APPLICATION AND CHALLENGES OF STRATEGIC PARTNERSHIP BETWEEN THE GOVERNMENT OF KENYA AND EUROPEAN UNION IN COMMUNITY DEVELOPMENT TRUST FUND

BY

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DECLARATION

This management research project is my own original work and has never been submitted for a degree in any other university.

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CHAPTER ONE
INTRODUCTION

The introduction will deal with the background, which provides an overview of strategic partnership as a strategic management concept. This section also describes the research problem and the research objectives, the significance of the study, and finally gives an overview of the proposed report.

1.1 Background

The main focus of this section is to provide insight on strategic partnership as a strategic management concept and also give a brief background on the Kenyan government, the European Union and CDTF.

1.1.1 Strategic partnership

The Wikipedia encyclopedia defines a strategic partnership as an alliance formed for a defined period of time, between two parties (frequently one corporation that provides engineering, manufacturing, or product development services, and one smaller, entrepreneurial firm or inventor) to create a specialized new product or for a cooperative project. Strategic partnerships are usually formed, based on the needs of the partnering organizations. It has emerged from studies (Buono, 1997; Coulson, 2005) that their success is dependent on how they are managed and the way the partners foster the evolution of the partnership.

There are six ingredients that are crucial for the success of strategic partnerships. These six include trust which involves trusting each other's motives and also being confident that each partner has the resources to fulfill their part in the alliance; senior management support to facilitate the overcoming of cultural and political hurdles; defining and meeting performance expectations; setting clear goals and organizational arrangements; compatibility at both operational level and senior management levels; and allowing the alliance to evolve and change (Tate, 1996).

Strategic partnerships, which were once a domain of the corporate world, are now a way of working that is becoming more attractive to the non-corporate organizations, for example, the donor communities, non-governmental organizations, public sector and the public services. Governments, in particular, can forge strategic partnerships in development initiatives and local government initiatives. Many governments often face an enormous task for developing infrastructure, including roads, ports and telecommunication. Infrastructure development represents a major task in nation building, involving huge resource mobilization, and often consists of complex institutional arrangement among the potential users and the developers. Public-private partnership would be an effective economic development strategy to address such issues. It would enable accomplishment of economic development objectives that neither government nor the private sectors could achieve alone. Such a partnership would also allow government and private sectors to learn from each other and create synergistic effects for both parties. Public-private partnership would therefore provide the means to combine the efficiency and expertise from the private sector with public interest, accountability and broader planning functions of the government. Increasingly, experience indicates that many countries benefit from a more cooperative relationship between government and private entities in economic development (Flora et al., 1992; Larkin, 1994; Rosenau, 1999).

Another example of strategic partnership is whereby African governments can forge strategic partnerships with universities on policy research (Nze and Nkamnebe, 2003). This would enable effective policy formulation, since universities have a rich array of trained manpower, knowledgeable in areas where governments make policies, and they are also research oriented.

1.1.2 Kenya government

Kenya has a population of 33 million growing at about 2.8% per year. Since independence, the Kenyan government has raised its revenues through various taxes. In the last decades however, Kenya's economic performance has been far below its potential. In 1990, the per capita income in constant 1982 prices declined from Kshs. 3,813 to Kshs. 3,360 in 2002. Unemployment has also risen to over 2 million or 14.6% of the labour force. The number of people living under the poverty line has risen from 11 million or 48% in 1990 to 17 million or 56% of the population in 2001 (Government of Kenya, 2002). Despite the reforms in revenue collection, which has yielded higher tax revenues, the revenue collected cannot support all budgetary expenditure. The government has also taken loans from external donors and has been repaying them back over the years. The outstanding external debt including arrears stood at US$5.1 billion (49% of GDP) as at the end of 2002. This has put a strain on government revenue sources. Given the current poverty levels, the repayment and servicing costs of the external debt is very high, the Kenya government still has to resort to donor aid to finance the budget deficit. According to the Economic Recovery Strategy for Wealth and Employment Creation (2002), the government will need at least external resources amounting to US$2.2 billion for the public sector and US$ 1.1 billion for the private sector for the period 2002-2007.

According to statistics, the flow of donor funds to Kenya averaged about 9% of GDP between 1970 and 1999 and accounted for about 20% of the annual government budget and financed slightly over 80% of development expenditures. Though aid flow to Kenya significantly increased over time, weak implementation mechanisms have cost the government dearly in terms of withdrawal of budgetary support leading to non-completion of projects (Njeru, 2003). The Kenyan government therefore has to come up with feasible proposals that can attract grants from donors as opposed to taking more external loans.

There was a decline in major donor assistance (multilateral aid) in Africa in the 1990s in comparison to the 1980s. This was as a result of what donors felt was the incapability of African states in putting the external finances to proper use. The challenge facing Africa and the global community was how funds transferred to Africa could be converted into more lasting development initiatives (Hydén, 1995). Also, due to the financial scandals that have hit governments, and particularly those receiving foreign aid, donors are beginning to take keen interest on the utilization of the donor funds given, and are even demanding that monitoring mechanisms be set up to keep track of these funds. As a result of this, both multilateral and bilateral donors have begun to take more control over the use of their funds or to channel increasing sums via trustworthy international non-governmental organizations with a presence in recipient countries or trust funds. Hydén (1995) attributes this move to the suspected or documented cases of corruption, perceived lack of commitment amongst recipient government officials and increased pressures from home authorities to show results. Kenya has not been an exception to this.

Donors are also making their foreign aid more effective by using more coordinated approaches to development assistance, such as funding government sector priorities; improving the operation of global funds to better align them with government systems; aligning the donor processes with the government calendar so as to reduce transaction costs to the government; fielding joint missions and reviews. This can be achieved through strategic partnerships in which the donors have a say in the management and planning of development initiatives. The European Union is an example of a development partner with which the Kenya government has forged a strategic partnership.

It is also imperative that the government forges strategic partnerships with other stakeholders in development initiatives (for example civil society, labor, private sector and all development partners) so that their joint effort bears more effective and focused results. Some of the challenges that the Kenya government will face in forging strategic partnerships include demystifying the strategic partnership concept in government so as to curb resistance to change internally; developing sector strategies and carrying out sector reviews with partners; maintaining a forum for dialogue between government and development partners; and establishing a comprehensive monitoring and evaluation system to review implementation of the strategic partnership initiatives, identify problems in implementation and reform accordingly.

1.1.3 The European Union

The European Union is an intergovernmental and supranational union of 25 states. These states include Belgium, Ireland, Denmark, Austria, Finland, Netherlands, Luxembourg, United Kingdom, Germany, Sweden, France, Italy, Spain, Greece, Slovania, Cyprus, Malta, Czech Republic, Hungary, Portugal, Estonia, Slovakia, Lithuania, Poland, Latvia The European Union represents the world's largest economy in terms of its Gross Domestic Product (GDP). Its status as a major trading power has given it great responsibility for fighting poverty and promoting global development. The functioning of the European Union is supported by five institutions namely; The European Parliament, the Council of the European Union, the European Commission, the European Court of Justice and the European Court of Auditors (Peterson & Shackleton, 2002). Since its formation in 1950, the European Union (EU) through the European Commission, has been developing relations with the rest of the world through a common policy on trade, development assistance and formal trade and cooperation agreements with individual countries or regional groups.

Development assistance and cooperation, originally concentrated in Africa, was extended to Asia, Latin America and the southern and eastern Mediterranean countries in the mid-1970s. In 1976, the European Union established its Delegation in Nairobi. Through this Delegation and in close cooperation with the Kenya Government, all European Commission programmes in Kenya are prepared, appraised and implemented. The European Commission accounts for about 15% of the annual development budget. Since 1986, the EC assistance under the 6th, 7th and 8th European Development Funds (EDF) and the current 9th EDF has totaled over 1.225 billlion Euros (approximately Kshs. 115 billion) in assistance. The European Union offers strategic partnership to Kenya in tourism, private sector, macro-economic support, infrastructure, social sector, environment, Non-governmental Organizations, Agriculture, rural development and governance (Delegation of the European Commission in the Republic of Kenya, 2003).

1.1.4 Community Development Trust Fund

Community Development Trust Fund (CDTF) was gazetted in 1996 as a joint Fund of the European Commission (EC) and the Government of the Republic of Kenya, with the purpose of establishing an integrated approach to contribute to poverty reduction in Kenya. CDTF aims at supporting communities in Kenya in their efforts to alleviate poverty through effective, accountable processes that are genuinely demand-driven, built on sustainable development initiatives and enhancement of community welfare and sustainable environmental management by targeting priority social, economic, and conservation initiatives in collaboration with other key development players. CDTF comprises of two programmes namely; Community Development Programme (CDP), and the Community Environmental Facility (CEF), which takes the place of recently completed Bio-Diversity Conservation Programme (BCP).

1.2 The Research Problem

The Kenyan government has found itself increasingly competing with both international and local non-governmental organizations, for development funds from bilateral and multilateral donors. Financial scandals involving governments have dominated headlines in the recent past, and Kenya has had her share. As a result of this, donors are shying away from giving funds directly to the government, while others are taking the drastic action of stopping foreign aid to governments involved. Donors are also taking measures to ensure that their money is well used and accounted for. It has therefore become increasingly important for the Kenyan government to apply strategic partnership to access donor funding.

Strategic partnership is a grand strategy that has been used successfully in the corporate world. Most of the studies done on this strategy focuses on its application in the corporate world, e.g. (Kelly and Parsons, 1994; Tate, 1996;

Buono, 1997; Fleming, 2004). Whether the same can be said of application of strategic partnership in government needs to be seen.

Extensive studies have been done on different aspects of Kenyan government, mainly on the entities that it comprises and government operations. Some studies have been carried out on the civil service and reforms undertaken (Civil Service Reform Secretariat, 1995), while others on state owned corporations, their management (Kimenyi, 1985; Grosh, 1991), and the strategic planning process in these corporations (Safari, 2003). Examples of studies on government operations include those on policy documentation and implementation (Institute of Economic Affairs, 2003), public debt and its management (EcoNews, 1999; Republic of Kenya, 1997; Ogola, 2003), revenue collection and the tax system (Wang'ombe, 1999; Mwambingu, 2002), service delivery by government ministries (Wasuna, 2003), strategic issues like strategic planning in government (Wagacha et al, 1999), strategic change management process (Nyamache, 2003) and e-government as a strategic operations management framework (Affisco and Soliman, 2006).

