PRSP Institutionalisation Study: Final Report

Chapter 4

Institutionalising the PRSP approach in Kenya

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List of acronyms

ADB African Development Bank

APTF/APF Anti-Poverty (Trust) Fund (NPEP)

CBS Central Bureau of Statistics

COTU

CSO civil-society organisation

DDC District Development Committee

DFID Department for International Development (UK)

DC District Commissioner

EGG Economic Governance Group ERT Economic Recovery Team

ESAF Economic and Social Adjustment Facility (IMF)

GIS Geographical Information System

GoK Government of Kenya

GTZ Gesellschaft für Technische Zusammenarbeit (Germany)

HIPC Highly Indebted Poor Countries initiative

IFI international financial institution

I-PRSP Interim Poverty Reduction Strategy Paper

IMF International Monetary Fund

IPAR Institute of Policy Analysis and Research

KACA Kenya Anti-Corruption Authority KANU Kenya African National Union

KIPPRA Kenya Institute for Policy Analysis and Research

Ksh Kenya Shillings

MoF/MoFP Ministry of Finance and Planning

MP Member of Parliament

MTEF Medium-Term Expenditure Framework

NDP National Development Party NGO non-governmental organisation

NPEP National Poverty Eradication Plan (1999)

OP Office of the President

PPA participatory poverty assessment

PRGF Poverty Reduction and Growth Facility (IMF)

PRSP Poverty Reduction Strategy Paper

Sida Swedish International Development Agency

SWG Sector Working Group (PRSP)

TA technical assistance

UNDP United Nations Development Programme

VDC Village Development Committee

WB World Bank

Summary

1 Introduction

This country report is a contribution to the study of PRSP institutionalisation in eight African countries commissioned by the PRSP Process and Poverty Monitoring Task Teams of the Strategic Partnership with Africa (SPA). The study as a whole is concerned with the extent to which poverty-reduction policies, programmes, practices and monitoring systems are being institutionalised in those HIPC and non-HIPC countries in the region that have committed themselves to preparing PRSPs. Kenya is the single country in the set of eight where PRSP preparation is not linked to the conditions for Enhanced HIPC debt relief, but is a condition for access to new concessional lending from the IMF and the World Bank.

The Kenya country study was completed in two parts. An initial "scoping" mission took place in November 2000, at which point Kenya's Interim PRSP had been endorsed and the process leading to the preparation of a full PRSP was just beginning. The work was completed with a second phase of teamwork by the consultants and further follow-up research starting in the second quarter of 2001. This covered the consultation processes and the culminating stages of full-PRSP preparation.

The study was undertaken by a team of economists and political scientists, two based in Europe and two in Kenya. The team is grateful to all the individuals and organisations who took time off to talk to them about the PRSP experience and related issues, but the writers retain the responsibility for the accuracy of the reporting and the soundness of the overall analysis and recommendations.

2 The country context

Macro-economic context and donor relations

Donor relations with the Government of Kenya have had a "stop-go" cycle that can be traced back to the early 1980s. Concessional lending is agreed on the basis of conditionalities, which the government reneges on, or implements half-heartedly. Lending is suspended when donors find that conditionalities have not been adhered to. Then, after a cooling-off period on both sides, new negotiations begin, leading to new agreements and new lending commitments, accompanied by new conditionalities.

The most recent cycle of this sort was completed just as this study was getting under way. In 1997 the IMF suspended its loan disbursements agreed under the 1996 ESAF facility due to insufficient progress on governance in Kenya. IMF/World Bank lending recommenced under the Poverty Reduction and Growth Facility agreed in August 2000. However by the end of 2000, differences were already emerging between IMF/WB and the Kenya Government. These led to the suspension of IMF lending in December 2000, after the Kenya Anti-Corruption Authority (KACA) was declared illegal. Currently the picture on the resumption of lending is uncertain.

The 1997-2000 stop-go phase was associated with the Goldenberg saga, a corruption scandal involving massive fraudulent use of the export compensation scheme in the early 1990s. The exact amounts involved are contested, but estimates reported in the press range between KSh 30-67 billion (approx. US\$ 400-800 million). The suspension of the IMF 1996 ESAF agreement is commonly attributed to donor frustration with the government's seeming inability to bring the culprits to justice, which symbolized the government's generally inadequate commitment and effort to curb corruption – a factor that has emerged as a major obstacle to Kenya's economic recovery.

Failure to adjust in the 1980s and early 1990s had resulted in deteriorating macro aggregates, negligible growth¹ rising unemployment, increasing poverty and growing tensions with the donor community culminating in the suspension of aid in Nov 1991. By 1994, for instance, the poverty headcount was estimated at 46%, having grown from an estimated 29% in 1974. The 1997 estimates showed the overall incidence of poverty at 52% and Kenya's poverty situation continued to deteriorate rapidly, with the proportion of the population below the poverty line rising to an estimated 56 percent by end of 2000.

Aid suspension is widely viewed as the trigger for the radical economic and political reforms that were implemented between 1991 and 1995. The country's fiscal management improved from 1997 as deficits were reduced. However, by 1998 levels of domestic debt (KSh 25.4 billion or 3.4% of GDP) held by the

Growth averages, per annum: 1960-70 6.6%; 1970-79 4.6%; 1980-89 2.2%; 1990-99 1%. In 2000, the economy grew by 0.4%. Population growth currently is 2.4% p.a.

government were becoming a threat to the resumption of economic growth. In 1997 Kenya's external debt was US\$ 6.2 billion, about half of which is owed to multi-laterals and 38% to bi-laterals. The ratio of the present value of the debt stock to export earnings is 148% -- below the 200-250% used as one of the criteria for HIPC debt relief. Nevertheless, external debt servicing arrears have been building up and had reached US\$ 115 million by end 1999.

The debt had accrued in the wake of the 1992 election when excessive monetary expansion was used to finance a large fiscal deficit of more than 10% GDP in 1992 which was widely suspected to have been used to fund the election campaigns. The result was severe inflation for the1993-5 period, peaking at 60% in 1994. The problem was brought under control mainly through the use of short term Treasury Bills at high interest rates. This build up of short-term debt, in combination with declining savings rates, led to lending rates of around 20% in real terms during most of the 1990s.

Investment as a share of GDP experienced a major decline during the 1990s, falling from around 25% in the early 1980s to 15% in 1999. Economic growth² continues to show little sign of revival, with the GDP growth rate falling to -0.4% for the year 2000 partly as a result of a devastating drought. Projections for the MTEF do not show real growth rates exceeding population growth in the near future as GDP growth is projected to increase to 2.5% per annum over the next three years.

Investor confidence continues to be low, due to high costs of doing business as well as political uncertainty in the country. Infrastructure continues to suffer from high levels of dilapidation while poor governance stifles efficiency, distorts market transactions and obstructs small and large-scale private sector investment, production and organization. Management of public expenditure remains an area of concern as, despite a high revenue take (24% of GDP), debt service and slow civil service reform mean that more than 60% of recurrent expenditure is absorbed by wages, salaries and servicing public debt.

Current reforms: the Economic Recovery Team

Government and IMF documents point to increased official effort since 1998 to address the causes of financial instability and low growth (although this has shown no results yet in terms of improved growth or investment rates). Part of the progress to date is attributed to the introduction of the "Change Team" or Economic Recovery Team to the top echelons of Government.

In 1999 six Kenyans, previously working for either the private sector in Kenya or international organizations overseas, were appointed to senior civil service posts for an initial 2-year term. Dr Richard Leakey, a conservationist with an international reputation and a leading figure in Kenyan opposition politics, was appointed the Head of the Civil Service while other members of the team were appointed as the Permanent Secretaries in the ministries of Finance and Economic Planning; Agriculture; Transport and Communications; and Energy. Their appointments were funded by a donor consortium led by the World Bank at

a monthly total salary cost of KSh 10 million per month – a cause of much discussion in the national press given the generally low monthly salaries for senior civil servants.

The brief of the ERT was to resuscitate the economy and undertake the required reforms including the strengthening of governance and other pre-conditions for the resumption of aid. It included introducing a Medium-Term Expenditure Framework. However, in March 2001, the program experienced a major setback as the government dropped three members of the economic recovery team the Head of Civil Service, and the permanent Secretaries of Finance and Transport and Communication ministries-leading to the renewed tensions between the government and some of the key donors.

The first Kenyan budget prepared under the MTEF was presented to parliament in 2000 and covers fiscal years 2000/01-2002/03. The I-PRSP was completed in July 2000, securing a PRGF agreement with the IMF. Preparation of the full PRSP largely remains on schedule (see Annex 1) with the draft report having been presented at a national stakeholders forum in June 2001. Due to the changes of some of the key personnel in the civil service and the recovery team, there are fears that the strength of commitment to continuing the PRSP and the MTEF could be adversely affected.

Key institutional features

Parliament

After the introduction of multi-partypolitics in Kenya in the early 90s and especially after the general elections in 1997, Parliament is gradually emerging as a very active and independent institution, with rising significance in the country's policy making process. Parliamentary independence has, however, to be seen in the context of the many hindrances it faces. In particular:

- Many MPs are still caught up in the country's patronage system, which has permeated the Kenyan political system since independence. There is considerable evidence, that a large number of MPs are pursuing vested interests and do not contribute substantially to the development of an issuebased political decision making process in the country.
- The political parties, which play an important role in the Parliament, are in one way or another, still related to ethnic issues.² The Executive arm of the government tended to treat Parliament a subsidiary institution and still continues to exercise enormous control over it.

