

Country Assistance Program
for
Republic of Kenya

Government of Japan

3/8/2000

Country Assistance Program (Kenya)

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Notes

Country Assistance Program (kenya)

<1> POLITICAL, ECONOMIC, AND SOCIAL CONDITIONS

(1) Political Conditions

After he took office in 1978, President Moi strengthened presidential authority under the single-party system of the Kenya African National Union (KANU). From the beginning of the 1990s, however, Kenya embarked upon democratization, introducing a multi-party system in 1991 and holding presidential and parliamentary elections under the new system the following year. Under the leadership of President Moi, Kenya's democratization has shown definite progress, as reflected in the free and fair elections again held under the multi-party system at the end of 1997. Kenya has cautiously implemented reforms contributing to democratization, such as revision of the constitution and measures to deal with corruption and ethnic conflicts. Although there have been occasional differences of opinion with donor countries regarding the progress of reforms, Kenya can become a good model of democratization for other African countries provided that it continues its efforts in this direction. With the approach of the presidential election in 2002 and the growing political instability in neighboring countries such as Sudan and Somalia in recent years, Kenya is now considered to be entering a period of political change or transition both internally and externally. It is therefore necessary to pay close attention to these developments.

After gaining independence in 1963, Kenya adopted a non-aligned diplomatic policy, keeping on friendly terms with Western powers as well as maintaining friendly relations with the former Soviet Union, China and Middle Eastern countries, thereby playing an important role as a political and diplomatic stabilizing force in East Africa. Moreover, regional cooperation with countries such as Tanzania and Uganda is being promoted through the East African Community (EAC) now that agreement has been reached on a framework for the resumption of its activities.

(2) Economic Conditions

Kenya occupies a key position in East Africa from the economic as well as the political viewpoint. For example, in addition to the air, road and railway network centering around the capital Nairobi, the port of Mombasa is the gateway to East Africa, serving not only Kenya but also nations such as Uganda and Rwanda in its hinterland.

The country's industrial structure is dependent upon primary industries, mainly in the agricultural sector. While this sector accounts for a major portion of the domestic economy, it can hardly be called a stable source of foreign currency. Since most producers are small tenant farmers who rely on rainwater for cultivation, productivity is easily influenced by the weather, while Kenya's main export products, tea and coffee, are vulnerable to international price fluctuations. However, the increase in exports of garden products in recent years has helped to bring in foreign currency, and the tourist industry represents another major source of foreign exchange earnings. Although Kenya is the most industrialized nation in East Africa, manufacturing industry still only accounts for about 14% of the GDP.

In recent years, Kenya's macroeconomic situation has begun to improve. Measures such as reform of the fiscal structure and tighter monetary policies have contributed to a large reduction in the government's domestic borrowing, and a significant decrease in the inflation rate. However, primarily as a result of the slump in Kenya's major industries of agriculture and tourism due to unseasonable weather such as the drought in the second half of 1997 and the deterioration of public safety in recent years, the economic growth rate fell to 2.3% in 1997 and again to 1.8% in 1998. The international balance of payments has also been undergoing an overall deterioration. The trade deficit has increased with the slump in exports, and the surplus in the capital account balance dropped considerably in 1998, caused mainly by a decline in aid from donors harboring concerns over the government's commitment to political and economic reforms. Kenya's main trade partners are the EU and East African countries, and recently it has been strengthening its regional trade relationships through the expansion of trade with EAC member nations Uganda and Tanzania as well as a rapid increase in trade with South Africa.

(3) Social Conditions

Against a background of population increase and the growth in the number of the poor in both rural and urban areas, the influx of weapons from neighboring countries has led to a rise in the crime rate and social instability. The spread of HIV/AIDS has also become a serious problem.

<2> CHALLENGES TO BE ADDRESSED IN DEVELOPMENT

(1) Kenya's Development Plans

The Kenyan government is currently implementing various reforms under the 8th National Development Plan (1997-2001). The principal objectives of the

plan are to overcome the problems of unemployment (3 million people) and poverty (11 million people) and to promote agriculture and export-competitive light industries with the aim of "rapid industrialization to improve citizens' standard of living and promote sustained development." The targeted average economic growth rate and per capita GDP for the period of the plan are 5.9% and 3.2%, respectively. Other targets include the employment of 2.61 million people and an unemployment rate of 12.8% by 2001 and Kenya's accession to Newly Industrialized Country (NICS) status in 2020.

