its commitment to addressing climate change issues globally. The GOK launched the National Climate Change Action Plan (NCCAP) for the implementation of the National Climate Change Response Strategy. The action plan outlines mitigation and adaptation actions to support low-carbon, climate-resilient development. Kenya has an extremely ambitious plan for energy generation to fuel its economic growth and is keen to foster renewable, low emission energy sources with the support of USAID/Kenya and other development partners. As such, EC-LEDS and Power Africa are complementary efforts in the Kenyan context. The activities will strengthen Kenya's Climate Change Secretariat to improve the coordination of climate issues at the national level, partner with new county-led authorities under Kenya's constitutionally mandated devolution process and develop environmentally sustainable, low emission megawatts to the grid through Power Africa efforts. Utilizing a whole-of-government approach, USAID will build on its Memorandum of Understanding with the Government of Kenya that established a formal partnership to implement EC-LEDS priorities. With USAID resources, the US Environment Protection Agency and the National Renewable Energy Laboratories support the GOK to implement a greenhouse gas inventory system, develop a renewable energy resource database and promote public sector energy efficiency. USAID/Kenya will also meet complementary EC-LEDS and Power Africa objectives by working with the public and private sectors to assess, design, and finance renewable energy generation and energy efficiency opportunities as well as develop necessary renewable, low emission policies and incentive structures.

DO3 links strongly with the other two DOs. It ensures that accountable and good governance in a devolved context (DO1) will result in the effective delivery of agricultural extension, business development, and environmental services to support a growing and sustainable economy. It also helps ensure that Kenya's workforce, both women and men, have the skills to contribute to economic growth (DO2). While the main focus is on promoting inclusive economic growth, it will also collaborate with DO1 and DO3 to support activities which help mitigate the needs of Kenya's most vulnerable and marginalized populations, especially women and youth. Other areas that cut across DO3 and DO2 include, water, sanitation and hygiene (WASH), maternal and child nutrition, and programs aimed at improving the self-sufficiency of PWDs.

DEVELOPMENT OBJECTIVE 3 : INCLUSIVE, MARKET-DRIVEN, ENVIRONMENTALLY SUSTAINABLE ECONOMIC GROWTH

INTERMEDIATE RESULTS (IRs) AREAS OF INTERVENTION

DO3 will be accomplished by five Intermediate Results, as follows:



These five intermediate results are not just complementary and mutually reinforcing. Together they constitute an operational platform for focusing USG resources and leveraging other resources from public, especially GOK and other donors, and private actors. DO 3 fully integrates four Presidential Initiatives into a framework for action that will target key drivers of economic growth needed to move Kenya's economy on a higher flight path of broad-based growth and accelerate key policy reforms needed for private investment to flourish.

DO3 is based on the following assumptions and risks:

Assumptions:

- The new Government of Kenya is committed to economic reforms at the national level
- County governments proactively promote private sector investment and easing regulatory requirements
- Increased private sector investment expands formal employment
- Political will to support land reforms and community-based natural resource management
- Willingness of private sector to invest in environmental management such as payment for environmental services and landscape tourism
- Commitment to environmental policy reforms by the new government
- Inflation remains stable
- Smooth roll-out of devolution and coordination at county level
- There will be unpredictable climatic weather changes but a major weather calamity will not befall the country

Risks:

- Conflicts in institutional mandates, laws, assets and funding in devolved governance structures
- Neighboring countries create a better enabling environment for investment and private sector activity faster than Kenya creating an unfavorable disparity
- Abnormally extreme climate events derail economic growth

CHALLENGES AND OPPORTUNITIES FOR DO3

While inequalities in access and rights to natural resources in Kenya are profound, women and young girls are further disproportionately affected by socio-cultural factors. Women represent only 1% of registered land title holders in Kenya, of which joint titles are 5-6%. For a majority of women, access to land is dependent on marital and natal affiliations. Patriarchal cultures, predominant in most parts of Kenya, ensure that men as de facto heads of households have the largest role in decision-making over resources in the household, community, and the larger society. Similarly, succession of natural assets such as land is done through the male lineage. While some differences exist depending on socioeconomic status, the dominance of gender and age inequalities in access to, and control over productive natural resources, responsibilities, benefits and decision making power, greatly undermine the effectiveness of natural resource management. Gender roles in Kenya put women and girls in direct contact with natural resources such as water, forests, and land. Women and girls often walk over 10 kilometers to collect water or fuelwood. Forced migration and displacement from droughts and flooding often destroy social resource usufruct support systems relied upon by women, young girls, and boys.

> ***Women represent only 1% of registered land title-holders in Kenya, of which joint titles are 5-6%***

Kenya's 2010 Constitution eliminates gender discrimination in rights to natural resources such as land and property, and provides strong provisions to ensure that no more than 2/3 representatives are of the same gender in any public governance institution, including natural resource governance institutions. In addition, it mandates representation of members of marginalized groups as prescribed by acts of parliament. The Matrimonial Policy and Bill, the Land Registration Act, and the Land Act all require joint spousal ownership; and support women's empowerment in natural resource governance and leadership. However, more effort is needed to ensure that women are fairly represented in natural resource governance structures and have secure access and rights to land. Innovation in climate adaptation and other environment and natural resource management (ENRM) technologies is needed to reduce women's workloads related to water and fuel gathering. Efforts to improve resource-based gender relations within households and communities will be emphasized, targeting men as change agents. Significant efforts are also needed to gainfully engage youth, both girls and boys, in natural resource-based enterprises and employment.

Increased capital flows for productive investment, combined with a more business-friendly enabling environment for private investment, and addressing energy and transport infrastructure issues are critical to transforming Kenya's economy. In this context policy and regulatory reforms are needed to reduce the burden of compliance, creating the incentives to break loose Kenyan capital for

productive use and reducing barriers to domestic and international trade.

Kenya has demonstrated legal prowess in drafting legislation and regulatory frameworks. The difficulty has been in application of legislation and regulatory compliance. A shift in mindset is probably the greatest challenge Kenya faces as its constitution moves to full implementation. Underlying the 2010 Constitution is a new social contract between citizenry and government in addition to new checks and balances on executive power. Kenya's bill of rights is the most progressive the world has seen, and it includes economic rights, like the right to gainful and dignified employment. Translating these provisions will remain a significant challenge and the opportunities for legal dispute could generate a wave of litigation. Devolved government is part of this new social contract too; it brings government closer to the people and promises new investment for development.

Managing the transition to devolved government functions so that the weaknesses of the national structures are not replicated at the county level will be challenging. With a majority of public revenues spent on government salaries, only a small percentage is left for the kind of development citizens are expecting. Minimizing replication of this formula at the county level will initially be difficult. The additional overall operating costs for devolution are also significant. Kenya's macroeconomic solvency and management could be put at risk if budgets are not balanced, and private sector investment could be deterred if further taxation evolves as the solution to budget shortfalls. USAID will work closely with the World Bank, International Monetary Fund (IMF), and the Public Sector Financial Management Working Group of donors and GOK leaders to monitor budgets, expenditures and tax policies.

Kenya is subject to extreme climate variations which contribute to frequent droughts as a result of hot weather conditions and floods as a result of heavy rainfall. Extreme climatic variations are not only an environmental problem but also an economic, health, and social problem. Public education to create awareness on the risks posed by climate change, degradation of natural resources, will encourage all citizens to care for the environment. The region offers significant potential for increases in agricultural output and economic stability if measures are taken to reduce rural household's vulnerability to climate change and improve farming systems.

Kenya's bill of rights is the most progressive the world has seen, and it includes economic rights, like the right to gainful and dignified employment.

ROLE OF OTHER ACTORS IN DO3

Agriculture:

The GOK Agricultural Sector Coordination Unit is leading development partners in a sector-wide approach, and ensuring effective coordination. A wide range of donors also support value chain activities, including GIZ, Swedish International Development Agency (SIDA), International Development Association, International Fund for Agricultural Development, the Netherlands, and the Gates Foundation. USAID/Kenya is also partnering with the EU on an initiative to increase livestock support as part of a "whole farm" approach to agricultural sector growth. In the context of emerging donor partners, discussions are being undertaken on how the United States and China might partner more effectively on development – specifically in agriculture, health, market and trade development, and infrastructure projects – as a follow-up to Administrator Shah's discussions in Beijing in 2010. The United States, India, and Kenya are also developing a trilateral arrangement to accelerate developments within Kenya's agricultural sector. This initiative is an outcome of President Obama's visit to India in November 2010 and is intended to harness Indian expertise and experience in agriculture for Kenya's development.

Environment and Natural Resources:

This is a key focus for many other donors working in Kenya. USAID/Kenya will continue to coordinate on planning for and implementation of activities with the international donor community either bilaterally or under the umbrella of the Development Partners Group and its various working groups. The World Bank, DFID, DANIDA, the EU, AFD, JICA, SIDA, AusAID, and the UNDP all contribute to the economic growth, clean energy development, and environmental conservation. The coordination of their activities is mainly through donor coordination groups including: land, climate change, the energy sector, environment, and forestry.