Despite the extensive existing literature on government and its operations, there is no information available on strategic partnership in government. Therefore this study is expected to provide insight in the application and challenges faced in strategic partnership in government. The research sets to analyze the application of strategic partnership between the Kenyan government and the European Union, and the resulting challenges as faced by government.

The research questions to be addressed will be: -

1) How is strategic partnership applied in the Kenyan government and the European Union in CDTF?
2) What challenges does the government face in its strategic partnership with the European Union in CDTF?

1.3 The Research Objectives

The research objectives are given as follows:

1) To determine how strategic partnership is applied between the Kenyan government and the European Union in CDTF
2) To establish the challenges faced by the Kenyan government in its strategic partnership with the European Union in CDTF.

1.4 Significance of the study

The study will be of benefit to the government, the government's current strategic partners, potential organizations interested in partnering with the government, and also to scholars.

This study will provide information from which the Kenyan government can derive key lessons for future use and also for improving on current partnerships. This is because the Kenyan government will need to apply strategic partnership on a wider scale in order to access donor funding.

The study will also be of significance to the government's current partners who will gain information on the benefits that can be derived from strategic partnering with government and how to deal with challenges that result from this partnering. Potential strategic partners will also benefit from this study because they will gain insight on how to partner with government.

Potential and current scholars will also benefit from the study because it will avail information on the application of strategic partnership in government and the challenges faced by government in the application of strategic partnership. They will therefore have the opportunity to expand their knowledge on strategic partnerships, and also identify areas for further research.

1.5 Overview of the Report

The report has been organized into five chapters. The first chapter is the introduction, which comprises of the background, the research problem, the research objectives, and significance of the study and the overview of the proposed report. The second chapter has dealt with the literature review. In this chapter, the works of other scholars who have studied strategic partnership has been analyzed in order to identify the gap in existing literature. The research work was aimed at filling the identified information gap.

Research methodology has been covered in the third chapter, while the fourth chapter has presented the data analysis and the findings of the research work.

The fifth and last chapter consists of the summary of issues discussed from chapter one to chapter four, and the conclusion drawn. It also gives the limitations of the study, makes recommendations for further research and for policy and practice.

CHAPTER TWO

LITERATURE REVIEW

Introduction

This section deals with literature review that gives an insight to the works done by other scholars on forms of strategic partnerships, critical elements needed, reasons for strategic partnerships, challenges faced and current trends in strategic partnerships. This will enable us identify the gap in the existing literature, which the research aims to fill and also outlines the theoretical framework that guides this study.

2.1 Strategic Partnership

Strategic partnership and the search for collaborative advantage have become much sought after concept in the fields of policy, politics, strategy and planning in a wide range of international contexts (Coulson, 2005). In the recent years, there has been a surge of partnership arrangements amongst major corporations throughout the world, and they are referred to with differing terms – linkages, partnerships or alliances (Yoshino and Rangan, 1995). These inter-firm relationships involve partners from varied parts of the world and may cover a wide range of functions or activities. The primary driver for the strategic partnerships is the emergence of intense global competition, which has rendered simple but time-tested strategies less effective (Gugler, 1992).

Partnerships and collaborative activity is currently being witnessed across the board in all sectors – public, voluntary and private (Buono, 1997). By 1990, more than 150 cooperative alliances involving 1000 companies were operating in US and many more throughout Europe and Asia. These cooperative alliances, increasingly referred to as strategic partnerships, may be viewed as a form of quasi-vertical integration or even as a type of network organizations design. (Hunger and Wheelen, 1996). Hill and Jones (2001) give examples of companies that have had successful strategic partnerships and these include Motorola and Toshiba, Fuji and Xerox, General Motors and Toyota (structured as a joint venture called New United Motor Manufacturing.

2.1.1 Forms of Strategic Partnerships

Hunger and Wheelen (1996) describe three forms of strategic partnerships, namely joint programs or contracts; joint ventures; and minority investments in an innovative firm.

Joint programs or contracts are entered into for cooperation in developing a new technology or products. By engaging in joint efforts, organizations can minimize their investment and risk, especially when it comes to large-scale innovation. Hunger and Wheelen (1996) give an example of a strategic partnership between Boeing, Aerospatiale of France, British Aerospace, Construcciones Aeronauticas of Spain, and Deutsche Aerospace of Germany. These airplane manufacturers created a strategic partnership to spread out the extremely high costs of developing a new large jet airplane.

Joint ventures on the other hand, are typically thought of as arrangements where organizations remain independent but set up a newly created organization jointly owned by the parents. They involve establishing a separate company to take a new product to the market. Businesses can often achieve unexpected gains through joint ventures with a partner. Joint ventures can be used by businesses of any size to strengthen long- term relationships or to collaborate on short-term projects (Lorange and Roos, 1999).

The third form of strategic partnerships is whereby a firm makes a minority investment in an innovative firm, giving the innovator the needed capital. The investor expects to benefit from this strategic partnership by gaining investment value. Of the three, Hunger and Wheelen (1996) indicate that joint ventures are said to be extremely popular in international undertakings because of the financial and political-legal constraints and have become a convenient way for privately and publicly (state) owned corporations to work together.

2.1.2 Elements of a strategic partnership

Coulson (2005); Kelly and Parsons (1994) give the critical elements of a strategic partnership. These include a partnership agreement, compatibility of partners, role clarity and responsibility, senior management support and performance reviews.

A partnership agreement is a very critical element of a strategic partnership as it defines the goals of the strategic partnership, the roles of each partner, the period of the partnership and it also spells out the guidelines for its management, accountability and performance review. The existence of a strategic partnership agreement is helpful in minimizing potential areas of conflict

Compatibility is one of the critical elements that should be considered for a partnership (Tate, 1996). It is important to seek out complementary competencies between strategic partnership members. The partners should understand the core competences, the needs and the type of relationship each company wants. This will enable each partner to assess compatibility. There also needs to be compatibility at the operational levels, and this requires partners to achieve strong interpersonal relationships at these lower levels and not just between senior partners of the organizations involved in the partnerships.

Buono (1997) highlight role clarity and responsibility as very important elements in a strategic partnership. Dedicated roles and responsibilities should therefore be created for different needs in the strategic partnership. As a way of initiating this process, it is useful to identify appropriate personnel in the partner organizations who could serve as role related liaison staff or are representatives. Intra and inter-organizational communications are critical; roles and responsibilities should be clearly communicated to partnership team members as well as to the broader organizational population.

Child & Faulkner (1998) highlight senior management support as a critical element of strategic partnership. It is very important to have active collaboration of senior management to sponsor and initially structure the strategic partnership. This is due to the fact that strategic partnerships require a wide range of relationships to be built and sustained and senior managers should oversee this process. Child and Faulkner (1998) also emphasize that top management must also work towards developing a mutual commitment to the business success of each partner, clearly communicating the partnership strategy to the member organizations.

Performance reviews are very critical to strategic partnerships (Buono, 1997). Regular review meetings should be scheduled (frequency to be determined by the nature of relationship and number of changes involved). As part of the evaluation process, it is important to specify review and modify (as appropriate) partnership goals and the progress towards these goals. The partners could include in their agreement that regular reviews would be undertaken to assess the partnership's operations with the purpose of agreeing changes or adjustments to the mode of operations.

2.1.3 Reasons for strategic partnerships

In the corporate world, strategic partnerships offer a range of possibilities for emerging companies (Lockwood et al, 2000). Product companies can create a network of selling, support and billing partners to rapidly achieve scale and provide a complete offering to customers. Companies with complementary technology platforms can create partnerships to expand the breadth of customer needs that require to be addressed. Partnerships can also be used to create an ecosystem of large and small players to speed market adoption of a new technology (Fleming, 2004).

Thompson and Strickland (2003) give reasons why companies enter into cooperative alliances, commonly known as strategic partnerships. These include overcoming deficits in their technical and manufacturing expertise; acquiring new competences; gaining economies of scale; collaborating on technology or the development of promising new products; neutralising potential rivals; and penetrating international markets by both domestic and foreign firms. For many young, growing companies, strategic partnerships offer the potential for significant return and warrant a reputable image (Child & Faulkner, 1998). Strategic partnerships are also useful in putting together resources and capabilities to do business over a wider number of country markets, for example US, European and Japanese companies want to build footholds in the fast growing Chinese markets. They have therefore pursued partnership arrangements with Chinese companies to help in dealing with government regulations, to supply knowledge of local markets, and to provide guidance on adapting their products to better match the buying preferences of the Chinese.

Although strategic partnerships have many benefits, Thompson and Strickland (2003); Child & Faulkner(1998) point out that the greatest danger of these collaborative alliances is a company becoming overly dependent on another company for essential expertise and capability over time.

2.1.4 Challenges faced by Strategic Partnerships

(Lorange and Roos, 1999) emphasize that the pursuit of strategic partnership as a strategic management mode is an advanced, complicated way of executing strategies, requiring a keen understanding of how to handle a series of typical problems as well as an ability to sort out major challenges that also tend to emerge. The hallmark of a successful partnership is a cooperative and mutually supporting relationship between the two parties, and a realization that each party has a stake in the success of the other (Lockwood et. al, 2000). Without this recognition and cooperation, the partnership causes a waste of both time and resources from both parties and fails to produce desired results.

Another key to successful partnership is strong leadership (Flora et. al, 1992). Successful management of strategic partnerships or cooperative alliances, require systematic attention and commitment from both those directly responsible for the alliance and senior level management. Successful partnership seldom occurs spontaneously. Therefore, managers handling strategic partnerships need the competency to deal with resulting challenges and problems.

Yoshino and Rangan (1995); Fleming (2004) describe the major challenges faced by strategic alliances, of which strategic partnerships are a component. These include lack of trust, ambiguity in roles and responsibility, managerial mindsets, evolution of partnerships, amongst others.

