

# NETHERLANDS EMBASSY NAIROBI



STRATEGIC PLAN 2012 – 2015

for Kenya, Somalia, the Seychelles and UNEP

## **STRATEGIC PLAN 2012-2015**

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*The Multi-Annual Strategic Plan is a rolling document. The plan was presented by the Embassy in October 2011 and approved by the Ministry of Foreign Affairs in December 2011. During the appraisal process, the focus of the strategy was enhanced and additional clarifications were received from the Embassy. These were incorporated in the final version. In some cases plans will have to be further elaborated and considered before they can be implemented as part of the strategic plan. The new policy priorities will be further developed and operationalized in dialogue with government, civil society and development partners during the coming year.*

## 1. MANAGEMENT SUMMARY

This strategic multi-annual plan covers Dutch bilateral relations and interests with Kenya, Somalia, the Seychelles and with UNEP. It is based on an integrated approach to foreign policy.

### Kenya

Developments in Kenya are relevant for the Netherlands from three main perspectives: economic interests; peace, stability and security; migration and consular affairs.

Kenya's economy is the fifth largest in Sub Saharan Africa, and is the gateway to and main economy of the East African Community, a market of more than 120 million people. Many Dutch businesses have well established investments in Kenya or have strong trade relations with potential to grow. Economic diplomacy is therefore a vital component of the Embassy's work. Kenya hosts a large number of Dutch nationals who can expect quality consular services. Equally, increasing business ties have led to a growing number of visa applicants who may also expect high quality services. Reducing illegal migration to Europe and the Netherlands also remains a priority.

Although Kenya's economy has been growing steadily over the last 7 years, growth could have been higher and more could have been done to address extreme inequality (43% live on less than a dollar a day and half the population is food insecure). Redistribution systems are virtually absent.

The reason for this is that Kenya suffers from chronic problems with governance, including systemic corruption and impunity. Although some progress has been made since the end of the Moi era more than ten years ago, these problems have turned out to be persistent.

However, the new constitution adopted in 2010 is a major achievement and a good anchor for reform towards more democratic decision making, accountability, respect for human rights, gender equality and most importantly, an end to impunity for corruption and human rights violations. The coming years will be critical for its implementation, which faces many challenges. However, there is strong support in society for the new order the constitution is supposed to bring.

The process at the International Criminal Court (ICC) against six Kenyans, some of who are high level officials, suspected to have been behind the post-election violence of 2007/08 has already sent a strong signal that impunity is no longer assured, regardless the outcome of the process. Continued cooperation of the suspects and the Kenyan government with this process is vital. The ICC process has a lot of support in society, as it is rightly seen as a chance to end impunity. Kenyans have no faith in their country's own ability to bring change and are convinced that the international community has a crucial role to play.

The elections of 2012 already loom large and renewed political/ethnic violence is a real possibility, making planning beyond the elections difficult. It is unrealistic to expect that the elections will mean a clean break with the past. Although Kenyans have no faith in their politicians or their reform mindedness, there are as yet no credible alternatives on the horizon. However, public opinion, civil society and the business community will continue to pressurize politicians ever more effectively, using every opportunity the new constitution allows to procure more rights, improved governance and better public spending.

#### *Policy implications*

What does the above imply for Dutch policy? Especially since the post-election violence the Embassy has been actively supporting civil society and human rights organisations, as well as the business community, in order to help push rule of law and the reform agenda forward, and reduce inequality and poverty. The Embassy will continue to support reform. The new constitution creates even more 'centres of reform' as it envisages a clear 'trias politica' and devolved institutions with more accountability.

The Netherlands will align its programme with the Kenyan government's policy document Vision 2030 and the related Medium Term Plan (MTP). However, it will take quite some reforms until the governance situation in Kenya makes it possible to channel funds for development cooperation directly through the government. However, as reform progresses, the Embassy may support some independent semi-government institutions.

Dutch interest in the private sector has a strong focus on agriculture. Many Dutch agricultural entrepreneurs have moved their production facilities to Kenya since the 1980s, contributing to the

development of a vibrant export oriented horticulture industry, with a world class logistical infrastructure, directly and indirectly generating 300,000 jobs. Unfortunately, more traditional agriculture suffered from mismanagement and ineffective government policies, making Kenya a net importer of food. However, reforms in the last few years have created many opportunities for small Kenyan farmers to improve their livelihoods. For this reason, the Embassy will support a number of activities to further improve the business climate as well as labour intensive agro-food value chains with growth potential, aiming at substantial impact on employment for both men and women. For example, the multi-annual plan aims to support 100,000 potato and horticulture smallholders to help them benefit to a larger extent from domestic and regional markets by 2015, with a wider impact on employment opportunities. A substantial part of the Dutch programme will continue to be dedicated to the challenges the pastoralist communities in Kenya face to maintain or build their livelihoods.

Over the coming years, the present bilateral programme will develop into a broader bilateral relation with Kenya with a focus on mutual economic cooperation to the benefit of both economies, making use of Dutch knowledge and entrepreneurship. The Embassy will invest heavily in assistance to Dutch businesses. The added value of Dutch expertise and position in Kenya will be further developed within the three thematic areas.

Kenya faces a water crisis. As a result of poor management, rapid and uncontrolled agricultural development, urbanisation and deforestation, water resources are rapidly depleting and threatened by pollution, undermining Kenya's long term growth perspectives. Not only the population and agriculture need water, but sectors such as energy, livestock, manufacturing, environment and tourism, are directly dependent on the availability of good quality water. Dutch expertise in water and environmental resources management and water treatment can play an important role in helping Kenya solve these problems. The Embassy will support the creation of improved water resources management in catchments with great economic and ecosystem importance, as well as in arid and semi-arid lands (ASAL). By 2015 more than 1.2 million people will have obtained access to safe drinking water and more than 800,000 Kenyans will have gained access to acceptable sanitation. At least two water utilities will have improved their operations as a result of support by Dutch utilities. By 2015 Dutch water expertise (private sector, NGOs and knowledge institutes) will be actively involved in addressing Kenya's water issues.

Sexual reproductive health is a serious problem in Kenya, where 30% of maternity deaths are caused by illegal abortion. The new constitution offers a legal framework to constructively work to end this undesirable practice. On sexual and reproductive health very few organisations are active. Adolescent sexual health does not get proper attention, resulting in many early pregnancies, STDs, stigma and sexual violence. There is also a substantial and unmet need for family planning methods and FGM is still widespread. In view of the required focus, however, the Embassy will not be able to take on another theme. Where feasible, activities will be integrated into programmes under the three thematic programmes.

In order to realize its policy goals, the Embassy will have to forge alliances with like-minded countries and actively engage with Dutch NGOs and businesses. Especially in food security and water, Dutch businesses and knowledge institutes can contribute to addressing some of the challenges Kenya is facing.

The Netherlands attaches great importance to strengthened EU coordination in partner countries. The Netherlands programme will be aligned to a joint EU presence in Kenya. Progress in the field will be discussed during the mid-term review of the MASP in 2013.

The bilateral programme implemented by the Embassy makes up only a limited share of total Dutch Official Development Assistance (ODA) to Kenya. Dutch (Government) institutions and NGO's manage other programmes such as Private Sector Investment (PSI), *Ontwikkelingsrelevante Infrastructuur Ontwikkeling* (ORIO), Netherlands Initiative for Capacity building in Higher Education (NICHE), humanitarian aid, Stability Fund, etc. In total around € 60 million yearly of Dutch Development Funding is invested in Kenya on top of the bilateral development cooperation programme.

Kenya is affected by the conflict in Somalia that results in large numbers of refugees, illegal migration, terrorism, insecurity and piracy.