DFID, DANIDA, and JICA supported development of the National Climate Change Response Strategy and the recently launched National NCCAP. They plan to support NCCAP implementation at the national level, as well as integrate climate change into county programs. DANIDA, SIDA, and Finland support policy reform processes in the Ministry of Environment, Water and Natural Resources. The Africa Development Bank (AfDB) supports conservation of Mau Forest, Mt Elgon, and Cherengani Hills through the Green Zones program. The World Bank supports agricultural productivity and sustainable land management, including climate change mitigation through improved land management practices and support to strengthening of water boards. The World Bank also supports Scaling up Renewable Energy Program, including funding to support a number of renewable energy projects. AFD, JICA, and World Bank are important players in the energy sector. DFID also is a key player in climate change adaptation area due to the support to develop a climate change adaptation strategy in Kenya.

Capital Markets:

DFID, SIDA, and the World Bank partner with USAID/Kenya to support the Kenya Financial Sector Deepening program, which strengthens value chains through development of appropriate and sustainable finance. The financial sector reform and strengthening initiative to promote growth and reduce poverty is managed by the World Bank and supported by DFID, BMZ, IMF, the Embassy of Netherlands, and SIDA.

Economic Policy Reform:

Several donors played a significant role in Kenya's economic policy reforms, creating public and investor confidence in the enabling environment for broad-based growth. The World Bank, DFID, UNDP, SIDA, AFD, AfDB, IMF, and the Netherlands in partnership with USAID continue to influence changes in macroeconomic policies such as fiscal, monetary, and exchange rates. These donors also influence structural policies on trade, tax and other policies creating incentives for households and firms to prosper. In partnership with civil society institutions such as Transparency International and other non-governmental organizations, donors such as DFID, DANIDA, SIDA, Canadian International Development Agency, International Labour Organization, World Bank, the UN, and USAID/Kenya support public sector management and social inclusion. Support for public sector management policy reforms contributes to the balance between the effectiveness of public service delivery complementary to private initiatives. Social inclusion policy reforms influence the participation of citizens through social services that reach the poor and disadvantaged, including women and ethnic minorities.

Energy:

The Ministry of Energy has established a sector-working group (SWG) for the energy cluster of development partners. This group, currently chaired by AFD and JICA, includes AfDB, the European Investment Bank, KfW, the SIDA, the Embassy of Spain, USAID/Kenya, United Nations Industrial Development Organization, UNDP, and other development partners. The objective of the SWG is to increase a programmatic flow of donor funds for the energy sector, consistent with the 2005 Paris Declaration on aid effectiveness, which calls for the harmonization of donor funding with a common results framework, to foster joint ownership and alignment with government programs, and mutual accountability.

Gender:

The UN WOMEN, ILO, IOM, OCHA, UNAIDS, UNDP, UNEP, UNESCO, UNFPA, UNHABITAT, UNICEF, UNIDO, UNODC, and WHO have established a Joint Programme on Gender Equality and Women's Empowerment in Kenya. Other actors such as the World Bank/IFC and JICA remain active in supporting women's access to financial services and access to quality water services respectively. USAID/Kenya will collaborate with these actors in delivering gender equality and women empowerment results.

Illustrative Indicators for DO3:

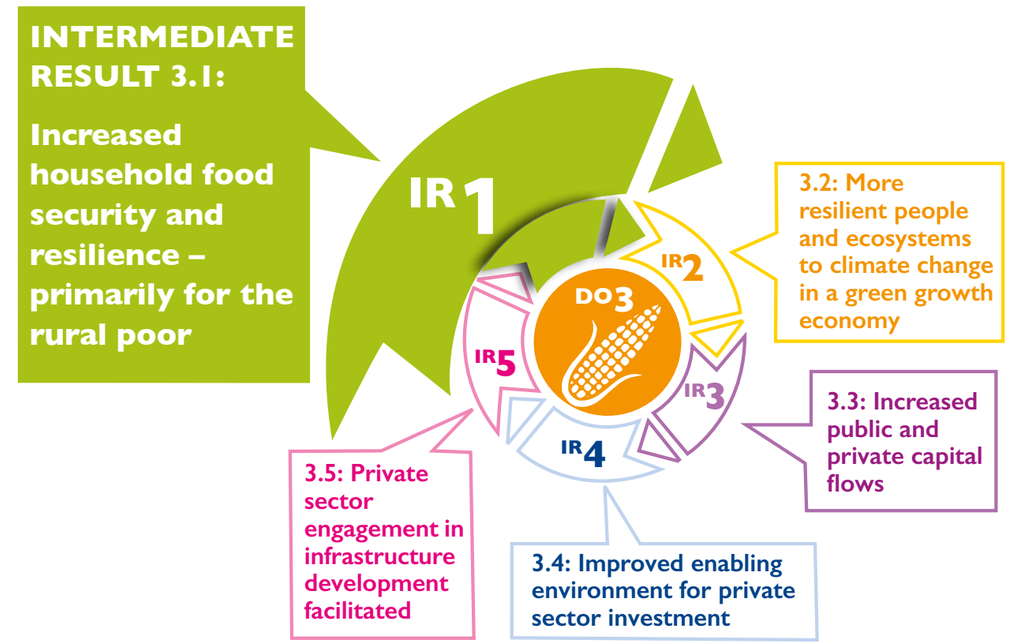
- Change in Kenya's Global Competitiveness ranking
- Change in Kenya's Economic Freedom ranking
- Economic Growth Rate (GDP)
- Change in State of Environment ranking

EXPECTED OUTCOME

USAID/Kenya expects to contribute to the transformation of Kenya's economy by working with newly devolved county governments to broaden the economic base and provide more opportunities to participate and gain from benefits of growth, especially for women, youth, and marginalized communities. Producers will be better linked to markets and improved input supply systems; and financial institutions will improve their services to rural enterprises and agricultural value chains. Economic growth will be increasingly market-based and driven by the private sector, while conserving and using natural resources in a manner that maintains their contribution to future growth and generations. The area of land under improved natural resource management will increase significantly as the country realizes more private sector investment in watershed markets; reduced pressure on natural resources through payment for environmental services; increased investments in landscape tourism in partnership with community conservancies; improved land and natural resource tenure security; reduced conflict over natural resources; and improved management of protected and biologically sensitive areas.

Kenya will also make progress in GHG emissions trends through increased private sector investment in low emission development and increased capabilities among government officials to analyze, prioritize, and implement long-term low emission growth strategies. DO 3 climate change activities will help reduce economic and social losses from climate variability and change, increase resilience, increase private investment in climate resilient growth; and make climate change planning and decision making more inclusive, transparent and responsive.

Development Objective 3: Inclusive, market-driven, environmentally sustainable economic growth. *Intermediate Result 3.1*



IR 3.1 is focused on increased household food security and resilience, primarily for the rural poor, including those with very few assets and who are persistently disadvantaged. It will be accomplished by improving the competitiveness of selected value chains, and by helping transition subsistence farmers to commercial production, including through sustainably and productively managing water resources. This requires expanding and diversifying input and output markets, trade, and livelihoods; improving the enabling environment for agricultural and rural enterprises, especially for women; increasing the availability of social safety net services; and improving the nutritional status of women and children. Increased opportunities for people to participate in and share the benefits of economic growth, is essential to increased household food security and resilience. It builds upon the USAID/Kenya Feed the Future strategy recognizing the key role of women in agriculture and emphasizing increased incomes to improve household food security and the nutritional status of women and children.

In response IR 3.1 has the following sub-IRs:
• 3.1.1: Improved competitiveness of selected value chains
• 3.1.2: Expanded and diversified markets, trade, and livelihood.
• 3.1.3: Improved enabling environment for agricultural and rural enterprises
• 3.1.4: Increased availability of market-driven social safety net services
• 3.1.5: Improved nutritional status of women and children

Illustrative Indicators for IR 3.1:

- Value of sales of targeted value chain commodities disaggregated by FTF counties
- Household incomes in target counties
- Women in agriculture empowerment index
- Prevalence of malnutrition in children under-5 years of age in target counties
- Increased access to safe drinking water and improved sanitation