Lack of trust is one of the greatest challenges of a strategic partnership. This is because building trust is the most important and yet most difficult aspect of a successful strategic partnership. Therefore, cooperative alliances need to be formed to enhance trust between individuals. According to Fleming (2004), trust begins with a candid discussion among the potential partners on the areas of mutual benefit and potential conflict. Openness is an element of trust that needs to be embraced. It is not sufficient to simply share performance reports. The expectation should be set that each partner will provide access to both information and expertise. The partners should then demonstrate their commitment by living up to that expectation.

One of the major challenges faced by partnerships is the indistinctiveness in role clarity and responsibility. Partnering firms are usually independent firms with their own agendas and may therefore enter into a partnership with different motives. The differences of opinion on how to proceed in the management of a strategic partnership may contribute to the breaking up of such partnership (Lockwood et al, 2000). Therefore, unless the roles of each partner in a strategic partnership are clearly articulated, there will be a high chance of role ambiguity that will eventually lead to conflict.

Yoshino and Rangan (1995) explore managerial mind-sets as a challenge in the operation of strategic partnerships. A lack of faith in the efficacy of partnership is hardly a recipe for successful management. If the strategic partnership is entrusted to individuals who do not believe that it can succeed, then it clearly begins with a handicap.

Alliances are conceived and negotiated at higher levels of organization, but their day-to- day management is left to lower level managers (Kelly & Parsons, 1994). It is therefore very important during the start-up period to invest heavily in creating relationships at the both operational as well as the managerial levels. This will enable partnership members to build mutual respect and trust for each other, which is very crucial for the success of such a partnership.

Lower level managers may be called upon to field sensitive questions on short notice without recourse to their superiors (Yoshino and Rangan, 1995). If they do not say anything, it may be misconstrued by a partner but also to disclose information may endanger their jobs. This is another challenge that is faced by those who manage a strategic partnership.

Another challenge faced by strategic partnerships is the evolving nature of relationships. Inter- firm partnerships do not always evolve linearly or in a positive direction. Strategic partnerships are subject to changes in technology, competition, and customer requirements (Fleming, 2004). Such an evolution may result in fundamental changes that will affect operations e.g. HR considerations, control processes and management systems. (Lorange and Roos, 1999) Failure to monitor the evolution of partnerships and adjust its management practices accordingly can cost firms dearly.

Cooperation versus competition is a fear that characterises even the most successful partnerships or alliances (Coulson, 2005). Striving to make a partnership successful while guarding against one's gaining disproportionately from the relationship is a difficult balance to achieve. Striking a balance between trusting one's partners and ensuring that strategic interests and assets are not compromised is particularly difficult across multiple partnerships.

Administration by managers involved in managing a strategic partnership begins only with the agreement that establishes the partnership. The greatest challenge lies in "getting the job done". This involves close attention to a myriad of details, many of which are not obvious at the outset. This discovery often comes as an unwelcome surprise that constitutes a source of unending frustration for many managers. They get to realize that the success of partnerships or alliances greatly relies on attention to these details (Yoshino and Rangan, 1995).

According to Child and Faulkner (1998), alliance management involves consideration of complex systemic issues associated with interrelationships in strategy, structure, systems and staff in the participating organizations. Inter-organizational inter-functional coordination is possible with the right mix of systems and policies. Managers may also be hindered by their organization's managerial systems and processes because in most firms these systems are not instituted with partnerships or alliances in mind, but with hierarchical (wholly owned) operations in consideration. These differences in management styles and organizational culture may result in poor integration and cooperation. It is critical therefore for organizations to rethink the fundamentals of the existing business model that can otherwise be constrained by internal capabilities. To fully explore the possibilities of a strategic partnership, the partners must consider what a partnership could jointly deliver to customers and how it can be achieved (Fleming, 2004). Yoshino and Rangan (1995) give an example of service and distribution problems that plagued the alliance between US and Korean firms, which were caused by the inattention to the need for inter-functional coordination.

There are challenges that are unique to strategic partnerships that cut across several countries. Cross-border strategic partnerships have to overcome language and cultural barriers, communication barriers apart from trust building which is common to even local strategic partnerships. They also come to realize that coordination costs are high in terms of management time (Thompson and Strickland, 2003).

2.1.5 Current trends in Strategic Partnerships

Strategic partnerships are evolving from duo partnerships to multi-partnerships in recent years. The true twenty first century corporations are seeing their structures become and elaborate network of internal and external relationships (Buono, 1997). This organizational phenomenon, which is termed the virtual organization, is defined as a temporary network of independent companies, linked primarily by information technology to share skills, access to markets and costs (Pearce and Robinson, 2005). Globalization has accelerated the use and need for the virtual organization but strategic partnerships are very crucial in making it work.

The non-corporate world has also recognized the importance of strategic partnership and is rapidly adopting it as a success strategy. Many non-profit organizations are limited in resources and skills. It has been realized that in order to tackle community development challenges (for example health, crime, education, transport, housing and local environment, amongst others), there is need to marshal the contributions of the public, private, voluntary sectors, and of communities themselves through strategic partnering (Coulson, 2005).

Whether strategic partnership in the non-corporate world, specifically in a government setting, is applied using the same guiding principles needs to be established. This study sought to fill this information gap by determining how the Kenyan government applies strategic partnership in CDTF with the EU, and establishing the challenges faced by government in the application of the strategic partnership.

CHAPTER THREE

RESEARCH METHODOLOGY

Introduction

This chapter gives a description of the research design and the justification of the choice of design. It also describes the methods of data collection and methods of data analysis. The data used was mainly primary data.

3.1 Research Design

The research was conducted through a case study. The research was based on determining how strategic partnership is applied between the Kenyan government and the European Union, and the challenges the government faces in its application. The purpose was to explore deeply some of the issues in application and challenges because very little study has been done to the extent that it is difficult to find adequate information. A case study was best suited for collection of information for the purpose of obtaining in-depth contextual analysis. Details were secured from five respondents. This was to enable the researcher to verify evidence and also to avoid missing data.

3.2 Data Collection Method

The data for the research was collected from both primary and secondary data. The primary data included in-depth interviews with senior managers, both in government and the European Union, and also the management at the Community Development Trust Fund.

For credibility of the information, the interviewees were people with a minimum of two years within the organizations, as it is indeed a fact that new employees do not have a good history of the application of the strategic partnership. Questions were issued in advance to help the respondents to recollect facts, or make reference where necessary and the researcher booked an appointment later at the convenience of the respondents. The areas covered in the interview included the reasons for the formation of the strategic partnership, the objectives of the strategic partnership, how the strategic partnership is governed, operations of the strategic partnership, benefits and challenges of the strategic partnership.

3.3 Data Analysis

The data collected was qualitative in nature. Therefore the main tool for data analysis was content analysis. This enabled areas of consensus and disagreements to be obtained from the data collected from the interviewees so that conclusions drawn could be documented in line with the research objectives.

CHAPTER FOUR

DATA ANALYSIS AND FINDINGS

Introduction

This chapter presents the analysis and findings of the study that were derived from both the responses to the interview guide and secondary data. The focus of the findings is based on the two objectives of the study, and the findings are analysed in line with the research objectives.

The study sought to determine how strategic partnership was applied between the Kenyan government and the European Union in CDTF, and to establish the challenges faced by the Kenyan government in its application of the strategic partnership with EU in CDTF. The method of data collection used was personal interviews by the aid of an interview guide, which was given to respondents in advance to enable them recollect the relevant facts. The researcher booked an appointment later at the convenience of the respondents. A total of five people were interviewed.

The research findings presented below highlight the convergence of ideas from the respondents. These findings are presented below in sub-sections, in accordance to the research objectives. Supplementary data provided by the respondents is also incorporated in the research findings.

4.1 The Application of strategic partnership between the Kenyan government and the European Union in CDTF

The research findings on the application of strategic partnership between GoK and the EU are further sub-divided in line with the interview guide questions relevant to it. The sub-divisions include the strategic partnership's date of formation and reasons motivating its formation; official agreements between the two strategic partners; roles of the strategic partners; time frame for the strategic partnership; the management structure; operations of the strategic partnership; how accountability is carried out; management review of operations of the strategic partnership; benefits of the strategic partnership, lessons learnt, the future of the strategic partnership. Other partnerships in which the two strategic partners are involved are also mentioned.

4.1.1 When and Why the Strategic Partnership of GoK and EU in CDTF was formed

The general GoK-EU partnership is governed by the partnership agreement between the ACP countries and the EU, which began in 1957, though Kenya Government signed this agreement in 1976. The ACP-EU partnership agreement was revised in 2000 and is currently known as the Cotonou Agreement. This partnership Agreement would be operational for the next twenty years. The strategic partnership between the Kenya Government and the EU in CDTF is guided by the general guidelines set out in the Cotonou Agreement, and amended in June 2005.

The respondents indicated that the strategic partnership between the Kenya government and the European Union in Community Development Trust Fund (CDTF) was formed in 1996 under the general guidelines of the ACP-EU partnership agreement. This partnership was formalized through the gazzettement of CDTF under Legal Notice No. 303, which was published in the Kenya Gazette on 11th October 1996. This strategic partnership is a strategic joint venture between the European Union (EU) and the Government of Kenya (GoK), and it resulted in CDTF; a separate entity managed separately as a trust fund which implements the strategic partners' objectives.

The formation of the strategic partnership between the EU and Kenyan Government in CDTF was motivated by a series of events during the 1980s to the early 1990s. In 1980, the European Union (EU) assisted a grassroot Micro-projects Programme that provided financial support to community –based development projects in Kenya. Its objective was to meet an agreed priority need at local level, have an economic and social impact on the life of the people. It was to be undertaken at the initiative and with active participation of the local community and the benefiting local community was to contribute at least 25%. The funds being given by the EU were being channeled through the government.

The Programme experienced several challenges. Since funds were being given to the government as revenue, the government had to spend first then get reimbursed. In times when there was delay of receipt of funds for budgetary support or inadequate funding, the government froze expenditure and project implementation was affected. Also there was political influence and powerful individuals had a big say on the projects to be funded.