A major breakthrough on its way to a more democratically-based and issueoriented independent institution was the establishment of the Parliamentary

² On this dimension in Kenyan politics, see Kiraitu Murungi, Ethnicity and Multi-Partyisim in Kenya. In: Kivutha Kibwana (ed), *Constitutional Law and Politics in Africa: A Case Study of Kenya*. Nairobi 1998, 423-442.

Service Commission in late 1999/early 2000. This commission has since then taken several steps to strengthen Parliament's role and independence and plans to enhance these efforts in the future.

One example of Parliament's greater assertiveness is that for the first time in the country's history, Parliament has rejected or changed some of the Government bills. While it is debatable whether their decisions are all based on sound economic and political arguments, the rising strength of the Parliament is positive in terms of institution building. In the medium term it could lead to a more effective political system of "checks and balances" in the country and the more institutionalised participation of Kenyan society in national decision making. The process may however, be jeopardized by the move in June 2001 to bring the National Development Party (NDP) led by Raila Odinga into the government, which has significantly reduced the strength of the opposition parties in Parliament.

Civil society

Kenya has many vibrant and active civil-society organisations (CSOs). In part, their development is a by-product of donor relations with the Kenyan government. CSOs, especially the internationally based NGOs, became major recipients of development assistance from the late 1980s, and their significance increased as many donors shifted funds from government projects and programmes in the late 1990s to NGOs. CSOs have traditionally been active in poverty reduction projects at local level programmes. As a result of widening political space following the introduction of multi-party politics³, a large proportion of Kenyan CSOs are increasingly, involved in advocacy work for more refoms, which are regarded important for improved enabling environment for their service delivery. This has led to an increasing proportion of donor funds that are chanelled through NGOs.

Many within the Government are increasingly uneasy or in some cases openly opposed to the rising NGOs capacity to attract resources from the donor community. The amount of foreign exchange brought in through NGOs is significant enough to effect macro balances and there is some concern that efforts are needed to collate relevant information on these inflows to ensure that funds are used transparently by all reciepient organisations.

Previous poverty plans

Poverty has featured prominently in Kenya's policy discussions in the 1990s. The National Poverty Eradication Plan (NPEP) was prepared by the Poverty Eradication Commission in the Office of the President in 1998 and launched in 1999. It describes the extent of poverty and sets poverty reduction targets. The NPEP was developed using relatively progressive participatory elements.

See Julius E. Nyang'oro, Civil Society, Structural Adjustment and Democratization in Kenya. In: Bensabat Kleinberg/Janine A Clark (ed), *Economic Liberlaization, Democratization and Civil Society in the Developing World.* Basingstoke/London/ New York 2000, 91-108.

Representatives from NGOs, the private sector and donors were included in the four governmental led committees that drafted papers on: poverty, social integration, employment and the enabling environment for social development. The results, together with the findings of a Participatory Poverty Assessment Study,⁴ were discussed in several workshops with a broad range of stakeholders. The draft NPEP was discussed in several workshops with representatives from civil society, private sector and the donor community before it was finalised.

The poverty-reduction strategy advocated in the NPEP builds on the project approach that has characterized the poverty reduction interventions in the country. It advocates a bottom up approach to poverty planning and policy implementation combined with more attention to social sectors and a Charter for Social Integration that defines the rights and responsibilities of various stakeholders in Kenya in promoting social integration. An Anti-Poverty Trust Fund to mobilize contributions from government, donor agencies and the private sector was set up to finance locally determined poverty projects at the district level.

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Government of Kenya, *The Second Participatory Poverty Assessment Study – Kenya*, Volume I (report prepared by AMREF and the Human Resources Social Services Department of the Office of the Vice-President and Ministry of Planning and National Development for the Government of Kenya). Nairobi 1997.

3 The PRSP in Kenya: the process and the response

Basic facts on the PRSP process

The MTEF and the I-PRSP came on stream in Kenya at the same time, leading to considerable overlap in their development. The Macroeconomic and Sectoral Working Groups formed for the MTEF also contributed to various chapters of the I-PRSP. In June 2000 the first MTEF Budget was produced and in July 2000 an Interim Poverty Reduction Strategy Paper (I-PRSP) was completed.

For the full PRSP,GoK launched an ambitious consultation process in November 2000, with the PRSP Secretariat in Ministry of Finance and Planning as the lead agency.⁵ The PRSP consultation process has been implemented at both national and regional levels.

Nine Sector Working Groups⁶ were maintained for production of the full PRSP which was scheduled for completion by April 2001. Reports from district consultations were submitted to each Sector Working Group whose outputs were to constitute the plans and priorities for the allocation of budget resources under the MTEF rolling plan. There are also eight Thematic Groups,⁷ whose input supplemented the work of the Sector Working Groups. (A schedule of key events connected to the PRSP is shown in Annex 1 while Box 1 presents the organizational structure for the PRSP consultation process).

While district consultations were officially launched in November 2000, the actual consultations took place between January and February 2001. The district consultations were organized in three categories that is, comprehensive, general and in-depth consultations. Comprehensive consultations were conducted in 25 districts with an average of 200 participants in addition to participants in sub-

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See schedule in Annex 1. With respect to the PRSP consultation process, the Government notes: "Participation happens when we value peoples ideas and knowledge, and power is given to them to make decisions independently of external agents whether governmental or non-governmental. When people take a lead role in analysing their situation, and then plan to change it, then we can say that meaningful participation is taking place." Ministry of Finance and Planning, A Facilitator's Guide: Facilitating the Consultative Process for the PRSP. November 2000, p.8. The paper mentions the following official objectives of the consultation process: to facilitate an intensive and wide ranging consultation process; to promote participation of all, especially the poor and vulnerable; to increase transparency and accountability to the public from the planning to delivery stages; to reach consensus/agreement with various stakeholders on policies and priorities for poverty reduction; to develop a gender responsive poverty reduction strategy; to enhance ownership of the PRSP; to reach agreement of monitoring and evaluation plan for the PRSP; to develop an action plan on poverty reduction; to seek support from development partners on the implementation of PRSP.

The nine SWGs are Agriculture and Rural Development; Human Resource Development; Information Technology; Public Administration, Public Safety, Law and Order; Physical Infrastructure; Tourism, Trade and Industry; National Security; and Macro working Groups.

The eight Thematic Groups are Gender, Governance, HIV/AIDS, Media, Pastoralists, Youth, Finance and Disability.

district level meetings. General consultations were held in 45 districts with an average of 150 participants. In-depth community level consultations were carried out in the form of Participatory Poverty Assessments (PPAs) in 10 districts and were coordinated by an NGO, AMREF.

Box 1: Structure of the consultation process at the national level

A broad-based institution within the process is the **National Consultative Forum** (or **National Stakeholder Forum**). The first three-day forum took place in March 2000 with about 300 participants discussing the I-PRSP. A second one-day-forum was held in March 2001 (for information dissemination), and a final forum to discuss the PRSP draft was held in June 2001, shortly before the 2001/02 Budget.

The **National Steering Committee** was responsible for steering the process and finalising the PRSP draft (done on the basis of a draft written by the PRSP Secretariat). GoK strongly dominates this committee: Apart from the GoK representatives – the Permanent Secretaries – there are several institutions which are either Government institutions (e.g. CBS) or at least KANU-dominated (e.g. Maendeleo ya Wanawake or COTU). NGOs are represented by one delegate from the NGO Council. The private sector has two representatives.

A **PRSP Secretariat** within MoFP was created to support the Steering Committee and to conduct the process. The secretariat consists of MoFP staff members who are responsible for the MTEF design as well as two delegates from the NGO Council, one academic representing the private sector and one DFID staff member representing donors that funded the consultation process. As the time constraints are obvious, the Secretariat's role had become more important in relationship to the Steering Committee.

Although it had been initially planned to undertake district consultations on 25 randomly sampled districts (done on the basis of their representation of regional, cultural, and environmental diversity), all the 70 districts participated in the exercise. This was partly due to the politics of the Ksh 140 million fund for the consultations, and the argument that the 25 sampled districts did not represent the unique poverty situations in some of the districts.⁸

At the district level, PRSP task forces (or "secretariats") were formed. While the District Officer or District Development Officer normally chaired the meetings, NGOs were in some districts invited to take the lead in organising the meetings and administration of financial affairs.

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The consultations kicked off with the training of facilitators, among them mainly District Development Officers (DDOs) and NGO representatives. Upon training, all the districts formed a multi-sectoral secretariat that prepared work plans for the activities to be undertaken during the consultations. The work plans were approved by the PRSP national secretariat, and the Technical Working Groups approved the budgets. All the approved budgets were fully funded and the funds released to the districts. These funds were managed by the district secretariat and a lead NGO/Religious Organization was the account holder in each district. About 45 of them had already submitted their reports to the PRSP Secretariat by Mid-March 2001.

Participants in the district consultation seminars were drawn from all sectors and interest groups in the districts with a representative target of at least 30 % women, 10% youth, 20% Government, 10% private sector, 10% disabled and 20% community leaders. The district secretariat drew out the guidelines of selection. The actual selection was in some cases done by the local provincial administration officials such as District Officers and chiefs and in some cases, the district secretariat or the local authority councillors on the basis of these guidelines. Most of the districts selected participants from already existing participatory-based institutions such as self-help groups, churches, women groups and other community-based organizations.