## **Somalia**

The instability in Somalia not only affects Kenya, but has regional and global ramifications as well. The on-going conflict in the South of Somalia combined with extended droughts has led to the largest humanitarian crisis of our time. Piracy affects regional and international trade, causes human suffering to the hostages and also leads to higher prices for basic goods for consumers in the region as well as in Europe. It also affects the stability and social fabric in relatively stable areas like Puntland with the huge ransoms being paid. Somalia is a breeding ground for terrorism, illegal trade in arms, drugs and human trafficking. The Netherlands government actively supports efforts within the framework of the EU and the UN to solve these issues. On 16 September 2011, the Netherlands government laid out its intentions for the coming years in a letter to parliament, which is also the basis for our efforts in the coming years. In addition to our funding for humanitarian aid, our participation in the naval operation off the coast of Somalia, and our support for the prosecution and detention of pirates, the Netherlands Government will also support further initiatives to help stabilization, strengthen the rule of law and help Somalis to build more sustainable livelihoods and increase their resilience in the face of recurring droughts where the security situation allows.

## **Seychelles**

In addition to consular services, cooperation with the Government of the Seychelles (pre-trial detention and trials) is important in the fight against piracy.

## **UNEP**

UNEP is the central normative organisation in the global environmental architecture. It oversees the implementation of various environmental agreements, which also impact the Netherlands economy and environment. UNEP is one of the main actors in preparation of the Rio+20 conference, where decisions will be taken which will affect global environmental and economic policy. The main objective for the Embassy is therefore to ensure that concerns and interests of various stakeholders in the Netherlands, including the Ministry of Infrastructure and Environment and the Ministry of Economic Affairs, Agriculture and Innovation are well represented in this arena.

## **2. RETROSPECTIVE VIEW**

### **Kenya**

Developments in Kenya since 2009 have been shaped by the aftermath of the 2007/08 post-election violence. The national accord concluded in 2008 between the two opposing parties led to a shaky coalition having to implement a far reaching reform agenda many in the coalition did not really believe in. As a consequence of these developments the Embassy has had to adapt its strategy, of which this strategic plan is a continuation. The outcomes of the adapted strategy can be summarized as follows:

#### *A transparent and fair referendum*

The Embassy supported the Interim Independent Electoral Commission enabling it to organize the referendum on the Constitution in a transparent and credible manner. The confidence of the population in electoral processes was at an all-time low after the botched 2007 elections. It is a good indicator of success that the results of the referendum went undisputed.

#### *Adoption of a new Constitution*

The Netherlands was one of the main contributors to the 'Committee of Experts' that drafted the Constitution. The draft was received positively by many. The Embassy supported numerous organizations that lobbied for positive amendments and contributed to securing the integrity of the drafting. During the run-up to the referendum, civil society, supported by the Embassy, played an active role in civic education.

#### *Prevention of violence*

Civil society organisations supported by the Embassy played a positive role in dampening threats of violence in the run up to the referendum by organizing meetings and committees at local level. On the initiative of the Embassy during the Donor Partnership Forum meeting of June 2010, the government was urged to take security measures in the areas at risk of violence.

#### *Challenges remain in the fight against corruption*

Progress in the fight against corruption did not meet expectations. Although scandals are uncovered regularly, perpetrators are still ensured impunity. Some preliminary actions have been taken to improve Public Financial Management but not yet enough to have any real impact. Government funds are still a major source for many politicians and civil servants to buy allegiance or for self-enrichment. Public pressure, led by the business community and civil society remains high, which has at least led to more public funds actually being used for investments in infrastructure or services to the public, but it is still only a fraction of the substantial government budget which is actually used for this.

#### *(Regional) stability and security*

Kenya's internal security has improved substantially since the end of the post-election violence. Before the 2010 referendum, concerted efforts led to a reduction of tensions so that a free and fair referendum could take place. However, the main underlying factors that led to the post-election violence in Kenya have not been addressed, raising fears that another eruption of violence around the next general elections is possible. Public awareness that the violence was instigated by political interests has made mass mobilisation probably more difficult, but impunity remains a big problem. According to political analysts and civil society organisations in Kenya, the ICC process can play an important role in ending impunity and might help to prevent further violence in 2012.

Substantial reforms in the security sector continued to be elusive but the police forces have slightly changed their behaviour. A recent poll showed for example that Kenyans perceive there is less police harassment. Overhaul of the security sector remains critical. The new constitutional framework offers a good opportunity. However, the security sector is strongly influenced by political, ethnic and criminal networks that have no interest in reform. There is an undiminished need to focus our efforts on promoting security sector reforms by strengthening the demand side.

The security situation in the region has not changed for the better. The Somali conflict continued unabated and because of the violence there was a renewed huge inflow of refugees into Kenya in 2011, compounded by the effects of a severe drought. Until 2010 Kenya played a more or less neutral role, making it a safe haven for all Somali parties to meet. Kenya has started to shed its neutral role in response to increased domestic pressure to deal with the large number of Somali refugees. Low level conflict with Ethiopia between communities along the border continued to erupt regularly with increased intensity in 2011. Kenya keenly anticipated the independence of South Sudan and has developed close ties with the South Sudanese government hoping to further benefit economically.

However, stability in South Sudan will be fragile given the internal tensions and the role the North will continue to play to exploit these divisions.

#### *An improved business climate but problems with food security remain*

The economy grew by 5.3 % in 2010, picking up from a slump following post-election violence in 2007/08. The government has started many infrastructure projects and investment levels in the economy were high. Despite these positive developments, Kenya again fell in the Doing Business ratings of the World Bank. However it is clear that the local and international business community's perception is not always in line with a rational assessment of the business climate.

Kenya still has serious problems with food security due to distorted markets mainly because of distorting regulations and political interference; but also because of environmental mismanagement and land use problems. The agricultural sector still suffers from over-regulation or political interference (with the notable exception of the export oriented horticulture sector) although reforms in recent years have created new opportunities to revive certain sectors, such as the dairy sector.

The activities funded by the Netherlands have had a positive impact on some key aspects of the business climate. For example, the registration procedures for new businesses have been simplified through our support for a joint World Bank IFC programme. Other regulatory changes we supported have had a positive impact on large private sector energy investments. A programme the Embassy funded that helped to set up an electronic certification system is bringing cost savings to exporters of flowers and vegetables.

#### *Economic Diplomacy*

More than 150 Dutch businesses are active in Kenya of which many have local representation. The Embassy has provided support to many of them in getting the right government contacts or when they are confronted with issues which affect the level playing field. For example, the Embassy lobbied for changes in the tax regime so that private (Dutch) water producers can develop a sustainable business model to provide cheap household drinking water. Originally bottled drinking water fell under the same tax regime as soft drinks making it prohibitively expensive for most consumers. Another example of our economic diplomacy is our lobby for another change in the tax regime which makes it possible to locally produce solar panels and related products. Originally the components fell under the same tax regime as the end product, making it difficult for local producers to compete with importers of the finished product. This led to the establishment of the first (Dutch) producer of solar panels in East Africa.

#### *Access to water for 433.000 people and sanitation for 480.000*

The mid-term review of the UNICEF programme held mid 2011 showed that it managed to deliver clean water to 433.000 people and acceptable sanitation to 480.000. Results were lower than expected, caused by the post-election violence in 2008 and the drought in 2008-2009.

#### *Improved environmental management at local levels, with remaining serious challenges*

The 2008/9 drought made clear that depletion of the forest cover in the main water catchment areas of Kenya was starting to impact significantly on the availability of water resources in the country, not just for human consumption, but also for (agro) business.

The Embassy financed environmental programmes in the Arid and Semi-Arid areas targeting two dry landscapes, with substantial results: recent droughts have not caused serious problems in these areas as communities and businesses have set up conflict management mechanisms and have made investments which reduced the likelihood of conflict. The programmes have also been successful in building livelihoods alternative to traditional ones by improving livestock practices and setting up community owned but commercially run tourism facilities and many other businesses. It has become a model for public private management of resources.