According to the Lome Convention, which spelt out the ACP-EU agreements then, the beneficiary (in this case the community) was to take charge of the projects. In the case of the Micro-finance projects, the government was in charge of project identification, contracting and sustainability. This resulted in little or no community involvement.

There was a backlog in the auditing of funds and donors were now demanding for the reports to be produced faster and earlier. Following a mid term evaluation, EU was disappointed with the rate of success of the Programme. The shortcomings included inaccurate targeting of poor groups; delayed disbursements leading to cost escalations, side by side with perceived low spending capacity on the part of EU local offices by the home constituency; lack of transparency and accountability in the use of funds; funds not being applied for the intended purposes, with hardly any or only mild punishment of offenders; and inefficiencies in terms of value for money. A 1997 review and audit of 65 projects implemented under the Micro-projects Programme confirmed a range of problems and weaknesses both in the administration and financing of the Programme, which was through the Government's District Administration System. The projects also had weaknesses in their administration and financing and most were never even completed and therefore never became operational. Consequently, EU suspended the Programme.

EU was reluctant to direct its assistance through the Pay Master GoK system, though on the other hand, it fully appreciated the need to assist the Kenyan people in their poverty reduction initiatives.

In the early 1990s, in the wake of declined funding from external donors, Kenya embarked on a Structural Adjustment Programmes (SAPs). These programmes came with a myriad of problems referred to as Social Dimensions of Development (SDD), or further but unintended marginalisation and impoverishment of the vulnerable groups. In the attempt to address the SDD problems, the Kenyan government had to come to accept that external donors could adopt and use alternative (to the PMG system) delivery systems for their assistance to Kenya. The EU with the Ministry of Finance came up with a new-look micro projects Programme under the Community Development Trust Fund.

The decision to establish a Community Development Trust Fund as a legal entity outside government was implemented, beginning with the Community Development Programme. The respondents confirmed that CDTF was formed for the overall objective of assisting Kenya to achieve economic recovery, sustainable economic growth, employment creation, and poverty alleviation. CDTF was also to contribute to the devolution of poverty alleviation activities to local beneficiaries by strengthening the beneficiaries' ability to take charge of their own development and fostering people's self reliance. These objectives were to be achieved through the establishment of an innovative and flexible delivery structure entailing adequate co-ordination between the EU and the GoK;

an effective transparent project cycle; performance oriented management and administration of investment resources; transparency and accountability of resource allocation and use.

CDTF would be governed by a Board of Trustees whose members represent government, the European Commission and a range of NGOs and agencies, and managed by a Programme Management Unit of supporting technical staff. The relevant legal notice was drafted and approval received by the Ministry of Finance prior to submission for Cabinet approval. The ensuing financial proposal was approved by the EDF Committee on 31st July 1996 and the Financing Agreement was ratified by the Government of Kenya on 2nd October 1996.

4.1.2 Official Agreements between GoK and EU in the strategic partnership in CDTF

CDTF's establishment, funding, management, co-ordination and implementation is governed by the Financing Agreement signed between the European Commission and the Kenya government on 2nd October 2006 as project No. 7ACP KE 086. The legal notice for the creation of a Community Development Trust Fund was gazetted on 11th October 1996 under Legal Notice No. 303 in the Kenya Gazette Vol. XCVIII. The financing agreement set out the responsibilities of each partner and the technical and administrative provisions for implementation. These technical and administrative provisions comprised of special conditions and general conditions. The special conditions included the objectives of CDTF, fund commitments, the role of the strategic partners, and also contained the signatures of the strategic partners. The general conditions spelt out the detailed implementation procedures; monitoring and evaluation by the strategic partners; project financing, contracting procedures for works, supplies and services; settlement of contract disputes; follow up of projects; financing and budgeting. A Memorandum of Understanding was also signed in 1996 and it set out the principal disbursement, accounting and procurement procedures applicable to CDTF. Each programme being implemented under CDTF has its own Financing Agreement and Memorandum of Understanding,

The Individual financing agreement signed by GoK and EU for each programme being implemented under CDTF, indicates its time frame. The first 4-year phase for CDTF was from 1997- 2001 and was known as the Community Development Programme (CDP) with a budget of 12.5 million Euros (approximately Kshs. 1.125 billion). Projects not completed in this phase were carried on to the Phase II of CDP, which began in June 2001 and is due for completion on 31st December 2006. EDP was implemented from September 2000 to June 2002, while BCP was to be implemented from October 2000 to September 2005. It was extended to March 2006 so as to finish pending activities. CEF, which was recently launched in March 2006, will run till 2010. The CDP Phase III which to be launched in January 2007, will have a four –year implementation phase.

The Financing Agreements also outline each partner's role in the strategic partnership. The government is represented by the National Authorising officer whose official title is the Permanent Secretary in the Ministry of Finance. The

NAO is responsible for the overall implementation of CDTF but can partially delegate his/her powers to CDTF. Some of the duties of GoK which were undertaken by NAO included obtaining approval and establishing all legal instruments that enabled the constitution of the CDTF and its BoT; budgeting CDTF funds under the "Appropriation-in-Aid" mode of disbursements and ensuring that provisions are adequately included in the annual and forward budget estimates; accounting to the EU for funds received by CDTF, carrying out tendering procedures and all financial related procedures related to CDTF operations according to EDF rules. Some of these financial related procedures include preparing a payment request for funds for the approval of EU, being a signatory to the accounts holding own income generated by CDTF, approving reallocation of funds within the CDTF budget lines, signing CDTF budget and activity plan which is known as a Programme Estimate (PE).

The EU through the Delegation of EC in Kenya is represented by the Head of Delegation. The Head Of Delegation should ensure the transmission of funds to CDTF, and also have the necessary instructions and delegated powers to facilitate and expedite other all operations on the behalf of EU. Most of these activities have to be undertaken in close cooperation with NAO. This include the final approving the CDTF's PE to authorize release of funds; endorsement of NAO's approval of reallocation of funds within CDTF's budgets amongst others.

4.1.3 Management Structure and Operations of GoK-EU Strategic Partnership

The respondents indicated that CDTF Institutional framework demonstrated that it was an appropriate, efficient and effective mechanism for channeling funds to support community initiatives and that the CDTF mechanism adhered to GoK procedures on " funds outside the supply system". They observed that the active participation of a variety of stakeholders in the BoT was a model of effective partnership.

The respondents indicated that the overall responsibility of managing CDTF lies with the Board of Trustees (BoT) whose main function is to oversee management and control of project funds through approval of Programme Estimates (PEs), Quarterly and Annual Reports, Financing Agreements for projects as well as the staffing of the PMU. It is also the contracting authority for all operations under the CDTF Financing Agreements for the CDTF component programmes, which are CDP, BCP (which has since been completed) and the CEF, but it delegates the day-to-day running of the CDTF to the PMU.

The main tasks of the BoT were given as provision of policy guidance in relation to institutional development, procurement of goods and services, financial and administrative arrangements; recommendation of changes on CDTF policy to CDTF Founders; consideration and approval the quarterly project cycle, including the final authority on project approval; consideration and approval of annual programme estimates; ultimate responsibility to the Founders for the proper use of all funds in accordance with the policies outlined in the Financing Agreement; act as Contracting Authority for any activity foreseen in the Financing Agreement, in compliance with the provisions of the Lome Convention; and contracting of the PMU.

Apart from the BoT, a smaller team of the Board known as the BoT-PP (Purchasing Panel) has been established. The BoT-PP meets at a short notice to take decisions mainly on procurement. This is to enable decisions to be made faster. Its members are the Chairman of BoT, the NAO and the Head of EC Delegation. PMU provides secretarial services to it.

Membership of the BoT is by "office" rather than "person" and under the expanded BoT Guidelines, each member has selected two alternatives that could represent the particular member during his/her absence. This system helps ensure continuity. The BoT members include representatives of the key ministries (Finance, Planning and Office of the President), NGOs and the EC as the donor agency. This element of the partnership is a mechanism to ensure that all relevant interests are kept informed of both progress and constraints.

The BoT of CDTF is composed of Permanent Secretary (PS) – Ministry of Planning and National Development who is the chairman of the Board of Trustees; Head of EC Delegation – Kenya who is a founder member and also has veto powers; National Authorizing Officer (NAO) (Head of External Resources, Ministry of Finance) who is a founder member and also has veto powers; PS-OP Special Programmes; PS- Ministry of Local Government; Director of Kenya Wildlife Services; Chief Executive of NGO Council; Chairman, Kenya One World Link (NGO); Country Director Action Aid – Kenya ; and the Programme Coordinator of CDTF who has no voting right.

The Founders of CDTF are the Permanent Secretary, Treasury representing the Government of the Republic of Kenya and Head of the EC Delegation in Kenya representing the European Commission.

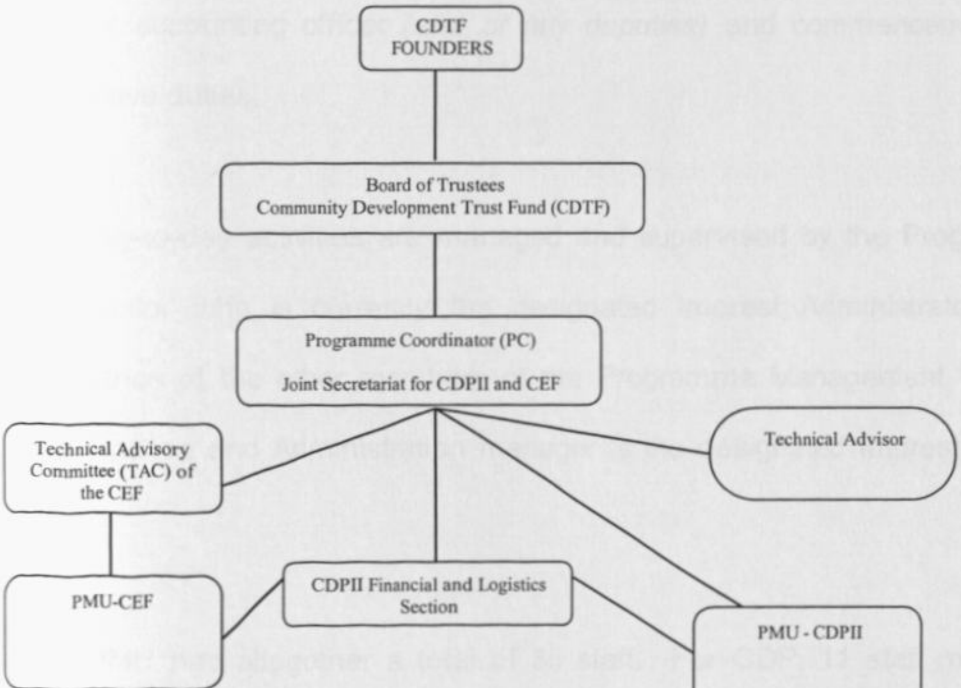

Figure: CDTF Organisational Chart
Source: Received from Community Development Trust Fund

The respondents indicated that the strategic partnership is operated under EDF guidelines given by the EC Delegation in the Cotonou ACP-EU partnership agreement. Most of CDTF's general operations are guided by official manuals provided by the European Union. The National Authorising Officer partially delegates his powers to CDTF, which then authorizes an imprest administrator and imprest accounting officer who are designated to act in its name.