In setting goals such as the improvement of the elementary school graduation rate, elimination of the difference in male and female enrollment rates at all levels of education, provision of basic medical services for laborers and their dependent families, and environmental education and establishment of an environmental information system for improving environment-related decision-making, the 8th National Development Plan largely accords with the principles of the DAC New Development Strategy*¹, to which Japan gives priority as its fundamental approach to economic assistance.

The Kenyan government is also currently formulating the following development plans.

A) The National Poverty Eradication Plan (NPEP)

This plan aims to achieve the objectives for the eradication laid down in the DAC New Development Strategy.

B) Poverty Reduction Strategy Paper (PRSP)

A tentative PRSP is currently being drawn up.

C) Medium Term Expenditure Framework (MTEF)

A framework aimed at the efficient implementation of policies and improvement of the quality of public expenditure through budget allocation, including resources from donor countries and organizations, to areas given priority in government policies.

(2) Primary Challenges in Development

(A) Economic and social development to benefit the poor

As mentioned above, one of the highest priorities of the Kenyan government is to reduce poverty by improving the unemployment situation, etc. through economic development. With increasing unemployment, the standard of

living of Kenyan people has been deteriorating, a trend reflected by the average per capita GDP growth rate of minus 0.3% between 1990 and 1995. The discrepancy in incomes is also a serious problem. According to the World Bank, the Kenyan government has indicated that, in 1997, about 12 million Kenyans (about 43% of the population) were living below the poverty line, while the incomes of highest-earning 20% of households account for 62% of the total income.

Since 1993, the Kenyan government has been implementing structural adjustment based on advice from the IMF and the World Bank, resulting in substantial achievements such as reform of the public sector by privatizing public institutions, liberalization of agriculture, and reform of the financial sector. These structural adjustments are indispensable policies for the reduction of poverty through sustained economic development, but those who are most likely to be affected by them are the urban poor and rural farmers. Therefore, while promoting continuous structural adjustment and achieving economic growth from the resulting improvement of economic efficiency and emergence of a market economy, Kenya must also aim to increase employment opportunities for and improve the living standards of the socially vulnerable who are most easily influenced by these structural adjustments. To this end, it will be necessary to carry out reforms to promote education, agricultural development, health and medical care and environmental conservation, and to tackle the particularly serious problem of HIV/AIDS.

(B) Improvement of administrative efficiency

The administrative services of the Kenyan government are fragile from the fiscal viewpoint because of insufficient budget allocation caused by the shortage of revenue due to the inadequacy of the tax collection system, and from the organizational viewpoint because of insufficient administrative and management ability. As a result, prioritization for the implementation of projects has not been clearly determined, hindering the progress of public projects, including those backed by aid donors. (The projects receiving assistance from Japan are proceeding relatively smoothly, however.) To remedy this situation, it is necessary to implement public investment plans in line with fiscal policies and to strengthen the organization of the project implementation system. In addition, it is important that the government clearly determines the priority of specific projects based on the aims outlined in the National Development Plan.

(C) Elimination of corruption

From the standpoint of the promotion of "good governance," which constitutes the basis of development, corruption is the problem that requires the most

urgent attention, and the Kenyan government has been faced with both internal and external pressure to take firm measures against it. In this respect, Kenya has received due recognition for measures such as strengthening the authority of the Internal Revenue Agency, establishment of a corruption disclosure agency, and the reorganization and streamlining of quasi-governmental organizations. The Kenyan government is engaged in serious discussions with the IMF concerning the problem of governance and Kenya is expected to make even greater efforts in this direction. As an indication of this, many donor countries and international organizations are paying particular attention to the Kenyan government's response to the Goldenberg Affair*², the biggest corruption scandal involving high government officials since Kenya gained independence.

(D) Restoring the confidence of private-sector investors

It is important for Kenya to revive and expand private-sector investment, which has been on the decline in recent years. To restore the confidence of both domestic and overseas investors, in addition to the above-mentioned elimination of corruption, it will be necessary to steadily implement policies for the promotion of "good governance" by scaling down the public sector (including civil service and fiscal reforms), ensuring administrative transparency, rationalizing and simplifying procedures and strengthening the legal system, as well as for the development of infrastructure (transportation, telecommunications, electricity, etc.) In addition, since the success of the negotiations with the IMF toward the re-opening of the Poverty Reduction and Growth Facility (PRGF)*³ is an important condition for the expansion of private-sector investment, it is necessary to respond appropriately regarding this issue.