A more bottom-up procedure was followed in some districts. For example, in Kilifi about 100 of the 500 villages of the district elected Village Development Committees (VDCs). These VDCs sent their representatives to the divisional consultative fora. A comparable approach was adopted in Busia district. In both districts donor supported programmes had worked to revitalise and reform VDCs.

The districts finalised their "district PRSPs" by mid-March, with only a slight delay with respect to the original deadline. The reports are structured according to the I-PRSP chapters, but differed significantly in terms of scope, quality, approach etc. The district reports were normally written by the district task force/secretariat. In some cases, the report was approved, amended or changed by the District Development Committee (DDC). In others, the secretariat sent the report directly to the Ministry of Finance in Nairobi without having to receive further approval.

It is not possible to assess all the district reports, but there is evidence that the district reports consisted more or less of "hope and wish-lists", as some donors termed them. The PRSP secretariat then had the task of drafting the national PRSP Paper based on the structure of the I-PRSP, that is along the outlined sectors.

Positive features of the consultation process

Positive features of the consultations that were noted include:

- enthusiastic participation and good will at the community level;
- the frank and open nature of discussions:
- the development of better working relations of communities and NGOs with local government in some districts;
- new information about the priorities of the poor delivered to NGOs and local government;
- social capital building, networking and information-sharing opportunities for community leaders and other participants;
- the integration of cross cutting issues and specific themes (e.g., gender, disability, youth, street children), which were voiced very effectively in some consultations:
- identification of actions in some communities which can be taken forward immediately without money or with recourse to existing institutions and funds e.g. on cultural practices, and building other ongoing activities such as AIDS awareness and education;

 community demands for feedback from local government on the results of the consultation and the content of the final report prepared.

The consultation process has also had important positive effects on the participating NGOs, for example:

- giving them experience of engaging with national and sectoral-level policies in poverty reduction work;
- identifying needs for capacity building around advocacy on national policies and processes.

Weaknesses and constraints

from district to district.

Weaknesses in, or constraints to, Kenya's PRSP consultative process include:

- In some districts the tight time schedule is thought to have limited the level and quality of participation.
 Introductory information for districts and divisions on I-PRSP and PRSP was only available just before the one-day workshops.
 "Meetings-dominated" consultations limited the participation of some population groups, either because they could not afford to attend meetings, or because their voices are normally not heard at public gatherings. This was especially true for women in some of the districts.
 Despite the fact that the consultation was broad based, the domination of the process by government officials in some of the districts tended to limit the space for the common people to air their views freely. The degree of domination of the government officials, however, varied widely
- ☐ Members of Parliament (MPs) were requested to participate as 'stakeholders' at district levels, but parliament had no institutional engagement with the process.

Despite these weaknesses and constraints, many participants and observers expressed a positive and fairly optimistic view of the PRSP consultation process. While there have been previous consultation experiences at the national level (e.g. the NPEP process) as well as at district/local level (e.g. PPAs), there has been no effective institutional link between district and national consultations such as the PRSP framework promised.

Stakeholder perceptions of actors and the process

Since the breakdown of relations with the IMF and the donor community in 1997, increasing poverty, recession and poor macro-economic management have had the effect of uniting many actors from the private sector and civil society in support of an agenda of far-reaching and fundamental reform. The PRSP process (and to a lesser extent PRGF agreement) has received widespread support from a cross-section of the nation, making it seem qualitatively different from many of the previous externally-imposed "solutions" to poor economic performance. The support stems partly from the participatory and consultative

approach used and partly from the new multilateral donor concern with poverty eradication, which is seen as a major departure from the past policies of the Bretton Woods institutions.

The I-PRSP process was viewed positively by most donor, private sector, non-government, academic and government stakeholders. However, there were some sectors of government (including the Office of the President), parliament and some sections of the NGO community that held back support for the PRSP or were openly opposed to it. NGOs which had participated in the first National Stakeholders Forum in March 2000 expressed their disappointment at the impact of the forum, largely due to inadequate consultations.

Interviews carried out during our mission revealed that a significant number of key stakeholders were well informed about the process. To some extent the results of the mission reflect the fact that several of the informants were actively involved in implementing the PRSP process, though this is not true for all. In general, with the exception of some NGOs, parliamentarians and parts of government, the more critical comments came from those with no, or only a peripheral, involvement in the I-PRSP process.

The appointment of the Economic Recovery Team was seen as a major signal that the government was willing to implement reforms and improve governance. Most stakeholders including donors, NGOs and private sector viewed the introduction of the Economic Recovery Team positively. The response from parliamentarians and sections of the press was divided, however, with some arguing that the Team was overpaid and based on a non-sustainable two-years-only term. Following the breakdown of relations with the IMF in December 2000 there were some who argued that the Team was redundant and unable to do the job for which they were appointed. By the time of the dismissal of several Economic Recovery Team members in April 2001, however, observers gave, on balance, a highly positive assessment of the achievements of the Team for the short period it had been in office.

Most of the media reports gave the recovery team high credit for pushing broad economic and PRSP reform processes to new levels and contributing to a fairly successful consultative process, greater transparency of the country's privatisation process, increased credibility and improved relations with donors and foreign investors. They were also waging a concerted and committed war on corruption for the first time, especially before the Kenya Anti-Corruption Authority (KACA) was declared illegal by a Kenyan judge. Dramatic improvements in the operations of Kenya Ports Authority and the Kenya Railways Corporation were attributed to the efforts of one of the members of the Team.

Knowledge of the PRSP process and its goals was weakest among the stakeholders linked to ongoing donor-financed poverty projects. While the National Poverty Eradication Plan seemed to enjoy strong domestic ownership, there was inadequate understanding of and sometimes confusion existed about its relationship and links with the PRSP process.

At the district level, several of the implementing NGOs encountered confusion as participants and community leaders struggled to differentiate between the PRSP consultative process and the recent initiative by the Poverty Eradication Commission which had instructed local and provincial government officials to set up committees to work on community plans for poverty reduction projects. In some cases funds had already been received and projects started. This combined with the much-politicised issue of the allocation of Ksh140 million to fund the consultation process, led people to think and expect that the PRSP was directly related to distribution of funds for poverty projects in the country.

The PRSP approach was viewed with cynicism and criticism by some stakeholders. Some NGOs had criticised the I-PRSP. They saw it as donor driven, offering no break with the structural adjustment policies of the past and premised on "the old, discredited paradigm of trickle-down growth". In their view not much was likely to change with the development of a full PRSP. Politicians too were more critical. Some parliamentarians saw the institutional exclusion of Parliament in the preparation of PRSP as an affront. As a result of the controversy surrounding the appropriateness of money allocated for consultation, a section of MPs boycotted the process in a number of districts. In a few cases, MPs opposed to PRSP process tried to arrange parallel meetings to discuss poverty in their districts.

The new conditionalities: stakeholder views

The PRGF was agreed in July 2000 and has the dubious accolade of being the lending agreement with the toughest conditionalities ever imposed by the IMF Board. *The Economist's* "Dancing in Kenya to the Donors' Tune" (5th Aug 2000) concluded that "The loan ... represents a virtual surrender of the country's sovereignty". This theme had prominently featured in the national press for some time after the details of the agreement became public. However, most government, donor, academic and private sector stakeholders seemed less concerned about national sovereignty and more concerned about whether the ends would eventually justify the means.

Some of the views emerging from this group of stakeholders were:

- Strong conditionalities are needed if governance reforms are to be implemented. Key reforms, for example financial liberalisation, were achieved in the past only thanks to donor conditionality.
- The conditionalities are justified, but the IMF has gone overboard on the detail (e.g. insisting all reports went direct to Washington, requiring weekly reports regarding government financial expenditure.

A number of events after the PRGF agreement, however, prompted the IMF to suspend its lending in December 2000 with other donors following suit.

First, Parliament reacted strongly against the conditionalities, which delayed progress on the Anti-Corruption and Economic Crimes Bill and the Public Service Code of Conduct in its first session after the PRGF agreement was signed. Lack

of support from some MPs for these Bills was triggered by the fear that they were drafted in such a way that they could be used to victimise or oppress the opposition. Lack of support from others reflected, to some extent, self-interest and other motives.

Second, a constitutional court of three judges declared the Kenya Anti-Corruption Authority to be illegal, giving the impression that the government was not committed to fight corruption, which had emerged as a key condition for continued donor support.

Third, further doubts about the GoK commitment to reform were precipitated by the passing of Central Bank of Kenya Amendment Bill, which introduces control on interest and savings rates. Again motives of MPs for supporting this bill varied. For some, a return to the control regime was thought to be the only way to restore growth and reduce poverty. For others achieving reforms that benefit a protected middle class and entrepreneurial elite underlie their actions.

Fourth, privatisation of Kenya Telecom one of the key tasks of the Economic Recovery Team was blocked by government despite completion of tendering and bidding processes.

NGOs have mixed responses to the conditionalities. Some see them as a continuation of externally imposed adjustment and liberalisation measures which have led to rising poverty or, at best, done little to mitigate the impact of economic crisis on the poor. Others support those conditionalities aimed at improving governance and curbing corruption but are more critical of other liberalisation measures. Many of the NGOs implementing the consultation process outside Nairobi were unaware of the link between mainstreaming poverty and regaining structural adjustment lending and had limited understanding of the macro constraints facing the government and the magnitude of the consequences for government spending if concessional lending was not available.

Government plans, approach and capacities

In many senses government capacity in Kenya is stronger than in the majority of low-income sub-Saharan African countries. The government has one of the largest revenue takes in sub-Saharan Africa (24% of GDP). The provincial administration system controlled from the Office of the President extends the reach of central government down to the district and, through the appointment of chiefs, to the community level. Plans and policy documents are well designed and donors operating projects through line ministries report that they are efficiently administered.