#### *Harmonisation and alignment*

Since the post-election violence of 2007/08, the international community has been actively engaged in helping Kenya to return to peace and stability and to move the reform agenda forward. Donors provide only a very small part of the government's development financing. The Government of Kenya almost entirely relies on its own efficient tax collection. As a result, the government does not consider harmonisation a priority.

#### *Work load related to centrally funded activities and the Civil Society Co-financing Programme (MFS)*

The bilateral programme implemented by the Embassy makes up only a small share of total Dutch ODA to Kenya. Other programmes such as PSI, ORET/ORIO, NICHE, MFS, humanitarian aid and the Stability Fund are run by (government) institutions from The Hague or by non-governmental

organizations. In total around €60 million a year of Dutch Development Funding is spent outside the country strategy. The activities of other actors supported through Dutch ODA are not always linked to the MASP and do not always correspond with the division of labour set out in the Kenya Joint Assistance Strategy. Embassy staff spends a substantial amount of time assisting agencies involved in these programmes to solve problems with regard to access or legislation or providing substantial inputs. The Embassy also monitors these activities.

### **3. COUNTRY ANALYSIS**

#### ***Kenya***

This analysis builds on the embassy's previous country strategy and experience as well as that of other donors such as the UN, WB, EU, DFID, and SIDA.

#### *Poverty and inequality*

Inequality has many faces in Kenya: inequality in terms of income, of geographic location and of gender. The population stands at around 40 million and grows with 1 million people annually. Some 70% of Kenyans are under the age of 30 and 42% under age 14, making policies targeting children, youth and young adults critical to the country's development. At over 4% per year, Kenya's urbanization rate is among the world's highest. By 2030 the majority of Kenyans will live in urban areas. Already about half of all urban residents live in slums, in insecure and overcrowded conditions that fuel crime and political unrest. Poverty and inequality lead to discontent and frustration. Kenya's Vision 2030 and the MTP recognize these underlying causes of the 2008 crisis and contain measures to stimulate pro poor growth and to accelerate social policy measures.

Kenya is on track to achieve some of the Millennium Development Goals (MDGs), but lags far behind on others. According to the Minister of Planning, Kenya is on track to achieve MDG's 2 and 6: universal primary education and HIV/AIDS, malaria and other diseases. Others prove to be more difficult.

#### *Good governance, stability and conflict*

The crisis of 2007/8 showed that Kenya is more fragile than was generally thought and its reputation as a stable country in a region with high conflict potential is no longer a given. More post-election violence was averted by a political accord brokered by Kofi Annan in 2008, creating the basis for reform policies since. Stability is of great importance to Kenya's future and that of the region. A repetition of violence would set the economy back for many years. Kenya today continues to show signs of fragility. Security, stability, and the rule of law are challenged by weak institutions with often unaccountable and corrupt leadership, a strong executive with often strong personal rule and ethnic agendas, and an entrenched culture of impunity.

The potential for conflict in Kenya is strongly related to access to scarce resources, mainly water and land. Historically created inequality in access to resources between ethnic communities has been politically exploited and fuelled the violence of 2007-2008, further compounded by the proliferation of small arms, including from war-torn Somalia. The basic elements for potential violence are still in place, and therefore a comprehensive approach to security including the fight against impunity, democratic governance, water management and food security is important. If impunity persists the restraint on renewed violence will be minimal.

#### *Impunity and justice for post-election violence*

Impunity is a key problem in Kenyan governance. Especially politically motivated crimes and corruption generally go unpunished, keeping the incentive for committing crimes high while deterrents are minimal. There is a vicious cycle of crime with impunity that needs breaking. One important example is the lack of justice for the crimes committed after the 2007 elections. An important element in the fight against impunity and reforms in general is justice for these crimes. An important step forwards was the summons of 6 Kenyans to appear before the ICC to answer for crimes against humanity. As several of the accused are high-level politicians, the ICC case has had great impact on the political landscape. It is crucial that eventually perpetrators other than the 6 are also prosecuted in a credible and effective way, but many obstacles remain due to political

self-interest and weak capacity and credibility of local institutions. The ICC is currently the only road to at least partial justice for the 2007/8 violence.

#### *Implementation of the new Constitution: chances for reform*

A land-mark achievement for reform was the adoption of a new constitution in 2010. If fully implemented, the Constitution offers an opportunity for considerably improving governance in Kenya. So far, the implementation of the Constitution has shown a mixed picture. There have been considerable delays in key bills and appointments. The combination of a strong reform oriented constitution in its early implementation and strong anti-reformist political establishment make for unpredictable dynamics.

Civil society is active in promoting that the Constitution is implemented by letter and spirit, and making interventions when necessary and possible. We see that strong offices and reform oriented individuals can make a crucial difference in the progress Kenya makes in terms of reforms. Some constitutional commissions have shown a good track record, others have been less convincing in the execution of their mandates.

#### *2012 Elections*

The elections scheduled for either August or December 2012 will be defining the direction Kenya takes for the future. The potential for violent political conflict is still present and the need for free, fair, credible, and peaceful elections is of immense importance for the stability and future of Kenya and for its ability to implement progressive reforms.

Democratic rule is undermined from the grass roots: political parties have not generally incorporated the basic principles of democracy and political parties often organise themselves around one or two big ethnic communities. Voters are often open to sell their vote, and to the instructions from the elders of their ethnic community. Smaller communities are marginalised and lack a significant role in national politics. Women lack proportionate representation in the political process for many reasons including cultural prejudices and disproportionate lack of access to education.

#### *Corruption*

In Kenya's history, political power has been used to redistribute the country's resources along ethnic lines and to benefit allies. The road to power has generally required sizable financial 'investment' and mobilisation of ethnic communities. With the large amounts of money involved in politics, it is hard to compete on the basis of good policies alone. Both grand and petty corruption are pervasive parts of Kenyan governance. A large number of major corruption cases were investigated, but rarely high profile corruption cases are seen to their conclusion. Impunity for economic crimes reigns and is a major obstacle for the development of Kenya and for democratic governance.

#### *Non-state actors, business community and media*

Civil society is relatively strong and vibrant and there have been examples of good coordination towards the constitution and the fight against impunity. Civil society needs to grow stronger, especially in the marginalized areas. This will become increasingly important with devolution.

The business community has become increasingly vocal on reform issues although many businesses have also had links to the political order and have benefited from the culture of impunity. However, businesses require a stable business environment to do investments so they are increasingly involved in the whole reform agenda of the government.

Kenya has an expansive and fairly free print and electronic media that capture and disseminate a diversity of opinions and are free from overt censorship. However, the country's political elite has been buying into print and electronic media. Access to information has seen restrictions and how the new constitutional rights will be implemented remains to be seen. New media are expanding mainly among youth. Some politicians are using new social media to rally support. New media can leverage the challenges of traditional media, but also come with their own challenges including use as a platform for hate speech and the difficulty of policing them.

#### *Human rights situation*

Although the new constitution includes a strong bill of rights, the reality is that human rights violations still occur regularly. While politically motivated human rights violations have diminished

since 2003, newer serious abuses persist, many at the hands of the police but also by non-state actors. Terror suspects have been dealt with in disregard of local and international laws and conventions and human rights defenders continue to come under attack. Public gatherings are still restricted and sometimes violently disrupted. The Kenya National Commission on Human Rights, a constitutional public body, has played a significant role in highlighting State-led violation since its establishment in 2003. Also, laws have been passed offering protection to children, women and the disabled. However, violence and discrimination against women remain rife, while the abuse of children is still a serious problem. Extrajudicial killings, mainly by the police, remain a problem and the UN Special Rapporteur on Extrajudicial Killings Philip Alston has made a number of important recommendations to Kenya.

Despite set-backs Kenyan human rights defenders continue to play a critical role, highlighting violations and tabling proposals for change. But since 2008 many came under serious threat and had to be assisted by the international community. Norway, the Netherlands, Sweden and Finland were particularly active in this field and plan to remain so.