(3) Relations with Principal International Organizations, Other Donor Countries, and Activities of NGOs

Considering of Kenya's importance in East Africa, many donor countries and international organizations have continuously provided the country with substantial financial assistance. However, since not all projects have been implemented efficiently and the political and economic reforms being undertaken have not proceeded as smoothly as expected, these donor countries and international organizations generally take a strict attitude towards Kenya.

As far as types of assistance are concerned, most donors have been providing not only materials and equipment for aid-receiving organizations but also advice and know-how for the improvement of management through organizational

reforms. The sectors to which donor countries have given highest priority are health, education, water supply and agriculture. Assistance through methods such as the Sector Program** and assistance based on the condition of organizational reform by the responsible ministry are being implemented through mutual coordination among donors, and meetings of donor countries are regularly held to discuss the development policies and the state of progress in each sector. Regarding financial assistance, the IMF decided in July 1997 to cease providing the Enhanced Structural Adjustment Facility (ESAF) to Kenya. Accordingly, the World Bank, Britain and other donor countries suspended their program assistance they had been providing in coordination with the IMF. At present, these organizations and donor countries want to get a clear view of the progress of reform by the Kenyan government.

Concerning future assistance, including the resumption of the financial assistance that has been suspended, donor countries now appear to be monitoring the progress of the political and economic reforms being undertaken in Kenya.

<3> JAPANESE AID POLICIES FOR KENYA

(1) Significance of Aid to Kenya

(A) Kenya occupies a geographically important position in East Africa and plays leading political and economic roles in the region. In recent years, Kenya has also served as a political and diplomatic stabilizing force in East Africa, launching its own mediation strategy toward resolving the Ethiopia-Eritrea border conflict and the Great Lakes and Sudan situations, for example, and contributing to the promotion of peace processes through international organizations such as the Organization for African Unity (OAU) and the United Nations. Kenya thus exerts a considerable influence on this region containing many of the leading nations on the African continent.

Japan's continuous diplomatic and aid efforts in Kenya have borne fruit and Kenya's strong pro-Japanese sympathies have contributed to friendly relations between our two countries. Kenya therefore has high expectations of Japan and the maintenance and development of this stable relationship is of great significance.

(B) Kenya shares with other African countries the problems of scarce resources, desertification, a high rate of population increase, complicated ethnic issues, and the need for improvement in public sector operation and management. However, in view of its geographic and historical conditions and comparatively high education levels, Kenya is one of the countries in Sub-Saharan Africa with a high development potential. It is making positive efforts towards democratization and economic reform and has declared its intention to continue socio-economic development by repaying its

debts through its own efforts, without resorting to debt relief. If it continues to make such efforts, Kenya is in a position to serve as a model for other African countries. Kenya thus enjoys good conditions compared to other African countries and is showing a positive attitude towards promoting its own development ("ownership"). From the perspective of Japan's African policy, therefore, Kenya is one of top-priority countries and assistance to promote its political stability and economic prosperity plays an important role as the basis of Japan's aid for East Africa. Moreover, in view of Kenya's importance as a trade base in the region, aid for Kenya can be considered an effective way of promoting the development of Africa as a whole.

(2) Relationship with ODA Charter Principles

Kenya's major task in terms of consistency with the principles of Japan's ODA Charter*⁵ is the promotion of democratization. Due to slow progress in this process, Japan and other donors suspended their assistance in 1991. Japan resumed its assistance in 1993, however, in light of subsequent positive developments such as the introduction of a multi-party system and the holding of presidential and parliamentary elections. Although incidents such as the major ethnic clash of 1997 have brought into question Kenya's progress in democratization, the Kenyan government is currently working to develop a form of democracy suited to Kenya's culture, society and history. While corruption remains a problem, progress is evident in the establishment of a corruption disclosure agency and Kenya's efforts to strengthen the agency's functions. Japan should therefore continue to apply the necessary pressure while observing the direction of Kenyan reforms.

(3) Orientation for Japanese Aid

(A) Japanese aid to date

As is clear in cumulative aid totals up to FY1998, Japan has cooperated actively with Kenya, including ODA loans worth 173.625 billion yen (placing Kenya first among recipients of Japanese aid in Sub-Saharan Africa), grant aid worth 70.669 billion yen (placing Kenya third in the region; figures above are on a signed E/N base), and technical cooperation amounting to 62.107 billion yen (Kenya first in the region; JICA outlays). Japan disbursed \$52.59 million in 1998, positioning Kenya in third place in the region.

ODA loans are provided for agriculture and a wide range of other areas. One significant component is the construction of economic infrastructure for the transportation and communications sectors.

Japan extends grant aid for the agricultural sector, basic human needs such as water supply, education, and health and medical care, and also economic infrastructure.

