STAKEHOLDER INVOLVEMENT IN THE POVERTY REDUCTION STRATEGY FORMULATION

BY:

MARGARET A. N. GULAVIC

A research project submitted to the Faculty of Commerce in
partial fulfilment for the award of the Degree of
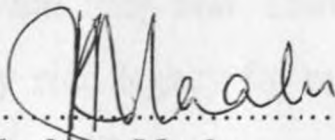Master of Business and Administration, Faculty of Commerce,
University of Nairobi

DECLARATION

This thesis is my original work and has not been submitted for a degree in any other University.

Signature:...Date:..13/10/05

Margaret A. N. Gulavic
(D/61/P/8012/97)

This thesis has been submitted for examination with my approval as the University Supervisor.

Signature:...Date:..24/10/05

Mr. Jackson Maalu
Senior Lecturer, Department of Business Administration,
University of Nairobi.

DEDICATION

I give thanks to the Almighty Father, His Son Jesus and Our Holy Mother Mary, in whom I have always trusted and my faith has always relied upon. This Research Project is dedicated to my late parents -my father and friend Joseph Dodo, and my late dearest mother and love Bernadette Dodo who sacrificed a lot for me and were always my source of inspiration and encouragement and who believed in reaching for the clouds. They both believed in the importance of hard work and education and especially for their children and provided the best of what they had. Their love, dedication and commitment have left a very rich legacy for me. Mama and Daddy I thank you for your un-conditional love.

May the Good Lord Grant Your Souls Eternal Rest and May Perpetual Light Shine Upon You.

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ABSTRACT

This study examines the role of Government departments in the formulation of the Poverty Reduction Strategy Paper (PRSP). Broadly stated, the purpose of the study is to strengthen knowledge about, and highlight the role of stakeholders in policy formulation and particularly the formulation of the Poverty Reduction Strategy. The study specifically focuses on government departments, which have been particularly instrumental in the formulation of the Poverty Reduction Strategy in Kenya.

The starting point for the study is the major proposition forwarded to the extent that poverty reduction strategies in the past have not cognisance of the involvement of stakeholders. Given the widespread consultations during the PRSP formulation, it is not clear what roles the stakeholders have played in the policy formulation. The conceptual framework employed by the study is the strategic management approach to research. Using this instrument, it is demonstrated that strategic management is a fundamental planning process since strategic decisions influence the way organizations responds to their environment. The involvement of stakeholders is central to national policy formulation, since it ensures participation and ownership and commitment to the achievement of the policy objectives.

In order to achieve the objectives of the study, a questionnaire with both structured and semi structured questions were administered to the respondents by the researcher. A sample of 22 government departments engaged in the Medium Term Expenditure Framework were selected out of 45 for this study and were considered an adequate sample to provide the measure of their involvement in the policy formulation process. Data was collected and analysed using a five point Likert scale to measure the extent of the department's perceived involvement in the Poverty Reduction Strategy formulation process. Both ordinal and nominal scales were used to

rate the different variables. Descriptive statistics were used to summarise data including frequency counts and qualitative analysis of the data gathered from the population of study. Cross tabulations were used for purposes of comparison.

The findings of this study clearly indicate that while the departments as stakeholders provided valuable technical expertise to the formulation process they were clearly constrained by the prevailing International Financing Institutions agenda. Donor overshadowing in the process clearly compromised the achievement of identified Poverty Reduction Strategy priorities through the constantly changing resource conditionalities.

From the findings of the study, it can be concluded that despite the centrality of stakeholder involvement in national policy formulation that ensures participation and ownership, and commitment to the achievement of the policy objectives, the practice however through this study, demonstrates that when external factors come into play in this case the development partners, stakeholders consultations may be deemed cosmetic leading to a gap between strategy formulation and realisation. The study further reinforces the importance of stakeholders at all levels of the strategy development process in enhancing ownership and opening up the space for participation.

The study recommends the further entrenchment of stakeholder consultations in national policy formulation. Taking cognisance of the fact that the policy formulation strategies supported by international development partners like (IMF and World Bank) sometimes clash with traditional domestic policy formulation strategies, it is also recommended that as a first step, there is need to inculcate among all stakeholders including government departments, a culture of inclusion and participation in national policy formulation.

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CHAPTER 1: INTRODUCTION

1.1. Background

Stakeholders within organisations influence strategy and consequently influence the organisation's purposes that result in formal expectations in terms of achievement. The most fundamental issue relates to whom the organisation should serve as well as the determinants and purposes of the organisation. This then relates to the power to influence the purposes, accountability issues, and also the processes supervising executive decisions and actions.

The extents to which organisational stakeholders are interested in or able to influence organisations purposes vary and their different power interests underscore these variations. Governance frameworks prescribe whom the organisation serves, determines the purposes and priorities of the organization, while outlining the functions and the distribution of power among different stakeholders. This is critical as there is an increasing tendency for organisations to be more visibly accountable to stakeholder groups with varying interests.

Given this degree of complexity, there are likely to be several conflicts of interest between different groups and executives as they try and balance the varying interests.

Given that few individuals have sufficient power to unilaterally determine the strategy of an organization, influence occurs because individuals share expectations with others by being part of a stakeholder group. Government departments formed a critical constituency among the stakeholders involved in formulating the Poverty Reduction Strategy Paper (PRSP). They identified themselves with the Ministries' vision and mission as well as the hierarchical levels.

Sensitivity to stakeholder demands by executives is critical when formulating a realistic strategy and if overlooked leads to conflicts. Governments face challenges in national planning efforts due to the high demand for public services from the citizenry. Stakeholder's contributions to the government's mission statement and core value is a critical determinant to the ultimate policy direction (Nutt & Backoff 2002).

Stakeholder involvement is critical for any given course of action the strategic planning team determines. It offers important insight into planning, facilitates their "buy in" and support for the strategy, allows greater ownership, facilitates better decisions and may identify issues not addressed by the executive team (Betts and Tepper 2002). Their involvement is a valuable prelude to the formulation of a mission statement for effectiveness of strategies and critical to implementation success. The criteria stakeholders use to judge the organisation's performance influences how the organisation pursues strategies and manages resources effectively over the long term while increasing stakeholder satisfaction (Boschken 1994).

1.2. The Poverty Reduction Strategy Paper

The World Bank defines the Poverty Reduction Strategy (PRS) as "a description of a country's macroeconomic, structural and social policies and programmes to promote growth, reduce poverty as well as the associated external financing needs." Governments through participatory processes involving stakeholders (comprising Civil Society, Citizens, Private Sector, Development Partners, World Bank and the International Monetary Fund) prepare the strategies (World Bank Report 2000). This assumption is based on the premise that stakeholders bring critical experience, expertise and knowledge to the strategy formulation process, and their involvement influences the strengthening of ties as well as building their commitment to implementation of recommendations, (Winton 2002).