#### *Women's rights and Sexual and Reproductive Health*

On issues related to women's rights progress is being made. The new constitution provides stronger rights for women with regard to inheritance, political representation and maternal health, including provisions which will enable health professionals to end the practice of unsafe illegal abortion, which leads to high maternal death rates.

Sexual reproductive health is a serious problem in Kenya. 30% of maternity deaths are caused by illegal abortion. The new constitution offers a legal framework to constructively work to end this undesirable practice. On sexual and reproductive health very few organisations are active. Adolescent sexual health does not get proper attention, resulting in many early pregnancies, Sexually Transmitted Disease (STD's), stigma and sexual violence. There is also a substantial unmet need for family planning methods and Female Genital Mutilation (FGM) is still widespread.

#### *Macroeconomics and the business climate*

Macroeconomic management has been good over the last decade, and government deregulation in many sectors of the economy has fuelled growth. However, Kenya will have to navigate through an economic and financial storm in 2011-2012: inflation has already gone up from 5% to 15% in August 2011 and interest rates have risen to 25%. The Shilling has lost a lot of ground mid 2011 in the face of rising food and fuel prices. A severe drought has put further stress on food prices. Political uncertainty linked to the ICC's investigation and the prospect of the 2012 elections, also adds to economic volatility.

Investment is up substantially, and new roads, power projects, ICT infrastructure, and sea and airport expansions have begun. The Entrepreneurial Development Bank (FMO) has invested over the past few years in energy projects and in the financial sector. Kenya has vibrant financial and telecoms sectors from which many innovative products have emerged, such as the MPESA mobile money transfer (and savings) system, which have given most Kenyans access to (still limited) financial services.

Kenya has improved the business climate considerably, in particular the deregulation of business licenses, leading to lower transaction costs and more competition. Still, there are many factors holding back growth that Kenya needs to tackle in the short and medium term: enhancing political stability, reducing corruption and impunity, and improving legal certainty for business. It requires now also closer link to agro food development, including access to financial services. Unnecessary licenses and technical barriers in some agro food value chains require more transparency and further deregulation. The new County system might set up systems for resource mobilization that could be a hindrance to the local business community. Key Kenyan economic institutions need to become more transparent, address corruption and become more accountable. The new Land Policy and new Constitution offer hope for improved land tenure, but this is politically sensitive.

The new EAC Common Market protocol challenges Kenya to adapt further the laws/regulations and integrate agro food markets in the region. The East African Community is a fast growing market of over 120 million people. Exploitation of oil deposits in Uganda and (South) Sudan will also spur investments in Kenya. Growth in the region has led to an increase in service related and manufacturing industries headquartered in Nairobi.

### *Food security and agriculture*

By the third quarter of 2011 many areas in Kenya were in the crisis or emergency phases of food insecurity, not catastrophic. About 50% of Kenyans is food insecure, a number that amounts to 16-20 million people. Half of them are pastoralists living in the arid and semi-arid lands (ASALs). The other half lives in urban areas or in the more fertile highland zones. Prospects for agro food production (in particular horticulture, potato, dairy and fish farming) and finding employment are much better in these zones than in the ASALs.

The current food crisis is man-made, caused by political marginalisation and bad governance, fuelled by conflicts over natural resources which have been allowed to fester over decades. Food prices are extra high due to continuous government interference in favour of urban consumers thereby undermining production and functioning of grain markets from excess to scarcity areas. Food prices are also high due to increasing prices of grains and oil on the world market. The Government of Kenya has failed to invest in building the resilience capacity of the poor and disaster management systems. Various donors have enhanced humanitarian assistance and have been active for many years in large long-term food security programs. However, there is also evidence that external programmes rarely are effective in the marginal lands and may even discourage the development of local initiatives.

In 2011 Kenya is only producing 50% of the national demand for grains. Stimulating farmers to grow more grains in times of heavy government interference will not be easy as the returns per unit of land/labour are structurally lower for cereals/pulses than for other food crops, such as potatoes, vegetables, fruits, dairy and fish. Kenya's emerging smallholders and agribusiness have good windows of opportunities through the diversification in agro food value chains: e.g. broadening the types of crops, adding value through processing and differentiating markets for its growing population and region (East African Community, South Sudan, North Africa and the Middle East). Dutch businesses and know-how are well placed to support this development.

Technical services and finance are increasingly available for agribusiness, but smallholders face access constraints. The liquidity in the banking system is sufficient, but access could be improved through a portfolio guarantee system and development of agro-financing. FMO and Triodos have participations in local banks and Rabobank is exploring options to support access to finance for dairy farmers. The agro food value chains can provide many jobs for migrants in search of "greener pastures" and income. Dutch companies<sup>1</sup> and know-how have added value in the diversification process. Public funds could match the private funds of agribusiness with a view to broker deals and build jobs.

### *Water and Environment*

Kenya is a water-scarce country, arising in part from poor soil surface and water catchment management, deteriorating water management infrastructure and inadequate regulation and policing of water abstraction from streams and rivers. Preservation successes in Kenya have been closely linked to communities' direct involvement in the management of the natural resources they rely on for their livelihoods. These successes have yet to be fully applied to Kenya's high potential areas, like Lake Naivasha.

The performance of the water sector has a direct effect on the Kenyan economy. Agriculture, energy, livestock, manufacturing, environment and tourism are directly dependent on a reliable and adequate supply of good quality water (water security)<sup>2</sup>. Massive investment in water resources management is needed to ensure that the rapidly growing population will get sustainable access to water. As a consequence of the reforms in the sector, investments have increased significantly. The increase is mainly directed towards urban water supply and sanitation. For Water Resources Management and rural water supply and sanitation, investments by government and donors have remained modest, despite the clear needs. The institutional reform process to implement the Water Act 2002 has been slower in these subsectors. Despite the

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<sup>1</sup> Dutch private investment in horticulture (flowers) has led to the emergence of a large competitive horticultural industry, which contributes to over 14% of GDP. It provides direct or indirect employment to some 300,000 Kenyans, 80% of them women. Around 40% of flowers arriving at the auction in the Netherlands are from Kenya.

<sup>2</sup> World Bank (2004). Kenya: towards a water-secure Kenya: water resources sector memorandum. Washington D.C., USA, World Bank

increase in investments over the past decades, still over 50% of Kenyans lacks access to safe water and acceptable sanitation. This is the case both in rural as well as in urban areas. Water utilities are generally underperforming as a result of poor management and because utilities do not operate in a commercial manner.

The current understanding of climate change impact in Kenya is that higher temperatures will become prevalent and rainfall will be more variable. More precipitation in shorter periods of time will increase the likelihood of floods, while longer dry seasons will increase the likelihood of droughts, which will likely be worse than experienced to date. However, the intensity of climate change impact will vary across the country.

The lack of water storage (including subsurface storage) is a serious constraint. Catchment degradation, erosion, deforestation and urbanization further decrease available water storage and lead to increased runoff and erosion and reduced dry season river flow. The lack of storage capacity for water implies that Kenya is vulnerable to the effects of increased rainfall variability caused by climate change. This has negative effects on the food security outlook for the future.

We see a clear added value for the Netherlands in this sector, with opportunities for the Dutch private sector to benefit from the increasing investments in urban water and sanitation and the Dutch expertise in water resources management.

### *Complex regional environment*

Kenya faces several international security challenges. The northern neighbours have a history of war and civil strife, resulting in a direct security threat to Kenya and producing large numbers of refugees and illegal migrants. In October 2011 Kenya launched a military operation in Somalia in order to drive out Al-Shabab. It is unknown how long Kenyan troops will remain in Somalia. Kenya is traditionally a force for regional peace and stability and was actively involved in brokering peace accords in Sudan and Somalia, but the 2008 crisis reduced Kenya's credibility as a mediator. Challenges include illegal migration, terrorism and cross-border crime, including illegal arms trade and piracy. Illegal migration and human trafficking are major problems, compounded by Kenya's role as major international travel hub. Falsified identity and travel documents can be obtained easily. Kenya is vulnerable to crime syndicates and infiltration of those with terrorist links.