Various forms of technical cooperation are implemented in a broad range of areas, with Kenya topping the list in Africa in terms of cumulative personnel and project figures up to FY1998 for trainee acceptance, the dispatch of expert and the study teams. Project-type cooperation such as the Jomo Kenyatta University of Agriculture and Technology and the Mwea Irrigation Project speak for the effectiveness of technical cooperation allied with grant aid. Development studies are also being conducted in a wide range of areas, including the development of agriculture, transportation and other infrastructure, tourism, and the mining and manufacturing sector.

(B) Share of Japanese aid in total aid to Kenya

Compared to Europe, Japan is comparatively new to the field of African development. However, the 1993 Tokyo International Conference on African Development (TICAD I) and the subsequent October 1998 TICAD II, both organized jointly with the United Nations and the Global Coalition for Africa, reveal Japan's willingness to actively involve itself in promoting assistance from the international community in African development efforts. Japan needs to undertake a serious follow-up to TICAD II in cooperation with the African countries, in which endeavor Kenya will frequently have a key role to play.

At the same time, in light of Japan's fiscal difficulties and the importance of encouraging Kenya's self-help efforts, due consideration must be given to the cost-effectiveness of Japanese aid to Kenya, shifting the focus from aid expansion to improving the quality of aid. Giving full consideration to Japan's long history of diplomacy with and assistance to Kenya, as well as the good relations Kenya maintains with Japan and the importance of aid to Kenya in promoting political and economic stability in East Africa, Japan needs to identify priority areas and work to produce tangible results from each project. A regional approach should also be borne in mind, selecting projects which could have a ripple effect on neighboring countries.*6

(C) Orientation for aid over the next five years

As noted above, raising living standards for the Kenyan people is the central priority in Kenya's National Development Plan, which has also set various goals in line with the concepts contained in the DAC New Development Strategy. Japan therefore supports the plan and intends to provide appropriate cooperation. To develop

a concrete approach, Japan has engaged in a variety of policy consultations, including the High-Level Mission on Economic and Technical Cooperation sent to Kenya in January 1994, and has consequently agreed with the Kenyan government to focus on the following five areas as Japan's aid guidelines for Kenya: (1) human resources development; (2) agricultural development; (3) economic infrastructure; (4) health and medical care; and (5) environmental conservation. These areas are considered to be relevant for determining Japanese aid to Kenya over the next five years.

At the same time, Kenya's structural adjustments and other economic reforms are impacting most heavily on the urban poor and rural farmers, while one of the Kenyan government's current national goals is the alleviation of poverty. This would suggest that of the above five priority areas, Japan should give greater weight to human resources development, which provides direct benefit for the socially vulnerable, and is also the key to poverty alleviation in all areas; agricultural development, which contributes to food self-sufficiency and economic growth; and health and medical care, including the upgrading of basic medical facilities and services, better water quality, and measures to combat AIDS.

Japan should also review as necessary the content and scope of projects currently under implementation in view of the extent to which these have achieved the effects initially envisaged.

Since Kenya is a heavily indebted poor country, Japan will consider ways of providing aid in forms that take account of Kenya's debt-bearing capacity, making greater use of grant aid and technical cooperation. With regard to ODA loans, considering that Kenya has made a clear international statement of its intention to repay debts through its own efforts and still wishes to promote socio-economic development through new loans, Japan will proceed on the basis of a cautious appraisal of Kenya's fiscal and debt situation and implementation system with respect to each project.

(4) Aid Guidelines for Priority Areas and Challenges

(A) Human resources development

Human resources development is crucial in all sectors. To help Kenya achieve independent socio-economic development in the future, basic education needs to be improved, and assistance provided to enhance administrative ability in socio-economic management and foster SME executives and engineers.

(i) Basic education

Basic education is obviously critical as the foundation for human resources

development; however, while Kenya's 85 percent elementary school enrollment rate is higher than the Sub-Saharan African average of 75 percent, it is also steadily falling. Other problems include the many school dropouts, the absolute lack of textbooks and education-related facilities and materials, the poor quality of teachers, and outdated science and mathematics education. Japan will dispatch experts and JOCVs, and will also examine the possibility of bolstering education facilities and materials.

(ii) Higher education and vocational training

Economic growth will hinge on boosting productivity and upgrading quality control capacity in agriculture and small and medium-sized industry in particular, as these contribute to export promotion and the acquisition of foreign currency. One focus should therefore be on developing the middle-level engineers and management who underpin these areas. To achieve private-sector-led economic independence, it will also be crucial to foster SME engineers and business executives.