This partial delegation of powers is conditional upon observance of the rules and procedures set out in the practical guide to decentralized project management; appointment of the authorised signatures of the imprest administrator and imprest accounting officer *(and of any deputies)* and commencement of their respective duties.

The day-to-day activities are managed and supervised by the Programme Co-coordinator who is currently the designated Imprest Administrator, with the assistance of the other members of the Programme Management Unit (PMU). The Finance and Administration manager is the designated Imprest Accounting Officer.

The PMU has altogether a total of 35 staff. For CDP, 11 staff members are assigned to the regional offices (Eastern, Coast, Western), while the Central Region Office that is based in CDTF head office has only one staff. The CEF programme has 7 staff. Four additional staff are yet to be recruited. The Operations Manual clearly spells out the Terms of Reference and responsibility for each staff. The PMU consists of management, program staff and support staff.

The PMU management consists of Head of Departments, namely the Programme Coordinator (overall head), the Technical Advisor attached to CDTF from the EU, the Deputy Programme Coordinator who is also the Community Development Manager, the Financial and Administration Manager, Community Environmental Facility Manager and the Technical Services Manager who manage CDTF on a daily basis, on behalf of the Board of Trustees. They are in charge of implementing the BoT decisions.

The PMU management also delegates authority to Regional Officers to oversee the daily management of the regional offices, subject to the HoD and BoT decisions. The regional officers submit quarterly reports to the Head Office, which enumerate activities that have been carried out by the regions.

The Head Office also prepares quarterly management reports, which are submitted to the BoT members and are discussed during BoT meetings. These reports are a compilation of reports of each Programme constituting CDTF and enumerate the activities undertaken during the quarter, the challenges and the financial cost.

4.1.4 Accountability

For implementation of a PE, the respondents indicated that CDTF authorizes the imprest administrator and imprest accounting officer designated below to act in its name. They are therefore accountable to CDTF's Board of Trustees. The tasks and responsibilities of the imprest administrator and imprest accounting officer include, but are not necessarily limited to, the following:

4.1.4.1 Imprest Administrator

He is responsible for drawing up the technical and operational parts of the programme estimate. With the imprest accounting officer, he submits the programme estimate for approval and where need be, liaises with the substitute imprest administrators in drafting and submitting Programme Estimates for local or crosscutting components. In implementing the direct labour component of a programme estimate, the imprest administrator is also responsible for all expenditure commitments, payment authorizations and recoveries.

The imprest administrator therefore commits the expenditure provided for in the direct-labour component of the programme estimate; signs for and on behalf of the project management unit forms and contract resulting from tenders and calls for proposals and/or consultations contained in the overall imprest commitment subject to the conditions and limits agreed herein and in the MOU; accepts the corresponding works, supplies and services; verifies each invoice, payment request and interim or finalized statement of account that the works were realized, supplies delivered and services rendered and/or the actions effected in accordance with the related contracts, and endorses and signs each of these documents as "certified correct"; sends these documents together with any supporting documents to the imprest accounting officer for payment; and co-signs with the imprest accounting officer cheques, bank transfer orders and disbursement authorizations.

4.1.4.2 Imprest Accounting Officer

The imprest accounting officer is person jointly responsible for the financial management of the PE though not necessarily the person who actually keeps the accounts. He is the head of the accountants in the finance department, who actually keep the accounts. He is responsible for drawing up the financial part of the PE. Jointly with the imprest administrator, he submits the PE for approval and, where need be, liaises with the other imprest accounting officers in drafting and submitting Programme Estimates.

During implementation of the PE, the imprest accounting officer is responsible for verification and implementation of payments and recoveries after their authorization by the imprest administrator. He also verifies the correct application of contract and grant award procedures; verifies the existence of adequate and reliable supporting documents for commitments, payments and any recoveries; verifies the contractual and financial details of each invoice, payment request and interim final itemised statement of account submitted by the imprest administrator; co-signs with imprest administrator cheques, bank transfer orders and disbursement authorizations; draws up and updates lists of staff and their pay, the inventory of materials and equipment and, where appropriate, inventories of stock financed by the project or programme; and prepares and draws up requests for replenishment and for closure.

4.1.4.3 Accounting procedures

CDTF funds are reflected in the Government of Kenya's Annual and Forward budget estimates under the "Appropriations-in-Aid" mode of disbursement. The EU makes funds available to Kenya through the National Indicative Allocation that indicates all EU funds available to Kenya. The allocation is usually based on sector priorities set out in the Country Strategy Paper (CSP).

CDTF draws up a twelve-month operational and financial budget, which is known as a Programme Estimate. This Programme Estimate indicates the activities to be carried out in the next twelve-month period. The Programme Estimate is then circulated for approval whereby the Chairman of the BoT signs as the contracting authority. Approval is also obtained from the NAO and the EU before the budget is considered as operational.

CDTF should also send a request for 50% of the proposed budget funds to the Ministry of Planning and National Development who process this request by preparing a request for a Payment Order from the Ministry of Finance (External Resources Department). This request is send to the EU Delegation, and upon the final signature of the Programme Estimate, the processing of funds to be sent to CDTF begins.

It is mandatory that a new account be opened every new financial year, so that funds for every new financial year can be tracked efficiently and balances of an ended financial year are returned to the EC Delegation on confirmation that all expenditure submitted by CDTF is legible for payment by the EDF funds. The EU processes the funds for the financial year on receipt of the request for advance of funds, a signed Programme Estimate (PE) and details of the new bank accounts. The funds are transferred to the CDTF accounts in two separate accounts for development expenditure and recurrent expenditure respectively.

Funds are sent to communities in installments which are agreed upon during the signing of a Financing Agreement with CDTF. These funds are accounted for by the PIC of the communities, and CDTF verifies the legitimacy and accuracy of the expenditure records and documents submitted. These accounts form the basis of justification of the expenditure on the project funds after the CDTF monitoring team physically verifies the activities indicated. The CDTF team then recommends for the project to receive the subsequent installment of funds.

CDTF accounts for funds received on a monthly basis, justifying expenditure against the advance given for both projects and PMU expenditure. The accounts department at the end of each month prepares consolidated accounts including regional expenditure, which justify the expenditure for the month. These accounts, together with original vouchers and supporting documents are submitted to the National Authorising Officer for verification. A set of copy vouchers and supporting documents are also sent to the National Authorising Officer for record purposes.

On verifying the expenditure, the National Authorising Office forwards the original vouchers and original supporting documents to the EC Delegation. The Environment and Social Sector of the EC Delegation under which CDTF falls verify the expenditure before verified documents are sent to the Financial and Contracts Section of the EC Delegation. This section then does the final verification and the recording of justified expenditure in the EC Delegation accounting system.

When 75% of the advance given from the EU is expended, CDTF then makes a request for the 50% balance of funds. The replenishment request includes the justification of expenditure incurred, is drawn up by the imprest administrator and imprest accounting officer and submitted to the National Authorising Offices. This request goes through the same procedure as the request for the initial advance. Accounting also follows the same procedure.

Payments under the PE can only be made for expenditure linked to activities properly scheduled and implemented during the one-year period. No further expenditure may be committed after the end of that period. Only certain management transactions[1] relating to the closure of the PE can be carried out after that date. Also, expenditure paid and/or committed before the date on which a programme estimate is endorsed by the Head of Delegation is not covered by the EDF.

For every programme running under CDTF, external auditors have been contracted to carry out bi-annual audits of the financial statements of receipts and payments on the use of funds. They also make visits to the CDTF funded projects to verify how effectively funds sent to communities have been used. Any queries raised during these audits have to be acted upon by the CDTF-PMU, and both the queries and action taken form part of the audit report. The auditors submit their report to the BoT and the EU.

Closure of the PE takes place after the end of the period it covers. The closure request, including the final statement of expenditure of the PE, must be drawn up and submitted not later than three months after the end of the period covered by the PE. The PE must be closed at the latest six months after the end of the period it covers. Failure to do this will result in the funds for the subsequent PE being withheld.

The amounts corresponding to non-accepted or unjustified expenditure must be refunded without delay by the imprest administrator and the imprest accounting officer or, where applicable, by the third-party organisation. If they fail to do so, and if a financial guarantee was not obtained before payment of the initial

[1] Payments for expenditure incurred during the period covered by the programme estimate and in drawing up the request for closure of operations for the direct labour component of the programme estimate.

allocation, the National Authorising Officer will become responsible for the debt and the amounts due will have to be refunded to the EDF by the ACP State concerned.

4.1.5 Management review of the operations of the strategic partnership

Management review of the operations of the strategic partnership is carried out in two levels. The BoT reviews the operations through quarterly management reports and semi-annual audits carried out on CDTF. These reports are usually discussed during BoT meetings. The EU on the other hand, not only reviews the operations through discussions held during BoT meetings, but also through its operations as a donor.