### *Binding constraints for growth and poverty reduction*

From the above it is clear Kenya faces many constraints but also has a lot of enabling factors it can build on. In this paragraph the most important are summarised. Solving the problems Kenya is facing requires a long term perspective. Foremost the programme on Security and Rule of Law aims to address the root causes of the persistent problems faced by Kenya but the other two programmes (food security and water) also fully take these constraints into account.

### *Constraints:*

- Impunity persistent especially regarding political crimes and corruption;
- Politics driven by private financial gain;
- Patronage politics along ethnic lines;
- Deep-rooted inequality and poverty;
- Grand corruption at the heart of the Kenyan political system, petty corruption widespread;
- Many decades of underinvestment in roads, rail, sea, airports, energy, power
- Drought prone areas;
- Regional instability (piracy, Somalia conflict).

### *Enabling factors for growth and poverty reduction:*

On the positive side there are several factors which enable growth and poverty reduction, such as

- Well developed and diverse private sector; reasonable business climate;
- Broad based economy (financial and other services; tourism, manufacturing, strong export oriented agricultural sector);
- Developing highly educated middle class, high literacy rates in general;
- Regional integration moving forward, East African economies growing fast;
- Oil in South Sudan and Uganda;
- Public opinion strongly in favour of reforms, a clear reform agenda in the new constitution;
- Vocal media and civil society.

## **4. OBJECTIVES, RESULTS, ACTIVITIES AND RISKS**

### **Kenya**

It cannot be overemphasised that for economic growth in Kenya, social change, poverty reduction as well as peace and stability, progress on governance issues is key. This follows clearly from the country analysis.

We have identified three areas where the Netherlands has added value: 1. Security and the rule of law, 2. Private sector development and food security, 3. Sustainable access to water.

In all these areas governance issues are at the heart of the problems. From this follows that the activities undertaken under spearhead 'security and the rule of law', are vital for achieving results in the two other areas of intervention.

Tackling the governance issues is not just in the interest of Kenyans themselves. Unlocking Kenya's potential for growth on agricultural food commodities and the protection of its environmental resources is also important from the perspective of the preservation of essential public goods. The Netherlands has a direct interest in the stability and economic growth of Kenya, be it from the perspective of migration issues, anti-terrorism, piracy, the safeguarding and growth of Dutch investments in the region. The realisation of these objectives also depends on the realization of essential reforms in the way Kenya is governed.

#### **1. Security and Rule of Law**

The curbing of impunity is an essential element to ensure progress on many issues, as it will hold politicians accountable for actions such as inciting ethnic violence, human rights violations, and corruption, disregarding the needs of the poor or the business community or squandering of natural resources. It is a prerequisite for a more stable Kenya with lower likelihood of renewed internal conflict.

Justice for the victims of the PEV through accountability for perpetrators at the ICC and eventually through other mechanisms should help to reduce the likelihood of repeated political violence. The fight against corruption is another important element in breaking the vicious cycle of impunity. Accountability will remain a focal area for the Embassy.

The new constitution offers a lot of opportunity for progressive reforms towards more democratic governance and respect for human rights. It lays out a broad range of civil rights, it includes clear requirements for gender equality, it lays the foundations for police reform, etc. The challenge is now to implement the constitution to letter and spirit. There are many threats to the implementation of the constitution coming from parts of the elite with vested interests for which control and perpetuation of impunity are considered important.

It is essential that reform oriented institutions and individuals are identified and supported. Civil society is in a position to provide invaluable input into the process of implementation of the constitution and involving people at the grass root level. Constitutional commissions also have great influence on how the constitution will be implemented. Institutions with strong mandates, transparently appointed officers and dedicated individuals in charge may have real impact on reforms.

Both civil society and strong constitutional commissions are strategic partners for the Embassy. The new constitution also opens up opportunities for improved maternal health. The Embassy chooses not to take up the theme of sexual and reproductive health as a separate theme but will integrate activities into programmes under the three thematic programmes where feasible.

Support to free, fair and peaceful elections is crucial to achieve peace and stability in the longer term. The quality of the new elections related laws and the newly appointed elections commission will have decisive impact on the level of freedom and fairness around the elections, the credibility of the electoral process, and the likelihood of renewed political violence.

Breaking the cycle of impunity before the elections will also have important impact on the electoral process and risk of violence. Elections that are perceived to be free and fair and that are accepted by large parts of the population would be a major achievement in itself, and it would also lay the basis for a more stable and democratic society.

## *Outcomes and outputs*

*Outcome 1: The cycle of impunity is broken and authorities are (held) more accountable to PEV, grand and petty corruption and human rights violations*

For justice for the PEV the role of victims is crucial. The Embassy will support better participation of victims in the ICC and domestic processes towards justice for PEV, and also better integration into society. Civil society needs support so it can continue to play a crucial role in engaging with victims, and also advocacy to engage larger parts of the population in the ICC process and eventually local justice mechanisms. Civil society also plays an unrelenting role to keep concerns about accountability for economic crimes and human rights abuse on the agenda and to take relevant action. Ultimately, this should culminate in prosecutions and convictions both for PEV and for grand and petty corruption. The Embassy will support civil society in reaching these goals.

*Outcome 2: The new constitution is fully institutionalised and implemented in letter and spirit*

The constructive role civil society has played in the shaping and effective implementation of the constitution needs to be continued with support from the Embassy. Continued and increased involvement of citizens in the reform process demanding better governance, equal opportunities, respect for human rights will need Kenyan citizens better aware of their rights and responsibilities. Civic education and engagement programmes remain highly relevant, but also better reporting by the media will contribute strongly to better informed citizens and demand accountability in their own right. The Embassy will support programmes to this effect. Strong and pro-active constitutional commissions will also be considered for support, bringing a good balance of supporting formal institutions on the one hand and also the countervailing forces on the other. One specific area of intervention is police reform. It is key because the police are responsible for many gross violations of human rights and for enforcing respect for human rights by others. The institution does not have a good track record for reform, but new laws are now in place offering good opportunities. The Embassy will support the reform process through the demand side. The Embassy will also support the protection of Human Rights Defenders.

*Outcome 3: Free, fair, and peaceful electoral process observed and respected*

Specific outputs to achieve this outcome are enforcement of the (new) election related laws, well organized elections with solid long term monitoring, the overall outcomes of the elections are accepted by the population, the elections overall are perceived to have been conducted free and fairly, no large scale political violence will occur before, during, or after elections, challenges to the election process or outcomes are processed in a regulated and peaceful manner. The Independent Electoral and Boundaries Commission (IEBC) will be crucial to achieve the outputs, and if the Commission proves to be transparently appointed and dedicated individuals show proactive approaches, the Embassy will support the work of the Commission. Furthermore, support will be provided to civil society initiatives working on long term observation, media coverage on governance issues, and civil education and engagement programmes.

In order to implement this programme on security and Rule of Law, the Embassy aims to work as much as possible with multi donor coordinated basket funds and an umbrella contract to channel support to constitutional commissions and selected individual contracts that cannot be accommodated in the basket funds.

## **2. Private sector development (PSD) and food security**

The Dutch thematic focus has been chosen in response to the food security challenges Kenya faces, keeping in mind the added value of Dutch involvement.

We aim at the following five country outputs:

1. Higher production and incomes for agribusinesses in four agro-food value chains;
2. Expanded financial inclusion of small market oriented farmers;
3. Improved business climate in Kenya and better regional market integration;
4. Expanded Dutch trade and investments in Kenya, in a broad range of sectors;
5. Improved livelihoods in the ASALs (cross cutting with other spearheads).