Japan has contributed to higher education and vocational training in the past through cooperation extended to the Jomo Kenyatta University of Agriculture and Technology. As a next step, based on the goals of the Tokyo Agenda for Action (TICAD II) ^{*7}, ways of enhancing the functions of educational institutions will be considered so that they can become bases for African human resources development from which the benefits of assistance will ripple out from Kenya to neighboring countries and beyond.

(iii) Improving administrative ability

One critical issue will be the improvement of the administrative ability of the Kenyan government. Enhancing the government's administrative ability in policy formulation and implementation will be vital in terms of planning the construction of an independent industrial structure over the medium- to long-term and in designing and implementing comprehensive policies for industrial stimulation and export promotion. To boost administrative ability, Japan will therefore examine the possibility of human resources development in the form of trainee acceptance and the dispatch of experts able to provide policy recommendations.

(iv) Support for democratization

Democratization is the key to Kenya's development, and with a view also to promoting "good governance," it will be important to build a system of checks and balances within and between institutions, starting with the administration, the judiciary and legislature and including the private sector. This system should also allow wide participation by the Kenyan people. Japan will look at providing assistance in institution building through expert dispatches and the acceptance of trainees, such as

extending invitations to attend democratization seminars.

(B) Agricultural development

Agriculture accounts for 25 percent of Kenya's GDP, employs 75 percent of the total work force, and accounts for 60 percent of gross export value and 45 percent of national income. It also plays a particularly vital role in raising the living standards of the agricultural population which comprise the bulk of Kenya's poor. Tasks in the agricultural sector include boosting productivity, diversifying Kenya's range of commercial crops and developing added value, and establishing an efficient and equitable distribution system. To raise productivity, Kenya needs to improve the foundations of agricultural production, disseminate appropriate technology and management, utilize fertilizers, pesticides and other agricultural inputs, and introduce and improve environmentally friendly and efficient irrigation agriculture.

In terms of commercial crops, because traditional export crops such as coffee and tea are vulnerable to international price fluctuations, Kenya must diversify its export crops and build in high added value. Vegetables, fruit, nuts and flowers also need to be further developed as commercial crops.

As most Kenyan farms are small-scale, small tenant farmers need to be organized by fostering agricultural cooperatives and other farmers' groups to develop more efficient distribution routes.

Focusing on the promotion of small-scale agriculture and the small tenant farms comprising more than 80 percent of Kenyan farms, Japan will consider the possibilities for cooperation in the following areas in particular: higher productivity, the establishment of irrigation technology and the rehabilitation and improvement of irrigation facilities, development of organization among farmers, and the improvement of distribution systems

Japan will also look at improving the foundations of agricultural production, research cooperation and the dissemination of technology, bearing in mind the potential benefit such assistance could also provide to the rest of the Africa.

(C) Development of economic infrastructure

Sustainable economic growth is essential in alleviating poverty and advancing social development, and developing the economic infrastructure which underpins this remains an important issue. Kenya has yet to fully develop transportation, power, communications and the other elements of infrastructure which support socio-economic development, while existing infrastructure is in fact deteriorating. Based on a careful analysis of the economic and fiscal circumstances of the Kenyan

economy, Japan will consider assisting Kenya in developing economic infrastructure which promises to have an investment effect, also bearing in mind the promotion of private sector investment. In particular, priority will be placed on assistance for (1) the expansion and rehabilitation of Kenya's transportation network, which is expected to have a ripple effect on neighboring countries since Kenya is a key point in East Africa's transportation network; (2) the development of energy resources to relieve the shortage of power indispensable for the country's industrial activities, giving full consideration to conservation of the environment and the impact on the lives of residents; and (3) the development of the communications network in cities and remote areas, bearing in mind the possibility of using new telecommunications technologies. It is also important to provide assistance for the most urgently needed infrastructure with respect to citizens' lives, such as the construction of small bridges in local areas. As far as the promotion of private-sector investment is concerned, priority will be placed on fostering SME that have the potential to become the driving force behind economic growth, the improvement of productivity, and promotion of tourism, bearing in mind the possibility of harnessing the synergy effect of cooperation with the private sector when necessary.