Evidence from Hong Kong and South Africa shows that the sort of legal objections raised about KACA can be accommodated within the law if willingness to open up space for such institutions exists.

In the dominant culture, however, government offices are the site of rent-seeking activity. This extends from mismanagement of parastatals, to widespread corruption and mismanagement of government funds, from central government down to provincial and district administration. Government activities are strongly linked to patronage politics at all levels, which permeates the activities of the small scale and large-scale private sector and impacts negatively on policy and plan implementation, affecting both domestically and donor funded projects. The Kenyan Government has been strongly top-down and, until recently, non-transparent and substantially closed to independent opinion and non-partisan influence.

The forthcoming general elections (2002) and macroeconomic instability in the country mean that there are strong incentives for the Kenyan government to finalise its PRSP in order to facilitate access to PRGF and World Bank loans. The prospect of Budget support from donors like DFID, EU and World Bank, and increased development assistance from bi-lateral donors provides additional incentives. The past record, however leads to widespread scepticism that the government is seriously committed to the implementation of PRSP once the short-term goal accessing donor funding is reached.

We found many people in Kenya had little doubt that the Government had the capacity to deliver a full PRSP on time, although they generally acknowledged that time pressure could compromise its quality. The completion of a broadly consultative and on-time, process, with genuine participatory elements, encompassing all the country's administrative districts in less than three months, is evidence of the speed and efficiency at which government can work. The unanswered question, however, is whether the resulting plan will be implemented or not. Several district consultations had expressed fear that the PRSP consultation exercise could suffer the fate of previous Government Commissions in terms of non-implementation.

The introduction of the PRSP has resulted in a considerable opening up of government, with the consultation meeting and national stakeholder fora creating a dialogue between key stakeholders and facilitating more effective dissemination of information. Private sector, NGO and donor representatives are included in the PRSP National Steering Committee and the Sector Working Groups, and they are seconded to the PRSP Technical Secretariat in the Ministry of Finance.

The Government has taken steps to co-ordinate its planning initiatives and indications are that there have been some efforts to institutionalise a more open, transparent and inclusive process. The Government has identified three key stages of the planning process:

- (i) The National Poverty Eradication Plan the long-term 15-year period strategy implemented by the Office of the President.
- (ii) The National Development Plan the medium term, 5-year strategy implemented by the Ministry of Finance. The Ninth National Development Plan, 2002-2007 is expected to be developed through a bottom-up approach for the first time.

(iii) The PRSP – a relatively short-term strategy to implement the NPEP in 3-year rolling plans using the Medium Term Expenditure Framework to link planning of the national economy to resource allocation.

Donor plans, approaches and capacities

Most of the donor representatives interviewed were aware of and supported the key objectives of the PRSP initiative. Their views were, however, split with regard to whether these objectives are implementable in the prevailing Kenyan economic and political situation, characterised by lack of transparency in the management of public affairs.

One of the strong supporters of PRSP implementation through the "mainstreaming theory" is the UK's DFID. There were, however, fears from some DFID officials that the PRSP has, to some extent, weakened the MTEF process due to the fact that some people in Treasury have been involved in both PRSP and MTEF activities, which has tended to reduce their availability for and focus on MTEF activities/projects. The World Bank, another donor institution supporting the PRSP approach, has tried to improve donor co-ordination in this context (through the Economic Governance Group, EGG).¹⁰

A more sceptical view is taken by GTZ, which argues that in a highly corrupt and non-reform oriented environment, it is not possible to effectively mainstream poverty reduction through the national budget. Instead, the organisation prefers a bottom-up-approach, starting with district institutional reform processes. These should be accompanied by poverty reduction programmes financed by a transparent and non-government monitored Anti-Poverty Fund, a key component of the NPEP approach (see Box 2, at the end of Section 4).

The corruption issue (reflected at the moment in the tension surrounding the KACA, Economic Crimes Bill and Code of Conduct Bill) is foremost in donors' concerns about the viability of the PRSP approach in Kenya. Furthermore, doubts on efficacy of the implementing institutions (especially at district and sub-district levels) and the strong control exerted by the Office of the President over subnational constitutional issues, considerably reduce donors' willingness to buy in to the process.

Despite the compelling reasons for concern about the viability of the PRSP in Kenya, as the process moved from the I-PRSP to the PRSP many donors engaged actively with it. A group of donors provided finance for the consultations, which in view of the fact that the Government of Kenya had failed to allocate any of its budget to the process was a critical factor in its success. 11 In addition to financing the consultation process, some of the donors (DFID, GTZ, and UNDP) are actively involved in developing monitoring strategies (see Section 5) and

There are however criticisms of the donor role in the consultation process, as we have noted

elsewhere in this report.

However, there seems to be also some flexibilty in the approach. World Bank is, for instance open for the government of Kenya proposal to give block grants to the districts (Minister Sunkuli proposal in March 2001).

others (including GTZ, Sida and DFID) have supported government capacity-building in pro-poor planning and budgeting.

4 The potential for institutionalisation

The politics of poverty reduction in Kenya

Kenya's political system can be loosely defined as a minimally institutionalised state. ¹² In spite of the introduction of multi-party politics in 1991 after more than two decades of a single-party regime, the country has not yet established a strong democracy with effective checks and balances. For the entire 37-year post-independence period, the Kenyan political system has been strongly influenced by personal rule of its first two presidents. Jomo Kenyatta's rule covered the country's first 15 years (1963-1978) while Daniel arap Moi's rule is in its 23rd year.

Both Kenyatta and Moi were able to dominate the political scene, partly through deft manipulation of ethnic politics, which have made opposition parties ineffective agents of institutionalised democracy. Nonetheless after a decade since the establishment of a multi-party political system, there is a little evidence of increasing space for competitive political parties (though these are still dominated by ethnic affiliations). Civil society, NGOs, the private sector and other pressure groups have also become better organised. This has allowed these bodies to demand more effectively for improved government services and increased participation in national decision-making processes. This has, in turn facilitated stronger articulation of pro-poor measures.

The prevailing political environment will significantly influence poverty reduction activities in Kenya. Kenya's PRSP process is taking place in an environment dominated by the country's "political succession" issue. According to Kenya's current constitution (the country is getting ready to undertake a major constitutional review exercise), President Daniel arap Moi, who has ruled Kenya since 1978, is serving his last term. The next general, multi-party elections scheduled for 2002 are expected to produce a new president, from either the ruling party, KANU, or one of the opposition parties.

Succession politics could significantly distract the attention of policy makers from poverty reduction efforts. There are also fears from a cross-section of stakeholders interviewed that there is likelihood of strong temptation by politicians to design poverty reduction activities to fit into their political campaign strategies.

The country's extensive political patronage network, has over time used government development funding to sustain certain pro-establishment politicians who are seen to be more "development conscious", and to weaken political rebels by making them seem unable to bring about development projects in their areas of jurisdiction. This is clearly one of the factors underlying the on-going debate on the use of poverty funds in the country's poverty reduction efforts and mainstreaming poverty financing into the budget.

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Mick Moore and James Putzel, Thinking Strategically about Politics and Poverty, Working Paper 101, Brighton, Institute of Development Studies, Oct 1999.

A related dimension is the silent struggle between the Office of the President (OP), and the technocrats in the Ministry of Finance, over who should take charge of the poverty reduction process. The National Poverty Eradication Plan (NPEP) had been prepared under the OP through the Poverty Eradication Commission (PEC). The introduction of the PRSP saw the shift of control over poverty eradication activities from the OP to the Ministry of Finance. This has introduced considerable tension between these two arms of government. The net effect may have been to weaken national commitment and political will to focus on poverty reduction.

More specifically, the desire to have political control of the grassroots is an obstacle in the efforts to reform the District Development Committees (DDCs) to make them more effective instruments in poverty reduction. The DDCs and the provincial administrative system have served as a key tool of political control by the executive in the country since the colonial period. The current pressure to reform the DDCs by having elected chairmen of DDCs instead of DCs is largely interpreted as an effort to weaken the political control of the executive and to some extent, the ruling party, in the countryside. This partly explains the haphazard and *ad hoc* manner in which the changes in DDCs are being implemented in various parts of the country. Recent reports that the President had directed that districts with ruling party members of parliament would not change the format of the DDCs, shows the close links that have existed between party politics and the operations of the DDCs.

The rising role of the NGOs and civil society institutions in socio-economic and political development activities among the communities, and the increasing competition for donor resources between these organizations and the central government, injects another political dimension into Kenya's poverty reduction efforts. As already noted, there has been a marked shift by donors in recent years to channelling resources through NGOs and civil society institutions, which are perceived as more effective and less corrupt.

As a result of this competition and the fear that NGOs and civil society activities could undermine the power of the politicians at the grassroots, there has often been considerable friction between the politicians, the civil service and the NGOs and civil society organizations. It took a long time for the government to accept these other actors in the development process. However, there are indications that attitudes are changing, especially as a result of the collaboration of the CSOs in the consultative process.

The launching of Kenya's consultative process towards a full PRSP was marked by a boycott of the process by sections of the country's Members of Parliament. This partly reflected inadequate efforts to involve the country's politicians in, or sensitise them about, the process. The boycott revolved around arguments that the Ksh 140 million pledged by the donor community for the district and community consultative seminars should have been used directly for poverty reduction projects; that the government still lacked serious commitment to poverty reduction; and that the country's poverty issues were well known and did

not require more seminar discussions. In a few cases, Members of Parliament organized parallel poverty discussions in their constituencies.