At the end of the phase of strategic partnership, the EC Delegation also brings in auditors who carry out a comprehensive audit on the utilization of funds and accounting procedures. Their recommendations are sent to European Union in Brussels. External evaluators from European Union in Brussels are also sent to carry out a programme audit. The evaluators evaluate CDTF in terms of whether the programme's objectives were achieved and also visit selected projects to confirm the work done in the field. The EC Delegation Office in Kenya is also evaluated on its effectiveness in responding to issues experienced during programme implementation and also in the relationship with the Government of Kenya. The evaluators therefore hold meetings with CDTF management and staff, the GoK officials related to CDTF implementation, the EC Delegation in Kenya staff and the beneficiaries of CDTF funding, who are the Kenyan communities.

Though CDTF was a joint venture and a separate entity from the strategic partners, it is being implemented through the Ministry of Planning and National Development, which is a government line ministry. The benefits and challenges of the strategic partnership were therefore considered from that perspective, because it is the government that is finally accountable to the EU for funds given to CDTF.

4.1.6 Benefits achieved by strategic partnership of GoK and EU in CDTF

The respondents enumerated some of the benefits achieved by the strategic partnership of GoK and EU in CDTF. They observed that this partnership has resolved the problems that were being experienced in fund management, administration and disbursements during the Micro-projects implementation. These include delayed accountability, lack of community involvement, political interference, and delayed disbursements as a result of funds being frozen. This strategic partnership has enabled communities to take charge of project identification, management and sustainability; community groups are able to access funding; there is no political interference; funds cannot be frozen as the EU funds are released as AIA and not revenue; and bi-annual audits are carried out, thus facilitating accountability.

The strategic partnership between EU and GoK in CDTF has also enabled objectives of the two strategic partners to be undertaken faster. The three programmes under CDTF have provided substantial support to development projects. During 2000 and 2001, when Kenya experienced life-threatening droughts, EDP disbursed Kshs. 167.8 million to successfully implement 18 drought mitigation and recovery projects across 20 arid and semi-arid districts. The completed programme BCP, on the other hand, has supported 37 community projects with a disbursement of Kshs. 365.5 million. The current phase II of the CDP has provided support of Kshs. 960 million to 409 projects countrywide. The range of projects covered by CDP include education, vocational training, water and sanitation; health; irrigation; livestock production; economic infrastructure in the form of rural access roads and bridges; and the electrification of public facilities. CEF, which was launched in March 2006 is yet to begin disbursement of funds. ***Appendices 2, 3 and 4*** show the location of CDTF funded projects in Kenya.

The strategic partnership between GoK and EU in CDTF has achieved the following benefits: It fitted with GoK policy priorities in promoting community self help initiatives; had yielded benefits to the community in form of tangible assets; had rapidly launched a large of projects and the programme had successfully stimulated community demand with CDTF being responsive to that demand; and promoted communities' self reliance because of the significant element of community training and capacity building inherent in CDTF's arrangements which made the community accountable for project implementation and the financial management.

Another benefit that has been observed is that EU's involvement in the strategic partnership between itself and GoK in CDTF has enabled it get a close insight into the priority needs of local communities throughout Kenya. This resulted in the re-orientation of the ongoing rural roads programme to involve local communities in the selection and implementation of road rehabilitation, so as to ensure a participatory approach to the programme and enhance local ownership.

4.1.7 Future of GoK-EU Strategic Partnership in CDTF

The respondents indicated that the strategic partnership between EU and GoK in CDTF is still being fostered. They observed that the launch of the CEF program, which has a four-year implementation period from 2006 to 2010 was a good indicator of this. They also said that preparations were underway for the phase three of CDP, which is to begin in January 2007 and will run for four years.

The respondents also contributed some insight into the future of the strategic partnership, indicating that it will undergo some changes. Other donors have expressed interest to fund some of the activities of CDTF. There are plans underway to amend the Legal Notice No. 303 so as to enable CDTF to become a multi-donor funded project. DANIDA, for example, has expressed interest to fund CEF programme activities, and if the amendments are obtained and approvals put in the place, the strategic partnership between GoK and the EU in CDTF will move towards multipartnerships.

4.1.8 Lessons Learnt

The respondents observed that several lessons have been learnt in the strategic partnership between EU and GoK in CDTF. The first lesson learnt is the importance of fostering the Government of Kenya and EU relationship. This is due to the fact that the close working relationship between GoK through the NAO office and the EU through the EC Delegation has been a key element in the recent improved performance of Kenya-EU cooperation in CDTF. This has been made possible through the institutional framework of CDTF, which has made GoK and EU to be actively involved in the CDTF operations. More emphasis will be required in future strategic partnerships, with greater emphasis on continuous dialogue.

The second lesson learnt is the effectiveness of decentralised programme management. A major success of the 7th /8th EDF programmes has been the implementation of programmes through trust funds managed by Boards of Trustees which bring together key stakeholders and expertise. This has been applied successfully in CDTF through the CDP and BCP Programmes. This model has now been extended to Tourism and will also be extended to Micro finance. As a result, the objectives of the partnership have been implemented more rapidly and have reached the final beneficiaries more effectively than traditional management approaches. Under the current EU funding programme, the 9th EDF, respondents indicated that possibilities had been explored to further extend the decentralized management approach, particularly within the greater involvement for non-state actors. This has already been included in the 9th EDF rules and regulations.

Due to the insurmountable amount of work needed to be undertaken so as to meet the strategic partnership's objectives, the two strategic partners have had to involve other strategic partners, for example NGOs, private concerns or government agencies, as they were either stakeholders or were in a position to offer great assistance to communities in capacity building and project sustainability. This has been the case in most conservation related projects undertaken by BCP. It has been observed that the most successful projects are those that are closely supported by effective strategic partners. The role of multiple relationships in strategic partnership is therefore very critical.

4.1.9 Other strategic partnerships GoK and EU are involved in

The respondents indicated that the two strategic partners namely GoK and the EU are involved in other strategic partnerships between themselves, other than CDTF. These partnerships between the GoK and EU are set out in the Country Strategy Paper (CSP), which is a working document for GoK-EU cooperation. The CSP is a review of GoK priorities and development strategy and it proposes the specific contributions that the EU could provide. EU support concentrates on the focal sectors identified as priorities by GoK. Examples of other strategic partnerships that GoK and EU have with each other include the Tourism Trust Fund that is implemented through the Ministry of Tourism, CEF relationship with NEMA, KIPPRA amongst others. The EU also has strategic partnerships with non-state actors including NGOs, civil organizations, amongst others.

4.2 Challenges experienced by GoK in the its application of strategic partnership with the EU in CDTF

The government, through NAO is solely responsible for the overall implementation and accountability of the funds that CDTF receives EU. Therefore the challenges experienced are being examined from the point of view that the government is the ultimate implementer even though it delegates some responsibilities to CDTF. The respondents indicated that the government has faced some challenges in its application of strategic partnership with EU in CDTF as a result of a strategic joint venture being a new phenomenon, the complexity in relationship resulting from the strategic partnership and also due to the objectives of the strategic partnership.

The strategic partnership of GoK and EU in CDTF received initial resistance. CDTF was started right in the middle of the much-hyped "District Focus for Rural Development" policy, when the District Development Committees (DDCs), and the district heads of departments, controlled resources made available through the Rural Development Fund. Knowledge and capacity concerning project management was considered to lie exclusively in either the formally trained district, provincial and headquarter personnel of line ministries, or in the personnel of the NGO Community. The idea of Community Contracting using CDTF resources challenged the prevailing views about the promotion of development initiatives. That Community Contracting relegated district heads of departments to the periphery of the action, while elevating the role of communities, did not endear the strategy to many government personnel at the district level. Therefore there was initial suspicion and opposition to the concept.

The two strategic partners have had to engage in other strategic partnerships on the ground, especially for the CDTF-funded projects so that those strategic partners can assist the communities in capacity until the members become more self-reliant and projects become more sustainable. There have been cases in some projects whereby these strategic partnerships on the ground have resulted in disappointments and disagreements between strategic partners and communities, and in a few cases, conflicts between CDTF and the strategic partners on the ground.

Lack of cooperation from other government departments is a challenge that has been experienced during implementation of the strategic partnership objectives. For example, some community projects that are near the forest had experienced challenges, as the forestry department was reluctant to issue them with approval for eco-tourism facilities and allocating space for them to build their offices with materials provided by CDTF, which is also being implemented through a government ministry. This is due to the lack of policies governing inter-department or inter-ministry cooperation, especially due to the factor that the project implementation was not being directly done by the government but through CDTF.

The communities have found it cumbersome procedurally to handle funds disbursed through CDTF. Given the policy of devolvement of project management to the communities, factors concerning the PIC responsibilities are outside the direct control of the PMU. Not all the PICs have sufficient capacity to undertake the roles according to the terms set out in the financing agreement and, often, shortcomings are witnessed in their management routines, some of which are commonly raised as weaknesses by the external auditors. This poses a challenge as it may result in more stringent monitoring measures being adopted, not only for CDTF but also any other funds being received by government from EU.

Other challenges experienced by government in the application of the strategic partnership between GoK and EU in CDTF are delays in accessing funds due to the complexity of processing documents through the Ministry of Planning and National Development under which CDTF is implemented, the Ministry of Finance and EC Delegation who have different financial procedures. The effects of these delays on the projects awaiting fund disbursements means that the PICs have had to suspend activities for long periods, some enduring constant pressure from service providers on contract to undertake project works over a specified period, and others from the beneficiaries who were getting impatient or suspicious that the works have stalled due to foul play. This has sometimes resulted in inability to achieve performance targets thus culminating to requests for extension of implementation period of programmes operating under CDTF.

There is an overwhelming existing demand, by local communities, for development assistance in the country yet CDTF can only meet this demand dismally. The resource allocation and operational time frame of the CDTF can only allow for a limited number of new projects to be funded. With such a low response capacity of the CDTF against this high demand, the available resources for project investment must be made highly competitive calling for stringent selection measures for the projects that will ultimately qualify for funding. Unfortunately, the projects that are unprepared with critical documents to support their case and may require too much time to do so will be disadvantaged as a result of this. This time-constraint somewhat negates the original intention of the PMU to provide facilitative support to some of the less prepared projects (majority of which hail from the more remotely located communities) through capacity building.