The following Dutch results will be pursued per country output:

*Higher production and incomes for agribusinesses in four agro-food value chains.*

Specific results: Four value chains have been initially selected due to their potential for change, Dutch business interests and trade/investment leads that can be leveraged. By 2015, more than a 100,000 potato growers will be linked to retailers (e.g. supermarkets and fast food) in Kenya and in the region, thereby benefiting from fast track importation of seed potatoes and commercial multiplication. About 5000 horticulture smallholders will be sustainably linked through chain managers to domestic and regional retail markets. The Embassy will partner with DfID in support of the Market Assistance Programme, which addresses market failures in a few value chains (including dairy and fish farming) and subsequent scaling of business developments. Five innovative agro processing plants will be facilitated (PSI impact).

*Expanded financial inclusion of small market oriented farmers.*

Specific results: By 2015, an estimated 150,000 smallholders will be financially included, thereby accelerating agro-food investments and business operations. The Embassy will initially join the Financial Sector Deepening Programme, which also works on weather-index and price risk management systems, thereby building up a network of actors. Experiences will feed into initiatives of the Ministry in The Hague regarding the strengthening of insurance systems. Furthermore, the Rabobank will explore possible capacity building and investment opportunities. Preliminary results indicate the potential to set up a portfolio credit guarantee system for agro-financing (to access the available liquidity in the banking system) and to build capacities in banks and the demanding business community.

*Improved business climate in Kenya and better regional market integration.*

Specific results: By 2015, Kenya will have moved up on the Doing Business ranking list. Mainly due to the implementation of the provisions of the new constitution, but continued investment in energy and other infrastructure and specific business reforms will add to this result as well. There will also be more competition at the local government level to improve the business climate through the 'subnational Doing Business reports' work we support. There will be a sustained Kenyan drive for deregulation of (agro) business licenses and building of simplified regulatory systems at subnational levels.

There will be freer movement of goods and services in the EAC. Stakeholders in the Naivasha area will be actively involved in conflict moderation and sustainable economic development through a cluster approach (see water spearhead); such a model could be relevant for other areas as well. Three training colleges for dairy/horticulture will be strengthened (through Niche). A higher education institution with an "Agribusiness Outlook" will provide training and technical assistance in the region with the help of a Dutch higher education institute.

*Livelihoods strengthened in ASAL areas (cross cutting spearheads)*

Specific results: by 2015, selected pastoral communities in ASAL areas (linked to on-going environment Programmes just South of the ASAL areas supported by the Netherlands) will benefit from sustainable rangeland management, thereby mitigating the effects of natural disasters and improving livelihoods. Through the regular (including high-level) donor-country consultations with the Government of Kenya the Embassy will lobby for the 'devolution' of resources from the central to the County budgets that benefits the politically-marginalized arid and semi-arid lands (ASALs). The Embassy will also lobby for the establishment of an operational disaster management system. Moreover, policy advocacy will address the need for less interference in the grain market, thereby stimulating the flow of goods from excess to deficit areas. The Lake Turkana Wind power project supported by the Dutch private sector and development banks will open up a large part of Northern Kenya for trade and tourism and will bring down the cost of living in the areas it serves. With multi-donor aid, about 170,000 pastoralists in the arid and semi-arid zones will build up private assets and skills for a better future. With ORIO funding, the piped supply of drinking water in Wajir and upgraded health facilities will be implemented. The Programme for the ASAL areas will be further formulated on the basis of the longstanding experience and knowledge of the Netherlands in these areas and the lessons learned concerning the problematic context, making use of Kenyan and Dutch expertise.

The following activities will be developed:

- Policy advocacy to address market failures, regulatory improvements, allocation of state budget and strategic Dutch investments;
- Developing consultative mechanisms, creating synergies and brokering partnerships between the private sector, NGOs, development partners and the state (within and between spearheads);

- Trade/investment enquiries, responding to Dutch and Kenyan trade/investment enquiries and facilitating trade missions and strategic Dutch investments;
- Reporting and communicating about experiences of the Programme and related policy issues.
- Supporting Embassy projects, including for horticulture, potato, market assistance, financial services, regulatory reform, transparency, agribusiness education and productive safety nets;
- Facilitating access to Dutch central funds: PSI/MMF, ORET/ORIO, FMO, CBI and PUM;
- Following regional Programmes/instruments with Dutch funding: Trade Mark East Africa, Africa Enterprise Challenge Fund and the Africa Agribusiness Academy;
- Monitoring SNV Netherlands Development Organization and Civil Society Programmes co-financed by the Netherlands, such as HIVOS, GAIN, Partners for Resilience;
- Monitoring the development of complementary programmes funded by other donors, such as Sweden, World Bank, African Development Bank, DfID, GIZ, EU, USAID, etc.

### **3. Water and environment**

The Embassy will support the creation of improved water resources management in catchments with great economic and ecosystem importance, as well as in ASAL (arid and semi-arid) lands. Local population in ASAL lands will be more resilient to climatic variability and will have developed a more diverse income base. By 2015, more than 1.2 million people will have gained access to safe water and more than 800,000 people will have gained access to acceptable sanitation. At least two water utilities will have improved their operations as a result of support by Dutch utilities. By 2015 Dutch water expertise (private sector, NGOs and knowledge institutes) will be actively involved in addressing Kenya's water crisis.

The Country outcome for the thematic programme on Water is: improved provision of water and sewerage services and sustainable management and development of water resources for the benefit of all (Vision 2030). For the sake of coherence the focus of all activities will be on two targeted river basins, including Naivasha and on selected ASAL areas. Also, the coherence between the various components of the water programme described below will be taken into consideration. Three specific objectives will be pursued:

#### *1. To improve sustainable development and management of water resource.*

In 2015 two river basins (Naivasha catchment and a second basin) will have water management plans that are operational and funded. The plans involve private sector, public entities and communities. Financial mechanisms will be in place to allow payment for environmental services. The plans will improve water quantity and water quality to users, ensuring both economic development and sustained biodiversity within the basins and will ensure that stakeholders in the basin will be resilient to the effects of climate change. Water and sanitation facilities in the basins will be improved (see below under second objective). Sustainable natural resources management practices in selected ASAL areas provide secure livelihoods to pastoral communities and mitigate the effects of climate change. Active involvement of stakeholders in the South Rift Valley landscape and in the Laikipia – Samburu – Marsabit landscape will reduce conflicts and will improve the availability of water and grazing areas throughout the years. Alternative livelihoods (tourism, bio-enterprises, dry land agriculture) will increase income to pastoralist communities and especially women. Capacity to make informed decisions on the allocation of water use at national and local level will be improved.

#### *2. To improve and promote sustainable/affordable access to safe water and sanitation.*

By 2015 an additional 870,000 persons will be provided with access to safe water and 1.1 million people with acceptable sanitation in rural areas in Kenya, including the ASAL areas. School WASH facilities will be provided to 800 schools, benefitting 450,000 students, providing conditions that are conducive to continued school attendance by girls. Water operation partnerships between Kenyan and Dutch water utilities will ensure financially sustainable water utilities in at least two counties, located in the same geographic areas as those targeted under objective 1 (see above), including Naivasha. Investment in new infrastructure by the Dutch Government will be leveraged by substantial investment from the private sector. ORIO and the PPP-water facility will be the main sources of Dutch financing of water infrastructure. Linked to the first objective under food security (improved business climate), specific support to private sector initiatives will lead to economical

sustainable water and sanitation services, particularly in the form of small decentralized operations. Dutch water sector will play an important role in providing expertise.

### *3. Facilitating bilateral investments in the water sector.*

The Embassy intends to actively promote involvement of Dutch water expertise (Government, Private Sector, knowledge institutes and civil society) in providing solutions for Kenya's water sector problems, including innovative financial solutions. By 2015, Kenya hosts a platform of Dutch water sector actors that invest in Kenya and are involved in implementing solutions to Kenya's water problems.