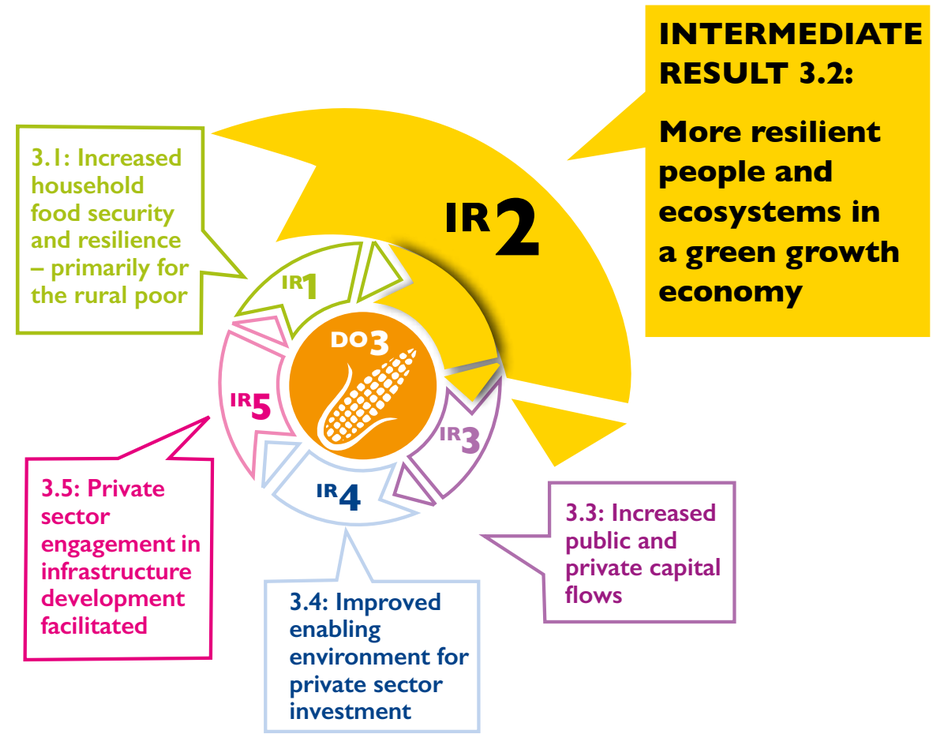
CURRENT AND FUTURE ACTIVITIES:

USAID/Kenya will integrate Feed the Future value chain investments to improve competitiveness, generate off- and on-farm enterprise and employment opportunities, and encourage and support diversification into higher value commodities in target areas. Activities will focus on smallholder-dominated, and female inclusive value chains, linking producers to markets, improving input supply, and increasing access to financial and business development services.

Feed the Future resources will be used to make agriculture more attractive to youth by expanding access to assets and technology, and supporting the transformation of Kenya's agriculture businesses and markets. Activities focus on supporting regulatory reform, promoting community owned enterprises, and collaborating with DO1 to ensure the effective provision of essential public services by devolved government. USAID/Kenya will also build upon Office of Foreign Disaster Assistance (OFDA) and Food for Peace (FFP) humanitarian assistance efforts with development activities that complement cash for asset creation and food for asset creation investments in community assets (natural resources, capital, water, and infrastructure) to increase resilience. This builds upon the approaches outlined by the Ethiopia-Kenya-East Africa Joint Planning Cell, especially with regard to enhancing resilience, increasing economic growth, and promoting good governance. USAID/Kenya will also work to improve child nutrition by increasing access to diverse and quality foods, improving the use of maternal child health and nutrition services, and supporting community-based nutrition, water, sanitation and hygiene activities in collaboration with DO2. Access to clean drinking water and sanitation will be achieved through market-based service delivery from source to point of use while addressing critical water resource management issues. Water and sanitation activities will aim to benefit women and youth by reducing their time spent fetching water and instead using their time for more productive work.

USAID/Kenya will work closely with national and county level government and communities in program design and implementation. There will be expanded collaboration with USAID/EA activities in value chains and markets that cross national boundaries. DO 3 activities will be carried out in collaboration with DO1 health activities to address issues related to the management and use of water.

Development Objective 3: Inclusive, market-driven, environmentally sustainable economic growth. *Intermediate Result 3.2*



Kenya's historically poor land use, insecure tenure, and inadequate NRM planning exacerbate over-extraction of natural resources due to population pressure and increased economic activities. Natural resources are some of Kenya's most valuable assets, with the rural population overwhelmingly dependent on them for their livelihoods. Limited understanding of the inherent value of ecosystems and ecosystem services and their contribution to the country's economic growth constrains development and depletes the country's natural capital.

IR 3.2 contends that the development of an economy based on clean energy will in tandem with improving management of natural resources (land, water, forests, wildlife, and grass lands) ensure the restoration of ecosystem functions to support more sustained use and resilience. This includes improving community management of conservation landscapes and ecosystems, reinforced by improved market-based payment for environmental services (PES). Tourism is Kenya's largest source of foreign exchange, and is highly dependent on sustainably managed natural

resources. Expanding tourism investment in water-scarce areas is a particular challenge. Access to credit for investment in natural resources sectors is low. Formal financial institutions perceive nature-based enterprises as risky, long-term, and commercially unviable. As a result, only a few enterprises access credit from formal financial institutions in the country. The problem is greater in the rural areas where financial institutions are few and far apart.

Unclear land tenure, illegal land use changes, lack of comprehensive land use planning, and conflict over land significantly contribute to degradation of natural resources and are major disincentives for private sector investments. Women in particular are disproportionately affected in conditions of natural resource decline because of their socio-cultural roles (of providing fuel, water and food) and limited rights over natural resources. Implementing comprehensive land reforms needs to enhance and improve the protection of women's rights especially on matters of personal law (property rights, marital law and inheritance) as envisaged as a result of the Land Act 2013, Matrimonial Property Bill 2012, and the Marriage Bill 2012 to safeguard the enshrined rights. The responsible use of natural resources in agriculture, infrastructure, manufacturing and in particular emerging mining and energy investments requires careful regulation and environmental monitoring to mitigate the environmental and social impact of development in these important sectors. In addition, inclusive governance systems are crucial to maintaining sustainable growth through prudent management of natural resources, minimizing the economic and social costs of climate change, and ensuring low emissions economic development.

USAID/Kenya will use improved natural resource management, biodiversity conservation, and climate change issues as entry points. USAID/Kenya will work with national and county governments, communities, the private sector, and other civil society actors to establish inclusive devolved governance systems for addressing environment and climate change challenges; institutionalize and improve sustainable market-based WASH service delivery in collaboration with DO 2; improve the resiliency of landscapes and ecosystem services; and increase environmentally sustainable and inclusive economic growth. USAID/Kenya will adopt natural resource management approaches that attract private and public investment capital and generate both national and local impact and benefits.

In response IR 3.2 has the following sub-IRs:

- 3.2.1: Community-managed conservation landscapes and ecosystems improved
- 3.2.2: Market-based, water supply, sanitation and environmental service delivery and systems improved
- 3.2.3: Enhanced low emission development
- 3.2.4: Inclusive governance systems strengthened

Illustrative Indicators for IR 3.2:

- Increased land under improved natural resource management
- Value of annual benefits from payments for environmental services and systems
- Value of investments in community natural resources assets
- Percentage increase of women and youth in ENRM governance institutions
- Number of people benefiting from improved NRM (disaggregated by sex and age)
- Levels of GHG emissions

CURRENT AND FUTURE ACTIVITIES:

This IR supports improved NRM for ecosystem functions and sustainable use. A comprehensive, integrated approach will be used with a focus on: biodiversity, climate change, water, and energy in areas with significant investment and collaboration with Feed the Future (DO3), Health and Human Capacity (DO2), and Devolution (DO1).

Biodiversity resources will be applied to strengthen community involvement in wildlife conservation efforts that build social capital as well as encourage natural resource restoration and support economic development. On policy, activities will focus on improving Kenya's capability to quantify the value of its natural resources and institute payment for environmental services, especially for water and landscapes. A key assumption is that the new Land Bill will recognize the rights of communal land holders and provide community conservancies with legal status.

Inclusive devolved governance systems to address environment and climate change challenges will be established by strengthening the capacity of select government, private, community, and other civil society institutions in areas such as improving understanding of climate change trends and predictions at county level, climate change action planning at community level and national level inter-ministerial coordination of adaptation measures. In strengthening the environment for devolution, USAID/Kenya will work with the Kenya Forest Service, the KWS, Water Resource Management Authority, National Drought Management Authority, NEMA and local communities to address natural resources access and use rights. This support will influence the devolution of the National Land Commission actions and ensure the commission's approaches incorporate responsible natural resource management into land reforms such as in land use planning and in the allocation of land tenure and access rights. Activities will strengthen implementation, harmonization, and enforcement of policies, laws, and regulations such as inclusion of PES in the environment policy framework, fast-tracking the formulation of the Community Land Bill, supporting the development of a wildlife master plan and land use policy, and improving coordination between ministries on adaptation and mitigation priorities and integration into sector planning. USAID/Kenya will work with the Ministry of Environment, Water and Natural Resources to establish a GHG inventory system, work with the Ministry of Energy to support the development of renewable energy and an energy efficient master plan, and design incentives and policies that encourage the adoption of efficient and renewable energy technologies. USAID/Kenya will also work with the county governments to implement the national climate change action plan as part of their integrated county development plans.