(D) Health and medical care

Kenya is in particular need of population education and improved family planning and maternal and child health care services in order to control the population growth rate which is impeding the country's sustained economic development. HIV/AIDS has also become an extremely severe social problem in Kenya in recent years. A WHO report estimated that around 1.3 million people were infected with HIV as at the end of 1996, a situation which must be dealt with urgently before it boosts the medical costs of HIV/AIDS patients, damages the labor force which is the key to Kenya's development, and increases the number of orphans and street children who have lost their parents. With treatments yet to be established for HIV/AIDS, it will be vital to support research toward treatment development, educate and inform the public of HIV/AIDS prevention measures, supply contraceptive devices and establish testing techniques for early detection.

Japan will examine the possibility of cooperation in this area, including the development of links with other donor countries, international institutions and NGOs. Full attention will be given to efficient and integrated medical and health care services related to population and HIV/AIDS issues in particular, focusing on the effect at rural level while also bearing in mind benefit to neighboring countries. As

part of improving health care and medical services, Japan will also look at support for better water quality, an important aspect of improving access to a safe water supply.

(E) Environmental conservation

Conservation of the global environment must be undertaken from a long-term perspective to ensure sustainable development. At the same time, since the necessary investment in this area escalates over time and a prompt response would obviously be the more effective, developing countries and aid donors in particular should join forces to tackle environment-related issues.

More specifically, Japan will examine assistance for the protection of ecosystems, particularly wildlife, which is feared to have decreased dramatically in recent years; for forest protection and afforestation and the protection of agricultural land in order to prevent the further expansion of the arid and semi-arid regions which have come to comprise around 80 percent of Kenya's national territory due to population growth and urbanization; and for the development of water supply and sewerage systems in order to ensure urban hygiene and protect water quality in the face of the pollution of lakes and rivers accompanying the growth in urban effluent and industrial wastewater and an increasing amount of waste.

(5) Matters to Note in Aid Implementation

(A) Strengthening aid absorption capacity

As the Kenyan government's aid absorption capacity is limited by personnel shortfalls and inadequate policy formulation and implementation capacity, Japan will conduct prior studies to fully ascertain the aid absorption capacity of the counterpart implementation institution (staff, budget allowance, etc.) before determining which projects to implement. Constant attention will also need to be paid to the Kenyan government's local budget allocation and management and operation systems for projects already underway. Simultaneously, Japan will continue to provide support for enhancing Kenya's aid absorption capacity through, for example, structural adjustment assistance, the deployment of experts able to assist with policy recommendations in specific areas, and the holding of yen loan seminars.

(B) Coordination with NGOs, other donor countries and international organizations

In the absence of "good governance" (due to government inefficiency, lack of operational transparency, etc.), donor countries are currently hesitant about providing aid to Kenya. Japan too will need to observe the Kenyan government's

progress with political and economic reforms and moves toward re-opening of the IMF's Poverty Reduction and Growth Facility (PRGF). To improve aid efficiency, Japan will also consider active coordination with the World Bank, the EU and other donors. As noted earlier, aid is coordinated through the Sector Program in Kenya and Japan will take an active part in discussions concerning aid coordination at local-level donor meetings.

In terms of grassroots activities, on the other hand, Japan will continue wide-ranging deployment of JOCVs, whose efforts have met with great local appreciation, and will also examine the effective coordination of the various forms of cooperation Japan provides, such as the provision of grassroots grant aid to the institutions taking on JOCVs. In light of heavy NGO involvement in meeting basic human needs and the substantial NGO role at grassroots level, efforts will also be made to develop ties with NGOs as part of Japan's technical cooperation, with consideration also given to the implementation of projects of benefit to residents at the grassroots level.

(C) Promotion of South-South cooperation

South-South cooperation*⁸ needs to be promoted by encouraging technology transfer and personnel exchange with neighboring countries and countries at similar stages of development, thus contributing to regional stability and development. The importance of regional cooperation was also identified at TICAD II, where Japan announced that it would actively advance South-South cooperation using Jomo Kenyatta University of Agriculture and Technology as the hub for personnel development and the Kenya Medical Research Institute (KEMRI) as the base for international anti-parasite measures*⁹. Japan intends to move forward steadily with such South-South and regional cooperation follow-ups. Regional cooperation between Asia and Africa will also be promoted to encourage the transfer of Asia's development experiences.

(D) Improving debt management capacity

In terms of the debt issue, Japan attach the importance to the will of the debtor nation to repay its debts through its own efforts, and capacity building necessary for such a course. As the Kenyan government has made its intention clear in this regard, indirect support should be provided for the government's efforts, and Japan will actively consider working together with the UNDP and the African Development Bank and providing various types of technical cooperation toward

building the debt management capacity of those African countries burdened by heavy debt, which was taken up as an important issue at TICAD II. In August 1999, Japan jointly hosted the TICAD II High-Level Seminar on Africa's External Debt in Kenya together with the Kenyan government, the IMF and the UNDP, with participants engaging in various discussions toward resolution of the debt problem.