The Poverty Reduction Strategies have their origins in the lending frameworks of the World Bank and the International Monetary Fund, and have been developed as an alternative to the Policy Framework Papers as well as being a major determinant of future development cooperation (Meyer et al 2001). They are externally developed, driven by the promise of external resources. They serve as the debt cancellation framework under High Initiative Poverty Countries 2 (HIPC), with the concerned countries qualifying for debt relief after the approval of their country's PRSP by the World Bank and the International Monetary Fund. According to Irungu (2002), there is little evidence to suggest that the Kenyan PRSP generated any substantive in-country ownership.

Furthermore, Irungu (2002) further argues that in as much as the PRS approach is the new "wrapper" for the International Finance Institutions' operations and processes in low-income countries replacing the old tripartite Policy Framework Paper; the actual contents of reform programmes have yet to show much change.

The concept of participation is understood to be a meaningful, proactive and results oriented engagement whose key elements include information sharing, consultation, joint decision-making, initiation and control by the stakeholders (McGee, Norton. 2001). The Government of Kenya (GoK) was keen to reach the completion point of full debt relief as soon as possible as a consequence of the participation clause in the PRS. According to Meyer (2001), the GoK consequently engaged in a variety of cosmetic consultation processes such as research exercises, harmonisation and regional workshops, alongside a parallel task force drafting the strategy, with the Development Partners financing the procedures. Most observers were cynical about whether these occurrences indicated genuine change or were a public relations campaign for the government, (Meyer et al 2001).

According to the Government of Kenya, the Interim Poverty Reduction Strategy was developed with broad consultations with stakeholders mainly at the national level (Government of Kenya 2000). The Treasury led the processes and drafted the papers often with approval of the World Bank and the International Monetary Fund. This consultation process according to the Government, generated views and ideas on how best to combat poverty and the priority areas for policy intervention and budgetary resource allocation - a view which has been highly criticised. The consultative fora that facilitated the process –such as workshops did not have the power of decision-making or a precise advisory mandate. Rather, they were aimed at producing the desired consensus (Evans et al 2000).

Participation then for the Departments was first a conditionality imposed by creditors to which they had no alternative but prove that they were in compliance, regardless of their own agenda on the subject and depending on how weighty was the involved in resource packet (Meyer et al, 2001).

According to Meyers (2001), some critical observers of the PRSP noted that although the ownership of the drafting of the PRSP was with the Government in some cases, in a majority of cases, the international institutions staff continued to control the policy process. World Bank employees wrote and edited the final drafts in Washington, while the Government Departments in Kenya did not get the opportunity to provide their input or appraise them conclusively before the World Bank and the IMF passed their decisions.

According to a study conducted by Irungu (2002), findings suggested an inverse relationship between the degree of domestic public accountability during the formulation process with the World Bank and the Internal Monetary Fund. That the closer the Kenyan PRSP got to

finalization and discussion with multilateral and bilateral institutions, the more it receded into the opaque boardrooms of these institutions. That since the Government was not in the driver's seat of the analytic agenda informing the reform programme, it did not shape the development agenda for Kenya and/or easily tap the PRS results for policy decision-making due to the international financing institutions conditionalities.

Irungu (2000) further argued that the Government's participation collapsed with the development of the core loan instruments - the World Bank Country Assistance Strategy, Government Letter of Intent, IMF Poverty Growth Facility Arrangements and the Poverty Reduction Support Credit. For these reasons, the strategy formulation had less impact on policy, as information sharing in relation to these core loan instruments and national budgets was highly unsatisfactory. Both the IMF and the WB were highly secretive in the PRS decision-making processes. They directly influenced and controlled the Poverty Reduction Strategy and the related policy processes. This influence manifested itself in the light of both qualitative and quantitative loan conditions- deficits and inflation in the country. The development partners' policy advice that was manifested as conditionalities are in part the origin of the declining economic performance in Kenya and increased poverty levels. For instance the blanket trade liberalisation programme that was promoted as a good policy by the partners promoted poor agricultural performance (Irungu 2002).

In strategy formulation, an internal agreement on the overall strategic planning effort and main planning steps is critical among key internal decision makers and external leaders (Steiner 1979). Their support and commitment is vital if strategic planning and change is to succeed (Olsen et al 1982). The Government Departments as internal decision makers in the PRSP formulation possess a claim on resources, and their effectiveness and outputs are

affected by the PRS results. The Strategy affects the departments' policies as they compete for access to the resource envelope. Through the Medium Term Expenditure Framework, they align their principal statements and the main strategy policy lines earmarking the expenditures for the agreed poverty policy area.

Consequently, trust with external partners is exceedingly critical as this determines accessibility to this fund. Often, stakeholder involvement in identification of the mission eliminates unnecessary conflicts and helps channel discussions and activities productively (Terry 1993). This defines the areas of collaboration and if the mission is socially justifiable, it becomes their source of inspiration.

The process of reaching an initial agreement involves introducing the concept of strategic planning, developing an understanding of what it can mean in practice, thinking through some of its more important implications, developing a commitment to strategic planning and reaching an initial agreement. A good initial agreement has significant benefits flowing (Delberget al 1989). The affected parties recognise widely the purpose and worth of strategic planning efforts leading to broad legitimacy and sponsorship. This dispels suspicion that the effort is a "power play" by the small groups. It ensures objectivity in the planning efforts.

Broad ownership is also a source of "psychological "safety net" that helps stakeholders to addresses a highly threatening anxiety for change (Schein 1992). Legitimacy then justifies the content of the strategy discussions. If ownership takes hold, then the departments ideally should be responsible for formulating their pro-poor policies and proactively commissioning and organising technical donor input into them, rather than playing a passive role with external donors and creditors in the driving seat (Mills et al, 2002). The internal ownership

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reflects the extent of department's involvement in the policy processes and subsequent adoption of these policies by the government.

A World Bank Evaluation Report (2001) acknowledged that conditionalities disguise the true ownership of the reform process, taking up valuable government time through their limited participation in the debate and decision-making on economic policy. The implication for an effective and successful PRS then is that involvement and ownership are vital for the overall success and sustainability.

This implied that involvement and ownership for the Poverty Reduction Strategy was vital in ensuring that the strategy was successfully and sustainably independent. The Departments' level of involvement in the development of the PRS was consequently determined by the substantive value they perceived in the PRS, as well as the legitimacy and political sustainability to continually attract resources from the Bretton Woods Institutions.

1.3   Statement of The Problem

When in December 1999, the boards of IMF, and the Word Bank announced a new poverty focus - the Poverty Reduction Strategy, in the work of all the International Financing Institutions (IFIs) for low-income countries, it became the "new wrapper" for the institutions' operations and processes replacing the old tripartite Policy Framework Paper (Irungu 2002). The strategies were expected to be country driven, results oriented, comprehensive and long term in perspective and foster external and domestic partnerships in line with principles of the Comprehensive Development Framework. The PRSP was expected to be the outcome of broad based consultative process between the Government and other stakeholders (Kiringi et al 2002).