PRSP and national institutions: possible spin-offs and secondround effects

In spite of the short time that was allocated to Kenya's PRSP process, there are indications that the process has initiated changes that are likely to have long-term impact on national institutions and on the attitudes and activities of a wide cross-section of actors in the development process. More than any other national programme in the country in the post-independence period, PRSP has elevated public participation in the debate on poverty and wider national socio-economic development issues.

The district consultation forums have, for the first time, ened up space for ordinary people to participate in decision-making on how development should be planned and how resources should be utilized. Discussions with stakeholders who participated in these forums indicate that the demand for public participation is likely to become more-or-less institutionalised in the country.

The PRSP process has also significantly increased media coverage of poverty and related issues. Since the launching of the I-PRSP in a national consultative forum in March 2000, the mass media has carried more articles and discussions on poverty than in any period before. This has played an important role in raising awareness of the problem among the general public. One of the spill-over benefits from the process is the increased publicity and awareness of poverty as a major national problem and the move by some NGOs and civil society groups to revise their programmes to give more attention to poverty reduction.

The process is thus likely to attract more financial resources to poverty-related programmes, as the government, donors, NGOs, civil society and other stakeholders raise poverty up their list of priorities. Some of the actors in the consultative process also suggest that broad-based participation by stakeholders has strengthened the communities' sense of self-determination. This has led to change in their attitudes to initiation of their own development activities towards poverty alleviation with or without government and donor support.

The consultative process at the national, district and community levels also provided a good opportunity for NGOs, civil society, the government and other stakeholders to work together. This has enabled them to share information and appreciate each other's capacities weaknesses and methods of operation, helping to reduce the prejudices that tend to exist among these actors.

The opening up of space for civil society is reported to be assisting a new partnership between government and civil society in a number of development-related activities. Government officials have a new appreciation of the important role played by civil society, NGOs and the private sector in the preparation of the consultative seminars and the on-going finalization of the reports and follow-up activities.

The consultative process has, at the same time, generated an enormous amount of community-level data. This data, if effectively processed, could radically change the country's planning in terms of priorities and new insights. Government officials in some of the districts agree that in some cases, the community participation was able to bring dimensions and insights, which were radically different from those that inspired past district development plans.

The Kenyan PRSP consultation process may lead to a number of more long-term institutional spin-off effects. First, the consultation process seems likely to add force to the call for more democratic and participatory elements in Kenyan politics. This could lead to a more transparent policy-making process and greater accountability. The openness the Government has shown towards debate on general policy issues sets a precedent. Government may now be expected to meet the rising public demand for more open discussions on all poverty-related decisions, for example in the context of the annual budget. Some of our interviewees indicated that while they did not expect much from the PRSP document, they see the participatory process as a significant step towards greater transparency and accountability in the national policy-making processes in Kenya.

Second, the most important institutional changes may occur not at national, but at the regional level. The broad consultations at district and divisional levels all over the country, may raise the demand for more community participation in the decision-making process. Many districts were preparing their District Development Plans and there was strong demand for District Consultation Fora to discuss the plans. This would be a significant step to institutionalise people's involvement in decision-making processes, through adoption of a participatory bottom-up-approach that promotes democratic decision-making. Efforts to reform Village Development Committees¹³ could be strengthened, as a step towards creation of stronger, more effective District Development Committees.

Third, if the institutional exclusion of Parliament from the PRSP process leads to a strong demand for its *inclusion*, it could mark the beginning of a more systematic involvement of Parliament on poverty-reduction politics. One important manifestation of the greater involvement of Parliament in pro-poor politics could be, its greater engagement in the budget process, which is currently dominated by the Executive arm of the government.¹⁴ At present, the country's Parliament first comes into contact with the budget the day the Minister of Finance reads his budget speech in Parliament ('budget day'), only hours before it comes into effect.

A first step to overcome this institutional constraint could be the creation of a budget committee in Parliament. There are discussions among members of parliament to take such an initiative. In March 2001, a private motion was introduced to establish a Parliament Budget Office, which would provide MPs

poor changes in the budget.

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The reform and reactivation of the VDC is currently being supported in several districts by some donors and NGOs
 Greater parliamentary engagement with the budget could, of course, be used to effect anti-

with budget information and support them in their participation in the making and monitoring of the budget and in the evaluation and implementation of public expenditure and programmes.

Fourth, the relatively well-developed NGO community in Kenya has used the PRSP process to improve its organisation with respect to economic and poverty issues which could lead to more institutionalised advocacy work on poverty issues in future. This would naturally have secondary effects on the governance framework in Kenya. NGOs are now demanding more involvement in the budget process, for instance. Additionally, they expect to participate in future in all important policy decisions related to poverty reduction politics such as sectoral plans. Finally, NGOs view the recently created link between civil society at the district level and civil society at the national level as a critical improvement in the civil-society network countrywide.

Fifth, the PRSP process could also have an impact on public debate on poverty issues in Kenya. The PRSP has been widely discussed in both print and electronic media. The increasing demand for information and clearly formulated governmental policies could lead to more transparency and accountability in the country. This will definitely have an important influence on on-going search for ways and means of strengthening good governance in the country.

Poverty reduction and the system of public financial management

Poverty reduction in Kenya has been often misused in partisan political ways. Poverty projects in the country have a long history of being used as vehicles for patronage politics. The budget was, until 2000/01, not linked to planning, and outturns diverged substantially from allocations as a result of political influence. Allocations were in general little known among the public, particularly at the district level, while corruption and mismanagement have been endemic.

One important trend precipitated by the PRSP process is that poverty reduction is beginning to become less vulnerable to partisanship and patronage and more issue-based, with a general shift to assigning responsibility for poverty reduction and emergency relief to technical ministries.

Some examples of the institutional changes that are occurring as part of the (I)PRSP process include:

- Stronger partnership between the government, local and community leaders and NGOs in activities related to the PRSP and other poverty alleviation programmes.
- A shift of the main poverty focus in the government of Kenya to Ministry of Finance (Planning/Treasury) and other technical Ministries.
- Greater openness of central government to the advice and participation of non-government stakeholders in planning and budgeting. It is significant for example that NGO, donor and private sector representatives are included in

- the PRSP technical secretariat in MOFP and in Sectoral Working Groups for the PRSP and budget preparation.
- Increased awareness in Ministry of Finance and other central government ministries of the role that a bottom-up approach could play in budget prioritization for poverty alleviation.

However there is still considerable resistance to these institutional changes. This is reflected, for instance, in the recent efforts by the Office of the President to reassert its ownership over poverty reduction policies. The proposed reforms of district-level institutions are widely thought to be aimed at creating an institutional framework that facilitates receipt of funding, either in the form of block grants or special poverty funds. The successes achieved to date in reforming and institutionalising poverty reduction are thus unlikely to be sustained in the run-up to the 2002 general elections.

What difference does the PRSP make?

In a relatively short period, the PRSP has created considerable impact in the management of the national economy. The 2000/01 and 2001/02 annual budgets presented to Kenya's Parliament and the nation as a whole have given more emphasis to the theme of poverty reduction than previous annual budgets. They were the first budgets to be prepared under the MTEF, a three-year rolling plan for the fiscal years 2000/01 to 2000/03, and they provided an opportunity to translate the first two years of planning under PRSP into some annual estimates.

For the first time, the 2000/01 annual budget specifically identified 'Core Poverty Programmes', from which no re-allocation of budget resources was allowed in an attempt to ring-fence key poverty reduction programmes. Ring-fencing was tested when the IMF suspended disbursement of funds in December 2000. The resulting shortfall meant fifty per cent cuts were required across the board, but efforts were made to protect priority poverty reduction expenditures. The 2001/02 budget presented in June 2001, soon after the full PRSP draft had been presented at a national stakeholders' forum, made greater effort to incorporate poverty issues in the budget.

The MTEF and the I-PRSP came on stream in Kenya at the same time, creating considerable overlap in their development. The Macroeconomic and Sectoral Working Groups formed for the MTEF were also involved in the preparation of various chapters of the I-PRSP. One of the positive outcomes of this was that it created a strong link between the poverty analysis contained in the I-PRSP and budget prioritisation, which worked more or less successfully across sectors. This organizational structure continued in the preparation of the full PRSP.

The close link between the PRSP and the MTEF has had other advantages. First, it has proved an efficient way of quickly achieving key initial steps in poverty mainstreaming. Second, it has included all central and line ministries in the poverty dialogue. Its main disadvantage is that it is an organizational structure that does not effectively provide for analysis of the links and feedback mechanisms between macroeconomic performance, meso and micro institutions,

and sectors. It was for this reason that the I-PRSP was unable to successfully link the sectoral and the bottom-up approach to poverty reduction proposed in the NPEP. Current indications are that the full PRSP may not do much better in this regard.

Furthermore there is some concern that progress on MTEF has been held back due to greater focus on the PRSP. There are several key technical steps in the MTEF, e.g. budget expenditure recording, that have yet to be implemented. In fact, some observers including donor representatives expressed fears that PRSP could "undermine" the MTEF process as it heavily overloads the staff in Treasury and other ministries who are involved in both projects. It is also a concern that the poverty focus and prioritisation of the sector working groups remains weak for the most part. Some sectoral working groups plans were no more than wish-lists for additional financing and/or thinly disguised lobbying to augment ministerial power through larger resource allocations particular ministries.