CDTF has experienced slow or unresponsive projects that slow down the performance targets set out in the Financing Agreements. CDTF resolves this by scaling down the scope of funded activities or canceling the project so as to ensure that CDTF funds are not held up in idle status unnecessarily. However, such action inevitably leads to de-commitment of funds that had been previously indicated as commitments. If such cases soar, the de-commitments may build up back up to reflect a large balance of uncommitted funds, whereby in fact the monies had been previously committed but later de-committed. This reflects negatively on the performance of the organization since it not only adversely affects performance targets, but also results in return of colossal amounts of uncommitted funds to the EU at the end of each financial year.

CHAPTER FIVE

SUMMARY, DISCUSSIONS AND CONCLUSIONS

Introduction

This section summarises, discusses and concludes the research findings in line with the two research objectives of this study. It also deals with the limitations experienced during the study, and gives recommendations for further research and for policy formulation.

5.1 Summary, Discussions and Conclusions

This research study had two main objectives, which were to determine how strategic partnership is applied between the Kenyan government and the European Union in CDTF, and also to establish the challenges faced by the Kenyan government in its strategic partnership with the European Union in CDTF. The results obtained from the research study are summarized, discussed and concluded in relation to each of these objectives.

The first research objective was to determine how strategic partnership is applied between the Kenyan government and the European Union in CDTF. The results indicated that the strategic partnership of GoK and EU in CDTF is guided by a partnership agreement, which is a very critical element of a strategic partnership. The partnership agreement which in this case is known as the Financing Agreement clearly articulated the objectives and goals of the strategic partnership, the roles of each partner, the period of the partnership and it also spells out the guidelines for its management, accountability and performance review. Its existence has been helpful in minimizing potential areas of conflict and enhancing trust between the two strategic partners. The results also indicated that senior management support was evident in the strategic partnership under study since the Board of Trustees members include the NAO representative, the Permanent Secretary in the Ministry of Planning and National Development and the Head of the EC Delegation. Only the NAO and the Head of Delegation have veto powers.

The results proved that the strategic partnership between GoK and EU in CDTF has defined performance expectations and several mechanisms have been put in place to ensure that these expectations are met. At the beginning of each phase of the strategic partnership, expectations are defined, and they are sub-divided into yearly targets that are reflected in the yearly Programme Estimates. The organizational performance is evaluated through bi-annual external audits, staff appraisals, mid-term evaluation and final evaluations at the end of every phase. The results of these evaluations are tabled during the Board of Trustee meetings. It can therefore be concluded that the strategic partnership between the Kenyan government and the European Union in CDTF operates on the same guidelines as strategic partnerships in the corporate world because it is guided by the crucial elements of strategic a partnership which include a partnership agreement, role clarity and responsibility, senior management support, and performance reviews.

The second research objective was to establish the challenges faced by the Kenyan government in its strategic partnership with the European Union in CDTF. The results indicate that a lack of trust, which was experienced initially on the formation of the partnership, and also delays in accessing funds which often is as a result of the complex nature of relationships caused by the strategic partnership. Other challenges arise are as a result of the unique nature of the objectives of the strategic partnership. These include an overwhelming existing demand, by local communities, for development assistance in the country; slow or unresponsive projects that slow down the performance targets set out in the Financing Agreements; communities find it cumbersome procedurally to handle funds disbursed through CDTF due to lack of capacity, which result in audit queries being raised on fund utilization, amongst others. It can also be concluded from the research findings that even though some faced by this strategic partnership are related to those highlighted by strategic partnerships in the corporate world, most of those experienced are unique to its objectives and institutional framework.

5.2 Limitations of the Study

The study was constrained by several factors. The time available to complete the study was a constraint in the sense that it hindered the researcher from including more respondents, and also due to the fact that some of the main respondents were out of their work stations for long periods of time. The study also had to carried out alongside the researcher's normal work routine.

Secondly, obtaining some of the people actively involved in the initial concept of CDTF from the government side was difficult, as most of them had already left the ministry as a result of transfer or retirement, and it was difficult to obtain their contacts. Most of the people currently in office had been working there for less than two years, so information had to be sought from more junior staff than was originally intended.

5.3 Recommendations for further research

This research was an in-depth study on the strategic partnership between the GoK and EU in CDTF, which is just one of the ways that the Kenyan government has applied strategic partnership as a joint venture. A research study could also be conducted on the application and challenges faced by other forms of strategic partnerships in which the Kenyan government participates with the EU, apart from joint ventures.

A survey can be conducted on how the Kenyan government has applied strategic partnerships with other different organizations and to identify whether there are key ingredients that can be considered as success factors for these strategic partnerships. These organizations could either be donors, inter-ministry projects, donors or the private sector.

The government, in its bid to remain effective as an organization, could have adopted other strategies that have improved its efficiency and effectiveness in achieving its objectives and goals. These include outsourcing, diversification, restructuring in government agencies, amongst others. A research study can also be conducted on the application of these other strategies, and the challenges the government has experienced in their application.

5.4 Recommendations for policy and practice

The results of the research study have enabled the researcher to propose recommendations that can be used for policy and practice. Since the Kenyan government and the EU strategic partnership is based on similar guidelines as strategic partnerships in the corporate world, and it has proved to be effective in the objectives that it has undertaken, the government could use this as a model for other future strategic partnerships that it would have with other donors. It is recommended that the government of Kenya and other non-corporate players should cooperate in formation of strategic partnerships as they may provide more efficient and effective channels for improving performance. The government could use the strengths of the strategic partnership as guidelines for formulating strategic partnership policies with other strategic partners.

The Kenya government should implement policy guidelines that facilitate inter-ministerial cooperation, thus facilitating their work. This recommendation is based on the incidences of lack of cooperation from other government ministries, for example forestry department, in the implementation of strategic partnership initiatives. Such incidences can be avoided if there are mainstreaming agreements through relevant government departments from national level that can affect the effectiveness of projects at field level.

It is important for the two strategic partners to note that when taking into consideration other potential areas of strategic partnership, they may need to involve more strategic partners, for example NGOs, private concerns. It would be critical to therefore ensure that terms of reference are developed for other potential strategic partners, which would state their mandate, the support they can expect from original partnerships, and the conditions under which it would cease to have the privileged role. This would enable them avoid conflicts resulting from multi-partnerships mainly as a result of lack of role clarity.

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APPENDICES

Appendix 1: Interview Guide

The interviewees will be informed that the information in the interview guide will be treated with confidentiality and will not be used for any other purposes other than academic.

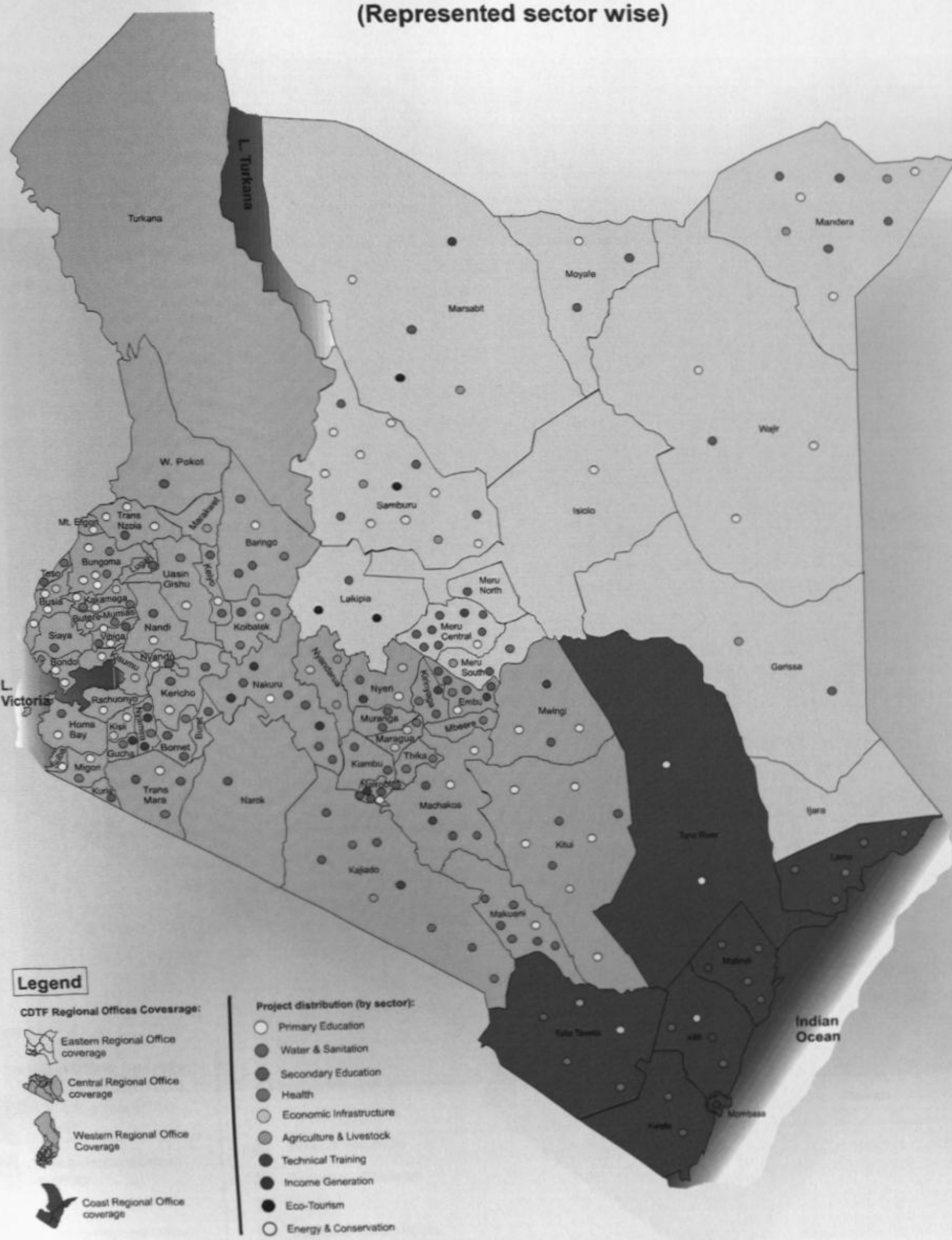
1) When was the strategic partnership formed?
2) What were the reasons for motivating the formation of the strategic partnership?
3) Are there any official agreements between the strategic partners?
4) What is the time frame for the strategic partnership?
5) What are the objectives of the strategic partnership?
6) What type of strategic partnership is it?
7) What are the responsibilities of each of the partners involved?
8) What is the management structure of the strategic partnership?
9) How are the operations of the strategic partnership carried out?
10) How is accountability carried out?
11) How does management review the operations of the strategic partnership?
12) What are the benefits of the strategic partnership?
13) What challenges have been faced in applying the strategic partnership?
14) What lessons have been learnt from this strategic partnership?
15) Are the partners involved in other strategic partnerships?
16) What is the future of the strategic partnership?