USAID/Kenya will improve the sustainability and resiliency of landscapes and ecosystem services through a number of interventions, including:

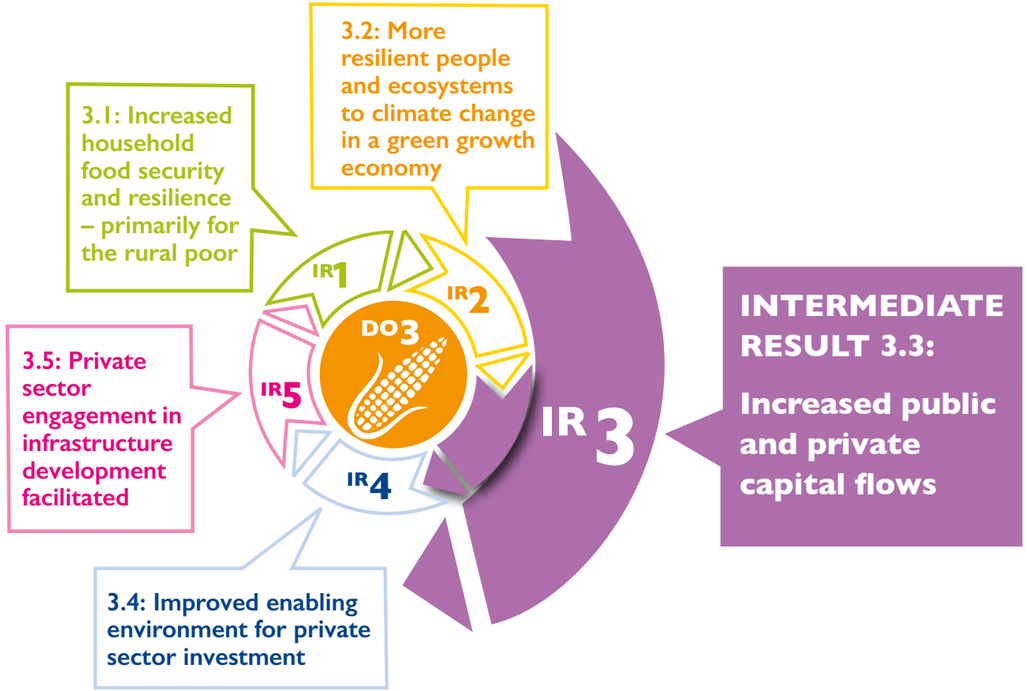
- Strengthening use of environmental economic analyses for decision making such as piloting natural resource valuation tools to support the design of PES in watershed areas and in community conservancies
- Supporting water catchment protection using PES, which seeks to compensate and give incentives to upstream communities to change their land uses in support of catchment restoration

- Assisting communities to develop sub-catchment management plans that apply ecosystem management tools for ecological services
- Supporting the improved use of science, analysis, and indigenous knowledge for planning and decision making such as accuracy of seasonal prediction by accounting for climate change impacts and building decision support tools for water managers to plan around climate change
- Strengthening data collection, analysis and GHG inventory and accounting systems, improving understanding of wildlife mobility requirements and using science and traditional knowledge to reduce human-wildlife conflict
- Testing NRM innovations such as community-based rangeland regeneration technologies in community conservancies to support wildlife, livestock, soil conservation, and aquifer recharge for resilience

Women and youth empowerment policies in water user associations will accord them more membership, leadership, and employment opportunities. Investments in conservation efforts will require catalyzing innovations and financial products such as DCA agreements to encourage tourism in community conservancies, water sector investments, and other nature-based enterprises.

USAID/RICCARDO GANGALE

Development Objective 3: Inclusive, market-driven, environmentally sustainable economic growth. *Intermediate Result 3.3*



IR 3.3 will be achieved by unlocking public and private Kenyan capital for investments to enhance competitiveness. Activities will stimulate investment capital flows, particularly for agriculture, health, and energy; increase access to financial services in the rural areas, especially for youth, women, and disadvantaged men; ; expand private investment in and financing of development efforts; and harness the power of innovative private sector approaches to leverage resources and integrate new approaches to agricultural solutions.

Financial services and products beyond mobile phone-based and electronic money transfer transactions are out of reach of most rural Kenyans. The supply of commercial credit to the agriculture sector remains significantly lower than to other sectors. Increased access to financial services stimulates economic activity, increases household incomes, and addresses a key development constraint. Savings and credit services help producers invest in infrastructure, finance operations, and bridge income slumps between planting, harvest, and sale. They also help small manufacturing and service firms finance expansion, and help entrepreneurs fund new ventures – spurring innovation and competition. As Kenya's economy expands and integrates within the East African Community, it can leverage its comparative advantage to develop and deepen financial sector innovations while channeling more investment to growth-enhancing sectors such as energy and transport.

USAID/KENYA

In response IR 3.3 has the following sub-IRs:

- 3.3.1: Access to financial services increased for youth, women, and disadvantaged populations
- 3.3.2: Private capital for development financing expanded
- 3.3.3: Kenya's innovation capacities leveraged

Illustrative Indicators for IR 3.3:

- Value of Finance Mobilized to Targeted Beneficiaries
- Value of Private Capital Leveraged
- Number of Public Private Partnerships (PPPs) Established
- Policy Reforms Implemented

CURRENT AND FUTURE ACTIVITIES:

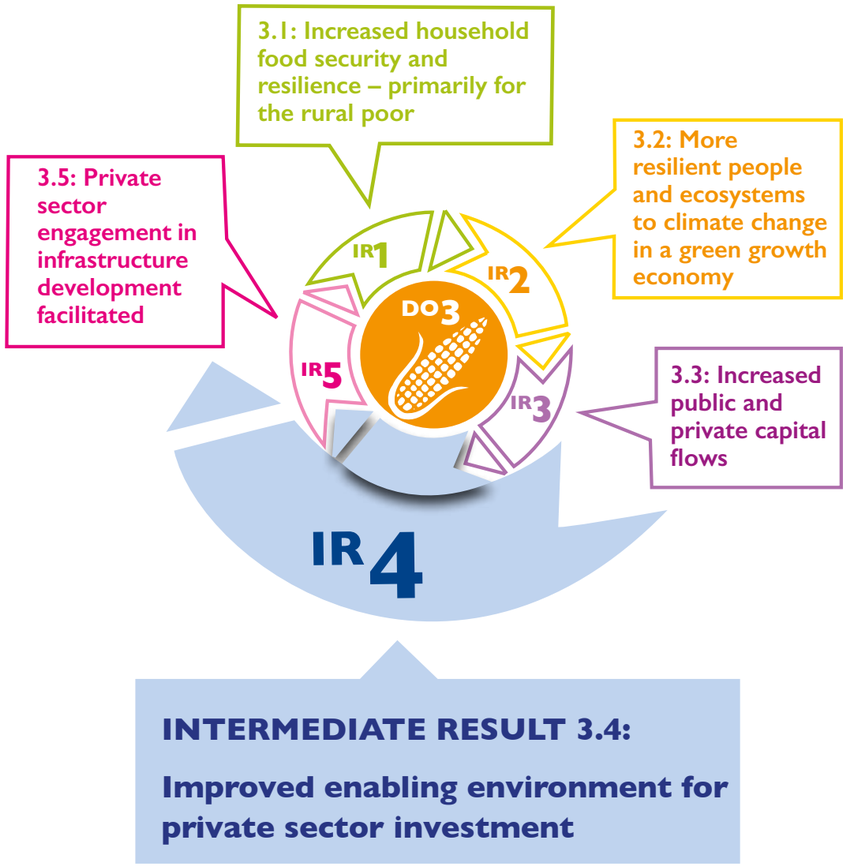
USAID/Kenya will help expand financial inclusion in underserved rural areas, especially for the poor, women and youth through new financial products designed to suit their needs. Activities will help financial institutions better serve rural enterprises and agricultural value chains, increasing food security and agricultural productivity by helping banks to expand access to underserved Kenyans as a profitable proposition. Activities will also improve financial market infrastructure and regulations. USAID will mobilize and accelerate private sector investment in energy projects.

USAID/Kenya will work to attract new international and local investors, and generate a policy dialogue with Kenyan stakeholders about the limitations they need to overcome to stimulate investment and trade. USAID/Kenya will expand the application of a winning formula that stimulates the supply of capital to marginalized groups through loan guarantees and builds capabilities for the demand for capital by creating new financial products attractive to banks, borrowers, and investors.

USAID/Kenya will leverage Kenya's capacity for innovation to design and scale private sector models that reduce poverty and hunger. Specifically, there will be support for the identification, testing, and scaling of innovative approaches that support agricultural production, market incentives, better nutrition, and increased household income. Activities will include product development and new market development, buying down risks for providers to develop test and /or market new services or products, selecting and/or co-financing infrastructure, technologies and other capital goods, and facilitating public-private investments in value-added opportunities as they arise.

USAID/Kenya will work with selected counties to develop and implement investment plans ensuring mobilization and efficient allocation of the resources available to those counties, while utilizing innovative ways to leverage private sector resources, for their long-term sustainable economic development.