However, a World Bank Paper (2002) indicated the lack of genuine consultation and participation by stakeholders in the PRS participation processes to date. External development partners dominated the agenda setting, processes and reform choices for Kenya. Kenya's PRSP process started as the IMF/World Bank " new way of thinking." The civil servants leading the Interim Poverty Reduction Strategy were either former World Bank employees or continued to draw salaries provided by the World Bank while working on these processes. They were soon dropped after the delivery of the interim PRSP (McGee et al 2001).

In its efforts to undertake the PRSP consultations, the Government of Kenya rushed the process to achieve a High Initiative Poverty Countries Initiative (HIPC) status or completion points that damaged the ultimate quality of the PRSP. The concept of Government ownership and involvement was also skewed by the fact that nationally determined priorities for funding were subject to scrutiny and change through the Joint Staff Assessments undertaken by the World Bank and International Monetary Fund, before these were forwarded to their respective Boards for yet another round of assessing, and whether the National Poverty Reduction Strategy would be funded as demanded by the Government. The hierarchy of approval hence pulled off the final disguise from the rhetoric of "country ownership" and revealed the PRS for what it was -yet another conditionality.

This study explores the extent to which Government departments as critical stakeholders were involved in the formulation process of the Poverty Reduction Strategy Paper.

1.4 Objectives of The Study

This study is formed by two objectives:

1. To determine the extent of government departments' involvement in the Formulation of Poverty Reduction Paper.

2. To examine the factors that influence their involvement in the formulation of the Poverty Reduction Strategy Paper for Kenya

1.5 Importance and Justification of The Study

The experience of Government Departments as critical internal stakeholders and their involvement in the formulation of the PRSP will provide insight into the implications of their involvement in the formulation of the Poverty Reduction Strategy in Kenya as determined by the Bretton Woods Institutions. This study will analyse the extent of the departments' involvement in the formulation of the Poverty Reduction Strategy for Kenya.

The Departments may have developed feasible proposals and possessed the operational capacity to achieve them but where they lacked the support of the Bretton Woods Institutions (BWI), their strategic vision for Kenya collapsed. The BWI often rejected department's goals as unfeasible and continuously added clauses in the form of conditions under the guise of technical policy advice. Even when the Bretton Woods Institutions' strategic conceptions were valuable, they failed to attract the departments' political support, as they did not initiate them.

The stakeholder concept is valuable when trying to understand the political context (in this case the Development Partners arena in Kenya) within which specific strategic developments

took place. The PRSP principles extend and largely incorporate the ideas previously developed around the World Bank's proposals as a basis of it's lending on a country level Comprehensive Development Framework (Booth et al, 2001). This notion of "process conditionality" (Foster et al 2000) underlies the PRS by introducing these elements into the national policy processes in anticipation that they would succeed where previous forms of conditionality failed. This was based on the perception that this process would be capable of generating grater national ownership for the poverty reduction policies leading to greater effectiveness, accountability and sustainability in government.

Under this contextual framework, departments' expectations differed from that of the development partners with conflicts emerging on the importance and desirability of different aspects of strategy. It is therefore critical to understand the extent to which their compromises reflected these expectations. Arguably, the likelihood of conflict was greatest where expectations from different departments did not conform to that of the development partners especially in relation to proposed budget cuts and reduced spending in sectors perceived by government as important to economic growth and poverty reduction.

Within both Government and the Donor Community, the hierarchies, influences, control of strategic resources, possession of knowledge or skills, involvements in strategy implementation became power determinants in the strategy formulation process. Under this contextual framework, what emerged was the impact and influence of he departments in the PRS formulation process and the skewed involvement of the departments.

This study is useful in determining the level of involvement of Government departments in the formulation of the Poverty Reduction Strategy processes. The study is a useful platform for GoK and Development Partner engagements in informing the decision-making processes.

In examining the extent of their participation as critical stakeholders in the process, and the inclusion of their recommendations throughout the process, this study will inform the development of future partnerships. Documentation of the challenges faced by the departments during the process as well as their impact on the final Poverty Reduction Strategy will provide benchmarks against which future policy development processed will be determined.

CHAPTER 2: LITERATURE REVIEW

2.1   The Concept of Strategy

Strategic management is a fundamental planning process since strategic decisions influence the way organizations respond to their environment. Schendel and Hofer (1979) define strategy in terms of its function in the organization. That the "the purpose of strategy is to provide directional cues to the organization that permit it to achieve its objectives while responding to the opportunities and threats in the environment". These strategies often reflect environmental dynamics that are in tandem with existing opportunities and threats.

According to Juach and Glueck (1984), strategy is a "unified comprehensive and integrated plan that relates the strategic advantages of the firm to the challenges of the environment, which is designed to ensure that the basic objectives of the enterprise are achieved through proper execution by the organization".

Pearce and Robinson (1991) define strategy as "large scale, future-oriented plans for interacting with the competitive environment to optimise achievement of organizational objectives". The PRS is a large-scale countrywide effort, the new development paradigm that shifts the focus to poverty reduction as a way of achieving sustainable and economic development.

This places more emphasis on strategy as it relates the competitive environment of the firm. Considering that most of the definitions cited above look at one aspect of strategy, there is need to examine a more comprehensive definition of strategy. Hax and Majluf (1991) have defined strategy thus; "selects the businesses the organization is to be in or is in; determines and reveals the organizational purpose in terms of long-term objectives, action programs, and

resource allocation priorities; attempts to achieve a long-term sustainable advantage in each of its businesses, by responding properly to the opportunities and threats in the firm's environment, and the strength and weaknesses of the organization; Is a coherent, unifying and integrative pattern of decisions; Engages all the hierarchical levels of the firm (corporate, business, functional) and defines the nature of the economic contributions it intends to make to its stakeholders. This definition identifies and combines all the different dimensions of strategy and views strategy as incorporating the organization's future and its adaptation to a turbulent environment.

2.2   Levels of Strategy

At all levels, strategy need to be properly co-ordinated as they have a bearing on each the organisation's performance at different levels of strategy whether functional, corporate or business. (Ansoff 1984, Juach et al, 1984, Newman et al, 1989; Pearce and Robinson, 1991; Hax et al, 1991). Each strategy level therefore has a different focus.

At the executive level, corporate strategy concerns itself with defining the overall mission of the firm giving the widest scope of the organization's activities. It deals with how a company's resources will be allocated across the various businesses (Newman et al. 1989; Hax and Majluf, 1991 Pearce and Robinson, 1991). The functional strategy addresses the efficient utilization of the allocated resources. It involves managers addressing co-ordination of activities within their functional business areas. These activities are important for purposes of effectively supporting the business unit of the strategy (Hux & Majluf, 1991). In the Government, the efficient utilization of resources determines the success of the policies and implementation strategies.

Strategy helps to provide the basic long-term direction for the firm (Newman et al., 1989). It enables a firm set up a clear direction and the managers are able to focus on the future while still ensuring the current functions are undertaken.

Strategy helps companies cope with change (Pearce and Robinson, 1991). Given that the organization is part of the external environment, it is important that it is able to constantly cope with the changes to ensure a strategic fit. Failure to do this results in a mismatch, which is not conducive for the organisation. According to Porter (1980) strategy helps companies develop competitive advantage in the market (Porter 1980) that enables them stay ahead of competition. It enables companies focus their resources and efforts (Pearce and Robinson, 1991) through proper resource allocation. This enhances the effectiveness of the organization.