Notes

<2> CHALLENGES TO BE ADDRESSED IN DEVELOPMENT

(1) Kenya's Development Plans

*1 The OECD/DAC Development Partnership Strategy

In May 1996, the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) adopted a document titled The Development Partnership Strategy (Shaping the Twenty-first Century : The Contribution of Development Co-operation). This development strategy sets specific goals and timeframes desired to improve the living standards of all people around the globe. Goals include: 1) reduction by half of the number of people in extreme poverty by 2015, 2) universal primary education in all countries by 2015, 3) elimination of gender disparity in primary and secondary education by 2005, 4) reduction to 1/3 of the 1990 level in the infant mortality rate by 2015, 5) reduction to 1/4 of the material mortality rate during the same period, 6) spread of health and medical access through the primary health care system to reproductive health service, 7) formulation of a national strategy for sustainable development in every country by 2005 so as to reverse the current trends in the loss of environmental resources at both global and national levels by 2015. The strategy emphasizes the importance of a global partnership because it will be essential that developed and developing countries work together if goals are to be achieved.

(2) Primary Challenges in Development

*2 Goldenberg Affair

A corruption case related to export subsidies amounting to 18 billion shillings paid from October 1990 to December 1992 to the company Goldenberg International by the Kenyan government for the export of gold and diamonds. In addition to former Vice-President Saitoti, other high government officials including a previous minister of finance are said to have been involved. The trial is now underway.

*3 Poverty Reduction and Growth Facility (PRGF)

The new name for the Enhanced Structural Adjustment Facility (ESAF) administered by the IMF, decided at the IMF-World Bank Annual Meetings in September 1999 in view of its increasing emphasis on the efforts of aid-receiving countries to reduce poverty.

(3) Relations with Principal International Organizations, Other Donor Countries, and Activities of NGOs

*4 Sector Program

An approach proposed by Japan in 1993 in order to provide assistance for manufacturing sectors through the Special Program of Assistance for Low-Income Debt-Distressed Countries in Sub-Saharan Africa (SPA), which had previously been centered on structural adjustment assistance. Aimed at overcoming problems such as the overlapping of assistance from donor countries, inefficient use of human and financial resources, and lack of coordination among aid-receiving countries' development plans, this approach consists of the formulation, mainly by the aid recipient, of development plans in each sector, detailed discussion of these plans by the donor country and aid recipient, followed by the provision of assistance based on the adjusted plan. Initially called the Sector Investment Program (SIP), this is now referred to as the Sector Program. With regard to coordination the above-mentioned DAC New Development Strategy, this approach is compatible with both the concepts of "ownership" - formulation of sector development plans by aid-receiving countries and cooperation between these countries and donor countries - and "partnership" - cooperation among donor countries and coordination of assistance procedures based upon this.

<3> JAPANESE AID POLICIES FOR KENYA

(2) Relationship with ODA Charter principles

*5 ODA Charter Principles

This is the most basic and important document in Japanese ODA policies, defining aid guidelines in light of past achievements, experiences, and lessons from ODA. It was adopted as cabinet resolution on June 30, 1992 as a means of providing a clear statement of Japanese ODA principles and rules. The document covers six areas: basic philosophy, principles, priorities, measures for effective implementation of ODA, measures to promote understanding and support at home and abroad, and ODA implementation systems. The "basic philosophy" for ODA are defined as: 1) humanitarian considerations, 2) recognition of interdependency, 3) self-help efforts, and 4) environmental conservation. The "principles" instruct aid administrators to "take into account comprehensively each recipient country's request, its socioeconomic conditions, and Japan's bilateral relations with the recipient country." They are also instructed to consider four areas: 1) balancing environment and development, 2) avoiding use for military purposes or for aggregation of international conflicts, 3) safeguards against diversion for military expenditure, development and production of weapons of mass destruction and missiles, and exports and imports of arms, 4) promotion of democratization, efforts to introduce the market-oriented economy, and guarantees of basic human rights and freedoms.

(3) Orientation for Japanese aid

*6 Examples of Japan's approach

In its aid policies for Kenya, Japan has not imposed specific conditions on the Kenyan government. Provided that the government indicates a basic stance to implement political and economic reforms through its own efforts, Japan has placed emphasis on the continuity of assistance rather than taking a short-sighted, inflexible approach that would negate the previous achievements.