Development Objective 3: Inclusive, market-driven, environmentally sustainable economic growth. *Intermediate Result 3.4*



IR 3.4 will be achieved by focusing on the formulation and implementation of county level labor, trade, and investment policies that encourage investment in key sectors at the county level. This will include setting up one-stop shops for business registration and regulatory compliance in target counties; improving the delivery of essential public services in target counties; financial policy reforms; and putting in place local governance systems that enable and support the sustainable use of natural resources.

Improving the overall business environment is critical for the inclusive economic growth needed to achieve the goals of Kenya Vision 2030. Regulatory issues are a key constraint. Of 185 countries Kenya ranked 126th in starting a business, 161st in registering property, 164th in paying taxes, 148th in trading across borders, and 140th in enforcing contracts according to the 2013 Doing Business Report. The strategy is to address these issues at the local level, building demand and momentum for national level policy reform.

In response IR 3.4 has the following sub-IRs:

- 3.4.1: County labor, trade, and investment policies enacted to encourage private investment.
- 3.4.2: Effective delivery of public agriculture and business support services in target counties.
- 3.4.3: Financial policy reform and implementation.
- 3.4.4: Improved government systems to enable and support NRM in target counties.

Illustrative Indicators for IR 3.4:

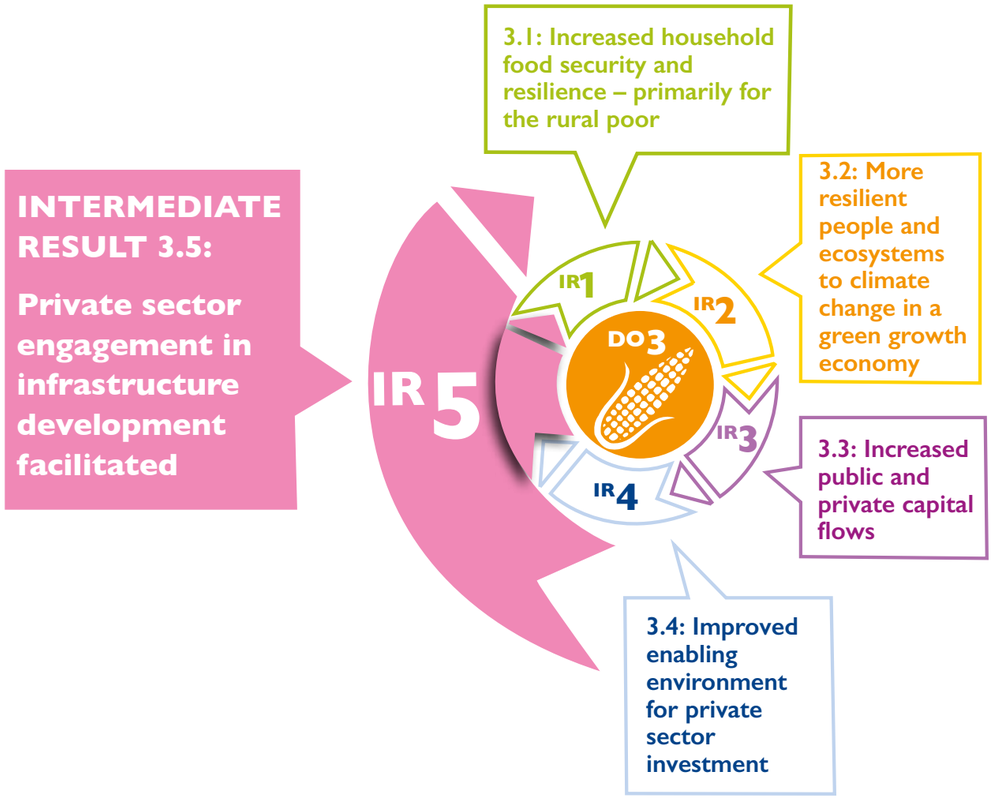
- Change in the World Bank's Ease of Doing Business index
- Number of one-stop shops established in target counties
- Number of legal and regulatory policies and practices initiated to support private investment in agriculture and natural resource management

CURRENT AND FUTURE ACTIVITIES:

USAID/Kenya will help reduce and eliminate regulatory barriers for private investment with active participation of non-government stakeholders. Activities will focus on encouraging and helping targeted counties improve the business climate by setting up one-stop shops for business registration and regulatory compliance. USAID/Kenya will also promote special regulatory and legal frameworks to support the development of renewable energy sources.

Activities will specifically focus on supporting and stimulating reforms to improve the enabling environment for investment, for market expansion and for Kenya to be internationally competitive, particularly in agriculture, tourism and energy. USAID/Kenya will work to transform key policies related to transparency, accountability, business development, and financial transactions. A key assumption is that there will be the in-house expertise available for a sustained period of time to strategically engage the GOK and drive the economic reforms necessary for economic transformation.

Development Objective 3: Inclusive, market-driven, environmentally sustainable economic growth. *Intermediate Result 3.5*



IR 3.5 will be achieved by targeted efforts to promote policy reforms that enable private sector risk management; help fast-track infrastructure deals and transactions; and strengthen institutional effectiveness in managing private infrastructure investment. The recent Kenya Inclusive Growth Diagnostic study identifies energy and transport/trade infrastructure as one of the most binding constraints to growth. Energy reliability and cost is a major issue for Kenya's manufacturing, processing, and ICT enterprises. Kenya ranks 122nd out of the 155 countries for efficiency in areas such as customs procedures, logistics cost, infrastructure quality, and timeliness. USAID/Kenya will work closely with USAID/EA to facilitate regional trade.

In response IR 3.5 has the following sub-IRs:

- 3.5.1: Policy reforms promoted to enable private sector risk management
- 3.5.2: Infrastructure deals and transactions fast-tracked
- 3.5.3: Strengthened institutional effectiveness in managing private infrastructure investment
- 3.5.4: Targeted energy, market, and WASH infrastructure development fast-tracked and facilitated

Illustrative Indicators for IR 3.5:

- Number and value of energy and trade deals closed
- Change in Kenya's rank in supply chain and trade logistics ranking (World Bank)
- Total processing and clearance time of cargo at the Port of Mombasa
- Number of Policies/Regulations/Administrative Procedures in each of the following stages of development as a result of USG assistance in each case: drafted and presented for public/stakeholder consultation; presented for legislation/decree; passed/approved; passed, and for which implementation has begun
- Value of private sector investments made as a result of USG support
- Value of agricultural and rural loans made as a result of USG support
- Volume and value of agricultural products traded as a result of USG support

CURRENT AND FUTURE ACTIVITIES:

This IR will focus on key infrastructure requirements that are within USAID/Kenya's manageable interests. Roads are critical, and these resources are provided by the international financial institutions and GOK. USAID/Kenya will focus on the key constraint of the business community: reliable and affordable electricity. Additionally, for agricultural development and modernization, small scale market infrastructure is required to expand value chains with value added goods. There will also be support for agriculture value chains with incentives to build small-scale infrastructure needed for products to be processed or stored to meet international food safety standards. Lastly, USAID/Kenya will support efforts to modernize Mombasa port as the gateway to the import and export of commodities affecting the lives of 140 million people in East Africa. These focused efforts on infrastructure will provide some basic enablers for sustained economic growth in the future.

WASH activities will be integrated with HIV/AIDS programs to support the national sanitation initiative. New activities will be developed focusing on water management in agriculture or other productive sectors. In collaboration with the FTF program, opportunities for additional water-related programming are possible, including improved water management for agricultural production and food security and the delivery of water-related services for multiple uses. USAID/Kenya will also focus on water and sanitation access, management, and environmental issues in Kenya's ASALs and their strategic linkages with other USG programs, while also promoting innovations to expand multiple-use water services, especially for small-scale irrigation to enhance FTF impacts.

USAID/Kenya will help the GOK and private sector institutions tackle climate change, develop and implement national and county climate change strategic action plans, strengthen institutional capacity, and support the development of policy and regulatory frameworks that facilitate investments in clean energy and vulnerability reduction and strengthening of national and county authorities through capacity-building programs. USAID/Kenya will help national and local funding institutions, commercial banks, and other financial intermediaries to develop financial instruments to promote energy efficiency and renewable energy technologies and strengthen civil society participation and ownership of climate change-related decision-making.

USAID/Kenya will facilitate key deals, leverage resources, forge partnerships with financial institutions, and increase private investment in energy and transport infrastructure. Interventions will improve infrastructure to reduce poverty and help poor people to access basic services that improve lives and income opportunities. Competition will be increased and therefore reduce monopolistic pricing among value chain actors, particularly in rural areas.

USAID/Kenya will specifically support EC-LEDS activities, which encourage natural resource management linking long-term economic growth with minimal carbon footprint initiatives. This will include renewable power generation, with a focus on geothermal, wind and small hydro development, and greater transmission capacity.