The biggest limitation with strategy lies in its orientation. It deals with focusing into the future, which may prove difficult due to the turbulent nature of the environment. An organization's ability to forecast into the future is dependent on the level of turbulence in its environment (Ansoff and Sullivan, 1993).

2.3 Strategy Formulation

Approaches to strategic management can be classified into two groups: analytical and behavioural. These approaches are based on their view of dominant variables in strategy development. The analytical approach emphasizes the importance of analysis in strategy development. The focus is on the various strategy formulation techniques such as portfolio planning, forecasting, competitor analysis, strengths, weaknesses, opportunities and threats (Hussey, 1990). The rational-analytical view to strategy formulation is one of the processes organizations can adopt in formulating their strategies. This view defines strategy as seen as a

formal, deliberate, disciplined and rational process (Lorange 1980; Porter 1980; Ansoff, 1984; Hax and Majluf, 1984). Using this process, managers make strategic decisions after carrying out a rational analysis. This research is going to adopt this view of strategy formulation.

The behavioural approach lays its emphasis on the behaviour of people in the organizations. This has gained prominence over the years Hussey, (1990). It focuses on the behavioural and political aspects of strategic management. Writers who have drawn attention to the importance of the behavioural aspects of strategy include Kotter (1982), Peters and Waterman (1982), Minzberg (1994) and Hussey (1990). This definition presupposes that strategy is influenced by the power relationships and behavioural factors in a firm (Kotter 1982; Minzberg 1994). Emphasis is on multiple goals of the organization, the political aspects of strategic decisions, and the importance of bargaining and negotiation and the role of coalitions in the strategy formulation process.

None of the above two processes would explain the strategy process in isolation. They are both necessary in order to maximize on the benefits of strategy formulation. Both should be combined in the strategic management process (Hax and Majluf, 1991). The study will therefore give partial insight given that it downplays the behavioural process.

Strategic planning is an excellent avenue of bringing the organization kicking and screaming into the turbulent present, hashing out today's major trends and their implications (Gunn, 2001). For instance, most industries have moved from a quality improvement focus to one of process reengineering. Similarly, the dominant outlook has moved from continual change to transformation.

Old-fashioned strategic planning was the function of an in-house individual or department, or an external consultant. While external consultants were quite useful in research and in facilitating planning development sessions, effective planning must involve the owner(s) and key managers in the business. These are the stakeholders. No strategic plan can work well without the involvement, enthusiasm, and initiative of the stakeholders (Gunn, 2001).

Within the Government, planning increases the likelihood of achieving desired results. As the cornerstone of effective strategy formulation, planning must include involvement of all the technical units for synergy enhancement that is possible with the existence of teamwork, a unifying vision and goals and the drive for excellence that results in powerful competitive advantages.

2.4   Politics in the Strategy Formulation Process

Managers play politics to overcome obstacles to change, resolve conflicts and bring about strategic change. Power and politics influence a company's choice of strategy and structure and the nature of the strategic changes that are implemented (Hill &Jones 1998). Agreeing on the long-term direction, determining which strategic objectives have top priority, building consensus for which strategy alternatives to employ are critical considerations in strategy formulation. Key individuals form coalitions, each pressing benefits and potential of their own ideas and vested interests (Thompson & Strickland, 1995).

Organizational politics influence the allocation of scarce resources due to different preferences. (Pfeffer, 1992). This influenced the level of allocation resources for the different priorities identified in the PRS. Cobb and Marguiles (1992) define organizational politics as "...the use of power to modify or protect an organization's exchange structure." The exchange

structure is made up of the organization's resource allocation system and organizational members who have authority to allocate those resources

Kanter (1979) distinguishes between two kinds of power. Negative power, defined as coercion, eventually leads to powerlessness. Groups can be subject to powerlessness due to lack of information and support. Positive power, defined as power sharing, democratic, and participatory in decision-making and implementation, has the potential to enhance the power of the sharer.

Such considerations in the PRSP influenced the level of involvement of the government departments and what they determined as their priorities. The consensus over the final strategy is questionable given that the Joint Staff Association's endorsement of the PRSP provides the basis for future World Bank, International Monetary Fund lending and debt relief. This IFI seal of approval was vital for accessing IFI financing, debt relief and broader donor support. As a result, the PRSP was drafted with the aim of having them endorsed by the IFIs (EURODAAD 2002).

Development Partners used their comparative advantage to influence and direct resource allocation structures and priorities through the Medium Term Expenditure Framework (MTEF). According to Booth 2001, lack of information sharing avenues on the PRSCs, PRGFs and national budgets by the World Bank and the IMF subjected the departments to their dictates that they had to comply with in anticipation of resumed lending.

Within the PRS process, the Development Partners provided direction under technical advisories that influenced the extent of Department's involvement in the planning and decision making process. It is important to note that government strategies provided overall

policy direction for the various sectoral departments through policy instruments such as the National Poverty Eradication Plan, National Development Plans that address the prevailing socio-economic environment.

2.5   The Poverty Reduction Strategy Process in Kenya

The interim Poverty Eradication Strategy process started in Kenya in 1999 with the Treasury leading the process. According to the World Bank comparison (March, 2000) of Kenya, Uganda and Tanzania, the participation levels of the departments in the processes proved questionable given that the strategy was drafted by a small group of government officials at the Treasury who had it endorsed by the World Bank and International Monetary Fund first before consulting other stakeholders.

Despite the fact that crafting cost effective formulation and evaluation of strategies is the ultimate responsibility of the government, the Kenyan executives operated with less strategic autonomy. The Departments enjoyed minimal flexibility attributable to the conditionalities that often altered the PRS's mission or redirected the objectives. These "restrictive" consultative discussions resulted in fewer strategic alternatives. (Fred David 2002).

One major source of difficulty stems from the fact that within the Government, the pre-strategy decision-making process is heavily political in nature when implanting strategy formulation. External partners dominated the agenda setting for the Kenyan as well as that of the International Finance Institutions reform choices for the Kenyan PRS. This introduced rationality elements that were disruptive to the historical culture of the Departments.

The Objectives of the PRS

The principle objective of the PRS (GoK 2003) is to link and harmonise policy, planning and budgeting to ensure that the implementation takes into account resource availability, constraints and expected outcomes.

The PRS also identifies and defines the development objectives and priorities necessary for healthy economic growth and poverty reduction developed through various consultative processes available within the policy framework for the country. This will ensure that quality expenditures lead to efficiency gains. This will be achieved through proper planning, setting of clear targets, and prioritisation of development initiatives, ranking and costing of activities - that are prerequisite conditions for quality expenditures.

The PRSP seeks to harmonise the financing framework where processes are designed to ensure harmonised financing of growth and poverty reduction efforts are a critical benchmark for sustained fiscal discipline in policy development (GoK 2003).