What are the main constraints and how could donors help?

Constraints

The key constraint to reforming Kenya's public financial management remains lack of strong commitment from political leaders who wield immense power and influence in the country. Further down the ladder, parliamentarians are divided in their support for the reform process. Voting in parliament in the recent past has led to enactment of anti-poor measures or blocking, obstructing and undermining of pro-poor processes and measures.

There are various reasons why parliamentarians oppose reform. In some cases there are valid reasons to object to the way that legislation has been drafted, although in some cases, reforms have been resisted as a result of misguided belief that a return to the control regime of the past is an important way to restore economic growth and reduce poverty. Others oppose changes due to the fear that reforms could weaken the position of those with vested interests in the present regime.

Within government there is still strong resistance to mainstreaming poverty from some quarters so that the battle over the future of the Anti-Poverty Trust Fund continues. Some government ministeries show no intention, as yet, of reorientating their efforts towards the poor (this strongly raises the question of ownership within the government of Kenya). Recent interventions emanating from the Office of the President show efforts to continue the parallel process set up by the Poverty Eradication Commission (started at the same time as the I-PRSP) in the form of district block grants. It had been suggested that such grants should be allocated to the poor in the form of credit, a well known electioneering tactic in the country.

The effectiveness of the MTEF and PRSP in delivering services to the poor will depend on the capacity of various district and local government institutions. At present there is no clearly agreed reform programme for provincial, district and

local government which enjoys strong political backing and the commitment required to drive such a process through. The current highly centralized provincial and district government structure is strongly linked to the political patronage system and is thus difficult to tackle. With the removal of Dr. Leakey and some other key personalities in the Economic Recovery Team in March 2000, it is unlikely that the push for reforms will continue to feature prominently in the national agenda in the coming few years, especially in view of the scheduled general elections in 2002.

Evidence from the district consultations suggest that there is no single democratically accountable institution that consistently works well at the local level. In some districts it is thought that with reforms, District Development Committees could be made accountable and democratic. In other districts it was thought that county councils are likely to utilize that potential once the Local Authority Reform Act is implemented. National and international NGOs have an agreed strategy to resuscitate the Village Development Committees in districts where they work.

VDCs were consituted under the progressive District Focus for Rural Development programme initiated in 1980, though they were subsequently discredited due to widespread mismanagement and corruption. By reinstating VDCs, participatory planning process with a wide degree of ownership has been successfully started in several districts. Kenyan NGOs have in the past successfully promoted other democratic pro-poor institutions in some districts. In some districts donors have introduced new participatory village level institutions with varying degrees of sucess in terms of their ownership and potential sustainability.

In short there is no easy and clear-cut way to by-pass the problems experienced with managment of poverty expenditures at the national level by going straight to the local level. Donor dependency at the level of districts and poor communities themselves is high in much of Kenya and years of attempts to implement poverty projects have produced a complex set of conflicting and co-operative relationships between donors and recipients. High-level political commitment is needed to change attitudes and recipient-donor relations. Champions are needed at the national and local levels to push through measures that empower poor people and change embedded attitutudes of government and donors alike. It remains to be seen if the PRSP process will be an important step on the way to creating a new environment for the anti-poverty struggle in Kenya.

Donors

One of the most marked changes in donor behaviour we observed during the fieldwork was the shift towards a broader engagement with the process. At the start of the PRS process justifiable doubts about its viability led many donors to stand back from active engagement in it. A large number of shifted to active support of the consultation part of the process, despite, in all likelihood, scepticism about the overarching process. On balance, we found that the consultation process has created a number of positive dynamics in Kenyan politics and there are indicators that the consultation process might contribute to

a stronger public support for pro-poor reforms in future. However the balance is by no means certain and criticism of the impact of donor-financed consultation on ownership outcomes were made.

There are fears in certain quarters that this strong public role of donors in the consultation (and the much publicised Ksh 140 million "just for talking") could undermine the domestic ownership of the process. One of the questions is whether or not a broad-based and sustainable country ownership can be obtained through a consultation process like the one in Kenya – clearly donor-demanded and financed, and implemented or facilitated by NGO personnel who were sometimes paid for their services. The on-going criticism by some stakeholders such as MPs, some civil-society representatives and some civil servants, seems to underline the relevance of this question.

While many donors supported the development of the NPEP, launched in early 1999, most of them had shifted to the PRSP approach in late 1999, i.e. within few months. For some stakeholders (within GoK, Parliament and NGOs) this confirmed their view that the PRSP process was "just another donor conditionality", which should not be taken seriously in the long run.

The institutional by-passing of parliament led to many MPs perceiving the PRSP exercise as an issue largely for donors and the executive. This perception has contributed to Parliament's growing assertiveness with regard to important decisions about institutional changes such as the Economic Crimes Bill and the reluctance of many MPs to support the process. In recognition of this, donors have recently started engaging in dialogue with Parliament. For instance, an IMF mission met members of the Parliamentary Finance Committee in January 2001 to discuss reform issues. However, in terms of the current PRSP process, this donor gesture was seen by some parliamentarians as "too little, too late".

Summing up

The biggest impediment for institutionalising poverty reduction in Kenya is the country's extremely unfavourable political environment. The sacking of part of Leakey's "dream team" in March 2001 is the latest strong indication that the Moi regime is not willing to introduce sustained economic and political reforms. The donor community has only limited possibilities to influence this. A fundamental question with regard to the Kenya-donor relationship is: does suspension of financial resources (including PRGF) to the Moi regime during the pre-election phase signal that there will be no co-operation with a non-reform-oriented government in future? Some of the bilaterals, e.g. Denmark, the Netherlands and Germany, seemed to be moving in this direction.

The rivalry between the two poverty strategies within the GoK (PRSP vs NPEP) is one of the unresolved problems. There are indications that as long as the PRSP is not controlled, under NPEP, within the Office of the President, influential stakeholders within the Kenyan Government will continue to resist it. On the other hand, there are fears that a stronger role of the Poverty Eradication Commission, under Office of the President would weaken the role of the Treasury, and possibly lead to less donor support for the process. A related aspect of this rivalry is the

contest between *poverty mainstreaming* (through MTEF and budget) and *poverty funds* (including support of district reforms) as the optimal instrument for implementing poverty reduction policies. The Ugandan example (Poverty Action Fund *within* the budget) could be a way of harmonising the two ideas.

A danger for the institutionalisation of community participatory poverty reduction strategies in Kenya could emerge if the expectations raised among many PRSP consultation participants are not met. There is a need to get support from all stakeholders for a broad based feedback process as soon as the PRSP is finalised. Furthermore, the consultation experiences should be used in the processes of designing District Development Plans (scheduled for the second half of 2001). Donors could support these, as well as political reforms at the district level currently under discussion such as the role of District Development Committees.

Institutionalising sustainable poverty reduction policies in Kenya implies not only the consultation of all stakeholders but also ensuring appropriate participation of all relevant democratic institutions, especially the Parliament.¹⁵ While Kenya's Parliament is weak, and its full inclusion in PRSP process now could slow-down the process, bypassing it is no solution in the long run. There is need to work out a creative solution to overcome this dilemma.

[&]quot;PRS needs to be approved by formal political structures within the country (...). While under formulation, the PRSP must pass through legitimate democratic political processes and ultimately attain formal ratification by elected political representatives" (Andy Norton and Mick Foster, The Potential of Using Sustainable Livelihoods Approaches in PRSPs: A Discussion Paper for DFID, London: CAPE/ODI, Apr 2001, p. 16).

Box 3: Arguments for and against the Anti-Poverty Fund (APF)

The National Poverty Eradication Plan, launched by GoK in early 1999 as the long-term poverty reduction strategy in Kenya (-2015), includes the establishment of an "Anti Poverty Trust Fund" (see NPEP 8.34-8.38). Some in the GoK see the APF as complementary to mainstreaming – an instrument "to channel funding for small scale projects". The plan to establish APF was confirmed by Cabinet in 2000. Minister of State Sunkuli (Office of the President) repeated the confirmation in a speech in March 2001

Supporters of the Anti-Poverty Fund (e.g. GTZ and ADB) argue, an APF could

- contribute to poverty reduction (based on experience in several other countries).
 They argue that provided proper mechanisms for independent scrutiny of its use are in place, such funds can deliver much needed resources and services to the poor, and so play a vital role in developing and implementing pro-poor public policies.
- bridge the time until a mainstreamed poverty reduction strategy really works (GTZ assessment: 4-5 years). They argue that corruption and lack of government commitment limit the extent to which mainstreaming poverty reduction through the budget will deliver improvements to the poor in the short and medium term.
- help to mobilise public as well as private funds for independently controlled poverty reduction programmes.
- contribute to institutional reforms at district level and strengthen institutions capacity to implement pro-poor policies- a necessary pre-condition for a successful mainstreaming of poverty reduction policies.
- quickly respond to the expressed needs of people at district and sub-district levels, avoiding frustration and disenchantment among those who participated in the PRSP consultation process

Other donors (e.g. DFID and World Bank) are opposed to the APF, as it could:

- undermine the necessary medium-term structural reform process, harming or derailing the processes and institutional developments that favour poverty reduction.
- undermine the appropriate instrument shift in public policy towards better meeting the needs of the poor and empowering the poor to influence how their needs are defined and met.
- close the openings for political coalitions and alliances that benefit the poor that are beginning to emerge in Kenya.
- continue with the old-fashion project development style with little impact on the countrywide poverty situation.
- support projects that cannot be replicated or sustained once the development organisations (NGOs, donors) withdraw.
- be used to strengthen the patronage system and ethnically-based politics, especially in the pre-election phase, as the APF is identified with the Office of the President.
- not be safeguarded against misuse by politicians and other politically connected power brokers. The critics do not believe in the possibility of establishing independent decision-making and monitoring rules and regulations within an APF structure.
- Undermine efforts to de-politicise poverty reduction programmes.