USAID will support key aspects of the energy sector under the new Power Africa Presidential Initiative. Activities will focus on increasing the efficiency, reliability, diversity, and transparency of energy services and promote investment in the development and use of indigenous energy sources. There will be a focus on specific transactions during the first 24 months of the strategy to accelerate power generation expansion, especially from renewable sources of wind and geothermal, and use the experience to highlight the key policy reforms needed to create a better enabling environment for private sector investment. Then the focus will move to specific policy reforms and regulatory frameworks needed for effective risk management, including restructuring of the sector to include independent service and maintenance operators to create competition.

SELECTIVITY AND FOCUS

Kenya's economy is diversifying rapidly: telecommunications is revolutionizing business models and agriculture diversification is accelerating. The informal sector is the primary source of goods and services among the poor. Kenya's leadership in mobile money applications is completely private sector driven and has stimulated innovations in public services and businesses across the board. The new county structures are transforming public policy and business practices, including fundamentals like budgeting, public financial management, service delivery, and public participation. USAID/Kenya is focusing on key aspects of agriculture, natural resource management, private capital investment and policy enablers, as well as power sector transformation. To align with devolved government, the focus will be on specific counties and landscapes due to their critical role in national development. There are uniquely favorable circumstances where USAID's earmarked resources align to key Kenyan priorities that can drive the emerging economic transformation throughout the country. The current scenario for focusing on policy reforms is favorable; there is a willingness to implement new policy frameworks, even though a skills gap exists to actualize them. USAID/Kenya's ability to stimulate private sector investment and build market-focused institutions is a competitive and comparative advantage.

For food security, USAID/Kenya's focus on resilience, horticulture, dairy, and staple crops and pulses value chains means that the major products of tea, coffee, and sugar cane will not receive attention. Focus will be on the Achilles' heel of agricultural transformation. Smallholder farming/pastoral families will be targeted in 27 counties, finding ways to make them viable business entities, a daunting task that requires new approaches USAID/Kenya has been developing, like new financial products tailored to the needs of youth, women, and poor farming families, including those who have been persistently disadvantaged. These activities, linked with private sector, market-driven economic development, constitute the foundation of the Feed the Future strategy.

Biodiversity efforts will expand community conservancies, improving government agency capacities to lead conservation efforts. Activities will not focus on saving specific animal species or targeting particular forest or wildlife reserves. In water development, focus is on market-driven solutions for clean water and multi-use water access in two of the six main watersheds. Sanitation activities will focus on county government capability to generate market incentives to stimulate private sector solutions. Climate change work, through low-emissions development, will support climate smart policy development and through adaptation support will address vulnerability to long-term climatic shifts, not just short-term climate variability. These last two actions form part of USAID/Kenya's GCC Presidential Initiative program.

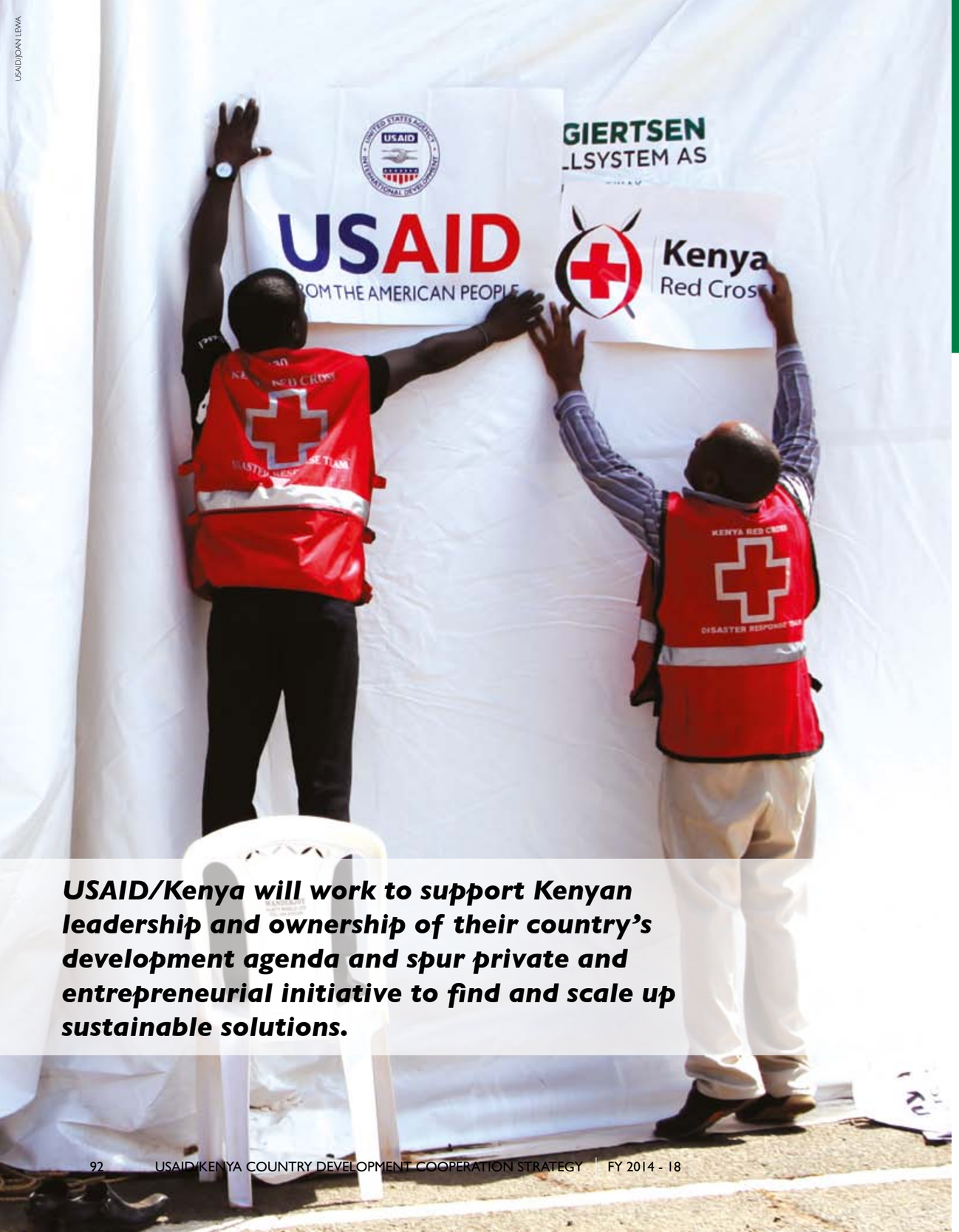
USAID/Kenya will focus on both the supply side and the demand side to expand private sector leadership and investment in the economy. USAID/Kenya has the largest DCA portfolio in USAID, linking loan guarantees with the banking sector (supply) to technical assistance for new financial products that target the small farmer, female entrepreneur, and small businessperson clienteles (demand). This will be built on in terms of depth, scale, and scope. Activities will deepen financial markets by developing new products for the banking sector and other capital markets. The scale of operations of the financial sector will be expanded through supporting both private capital markets and public investments. New business models will be identified to induce private equity capital availability, develop commodity exchanges for agriculture products, and improve value chain financing through better links with supermarkets and wholesalers.

USAID/Kenya will also work on public sector investment strategies to generate new market-oriented government investment mechanisms, like a national loan guarantee operation, inter-county bond markets, and fee-based services for clean water with full cost recovery. Activities will not focus on areas related to Central Bank monetary policy or debt sustainability, which are supported by the World Bank and IMF. However, the program's scope will be expanded to support market-driven incentives that orient public and private capital to support health solutions, like micro-insurance, and the environment through payment for environmental services, as well as generating new financial products for youth, women and rural families to expand their asset base and build their resilience. Activities will not focus on financing for large commercial operations or capitalization of financial institutions.

USAID/Kenya will target specific policy regimes to improve the enabling environment for private sector investment, directly linked to the Doing Business Indicators: starting a business; improving policies, laws, regulations, and administrative practices affecting the private sector. For agriculture, the focus will be on reducing barriers to competition and unwarranted distortions to market prices; reducing policy and regulatory barriers to establishing, operating, and closing businesses. The initial focus will be on supporting domestic markets with targeted support for specific agricultural exports. The new constitutional foundation will be built on to strengthen the legal framework surrounding property rights in a manner that is fair to men and women, contract enforcement, and dispute resolution, along with the administration of those laws. Incentives for corruption will be reduced and transparent business practice promoted by utilizing Kenya's innovative telecommunications technology platforms. The capacity of the private sector will be strengthened to better advocate for policy reforms. Activities will not focus on intellectual property rights; labor-management relations; or consumer protection (except for food safety).

USAID/KENYA

USAID/JOAN LEWA



USAID/Kenya will work to support Kenyan leadership and ownership of their country's development agenda and spur private and entrepreneurial initiative to find and scale up sustainable solutions.

HOW WE WILL WORK 4

TOWARD A MATURE PARTNERSHIP

The USG is Kenya's largest bilateral development partner. Kenya's achievement of the middle-income status goal in Vision 2030 should be fueled by economic growth, trade, and investment. The relationship with Kenya increasingly reflects that kind of maturity.