Monitoring and evaluation systems to be established will track the PRS processes to determine strategy success. This is dependant upon how well the activities are funded, implemented, monitored and evaluated through a feedback mechanism to be established to ensure continuous participation of all key stakeholders in monitoring and evaluation of goals, objectives, inputs, outputs and outcomes.

The PRSP Organisational Structure

The structure of the consultative process comprised:

- The Cabinet, and the Cabinet Sub-Committee on Economic Management and provided continuous policy guidance

- The National Steering Committee comprising Permanent Secretaries and the Chief Executives of National organisations. They received representations from the national and district committees. Their established forums provided opportunities for dialogue on the interim PRS, as well as information dissemination.

- The National Consultative Forum – a National Steering Committee comprised the Parliamentary Sub-Committee, Economic Sub-Committee of the Cabinet, and all the Permanent Secretaries provided guidance and were overseers of the entire PRS development process.

- The PRSP /MTEF Secretariat at the Ministry of Planning and National Development

- District PRSP Secretariats were part of the broad based participation to ensure inclusiveness.

- The Sector Working Groups constituted provided technical expertise and developed sector responsive recommendations that informed the PRS comprised - Public Administration, Agriculture, Rural Development, Physical Infrastructure, Information Technology, National Security, Public Safety Law and Order, Tourism, Trade and Industry and Human Resource Development. Membership of the technical groups was drawn from the Ministries.

- Thematic Working Groups comprised Youth, Disabilities, Pastoralists, Gender, and HIV/AIDS. They took care of the concerns of issues that affected the vulnerabilities given that these were often overlooked in the main policy documents.

- The Economic Governance Group was the technical arm of the development partners involved in the consultative process.

The consultation process used a three-tier approach: the National Consultative Framework (where the consultations were extended from the Cabinet level to the established National Steering Committee), the District Consultative Framework and the Community level Consultations.

At the National Consultative Forum, the consultations were based around the Sector Working Groups (SWG) and Thematic Groups (TG) within the Medium Term Expenditure Framework (MTEF). The objective of the consultations was to carry out poverty analysis and mitigating factors as well as identify practical solutions militate against them. The identified priorities were the basis of future budgetary allocations.

Under the MTEF (a three year rolling over budgetary framework reflecting the resource availability annually), the PRS was to be operationalised. Theprioirtised programmes and activities would then be based on realistic resource constraints with indicative sectoral resource ceilings being set for both recurrent budget and the public investment programme.

The Consultative process was comprised national consultations conducted countrywide through plenary and focus group discussions. A major National Consultative Forum was then held to appraise the status and the progress of the PRS and to provide policy direction on the way forward to the process.

At the end of the national consultations, the recommendations - that included identified district priorities, were submitted to the Sector Working (SWG) and Thematic Groups (TG). These findings were presented in public forums so as to obtain views, suggestions, and comments. At the end of the process, a draft team of stakeholders comprising government officials, NGOs, private sector and the civil society was constituted to draft the strategy. The team analysed all the available data emerging from the consultative process and prepared the draft Poverty Reduction Strategy report. This was then presented to other stakeholders for analysis, consensus, incorporation before presentation to the National Consultative Forum for approval and adoption (GoK 2003).

The Technical Working Group comprised the Government representatives, bilateral partners, the World Bank, and the United Nations Development Programme was set up to consider and approve consultation process expenditures. They provided regular briefing to the Cabinet, National Steering Committee and the National Consultative Forum on pertinent expenditure issues as well as progress made in the strategy development. This above structure proved helpful and ensured complete transparency in the use of consultation funds and the successful compilation of the PRSP (Government of Kenya 2000).

The case for stakeholder involvement analysis was critical in determining whom the organisation will count on to support the planned changes and who will be against it. (William Tate). In planning for the implementation of the PRS, this analysis if utilised early in the strategy process, will influence judgements about the strategic issues and in planning for the implementation of strategic action. These are attributable to the fact that often,

consultative forums lack decision-making power and are merely aimed at providing consensus.

The literature reviewed acknowledges the critical relevance of stakeholder's participation in policy formulation. This study seeks to demonstrate this through a critical look at the role of government departments in the PRS consultation process. This is the lacuna the study hopes to fill.

The Politics Behind The PRSP

According to Piron and Evans (2004) , poverty reduction is fundamentally a political objective: relations of power, access to resources, government policy priorities , legislative frameworks and even constitutional guarantees may need to be transformed if there are to be enhanced opportunities for the poor to secure livelihoods, enjoy access to state services and become vulnerable. In the process, of change, in poverty reduction, there will inevitably be winners and losers as vested interests a re no longer protected, discriminatory practices come to an end, and policies become broader based and benefit wider social groups (Piron and Evans 2004).

PRSPs represent an instrument for channelling debt relief, and recognition of the need to improve aid effectiveness by drawing on the best available practice. In particular, they reflect the view that 'ownership' is instrumentally important to the efficient use of aid (Piron and Evans 2004). This is grounded on the premise that the state- usually limited to the executive branch of government- is a decisive agent of national development.

The more radical political agenda behind the PRSPSs can be interpreted as an attempt to influence domestic political processes in a progressive direction (Piron and Evan s 2004).

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That the production of a strategy document might itself require some changes in policymaking style, more importantly, it might expose some political a contradictions preventing the successful pursuit of poverty reduction growth in the country. In addition, political relations between Kenya and the international donors were being addressed by moving away from specific policy conditionalities, towards process conditionality. In this way, it was hoped that the unequal power relationships would be somewhat adjusted, increasing the relative importance of the government's accountability tot heir own citizens.

The Politics of the PRS Principles

According to Piron and Evans (2004), the concept of country ownership in PRS refers to some consensus between national actors, beyond the state elite where government ownership is considered more legitimate than civil society ownership, except where governments are highly unresponsive or unrepresentative. How consensus is to be achieved - whether through messy political processes (such as civil society protestation than cooptation) – through a preference on the part of the IFIs for technical arguments rather than open political debates.

Stakeholder participation within the context of PRS focuses on: who should participate, in what processes, with what power, and with what legitimacy. The IFIs' guidance suggests that there should be 'technical' consultations with pre-selected stakeholders. To institutionalise participation in policy making would require that political processes become more open and participative- a process that is questionable in the PRS process (Brown 2003).

Partnerships between different actors, particularly government and civil society, or government and development partners, imply a consensual style of policy making among relatively equal participants. Yet, the government is usually more powerful than civil society;

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and elected government is usually considered more legitimate than the opposition; and donors remain financially more powerful than individual countries.

Theoretical Basis for Participation in PRS Development

According to Brown (2003), PRSs' are viewed by the IMF and the World Bank as new frameworks for poverty reduction involving the development of nationally owned and participatory poverty reduction strategies. That the PRS is intended to implement a holistic long-term strategy in which the recipient country owns and directs its development agenda under the leadership of the government. The Bank and other development partners are expected to work in a coordinated manner, in association not only with the government, but also civil society, the privates sector and other development stakeholders, united in a shared vision of the country's future development.