Two examples showing the effectiveness of Japan's long-term, continuous aid for Kenya are the success of the project conducted jointly by Jomo Kenyatta University of Agriculture and Technology (JKUAT) and the Kenya Medical Research Institute (KEMRI) and the development of the transportation sector in the coastal region of eastern Kenya.

Jomo Kenyatta University of Agriculture and Technology has made a great contribution to Kenyan society, producing a total of 2,279 graduates (1,512 from the diploma course and 767 from the bachelor's degree course) from 1984 to 1999. JKUAT is an "open university" that accepts students not only from Kenya but also from neighboring countries. In the 1998 fiscal year, it conducted third-country training in three fields - applied food analysis, social forestry promotion training, and water pollution and water analysis techniques. Studies have confirmed that, after returning to their native countries, the trainees have imparted the skills and techniques they have learned through this training to their colleagues or fellow workers.

Through assistance provided over the past 20 years, KEMRI has become the leading medical research institute in Sub-Saharan Africa. The institute has played a vital part in diffusing the benefits of development projects and results of assistance. In addition to being the WHO-designated institute for research into polio and hepatitis in Africa, it has conducted joint research projects with research institutes from other countries, including advanced countries, and with researchers from international organizations. The results of research in each field are continuously disseminated through presentations and reports at seminars or conferences and in academic journals both in Kenya and overseas. A particularly noteworthy achievement of these cooperative projects is a reagent in the form of a test kit for the diagnosis of hepatitis B, which is now being used at hospitals throughout Kenya. These diffusion activities are expected to be extended not only in Kenya but also to neighboring countries.

The development of the transportation sector in the coastal region of eastern Kenya is being promoted both through ODA loans and grant aid for the development of an arterial road extending about 330 kilometers through the Tana River basin and the construction of four bridges (Sabaki Bridge, New Niyari Bridge, New Mutowapa Bridge, and Kilifi Bridge). The aim of this project is the economic development and rectification of the disparity with other regions of the regions where development has lagged behind (the coastal

and northeastern region) through the development of transportation infrastructure. In particular, the construction of the New Niyari Bridge and the New Mutowapa Bridge, which are located in the vicinity of Mombasa and crossed by an average of 17,916 vehicles and 2,684 vehicles respectively per day (1992 figures), the project has brought clear benefits to the region.

***7 Tokyo Agenda for Action (TICAD II)**

The agenda for action adopted at TICAD II in October 1998, officially known as "African Development for the 21st Century: Tokyo Agenda for Action." In order to promote the development of Africa for the 21st century, the agenda provides guidelines for the specific policies of African nations and their development partners. It was drawn up on the basis of discussions over a long period between leaders of African countries and their development partners concerning short-term emergency issues that need to be addressed to reduce poverty in Africa and to ensure that the African economy can become more involved in the rapidly globalizing world economy. The parties concerned have set specific goals in the following areas and agreed to implement them as priority policies.

(1) Social development: Education, health and population, measures to assist the poor; (2) Economic development: development of the private sector, industrial development, agricultural development, reduction of foreign debts; and (3) Preconditions for development: Good governance, prevention of conflicts and post-conflict development.

(5) Matters to note in aid implementation

***8 South-South cooperation**

Assistance provided by developing countries ("South") whose economic development is further advanced to other developing countries. Japan has promoted South-South cooperation on various occasions. In May 1998, the "emerging donor countries" (countries whose economic development has proceeded smoothly and which provide partial assistance for other developing countries while continuing to receive aid themselves) met at the South-South Cooperation Conference in Okinawa to discuss future measures and policies. At TICAD II hosted by Japan in October 1998, an agreement was reached to promote "Asia-Africa Cooperation" as one concrete aspect of South-South cooperation. In 1997, four million dollars was provided for the promotion of South-South cooperation through the UNDP.

***9 International anti-parasite measures**

At the Denver Summit in 1997, Japan pointed out the importance of anti-parasite measures and stressed the need for international cooperation for this purpose. At the Birmingham Summit in 1998, then Prime Minister Hashimoto proposed that, in order to effectively promote international anti-parasite measures, centers for training and research

activities be set up in Africa and Asia and an international network established to promote human resources development and the exchange of information. With the aim of setting up training centers, etc. for the promotion of South-South cooperation in Thailand, Kenya and Ghana, meetings are taking place between the representatives from the Japanese government (Ministry of Foreign Affairs, Ministry of Health and Welfare, and Ministry of Education), JICA, the Japanese Society of Parasitology and NGOs, etc., and cooperation with international organizations such as WHO is under consideration.