The USG will align to Kenya's core vision, providing support and advice. But, as with any partnership, there is a responsibility to affirm USG priorities even as a democratic Kenya pursues its own course.

Implementation will be guided by USG strategy and policy, reinforcing the Busan Agreement on aid effectiveness. USAID/Kenya will work to support Kenyan leadership and ownership of their country's development agenda and spur private and entrepreneurial initiative to find and scale up sustainable solutions. Direct service delivery will be deemphasized where the public and private sectors are equipped to respond. This mature relationship will be characterized by using a more facilitative approach to development assistance as a catalyst for transferring U.S. know-how, expertise and technology, and by providing access to U.S. markets, and institutions of higher learning.

WHOLE OF GOVERNMENT

The USAID/Kenya has a strong track record of teamwork. Successfully implementing the CDCS will require building upon that record to increase collaboration across the US Mission. USAID/Kenya will continue consulting with counterparts and working closely with the Embassy to prepare the upcoming Integrated Country Strategy. Programs proposed in this strategy will include complementary investments, such as CDC, and Department of Defense (DOD) for DO2, the Embassy's Political Section for DO1, and the Embassy's Economic Section, Department of Commerce, Department of Agriculture, DOD, and Department of Treasury for DO3. The Embassy's Public Affairs Section will work with the three DOs. The robust federal law enforcement presence at Embassy Nairobi will contribute by helping create the conditions for improved security, counterterrorism, and anti-corruption with a focus on: border security, police reform, and investigation and prosecution of crimes. Interagency task forces have already been established for such focus areas as devolution and environment/natural resource management following the model adopted for the recent elections. A common USG Policy Implementation Matrix will be collaboratively developed to provide a focal point for reinforced policy dialogue and complementary technical assistance and public affairs messaging.

GEOGRAPHIC FOCUS

The best geographic focus for the CDCS is still being determined. Current USAID programs and activities are broadly present throughout Kenya. USAID/Kenya has been selective in the choice of focus areas for county-specific implementation of Presidential Initiatives such

as FTF and GCC by using economic potential, population size, poverty rates, and land use selection criteria. The water, sanitation, and hygiene activities use supply coverage gaps, integration with FTF, HIV/AIDS, and natural resource management programming criteria. Disease prevalence is heterogeneous, so of necessity resources tend to be geographically oriented for HIV/AIDS and malaria. However, support delivery of integrated health packages focused on maternal and child health will be present in all the counties at the beginning of the strategy.

USAID/Kenya devolution activities will be implemented in counties where DO2 and DO3 activities are being implemented to maximize potential resource focus and activity integration, and where other criteria are met such as political and strategic significance, political will, economic need, potential for conflict, large urban area, and clustering of counties to achieve economies of scale. USAID/Kenya is also working closely with other development partners such as DFID, UNDP, the EU, and the World Bank to ensure that efforts are not duplicated, and that there is an appropriate division of labor among donors working on devolution.

MONITORING, EVALUATION, AND LEARNING

Monitoring, evaluation, and learning form a critical component of USAID/Kenya's approach. USAID/Kenya will continue to develop a rigorous M&E system to measure progress toward the results defined in our Results Framework, and to facilitate continuous learning and accountability. USAID/Kenya will assess and adapt to improve the results of projects, justify assistance resources with empirical evidence and data, and demonstrate a commitment to accountability and transparency. This will enable the most effective and relevant implementation of the CDCS.

MONITORING AND EVALUATION

M&E efforts will focus on:

- ***Designing and implementing projects that are replicable and scalable***
- ***Identifying programming gaps and lessons for gender equality and female empowerment***
- ***Producing accurate data to inform decisions on future programming***
- ***Learning from our evaluations and utilizing the findings***
- ***Documenting USAID program impacts***
- ***Building local Kenyan capacity to monitor and evaluate our programming***

USAID/Kenya will plan and implement complex monitoring and evaluation, conduct and apply programmatic research, document and disseminate results, and translate results into policy and program improvements. USAID/Kenya will continue to develop and enhance knowledge management systems, distribute best practices and lessons learned, and expand its capacity in Kenya to utilize data to inform implementing partner programs.

As USAID/Kenya, via DO teams, begins to implement the CDCS, many evaluations are in the initial stages of design. A few high priority evaluation questions have been identified for each DO to test the development hypothesis, estimate program impact, and evaluate the efficiency of our approach to implementation. USAID/Kenya has also identified opportunities for impact evaluations of activities or components within each DO. See Annex VIII*.

Collaborating, Learning and Adapting (CLA) in USAID/Kenya is reinforced by the principle that the CDCS is an adaptable strategy that provides reference points for implementation, learning, adapting, and testing of improved methods for more effective and efficient development. USAID/Kenya is actively strengthening its monitoring and evaluation practices; traditionally defined "M&E" is a valuable sub-section of USAID/Kenya's broader understanding and application of CLA, organizational learning, and improved effectiveness.

The success of the USAID/Kenya's strategy will require tracking real-time policy and implementation changes, understanding their importance, and rapidly adapting implementation and design. There are no real roadmaps to devolution or private sector engagement, and policy dialogue opportunities come along quickly. Only through programmatic flexibility, continuous dialogue and by instilling a culture of collaborating, learning, and adaptive management can we truly be effective.

USAID/Kenya is committed to installing a CLA system to enable CDCS implementation that incorporates:

- Establishing a CLA action plan that outlines how the Mission will implement existing ADS guidance and Mission Orders that fully link knowledge generation and project design; improving activity- and project-level monitoring and evaluation practices to use feedback mechanisms to generate usable knowledge and improve analysis and design. M&E results will be used to ensure sharing beyond the Mission, and encourage discussion of activity and project implications;
- Tracking and reviewing the assumptions, risks and game changers that could potentially derail the strategy and Mission accomplishment of results under the strategy and plan for any necessary course correction by:
- Hosting special events to include donor coordination and external advisory committee meetings, as well as implementing partner and other stakeholder forums to monitor critical assumptions, risks, game-changers, policy implementation progress, and external trends that could affect success;
- Including tripwires in strategy-level and project-level monitoring and evaluation practices that would signal that critical assumptions may not be holding true and the need for possible programmatic contingencies or even changes in strategic direction;
- Utilizing Mission structures such as strategic portfolio reviews and performance monitoring systems, e.g., AIDTracker Plus, and convening the Mission Advisory Council to discuss any need for alterations in light of external changes to development context;
- Designating a CLA Advisor to "champion" our learning agenda, encourage adaptation, and incorporate rigor in the process;
- Establishing a M&E or CLA Core Team to ensure Mission-wide engagement and ensure that learning is converted into effective decision making throughout the portfolio and Program Cycle;
- Leveraging the Mission Mentoring program to create a culture of collaboration and

Annexes can be found at
http://www.usaid.gov/sites/default/files/documents/1860/CDCS%20Annexes.pdf

learning through peer networking and professional development; and

- Using evolutionary procurement practices to enable implementation that is responsive to learning.

- The CLA effort will engage most USAID staff and partners in some capacity, being that the CLA system will entail a wide range of responsibilities. The CLA system or agenda will be led by a team consisting of an advisor, M&E specialists, the mission economist and others who will establish goal-level and DO-level research agendas to test development hypotheses, fill critical knowledge gaps, and address uncertainties in the hypotheses with new research and meta-analysis of evaluations, as outlined in ADS 201. The team will also track progress toward project sustainability and graduation.

- The CLA system and the team that leads it will ensure that the CDCS works as a living strategy, providing guidance and recommendations not only for implementation but also for learning and course correction as needed, including in the face of country context changes, strategy risks materializing and assumptions not holding true. Through regular internal and external meetings with international donors, host government officials, the external Advisory Committee, and local partners USAID/Kenya will share knowledge and lessons-learned by sector and increase interactions with county governments, partners, and other donors to ensure USAID implementation is utilizing and responsive to CLA, and prepared to adjust course as necessary. USAID/Kenya and the CLA team will utilize: 1) portfolio reviews to analyze monitoring and evaluation data, discuss emerging and cross-cutting issues, address higher level contextual issues and potential course corrections, if needed; 2) context indicators, to track early signs of shifts that signal the need to adjust the strategy, program or project direction, share findings that reflect the big picture through internal and external working groups to inform coordinated efforts; and 3) site visit findings to increase awareness of context changes and implementation realities, what is working and not working, share findings broadly, and correct course as needed.

- The team will work to instill a culture of learning and collaboration, creating a CLA system to foster learning and adaption based on rigorous analysis, and critically contribute to achieving the overall CDCS goal.

DOING BUSINESS DIFFERENTLY

USAID/Kenya has an excellent track record and can draw on deep reservoirs of good will and trust developed over the years. However, as the development paradigm shifts from direct service provision to institutional development and collaboration, there must be a change in how business is done. USAID Forward has provided new tools through Integrated Procurement Reform. Use of new provisions to facilitate resource leveraging has become more commonplace. Internal discussions and external consultations have informed and motivated USAID/Kenya to explore new operational approaches, and identify ways of doing business differently as the CDCS evolved. The following summarizes how USAID/Kenya intends to go about building more dynamic and collaborative partnerships with Kenya's government, private sector, and civil society.