Under the World Bank/ IMF guidelines, 'participation' is presented as one of the core elements of the PRS, central to the achievement of the principles underlying the approach. The rationale is clear and according to Brown (2003) the PRS preparation is to be a country - driven process based upon a partnership between the government, its domestic stakeholders and its international donors. Country ownership of the strategy depends on ensuring broad involvement of all elements of the domestic constituency. In such a context, it favours a flexible process, responsive to the country conditions under review. Stakeholders then according to Brown can be construed in a "respectful" way, as indicative of the inclusion of the previously marginal, and the integration o the institutions through which their voices can be heard.

Participation and the role it can play in the PRS is defined as the 'process by which stakeholders influence and share control over priority setting, policy making, resource

allocations, and/or programme implementation (World Bank 2000). Under this definition, it advocates a wide range of stakeholders - the poor and vulnerable groups, membership organisations, private sector bodies, farmers associations, unions, cooperatives, chambers of commerce and similar umbrella groups. What is critical then is how such rights of voice and representation are to be secured, legitimised and regulated, in order to ensure that participation conforms to the standards of good governance.

A Manipulated Form of Public Consultation

According to Piron and Evans (2004), stakeholder participations achieved through a process of active selection, based upon subjective, and not necessarily openly articulated, standards of legitimacy and representatives. That this is clearly in the area of 'participation by invitation'. External agency (particularly that of Bank staffers) decision is crucial at every formulation stage. Decisions as to what participation means in a particular national context would appear to be made by the World Bank. This contradicts the Bank's professed commitment to principals of national ownership and good governance.

Participatory processes allow citizens to actively participate in the governance of their country and their resources between electoral cycles, on a more regular basis. This empowers them and increases the overall ownership for development policies, thereby increasing their sustainability.''(Brown 2000). Thus put, participation would appear to be an entirely positive add-on as its major benefits lie in the way it better informs the policy-makers as to the circumstances and interests of the publics they represent, therefore one can hardly dispute the principle of always seeking to better inform the policy-makers.

Whether broad country ownership over the PRSP processes has been developed is of concern as their attempts of including stakeholders have often left out critical stakeholders. The larger

overarching role of the World Bank /IFIs implies then, that the government will not own the process. Moreover, expectations must be managed, as very often, when the consulted stakeholder expectations are raised in that their participation will have a large and immediate impact (World Bank 2001).

These are fundamental issues in relation to the application of participatory principles to PRSPs- that is who is empowered, what they are being empowered to do, what redress they have in the event of non-delivery, and how they are expected to know the delivery consequences. According to critics, on all four fronts, the Bank's approach is seriously wanting. What the Bank describes as participation is a process where "positive participatory sentiments are being used to obscure, rather than to reveal the nature of central control." International finance institutions that need to justify heavy streams of international funds are only too happy to be offered such myths on a plate, and to use their moralisation to give specious academic legitimacy to institutional self-interest. The proponents of the participatory approach seek to justify it by reference to its positive, incremental role (Brown 2000).

CHAPTER 3: RESEARCH DESIGN AND METHODOLOGY

3.1 The Research Setting

Research methodology involves the identification of the population of study, the method of data collection and analysis. The study was conducted in Nairobi, focusing on the Ministerial Departments participating in the Medium Term Expenditure Framework through the Sector Working Groups.

3.2 Population of the Study

The population for this study consists of 45 Government Departments involved in the Medium Term Expenditure Framework Process. (Please refer to the complete listing of the Sectors in Annex 11). These departments were critical stakeholders and played a central role in the PRSP formulation process

3.3. The Sample and Sampling Procedure

There were a total of 45 departments involved in the PRSP process through their participation in the Sector Working Groups and the MTEF process. These departments were grouped within the sectors representing them - Physical Infrastructure, Human Resource Development, Macro Working Group, Information and Technology, Agriculture and Rural Development, National Security, Public Safety Law and Order, Tourism, Trade and Industry, and Public Administration. For this study, a sampling frame of 22 out of 45 Departments was targeted and considered adequate in examining the extent of their involvement in the policy formulation process and for forming the basis of drawing conclusions. These selection of these departments provided adequate representation of all the sectors engaged in the in the PRS Medium Term Expenditure Framework processes.

4 Data Collection Method

Primary data for the study was collected via both open and close-ended questionnaires. The respondents to the study were the Heads of Department participating in the Medium Term Expenditure Framework process through the Sector Working Groups. A five point Likert scale was used to measure the extent of the perceived involvement of the Departments in the Poverty Reduction Strategy formulation. Both ordinal and nominal scales were used to rate the different variables.

The questionnaires were designed to identify and measure the involvement extent of the Departments - as principle stakeholders in the critical formulation processes of the Poverty Reduction Strategy- in order to answer objective one of the study. They were also designed to establish the challenges to answer objective 2 of this study. An introductory letter was issued to the respondents before they were asked to complete the questionnaire. (Appendix)

Some of the questionnaires were administered on a "drop and pick later" basis, while others were administered through both focused and non - directive interviews using the questionnaires as a guide. The methods, combined with telephone follow-up enhanced the chances of positive responses.

The completed questionnaires were edited immediately after completion of the interviews and through telephone recalls during the analysis to ensure completeness and consistency. Data was then summarised into Tables according to different variables.

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3.5   Data Analysis

The data was analysed to determine the Departments' contribution during strategy formulation of the PRS in Kenya. Before analysing responses, the completed questionnaires were edited for completeness and consistency then processed. The data was then coded to enable the responses to be grouped into categories. Descriptive statistics were used to summarize the data including frequencies counts and qualitative analysis of the data gathered from the field. The data is presented in Tables.

Cross tabulations were used for purposes of comparison to determine the level of involvement in relation to the final strategy and the corresponding budgetary allocations required for the effective implementation of the strategy. Mean intervals scores were used for purposes of comparison for higher-level statistics. The means were at the national and the lower levels.

CHAPTER 4: FINDINGS AND DISCUSSIONS

4.1. Introduction

The findings of this chapter are discussed and guided by the objectives of the study. Data was analysed using descriptive statistics that included frequencies, means, standard deviation and percentages. It is presented in Tables and narratives and discussed under the following headings:

- Profile of the Departments
- Department's involvement in Poverty Reduction Strategy Formulation
- Department's involvement in resource allocation
- Linkages between the Poverty Reduction Strategy and the Sector recommendations
- PRS Formulation Challenges.

4.2. Profile of the Departments

There were a total of 45 departments participating in the PRS process through the MTEF. Of these, 22 questionnaires were administered to sample departments that were fully representative of the critical sectors in the process. Visits were made to the Sector Working Group representatives comprising - Macro Working Group, Physical Infrastructure, Human Resource Development, Agriculture and Rural Development, Public Administration, National Security, Tourism, Trade and Industry, Public Safety Law and Order, and Information and Technology. The respondents possessed first hand experience and were able to relate to the variables under investigation. 20 questionnaires out of 22 were received back and considered adequate for the study assessment.