The following activities will be developed:

- Brokering partnerships and linkages between Kenyan and Dutch business and know-how;
- Policy advocacy for sustainable solutions for water challenges;
- Developing and monitoring projects on water management and water supply and sanitation;
- Integrated water management approach in at least two catchments (incl. Naivasha);
- Integrated natural resources management approach in selected ASAL areas;
- WASH programme for rural areas and including ASAL areas (UNICEF);
- Water supply and sanitation in medium sized towns in the selected catchments;
- Improving private sector investment in the sector;
- Developing and monitoring water related initiatives in the education module (DSO-HOOP);
- Monitoring the development of complementary Programmes in the water sector funded by other Dutch institutions. The Embassy will also continue to monitor progress of activities of Dutch water sector knowledge institutes. Where possible, linkages between Dutch partners and between Dutch and Kenyan partners will be encouraged;
- Monitoring the development of Dutch water related activities programmes by non-MFS NGOs;
- Supporting links between Dutch water actors and between Dutch and Kenyan actors and facilitating trade missions and strategic Dutch investors in the water sector;
- Reporting and communicating about experiences of the programme.

### *Risks*

The political risks which might influence our programming in the coming years have already been described in the previous chapters.

Since 2006, the Netherlands has not been providing aid through regular Government channels due to the high risk of corruption. The main reason is that government systems are not considered sufficiently transparent. Public Financial Management, though improving, still leaves too many opportunities for corruption. The systems are specifically designed not to be transparent. For example, government accounts are still not kept electronically, even though this is one of the richer and more developed countries in Africa.

Programmatic risk: In a society where corruption is endemic, it is realistic to expect that it can occur in any of the organizations supported. Civil society and the business community are in many ways part of the system. Even the UN organizations, that generally have robust systems, are not immune to the risk of corruption.

The Embassy therefore needs to monitor more intensively than in other countries, going deeper into the actual activities. It is not uncommon in Kenya for NGOs or businesses to keep very professional looking accounts and presenting convincing substantive reports which turn out to be fake. It is also not uncommon that the same activities are submitted to different donors for funding. The Embassy is very much aware of these risks but needs to continue to be vigilant.

## 5. OTHER INSTRUMENTS OF FOREIGN POLICY

Also during the previous strategic plan, the approach of the Embassy has been to integrate the different instruments of foreign policy the Netherlands has at its disposal. It has been clear for some time that the development challenges in Kenya are not caused by a lack of resources but by deeply rooted political issues, inequity and impunity. Just providing money for development without tackling these issues will not bring about change. Very often political dialogue or pressure, whether together with other countries or separately, can bring better results as is also described in chapter 2 above.

This strategy is different from the previous because it has more of a whole of government approach' to the situation in Kenya. The strategic interests of the Netherlands in Kenya are not only in the realm of Foreign Affairs or Development Cooperation but need increased involvement of other parts of government as well. Several other ministries and agencies contribute actively to the Dutch strategic agenda in Kenya and Somalia, notably the Ministry of Economic Affairs, Innovation and Agriculture, the Ministry of Infrastructure and Environment; the Ministry of Defence, the Ministry of Security and Justice; the Ministry of Internal Affairs, the Immigration and Naturalisation Service and the Public Prosecutor's Office.

All of these arms of the Dutch government have instruments which have a vital role to play to reach the objectives of this strategy. In the above chapters their contributions have been fully integrated. Attaches from several Ministries contribute substantially to achieving the strategic objectives of the Netherlands as described in this document.

The Ministry of Defence's role in the region is also growing because of the fight against piracy in which the Dutch navy is actively participating but it is also contributing to policy development for long term solutions to the conflict in Somalia. Where appropriate, this Ministry will contribute to maritime capacity building in the region. These activities will be developed together with other international partners. Contacts between the Embassy and the ministry of Defence are regular and expected to increase in future.

The countries in the region are increasingly active in peace support operations globally. The Netherlands supports a number of initiatives to help these countries increase their capacity to participate effectively in peace support operations like the Africa Contingency Operations Training & Assistance (ACOTA) programme or through the East African Stand By force which is based in Kenya. The Ministry of Defence is actively involved in these training initiatives.

Over the last few years the Netherlands has brought a number of suspected pirates to trial in the Netherlands. This requires intensive cooperation with authorities in the region, in which the Ministry of Security and Justice and the Public Prosecutor's office play an important role.

Over the last years, the need has arisen for cooperation on cross border crime (drugs, terrorism, human trafficking and financial crimes) between the Netherlands, Kenya and other countries in the region

The Embassy already has an Immigration Liaison officer from the Immigration and Naturalisation Service who works with Immigration officials and airline staff in the region to curb illegal migration. Nairobi International Airport is a major hub in the region and a platform for human smuggling and trafficking.

### *Economic diplomacy: expanded Dutch trade and investments in Kenya*

The role of the Ministry of Economic Affairs, Innovation and Agriculture is becoming more pronounced now that economic growth and increasing investment in infrastructure in Kenya lead to more opportunities for Dutch businesses in Kenya to contribute. Also, its role in supporting the realisation of Development Cooperation goals in Agriculture and the water sector is growing.

As described in chapter 4, paragraph 2 Private Sector Development, economic developments in Kenya provide opportunities to increase economic cooperation between both countries. The Embassy will continue to look for synergies between its business promotion work and the development programme. This needs an integrated approach to the various instruments for support to the private sector the Netherlands government has at its disposal like ORIO, PSI, FMO, MMF, and CBI. Public Private Partnerships (PPPs) are useful to realize these synergies. The Embassy will put in extra efforts to bring partners together and look for opportunities.

Specific results: by 2015, trade and investment enquiries from Dutch and Kenyan companies will be answered using the most up to date information and systems. We expect the number of enquiries to double by 2015, needing a more streamlined and specialized organisation of this work. All bottlenecks to business raised by Dutch businesses will be dealt with through our economic diplomacy when they affect the level playing field. However, extra attention will be given to investments or trade issues with a potentially large development impact (e.g. in agribusiness, water, energy and banking).

#### *Consular Affairs*

Due to the growing business ties and other reasons for travel between the Netherlands and Kenya, the number of visa applications has grown by more than 20% yearly over the last two years. We expect this trend to continue in the coming years.

Kenya continues to receive large numbers of Dutch business travellers and tourists, but the number of serious consular cases has remained stable over the last few years. People seem increasingly well informed about the hazards they might face while travelling in the region, while private insurers, tour companies or other service providers are doing more to assist their clients reducing the need to approach the Embassy for assistance. However, the cases that are left to the Embassy are increasingly complex.

The Embassy continues to play an active role in the review of the applicants for family reunification with Somali refugees in the Netherlands. We expect that streamlined procedures that were introduced by the IND will reduce the role and workload for the Embassy substantially starting in 2012. The Netherlands government has also decided to invest more in regional assistance and protection in the region.

#### *Public diplomacy: culture and sports*

There are strong ties between organisations and sportsmen and women in the Netherlands and Kenya from which intensive cooperation has developed. The Netherlands government would like to support some of these initiatives from a perspective of public diplomacy on the one hand but also because sports events in Kenya are also contributing actively to youth life skills development, preventive health issues (HIV/AIDS) as well as reconciliation and conflict prevention activities. The sports portfolio of the Embassy has facilitated sports promotion as a means to empower disadvantaged people. The Embassy will continue to facilitate the various private initiatives in this field and will fund some specific initiatives in support to our overall programme objectives or from a public diplomacy perspective.

The cultural scene in Kenya has had a boost after the post-election violence, as many Kenyan artists felt the need to express their emotions and views to make sense of what happened and to try to influence others on the need for action. Cultural institutions and artists play an important role in the movement for change. More broadly the role of the broader creative industries in the economy is growing substantially, with more attention for (graphic) design, architecture, mobile applications and web design, music and TV. Netherlands based organisations are active in all of these sectors and we expect this to be an important growth sector for the future. Cultural activities have become an important tool for public diplomacy in Kenya as well, to counterbalance all the publicity around the International Criminal Court case in The Hague.