Appendix 2: CDP 1 PROJECTS

MAP OF KENYA

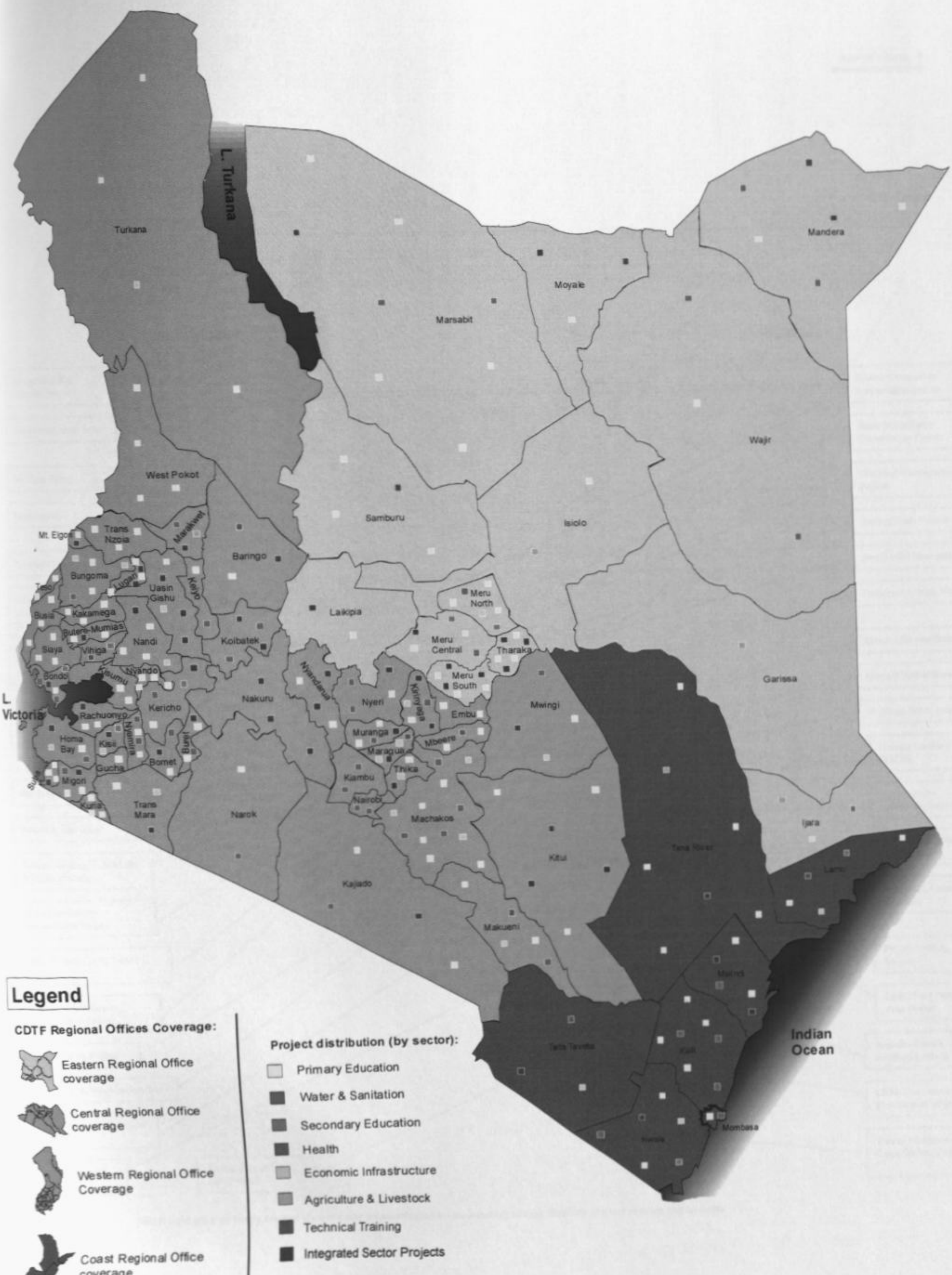
DISTRIBUTION BY DISTRICT OF THE 237 CDP I FUNDED PROJECTS AS AT 30th June 2001

(Represented sector wise)



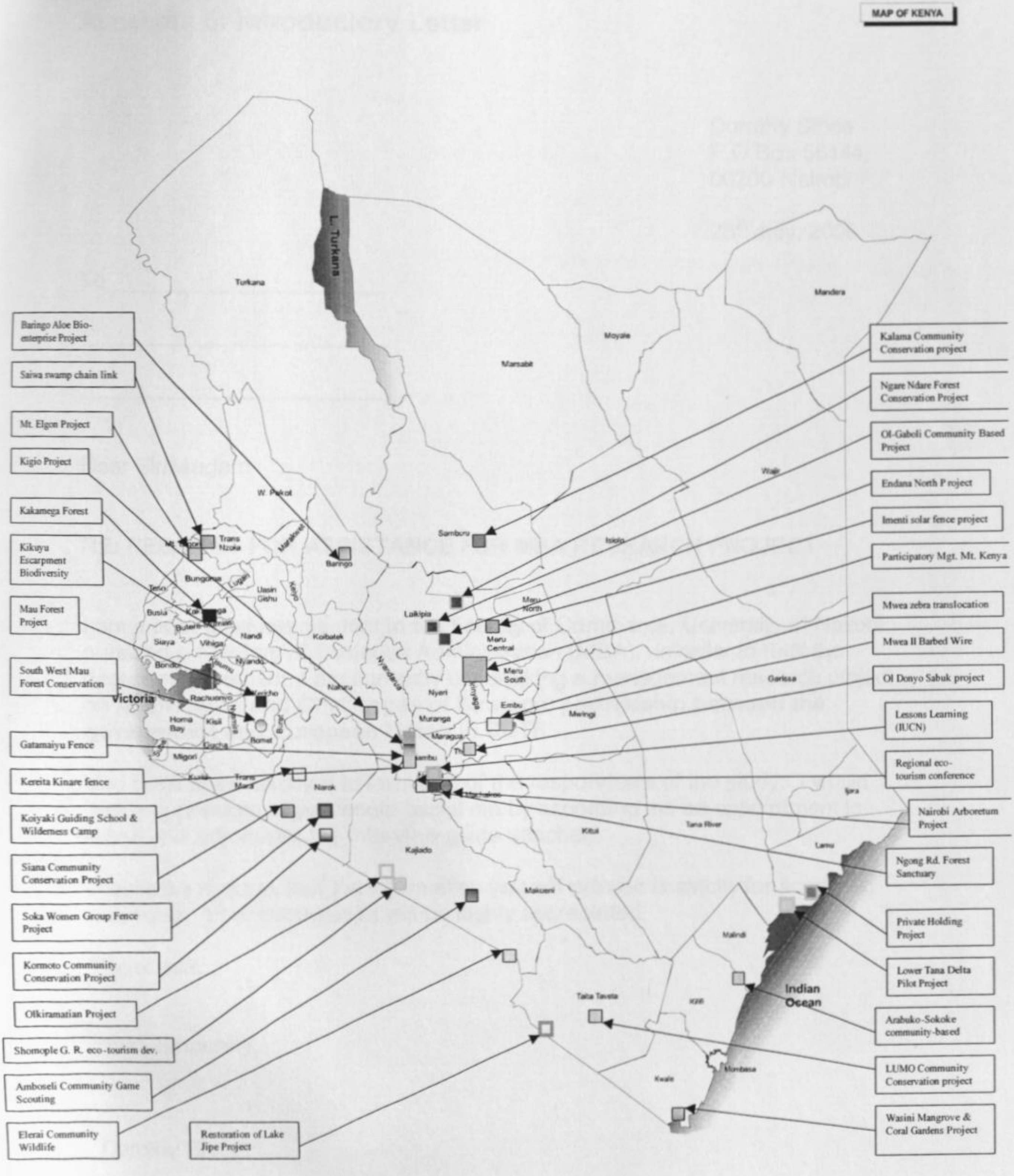
NB: Boundaries of newly created districts and those affected by the creation of new districts are not acurate and to scale

Appendix 3: CDP2 PROJECTS LOCATION MAP



NB: MAP NOT TO SCALE

Appendix 4: Location of BCP-supported Projects



NB: Boundaries of newly created districts and those affected by the creation of new districts are not acurate and to scale

Appendix 5: Introductory Letter

Dorothy Siboe
P.O Box 56144,
00200 Nairobi

28th July, 2006

To ______________________

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Dear Sir/Madam

RE: REQUEST FOR ASSISTANCE FOR MBA RESEARCH PROJECT

I am a post graduate student in the Faculty of Commerce, University of Nairobi pursuing a Masters of Business Administration (MBA). In order to fulfil the degree requirement, I am currently undertaking a management research project on **Application and Challenges of Strategic partnership between the government and European Union in CDTF**.

You have been selected to form part of the respondents of the study. I would highly appreciate of you would assist me by according me an appointment to come and administer the interview guide attached.

Please be assures that the information you will provide is strictly for academic purposes. Your cooperation will be highly appreciated.

Thank you.

Yours Sincerely,

Dorothy Siboe.