- ***Building effective mutual accountability with national and local governments (GOK) and donors.*** This means promoting greater GOK participation in CDCS implementation through joint project designs; participatory and inclusive work planning; joint monitoring and evaluation; and ultimately more robust financial and in-kind GOK contributions to leverage resources and build sustainability. In practical terms, USAID Kenya will re-establish the Project Implementation Committees with expanded government representation to enable joint management and implementation; take steps to enhance dialogue, consultation and consensus building at all stages of the project cycle; and facilitate co-designs that allow for resource sharing – including G2G programming.

  USAID/Kenya wants to go beyond simple information sharing and parallel financing, and take donor coordination to the next level. This will be done through jointly funded activities; closer coordination on policy reforms; and by exploring opportunities to delegate USAID funding and work through trusted development partners. USAID/Kenya has started discussions in this regard with DFID and AfDB in support of the Power Africa Initiative.

- ***Leveraging private sector resources for development.*** The Kenyan private sector is vibrant and eager to partner with USAID. The recent private sector assessment showed that there is great untapped potential to partner with the private sector. A more pro-active and strategic approach will be taken to engaging the private sector, to finding the "sweet spot" where development and corporate interests intersect. This will be particularly important for addressing youth issues over the next five years. This will be done through a range of competitive awards across the portfolio, seeking integrated private sector-USAID collaboration and using USAID partnership mechanisms such as the Global Development Alliance and DCA. Tri-partite mechanisms will be explored to take advantage of new PPP legislation.

- ***Diversifying our implementing partner base.*** More local organizations will be brought into the fold, and there will be an increase in national and local government involvement in implementation. In this regard, USAID/Kenya will increase efforts to develop local capacity.

- ***Establishing a Mission Advisory Council.*** USAID/Kenya will be constantly asking the question, "How are we doing?" Continual feedback is essential for making sure the CDCS is a living, responsive document. A variety of external advisory councils (GOK, NGOs, private sector, civil society, women, youth, etc.) will be set up and will meet regularly to provide feedback that can be used to make adjustments. Opportunities for tapping into the power of social media in Kenya will be explored in order to get direct feedback from communities, beneficiaries, and citizens.

- ***Coordinating USAID operations at the county level.*** USAID/Kenya will geographically focus investments, using selective criteria to build upon major funding streams; focus on devolved government in counties that best link to DO2 and DO3; and to make certain that resources and program impact are balanced.

  In practical terms this means working with targeted county governments to make sure that USAID/Kenya activities are aligned with their development plans; harmonizing USAID/Kenya implementing partners efforts and enhancing opportunities for integration; collaborating with other development partners; strengthening joint monitoring and evaluation activities with county governments and other stakeholders; and providing a feedback loop for county governments to communicate with USAID on implementation issues.

- ***Supporting policy change.*** Given the dynamic environment in Kenya – a new constitution, a new government

and operating context, and a national development agenda that warrants support, USAID/Kenya has concluded that changing the nature of the relationship with the GOK will be a significant feature of how business is done differently. Increased engagement on policy issues, as part of the more mature development relationship, will complement, in many ways, where the GOK itself wants to go. That means USAID staff will play a more direct role in advancing policy issues that impact the achievement of the development objectives. The alignment of the CDCS with the MTP II allows USAID/Kenya to pursue a policy agenda as a true partner in finding equitable solutions for tough problems, not as an entity trying to push the government where it does not want to go. The policy change goal is to help the GOK maintain focus and deliver on its MTP II commitments.

The policy change agenda will require USAID/Kenya to operate differently. The policy dialogue will be complementary to and reinforce the direct programming that has been described in the CDCS. An agenda is being developed where programming and presence gives USAID/Kenya legitimacy, and where key policies would do the most to advance progress under the DOs. The agenda will align with areas where USAID/Kenya can play a constructive role even if there is not a large direct programming presence. For example, USAID/Kenya has recently been selected to chair the key donor group on land reform. From this platform, USAID/Kenya can be instrumental in helping Kenya overcome an enduring roadblock to its development, while making progress on multiple fronts including gender equity, natural resource management, and agricultural modernization. The implementation of devolution is another example; it is a strategic entry point for a number of emerging policy debates. USAID/Kenya serves as co-chair of the donors' group on devolution and are well placed to advance policy change affecting several key areas.

The policy change agenda is being developed in close coordination with the USG interagency. Specifically, USAID/Kenya is collaborating on the Integrated Country Strategy and looking to identify common areas of interest where a common message can be mutually reinforced, whether through the activities of other USG agencies or by high-level policy dialogue under the leadership of the Ambassador.

- ***Integrating our efforts.*** Integrated, cross-sector Development Objective Teams will be formed to implement the CDCS. These teams will be charged with identifying opportunities for greater cross-sector collaboration within USAID/Kenya, and promoting greater cooperation with the USAID/EA and other USG agencies.
- ***Changing what we do.*** Finally, roles and responsibilities will be redefined within USAID/Kenya. This means changing the current notion that activity management is the key function. USAID staff, both Americans and Kenyans, will play a greater role in providing advice and assistance to government and civil society; directly deliver assistance such as capacity building; and be the public face of the strategy and program.

USAID/KENYA

ACRONYMS

ABEO	Agriculture, Business, and Environment Office
AFD	Agence Française de Développement
AfDB	African Development Bank
ASAL	Arid and Semi-arid Lands
ASCU	Agricultural Sector Coordination Unit
AusAID	Australian Agency for International Development
BMZ	German Federal Ministry for Economic Cooperation and Development
CDC	Centers for Disease Control and Prevention
CDCS	Country Development Cooperation Strategy
CLA	Collaborating, Learning, and Adapting
CSO	Civil Society Organizations
DANIDA	Danish International Development Agency
DCA	Development Credit Authority
DFID	Department for International Development
DLI	Development Leadership Initiative
DNI	Director of National Intelligence
DO	Development Objective
DOD	Department of Defense
DRG	Democracy, Rights, and Governance
DSWG	Devolution Sector Working Group
EAC	East African Community
EC-LEDS	Enhancing Capacity for Low Emissions Development Strategies
ENRM	Environment and Natural Resources Management
EU	European Union
FFP	Food for Peace
FSN	Foreign Service National
FtF	Feed-the-Future
FY	Fiscal Year
G2G	Government-to-Government
GCC	Global Climate Change
GDP	Gross Domestic Product
GHG	Greenhouse Gases
GHI	Global Health Initiative
GIZ	German Society for International Cooperation
GNI	Gross National Income
GOK	Government of Kenya
HIV/AIDS	Human Immunodeficiency Virus / Acquired Immune Deficiency Syndrome
ICASS	International Cooperative Administrative Support Services
ICT	Information and Communications Technology
ILO	International Labour Organization
IMF	International Monetary Fund
IOM	International Organization for Migration
IR	Intermediate Result
JICA	Japan International Cooperation Agency
LEDS	Low Emissions Development Strategy
KEPSA	Kenya Private Sector Alliance
KfW	German Development Bank
KHSSP	Kenya Health Sector Strategic and Investment Plan
KSG	Kenya School of Government
KWS	Kenya Wildlife Service
MOE	Ministry of Education
MTP	Medium Term Plan
NCCAP	National Climate Change Action Plan
NEMA	National Environment Management Authority
NER	Net Enrollment Rate
NGO	Non-Governmental Organization
NRM	Natural Resources Management
NSDD	National Security Decision Directive
OBO	Overseas Buildings Operations
OCHA	Office for the Coordination of Humanitarian Affairs
OFDA	Office of Foreign Disaster Assistance
OPH	Office of Population and Health
PEPFAR	President's Emergency Plan for AIDS Relief
PES	Payment for Environmental Services
PMI	President's Malaria Initiative
PPP	Public-Private Partnership
PWDs	People with Disabilities
S/GAC	U.S. Department of State Office of the Global AIDS Coordinator
SACCOs	Savings & Credit Cooperatives
SIDA	Swedish International Development Cooperation Agency
SWG	sector-working group
TA	Transition Authority
TB	Tuberculosis
TCN	Third Country National
UN	United Nations
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNIDO	United Nations Industrial Development Organization
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
UNODC	United Nations Office on Drugs and Crime
UN Women	United Nations Entity for Gender Equality and the Empowerment of Women
USAID	United States Agency for International Development
USAID/EA	USAID East Africa Regional Office
USDH	U. S. Direct Hire
USG	United States Government
USPSC	U. S. Personal Services Contractor
WASH	Water, Sanitation, and Hygiene
WHO	World Health Organization
WTTC	World Travel and Tourism Council
YALI	Young African Leader Initiative
YYC	Yes Youth Can!

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