5 PRSP monitoring and information

Progress towards PRSP monitoring

Our first impression¹⁶ was that capacity for poverty monitoring was very weak as:

- CBS does not have the capacity to produce timely and accurate macroeconomic and poverty data.
- Analysis of past poverty, macroeconomic and social trends and establishment of benchmarks is hampered by low quality data and inconsistencies.
- The demand for poverty data has, to some extent, been donor driven and has not paid due regard to the need for CBS to be able to fulfil its core functions.
- There has been no effective co-ordination of donor experience in district and other local level projects on which the government can draw.

The GoK shared the concerns above and had, by the second mission, taken steps to address them by appointing a new head to CBS with a proven track record of delivering change. Plans had been made to address the limited analytical capacity of CBS by mobilizing teams to package proposals for analytical work that could then be undertaken by national institutions with the capacity to undertake it, e.g. KIPPRA, IPAR and the universities. Success in one field of weakness, the ability to get the data out, had already been achieved with the delivery of the Census in Jan 2001. Internal reforms to CBS working practices proved capable of addressing this problem. Improving data quality was judged to be a longer-term exercise, involving not only CBS, in the case of National Accounts statistics, but other government departments with data-collecting responsibilities.

One of the challenges we identified for the full PRSP process was to educate and inform stakeholders about the role that poverty monitoring can play in increasing the credibility of the PRSP and providing the right incentive structure to achieve its goals. Another was to develop a short and strategic list of input, outcome and process indicators of progress in poverty reduction goals, which is appropriate to existing national capacity. New systems and institutions (inside and outside government) might need to be introduced to provide process and outcome indicators. The PEC and CBS would need facilitation and technical assistance to co-ordinate this process effectively.

By the time of our second mission, initial steps had been taken to address these issues. In contrast to the I-PRSP where monitoring had been grafted on to the document, for the full PRSP monitoring had been integrated into the process as a cross-cutting issue for the thematic groups working on the its production. On the government side monitoring was viewed as the responsibility of several departments – not CBS alone. CBS had held a first meeting with a wide range of stakeholders, including donors, NGOs and the MTEF team to tackle monitoring issues. A concept paper had been produced on monitorable benchmarks and

¹⁶ Formed during the first mission in Nov 1999.

work was under way to define, disseminate and reach consensus on indicators. The vision was for monitoring not to be confined to government alone but to bring in national institutions such as the Monitoring and Evaluation Association of the University of Nairobi and work with donor partners, as for example with the GTZ technical assistance provided to the Ministry of Finance.

There is a massive demand for poverty-related data in Kenya. Welfare monitoring surveys were undertaken in 1992 and 1994, and people are now turning to the need to widen the understanding of poverty to the regions and to think and plan how to best go about this. New techniques are being introduced, for example the Ministry of Health has started to use GIS mapping as a planning aid for their efforts to roll back malaria.

Demand comes from a number of national sources in and outside government and from donors. Parliament has become engaged and has asked for discussion about town council statistics. Sections of civil society are playing a new and active role in the demand for data and monitoring. For example, the gender thematic group stressed the need for monitoring; and organisations for disability made a powerful case for the need for basic information on the numbers of disabled people in Kenya as a prerequisite for voice and impact in national planning processes during the PRSP consultative workshop.

The role of information in a PRSP was weakly conceptualised at the I-PRSP stage, and there was no discussion of the role that various types of indicators, input, process and outcome could play in the PRSP. Technical constraints included the lack of capacity in Treasury to introduce several reform instruments like MTEF and PRSP simultaneously. This has tended to limit the capacity to design and implement monitoring schemes. However, these limitations have been recognized and steps taken to address them. While the inclusiveness of the proposed institutional arrangements looks promising, it is too early at the time of writing to say how successful these proposals will be.

Donors and national institutions

Donors have traditionally been involved in funding data collection work in Kenya. More recently donor support has been used for upstream work. For example, DFID supported an initiative to publish the results of the 1993/4 urban household survey. Donors have also supported the development of indicators (UNICEF) and technical innovations to improve the timeliness of data production. The key shift in that favours the dynamic of these efforts leading to establishing nationally owned institutions is the recognition of the importance of information and monitoring by the GoK, reflected in the appoinment of a senior, highly respected official to head CBS.

Donors have also supported the independent think tank, KIPPRA – an organisation that is close to government (a criticism of some) but which has the ear of government and is consequently effective in producing a shift towards evidence-based policy making. This shift was noted with approval by several sources in the MoF.

6 Conclusions and recommendations

Has the PRSP introduced a new dynamic into aid relationships in Kenya?

The terms of reference required the study to address whether the PRSP has brought or introduced a new aid dynamic, different from the older approaches of IFIs and bilaterals. Past donor-government relations exemplify the problems that the PRSP is trying to address – nominal compliance with reform conditionalities accompanied by massive institutional aid dependency. Is there any evidence that the PRSP has induced greater ownership in Kenya?

At the time of writing this report, the future of the PRSP is rather uncertain. IMF lending was suspended after Kenya failed to meet key conditionalities – setting up the Kenya Anti-Corruption Authority, privatising Telecom, introducing the Economic Crimes Bill and a Code of Ethics for Civil Servant. At the end of March, 2001 Dr Richard Leakey and several other members of the Economic Recovery Team were removed from their responsibilities in the civil service, two-three months before the end of their contract period. Considerable and well-founded doubts now exist over the extent of official ownership of PRSP and indeed the whole national economic and political reform programme in the country from the top levels of government in Kenya.

There is wide acceptance in the country that the Economic Recovery Team was dismantled for political purposes. Nevertheless, some key positions are still held by the remaining members. Whether the momentum of change introduced by the Team will be maintained under the new leadership has yet to be seen. Many donors are currently pessimistic, fearing that recent events signal that government commitment to reforms has been abandoned.

Over the coming months, critical event to watch will be:

- Whether the key anti-corruption Bills and measure are implemented in the form originally intended (i.e. not amended to become "toothless").
- Whether IMF lending is resumed.¹⁷
- Progress with the MTEF, as exemplified in the 2001/02 budget.
- Completion and implementation of the PRSP, national budgets and forthcoming five-year Development Plan.
- Whether effective incorporation of results of district consultations into the PRSP will take place.

Lack of political will and domestic ownership that extend to all quarters of government, especially the top echelons of Kenyan leadership, is now, more than ever, evidently lacking. However, there are some indications that the PRSP has introduced changes into the donor-recipient aid relationship and that domestic ownership of the process has increased. We turn to these below and identify

¹⁷ As of October 2001, lending has not been resumed.

some recommendations from the experience in Kenya which may be relevant to PRSP processes in other countries.

Ownership and the PRSP in Kenya

We think that some important new dynamics have been introduced into the movement for economic reform and poverty reduction in Kenya as a result of the PRSP process. These dynamics lay important pre-conditions for greater and broader ownership by government, politicians and civil society of plans and strategies that are poverty focused. They are, hence, essential pre-requisites for building new partnerships between the Government of Kenya and donors. However, it can't be take for granted that these dynamics are really sustainable, though what would represent a sustainable dynamic in the current political context is hard to judge.

For several sections of civil society, national ownership of the PRSP has increased considerably. Poverty in Kenya has never before been so high on the agenda or given so much media coverage. Of course, the PRSP will not be worth having unless the reforms needed to restore growth are implemented. Nevertheless, we think that it is worth underlining the achievements of PRSP to date, however ephemeral they may turn out to be.

Successes and failures of the PRSP process

The Economic Recovery Team

The appointment of the Change Team was supported by a broad range civil society, pro-reform civil servants and sections of government and the private sector. Key to their potentially influential work were their independence, technical skills and the fact that they were internationally recognized Kenyan experts. In the short time, of less than two years, that they were in office they were able to demonstrate effectiveness and help to change the public sector management culture.

Recommendation:

 donors should support demands from governments to fund expatriate and non-government nationals with skills, experience and qualifications as technical assistance for the PRSP in various countries.

The parliament

Unnecessary resistance to the PRSP was induced by failing to include Parliament as an institution in Kenya. While some parliamentarians may always criticise PRSP as donor-driven, others could have been won over sooner if appropriate measure had been taken earlier in the process.

Recommendations:

- ☐ PRSP processes should include deliberate measures and ways to involve Parliament as an institution and to measures to enable support for capacity building efforts aimed at dissemination of the PRSP's aims and goals and intermediate outputs to parliamentarians.
- ☐ A cross-sectoral committee on poverty reduction policies should be established. As the PRSP is by concept an ongoing process with a regular cycle, such a parliamentary committee could function as a forum for debate on related issues and as an institution to monitor Government policies in this area.

Participatory consultations

Kenya's experience shows that even where there is no high-level commitment to poverty reduction, participatory consultation processes are valuable in themselves.

Key to the Kenyan experience was the involvement of NGOs in both the implementation of the consultation process and throughout the insitutional structure of the PRSP. NGOs are represented in the technical secretariat for the PRSP, the Sector Working Groups and the National Steering Committee. A donor consortium provided funding for the consultations. But this was administered by the Treasury, keeping the process within the central government control in many important respects.