4.3. Department's Involvement In PRS Formulation

According to the respondents in this study the principle priority for the PRS is skewed between a pro-poor focus through establishment of sound social systems (24.1%) and the

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integration into the global economic space by attracting foreign investments (24.1.%).Improving the domestic business environment (17.2.%) And regional integration (13.7%) took back stage indicated in Table 1 below.

Table 1: PRSP Priorities

Priorities	Frequencies	Percentage
Improving Business environment for domestic and foreign investments	10	17.2
Rule of Law establishment of effective mechanisms for combating corruption	12	20.6
Establish sound social healthcare &education systems	14	24.1
Converge with EAC/ regional integrations	8	13.7
Integration into world economic space by attracting FDI	14	24.1.
Total	58	100

Data Source: Research Data from line Ministries 2003

The government departments played a critical role in driving the PRS formulation process as indicated by 70% of the respondents in this study above other stakeholders. In studying the level of decision making by the departments in the PRS process, 40% of the respondents indicate higher department's involvement in the focus group discussions with 20% in the national forums. 30% of the respondents did not indicate their level of involvement as indicated in Table 2.

Table 2: Department's Involvement in PRS Formulation Process

Levels	Frequency	Percentage
National workshops	4	20.0
Focus Groups	8	40.0
Regional workshops	2	10.0
Not indicated	6	30.0
Total	20	100.0

Data Source: Research Data from line Ministries 2003

At the ministerial level, 40% respondents indicated that their contributions to the Sector Working Group Discussions were to a certain extent and 40% to a very large extent as indicated in Table 3.Their involvement at this level was very high as they provided technical expertise.

Table 3:Contribution to Sector Working Group Deliberations

Extent	Frequency	Percentage
Some extent	4	20.0
Large extent	8	40.0
Very large extent	8	40.0
Total	20	100.0

Data Source: Research Data from line Ministries 2003

During the PRS formulation process, the strategy was developed through stakeholder committees at various stages that determined the level of input to the overall emerging strategy. 20% of the respondents from this study indicated lack of involvement at the National Steering Committee, while 10% indicated high involvement levels.30% of the respondents were non committal as indicated in Table 4.Their involvement at this level of

strategy formulation was very low as they did not make substantial decisions in relation to the

policy papers and sectoral adjustments.

Table 4: The National Steering Committee

Extent	Frequency	Percentage
No extent	6	30.0
Lesser extent	6	30.0
Some extent	2	10.0
Not indicated	6	30.0
Total	20	100.0

Data Source: Research data from line Ministries 2003

From the respondents of this study, 40% indicated involvement to some extent in the
Technical Working Group to a large extent and 10% to a very great extent. 20% of the
respondents gave no indication of their involvement level as indicated in Table 5.At this
level, the department's involvement was limited.

Table 5: The Technical Working Group

Extent	Frequency	Percentage
No extent	2	10.0
Lesser extent	2	10.0
Some extent	4	20.0
Large extent	8	40.0
Very great extent	2	10.0
Not indicated	2	10.0
Total	20	100

Data Source: Research data from line Ministries 2003

60% of the respondents indicated that their participation at the Economic Governance Group was non-existent while 30% were non-committal as indicated in Table 6. The departments did not participate in the Economic Governance Group made up of the donor Round Table. Some were not even aware of its existence. Therefore the development partner's agenda dominated the process.

Table 6:The Economic Governance Group

Extent	Frequency	Percentage
No extent	12	60.0
Lesser extent	2	10.0
Not indicated	6	30.0
Total	20	100.0

Data Source: Research data from line Ministries 2003

70% of the respondents indicated that the government played the lead role in the consultative forum while 10% indicated that the development partners and the civil society played lesser roles as indicated in Table 7. 10% of the respondents were non-committal. From this response it is evident that the departments were clearly in the driving seat in the consultative deliberations that identified the PRS priorities.

Table 7: Lead role in the Consultative Forum

Extent	Frequency	Percentage
Government	14	70.0
Development Partners	2	10.0
Civil Society	2	10.0
All of the above	2	10.0
Total	20	100.0

Data Source: Research data from line Ministries 2003

As 60% of the respondents indicated, in Table 8, as critical stakeholders, they did not participate in the development of the mission statement for the PRS. 30 % did not give any indications on their involvement. This response demonstrates that the Bretton Woods Institutions externally developed the PRS mission statement.

Table 8: Mission Statement Development

Extent	Frequency	Percentage
No extent	12	60.0
Lesser extent	2	10.0
Not indicated	6	30.0
Total	20	100

Data Source: Research data from line Ministries 2003

From the study, as indicated in Table 9, 80% of the respondents indicated that to some extent, they influenced the policy formulation process. Further, from their responses as indicated in Table 10, 80% were involved in the policy setting process, while 10% gave no indication of their responses. These findings reinforce their high level of involvement in developing and setting policies for their Ministries.

Table 9: Influence on Policy Formulation

Extent	Frequency	Percentage
Some extent	16	80.0
Large extent	2	10.0
Not indicated	2	10.0
Total	20	100.0

Data Source: Research data from line Ministries 2003

Table 10: Ministry Influence on The Policy Setting

Extent	Frequency	Percentage
Some extent	16	80.0
Large extent	2	10.0
Not indicated	2	10.0
Total	20	100.0

Data Source: Research data from line Ministries 2003

According to 50% of the respondents, the final PRS for Kenya ultimately addressed the national poverty reduction agendas to a large extent while 30% indicating to a very large extent as indicated in Table 11. The strategy highlighted the pro - poor agenda identified by the departments.

Table 11: Addressing Poverty Reduction Agendas

Extent	Frequency	Percentage
Some Extent	4	20.0
Large extent	10	50.0
Very great extent	6	30.0
Total	20	100.0

Data Source: Research data from line Ministries 2003

As evidenced in the preceding Table 12, the involvement of the line Ministries in the PRSP process was more intense in the Thematic and Sector Working Groups as well as the consultative processes as indicated than in the Donor Round Table meetings where only 5% indicated their involvement.

Table 12: Ministry Involvement in the PRSP Process

	Frequency	Percentage
Joint Staff Associations by IMF/WB	1	05.0
Thematic & Sector Working Groups	6	30.0
Provide leadership	2	10.0
Consultative process	6	30.0
Data analysis	2	10.0
Advice	2	10.0
Not indicated	1	05.0
Total	20	100.0

Data Source: Research data from line Ministries 2003

From the respondents, 10% indicated their participation in was in developing the Action Plan, 10% in the thematic groups, while 70% gave no indication of their roles as shown in Table 13. From this data, it emerges that at the Ministerial level, respondents played minimal role in these formulation processes that were mainly steered by the PRSP Secretariat, Ministry of Planning and National Development.

Table 13: Ministerial Role in PRS Processes

Role	Frequency	Percentage
Development of Government Action Plan	2	10.0
Participate in Thematic Groups	2	10.0
Provide leadership	2	10.0
Not indicated	14	70.0
Total	20	100.0

Data Source: Research data from line Ministries 2003

4.3. Department's Involvement in Resource Allocation

60% of the respondents indicated that their departments did not access anticipated resources to fund the identified priorities from the external resource envelope as shown in Table 14. Under the PRS, therefore, the priorities and strategies identified by the departments were not effective enough to warrant release of additional resources from the BWIs. Their expectations were not met n subsequent budgetary allocations.