#### ***UNEP and UN HABITAT***

UNEP is a central organisation in the global environmental architecture as it oversees the implementation of various environmental agreements, which also impact the Netherlands economy and environment. UNEP is one of the main actors in preparation of the Rio+20 Conference, where decisions will be taken which will affect global environmental and economic policy. The main objective for the Embassy is therefore to ensure that concerns and interests of various stakeholders in the Netherlands, notably the Ministry of Infrastructure and Environment and the Ministry of Economic Affairs and Innovation are well represented. Also Dutch businesses and NGOs take great interest in the work of UNEP, like the work done to facilitate the transition to a green economy. The Embassy plays an important role in collecting information within UNEP to feed into policy formulation on issues of specific concern to the Netherlands.

In addition to this, from a development cooperation perspective, the Embassy works to make sure that UNEP effectively and efficiently implements its mandate and includes specific Dutch

development priorities in doing so. There are many synergies between the work of UNEP and the three focus areas of our development policy, security & rule of law, water and food security. In addition, the Embassy will apply the general multilateral policy to UNEP, including specifically the need to focus, the need for better interagency cooperation, and adequate Netherlands representation (candidatures).

Before, during and after the "Rio+20" Conference in June 2012, the Embassy will promote a strong UNEP, equipped to be the authoritative voice for the environment, including a better synergy with and between the Multilateral Environmental Agreements. Also, the Embassy will focus on a few new substantive issues in the coming years such as the operationalization of the Green Economy concept; the issue of environmental financing, including the relationship to the Global Environmental Facility; the results of UNEP at country level as part of the 'One UN'/Delivering as One' agenda.

UN Habitat: The arrival of a new Executive Director in October 2010 has marked the start of an internal reform process. The Embassy will follow its progress. The need for clear choices and the need to reduce fragmentation of our support (ref. Focus Letter) make it less obvious for the Netherlands to resume funding of UN Habitat any time soon.

## **6. SOMALIA & SEYCHELLES**

### **Somalia**

The Embassy has engaged in an increasing range of activities regarding Somalia (peace and stability, security including regional security, asylum and (irregular) migration, refugee flows, humanitarian affairs, fight against piracy) and contributed to more coherent EU and UN efforts on Somalia.

Numerous (high level) incoming missions were organised and the Embassy's visits to Somalia increased as well. Recently, the humanitarian crisis situation in Somalia was high on the Embassy's agenda. The prolonged drought, subsequent famine in parts of Somalia and high numbers of IDP's and refugees crossing into Kenya demanded a lot of input. The Embassy continued the chairmanship of the Humanitarian Donor Group with a view to ensuring effectiveness of humanitarian aid provision to Somalia. This chairmanship became even more relevant because of the challenges in terms of humanitarian access to famine hit areas and the need for risk management.

Other effects of the on-going conflict and instability in Somalia like piracy, terrorism threats and irregular migration, which also affect the Netherlands, call for a more coherent Netherlands approach on Somalia. This resulted in a letter to parliament dated 16 September 2011 on the Netherlands efforts on Somalia. The Embassy's work on Somalia in the coming years will be guided by this letter.

The interests of both the Somali people and countries like the Netherlands are best served by a stable state which in the long term limits the space for actors that threaten national, regional and international security while removing the underlying root causes of instability and conflict. This requires a Somali solution which cannot be imposed but only supported by a coherent and coordinated strategy of the international community.

Priorities are:

- a) support to stabilization efforts in Somalia and in Somaliland and Puntland in particular,
- b) continued support to the fight against piracy,
- c) provision of humanitarian aid on a needs basis,
- d) enhanced protection of Somali refugees in the region itself and repatriation of illegal Somalis staying in the Netherlands.

To achieve these goals, the Netherlands will contribute to greater effectiveness of multilateral initiatives (EU, UN, AU and IGAD) through improved coordination and coherence.

The bilateral inputs will be limited (Somalia is not a partner country) and focused on activities where the Netherlands has an added value. The Embassy sees the following options for these bilateral activities:

- i) increase the Netherlands knowledge and expertise on Somalia,

- ii) contribute to improved governance and Rule of Law,
  - iii) improve human security, livelihoods and resilience towards recurring droughts.
- Regions where the Netherlands can have a bilateral added value in these fields, also building on current Netherlands funded activities, are Somaliland and Puntland but not exclusively. Specific bilateral activities in South-Central Somalia might be identified as well.

Humanitarian aid will continue to be provided on the basis of needs (human imperative) and is therefore not limited to specific areas of Somalia.

In view of the above, the Embassy's engagement in the coming years will be the following:

- To promote stability in Somalia the Embassy will strive for more coherence and coordination between the different multilateral initiatives on Somalia. Improved coherence between political, security and development instruments is needed to bring the conflict in Somalia under control. The EU, UN and regional organizations like AU and IGAD need to operate from a shared strategy and speak with one voice. The EU should be encouraged to use its leverage as the main donor and be more strategic towards Somali partners.
- The Embassy will push for and contribute to an integrated approach to combatting piracy via the different multilateral channels (EU and UN) and through current Netherlands funded activities/secondments (UNODC).
- The Embassy will identify and/or develop further activities in support of the government's objectives where the Netherlands can have an added value.
- The Embassy will continue its role in improving humanitarian donor coordination and coordination with the humanitarian community. It will continue to push for greater transparency, better risk management and will continue to closely monitor Dutch funded activities. More attention will be spent on structural solutions and the creation of alternative livelihoods.
- The Embassy will identify and monitor 'Migration and Development Policy'-activities to enhance protection in the region (see Letter to parliament of 11 July 2011). The Embassy will continue to assist in negotiating repatriation agreements with Somali authorities.

In the course of further developing the Somalia programme a logical sequence between policy framework, analysis and proposed interventions will be made more explicit.

### **Seychelles**

The main issue of shared interest between the Netherlands and the Seychelles is the fight against piracy. Through UNODC, the Netherlands funds some activities to support the Seychelles with the trials and detention of piracy suspects. The Netherlands has an active and well-connected Honorary Consul in the Seychelles. There is little interest from Dutch businesses for the Seychelles. In 2010 a Tax Information Exchange Agreement (TIEA) was signed between Netherlands and Seychelles.

## 7. OPERATIONAL IMPLICATIONS

Due to the political and fiduciary risks identified, the bilateral cooperation programme will be mainly implemented through non-governmental channels, aligning its activities as much as possible to government policies and priorities where appropriate. Some of the new independent commissions or institutions set up under the new Constitution might be supported directly if in line with our strategic objectives and if the financial management risks are adequately addressed.

The MASP is mainly geared towards supporting the Kenyan democratic reform agenda and to support change and reforms affecting the private sector, food security and water resource management. It is therefore not possible to fund just a few large projects. It is also not efficient to invest a lot of resources in public service delivery or infrastructure as long as governance has not improved. In addition, it is good to note that the Kenyan government does have enough possibilities to leverage its own funds for development investments. If the reform trajectory the country has embarked upon is realised, governance will improve substantially in the coming years, leading to better priority setting and more pro poor resource mobilisation and allocation and less corruption. Financial planning is based on the premise that the reform agenda will progress slowly, and that a lot of external support by civil society and the private sector will be necessary to drive the agenda forward.

2012 will be a crucial year for the future of Kenya. A return to conflict is still a real possibility, although the reforms under the Constitution are ushering in stronger institutions which might help keep the country together and push further reforms. Depending on developments in 2012, the Netherlands strategy might have to be reviewed.

*Financial ODA implications 2012-2015 in € (Policy area, budget-code, description)*

2.5 Security, good governance and rule of law	25,227,000
4.1 Food security	17,000,000
4.3 Private sector development	12,000,000
6.1 Sustainable use of environment	20,800,000
6.2 Integrated water management, water and sanitation	37,600,000
<b>Total budget 2012-2015</b>	<b>112,627,000</b>