In-depth consultations were held in 25 Kenyan districts. They were by no means all an unqualified success in terms of their engagement with or representation of the poor. Nevertheless a large number of districts reported several positive features. These effects are important enough to justify the time, effort and cost that the exercise involved in many districts.

Recommendations:

- ☐ Broad, comprehensive consultations should be considered even where little commitment to poverty reduction exists at the high levels of government.
- ☐ Political innovations like the reform of Village Development Committees should be strengthened, as a step towards stronger, more effective subnational participation.
- ☐ In cooperation with Governments, donors should try to ease the time constraints for participatory elements in the PRS process, as these can undermine their success.
- ☐ Measures should be taken to provide information and meet capacity needs, especially at sub-national level.
- ☐ Consultation processes should be prepared in a joint committee with representatives from private sector and civil society.
- ☐ Institutionalised fora for societal debate are needed. This means especially the Parliament, but there is also a need to involve institutions at local and regional level.
- ☐ Interim measures that bring universal benefits to poor communities should be identified to meet expectations raised by the consultation process and

quickly implemented as part of the PRSP. The removal of school fees served such a purpose in Uganda and Tanzania.

Donor behaviour and the need for dialogue

In some important respects donor co-ordination improved during the PRSP. Positive steps include:

- support of a donor representative on the PRSP Technical Committee;
- greater co-ordination of donor support to monitoring though UNDP;
- creation of a donor consortium to fund the consultation exercise;
- donors retired into the background or reduced their representation as the PRSP preparation took shape, with more nationals driving the process;
- development of a position on the Anti-Poverty Trust Fund shared by a larger number of donors.

Regarding the APTF, however, more dialogue was needed, at an earlier stage. The issue is by no means resolved satisfactorily yet. Overall our conclusion is that greater effort must be made to recognise that the PRSP operates in a multi-donor environment, where different donors have different ways of working at the local level. Programmes at district levels will continue with a mulitplicity of poverty reduction related goals. This is desirable in the Kenyan context where poverty is high, the MTEF is at an early stage and government expenditure is extremely limited. The effects of budget and other reforms will inevitably take a long time to result in tangible improvements in service delivery and economic oppportunity for the poor.

Recommendation:

 donor co-ordinating for need to review current activities and engage in constructive dialogues at the beginning of the PRSP process with the aim of making sure that interventions at all levels are mutually supportive.

In the context of a corrupt government, agreeement or consensus needs to be reached on what forms of development assistance can minimize the opportunities for the diversion of funds for political purposes or to support patronage relationships and, of course, mismanagement of funds generally. All donors share the goal of poverty reduction. Ways must be found to accommodate these efforts in a framework that is consistent with, and can build support for, national ownership of a poverty reduction strategy as the central plank of government policy.

Donors and the political environment

Politics have emerged at every stage of the PRSP process in Kenya. In every country, poverty reduction depends as much on political as on economic changes. It follows that donors must to seek to understand the nature of the political environment in which they operate. In particular, they should not underestimate the strength of opposition to the PRSP by those who see themselves, or their vested interests, undermined by the process.

Donors and ownership

Donors supported significant elements of the PRSP process in Kenya. Our conclusion about this is that the support was consistent with building ownership and that donors should not hold back on financing elements of the PRSP because of fears over ownership. Some of the particular forms of technical assistance used increased ownership and had generally good results. Examples include:

- financing technical assistance in areas such as Economic Recovery Team, members of the Technical Secretariat, and NGOs as consultation implementors;
 funding the consultative process through NGOs and the Treasury;
- ☐ funding the employment of skilled Kenyan nationals with a good understanding of poverty and/or international aid and economics as technical assistants.

Annex 1: Schedule of consultation process

Nov 6, 2000	National launching		
Nov 7/8,2000	National workshop (for facilitators and stakeholder reps)		
Nov 17/18, 2000	Workshops in all 8 provinces (Nairobi some days earlier)		
Nov	First meeting of National Steering Committee (followed by at		
	least monthly meetings)		
Dec 2000 until early	District consultations		
March 2001	Example Kilifi:		
	Dec 4: District launching		
	Dec 8-15: Three meetings at constituency level		
	 Dec 18-22: Report writing (district secretariat) 		
	Jan 18-19: District/Constituency Reporting Workshop		
	Jan 26: Submission Report		
March 2001	Compilation, analysis, writing of full PRSP draft through PRSP		
	Secretariat		
	Discussion in National Steering Committee (?)		
	Cabinet approval (not yet confirmed for March)		
April 2001	National Stakeholders Workshop		
	Launch and dissemination of full PRSP		
May 2001	Discussions with donors on budget support on the basis of PRSP		
June 2001	Presentation of budget 2001/02 in Parliament		
	PRSP to be discussed in the boards of IMF and WB		

Annex 2: List of persons interviewed

Parliament

 Aringo, Peter Oloo: MP (NDP). Vice-Chairman of Parliamentary services commission (PSC).

Government

- Gakunu, Peter: MoFP. Economic Secretary and Director of Planning.
- Kirimi, John: MoFP. PRSP Secretariat.
- Ondieki, Peter: Office of the President. Secretary, Poverty Eradication Commission.
- Nalo, David: Director, Central Bureau of Statistics.
- Atema, James: PRSP Secretariat. Seconded by DFIF as a donor representative.
- Awori, Achoka: PRSP Secretariat, NGO representative.
- Kodhek, Argwings: PRSP Secretariat, Private Sector representative.

NGOs

- Actionaid
 - o Tomas Josef, Country representative.
 - o Njeri Mwangi, Policy Research Manager.
 - o Achoka Awori, NGO representative to the PRSP.
 - o Eve Odete, Policy Research Coordinator.

Academics

- Kimuyu, Peter: Executive Director, Institute of Policy Analysis and Research (IPAR).
- West, Geoffrey: Kenya Institute for Policy Analysis and Research (KIPPRA). Economic advisor in the MoFP.

Donors

- Croll, Peter: Director, GTZ Kenya/Aues Scek, Head of Project Social Policy Advisory Systems.
- Oduol, O: UNDP, Acting Resident Representative.
- Dyer, Nick: DFID, Senior Economic Advisor, East Africa.
- Menja, Martha: JICA.
- Sarhan, Mike: USAID, Assistant director.
- Magnusson, Peter: Sida, First Secretary and Senior Economist.
- Wackman, Harold: World Bank, Country Director.
- Pedersen, Finn Skadkaes: DANIDA, Minister Counselor.

The Districts

KILIFI DISTRICT

 Salzer, Walter; Program Advisor, Kilifi District Development program (KDDP).

- Mwenja, Kenja, Program officer, KDDP.
- Wandiema, M. B: District Commissioner, Kilifi District.
- Kitua, Nicholas: District development Officer (DDO).
- Angore, S. K: District agriculture Officer.
- Kashero Chinyaka: Program manager, MIDO (local NGO).
- Wengele, David: Adult Education Officer.
- Muzika, Ronald: Village Development Committee (VDC) head.
- Mwakuphunza, Ali: District Agriculture Officer.
- Katana, Eucabeth: District Social Development Officer.
- Mzungu, Dr: Chairman, Kilifi Chamber of Commerce.

Kaloleni Division

- Mwakombe Karisa: Division Water Officer.
- Nyoka, Matilda: AMREF
- Bwenye, Johnson: Represented the Church in the district and Division level consultations.
- Charo, Margaret: Chairlady, Maendeleo ya Wanawake Kaloleni Division.
- Mwangeni, Sera: Head of a local women's Group.
- Mueni, Margaret: Head of a local Women's Group.
- Hadija, Shaaban: Self-Help Group member.
- Chagawa, Grace: Self-help group leader.

Ganze Division

- Birya, Susan Zawadi.
- Baya, Beatrice.
- Dama, Esther.
- Charo, Joseph.
- Mrabu, Everlyn.
- Kanga, Sidi.
- Kithi, Mary.

Bamba Division

- Kadzo, Rachel: Tailor.
- Nyale, Dama: Farmer.
- Kahindi, Rachel: Farmer.
- Mangi, Jackson Katana: Shoemaker.
- Kivuno, Kibibi: Trader.
- Katana, Sarah: Trader.

BUSIA DISTRICT

- Watima, Jackline: Actionaid.
- Wangalwa, Kizito: District Development Officer.
- Odhiambo, Stephen: WESKAP funded by IFAD.
- Owino Dorothy: District Social Development Officer.
- Mango Thomas: BUCODEV (A Community Based Organization) leader.
- Webuye, Benjamin: A Community Based Organization member.
- Sifuna, Jacob: Bumacheke Self- help Group member.

KIRINYAGA DISTRICT

- Ngari, Christine: Provincial Chairlady, Maendeleo ya Wanawake.
- Wangenye, Rosemary: District Secretary, Maendeleo ya Wanawake.
- Njeri, Faith: League of Women Voters.
- Ndung'u, Mrs.: Executive Officer, Maendeleo ya Wanawake.
- Wangeye, Charles: NGO Coordinator for PRSR. Catholic Diocess of Muranga.
- Mutugi, John: Youth leader. Member of Justice and Peace Commission.
- Kaburi, Blasius: Chairman of Kirinyaga Physically Handicapped.
- Murisa, Eva: Member of People Living with Aids.
- Wanjiku, Irene: Secretary, People Living with Aids.
- Mwaniki, J. K: District Development Officer.
- Kebane, Lawrence: Employment Officer.