Table 14: Access to Additional Resources Under PRSP

Extent	Frequency	Percentage
No extent	6	30.0
Some extent	12	60.0
Large extent	2	10.0
Total	20	100.0

Data Source: Research data from line Ministries 2003

The departments influenced the resource allocation to the extent that they determined their sector requirements as indicated by 60% of the respondents while 10%indicated that they influenced the resource allocations to a large extent, and a further 10% to some extent as shown in Table 15.The department's involvement was highest in the discussions on sectoral budgetary allocations.

Table 15:Ministry Influence On Resource Allocations

Extent	Frequency	Percentage
Some extent	2	10.0
Lesser extent	2	10.0
Some extent	12	60.0
Large extent	2	10.0
Not indicated	2	10.0
Total	20	100.0

Data Source: Research data from line Ministries 2003

Only 20% of the respondents indicated that they had been able to mobilise additional funding from the Bretton Woods Institutions. 80% of the respondents did not receive required resources for their implementation as indicated in Table 16 that led to an awning deficit in the national budget. The Kenyan PRS did not mobilise the additional resources as anticipated by the departments as the IFIs did not release the anticipated resources factored in under the PRS for strategy implementation.

Table 16: Mobilisation of additional funding under PRSP

Extent	Frequency	Percentage
No extent	2	10.0
Lesser Extent	8	40.0
Some Extent	6	30.0
Large Extent	4	20.0
Total	20	100.0

Data Source: Research data from line Ministries 2003

50% respondents indicated that they had lesser control over their expenditures as the Treasury determined these, while 10% indicated that some control to a very large extent. They received the availed resources regardless of whether it met their identified strategy priorities or not. They therefore had some control over expenditure decisions as indicated in Table 17.

Table 17: Expenditure Control at Sector Level

Extent	Frequency	Percentage
No extent	2	10.0
Lesser Extent	10	50.0
Some extent	4	20.0
Large extent	2	10.0
Very large extent	2	10.0
Total	20	100.0

Data Source: Research data from line Ministries 2003

4.4. Link between PRS priorities and Final Recommendations

60% respondents indicated that there was a direct link between the department's recommendations, the allocated resources and the final PRS. They were consistent with those recommended by the BWIs. As indicated in Table 18, 10% were not able to perceive the correlation between the priorities and the final strategy, as their priorities were lost in the highly summarised drafts of the PRS.

Table 18:Linkage Between PRSP Priorities & Recommendations

	Frequency	Percentage
Yes	12	60.0
No	6	30.0
Not indicated	2	10.0
Total	20	100.0

Data Source: Research data from line Ministries 2003

4.5. Challenges in PRS Formulation

Respondents in this study cited various challenges that influenced their involvement in the PRS formulation process.

The budgetary process through the MTEF was uncoordinated and did not reflect the PRS priorities and resource requirements identified by the Departments. The budget bidding process was also unrealistic as different sectors had to compete for inadequate government resources as opposed to recovering the anticipated allocations based on their projections- that would have driven the implementation process forward.

The departments as crucial stakeholders faced several challenges in the PRS formulation process. Delays and constant postponement of disbursement of external of resources funds affected the implementation progress of the projects and programmes to be co-funded by the development partners. This reduction of the resource envelope and the delays forced the government to cut back some expenditure by 50% as Oversees Development Assistance had been factored in the overall Government budget. This affected the prioritisation of the activities in the subsequent Government Action Plan.

The introduction of new budgeting procedures without corresponding capacity building resulted in the slow disbursement of available funds to some of the priority activities identified in the PRSP. The format adopted for the recurrent budget process did not change from the initial line approach making it difficult for the departments to determine the development agenda. There challenge for the departments was in designing an appropriate format for an output- budget. Consequently, not all measures could be implemented in a timely manner and as a result, some of the targets set out in the PRS were not realised.

The conditions imposed by the development partners proved to be a major challenge to the departments. They controlled the formulation processes and often shifted priorities and then provided unrealistic of inadequate resources, coupled with often-unrealistic development targets .The resultant strategy did not reflect the department's inputs despite their involvement at the formulation stages. This was attributable to the Joint Staff Association decisions that constantly shifted priorities. To quote a Social Watch Analysis of the Kenyan PRSP, "the Kenyan PRSP policy making process became increasingly centralised in Washington D.C. that as a result, it is a replica of the Phillipino and Honduras PRSPs."(Robert Bissio 2002). This was because the policy dialogue process was limited to a select group that largely ignored the observations and recommendations of the government departments. The reform choices for the PRSP disrupted the historical culture of the departments.

The greatest challenge faced by the Departments in the formulation process was bureaucratisation that greatly hampered their ability to make informed and timely decisions. The formulation process was highly beauracratic and centralised at the Ministry of Planning that set the agenda for the macro policy environment that often stifled their priorities.

There were interdepartmental tensions as well as between sector departments and the PRSP Secretariat at the Ministry of Planning and National Development. Consequently, this centralised approach coupled with bureaucracies that obstructed the involvement of the departments in the process. The Treasury drafted the strategy and led the process leaving the departments minimal freedom due to conditionalities and less strategic autonomy as their mission was constantly altered and the objectives redirected. They also had fewer strategic alternatives. Coupled with this was lacklustre coordination and tight time schedule that

limited the level and quality of participation. The resultant effect impacted negatively on the level of involvement of the stakeholders in the formulation process.

It is commendable that the PRSP opened up the space for stakeholder participation in a more focused development strategy through participation in the implementation process. The stakeholders were expected to participate on an equal basis by providing capacity, and economic and financial resources, while the multilateral and bilateral donors were expected to support identified priorities in a manner that would ensure that resources were spent in the identified priority areas. However, the respondents indicated that as stakeholders, they were not on a level playing field with the development partners as they were better equipped economically and financially while the departments faced the awning deficits in their national budgets. The development partners did also not fully support the strategy- constantly made revisions, altering and redefining them according to their "technical advisories".

A lack of economic planning capacity especially in IFI negotiations led to decisions that were not tailored to solving country specific issues. The PRS /MTEF was introduced without taking cognisance of the pre-existing budget and planning institution and developing the prerequisite institutional capacity for operationalising the new arrangements. ROLE delineation was unclear between the MTEF and the PRSP Secretariats and the Sector Working Groups. Despite the macroeconomic policies being carefully and critically analysed, reviewed and assessed, the departments were still not in a position to take a proactive stand vis-à-vis International Financial Institutions.

Respondents from the study indicate that whilst the departments set the macro policy framework, some of the sub sectors not represented had vital priorities lost in highly

summarised submissions. The working groups developed drafts of different aspects of the PRS, organised in spending sectors that could be linked directly to the budget at the expense of addressing cross-sectoral issues. The focus on budgets missed the key inter-sectoral issues. Subsequently, the budgetary allocation for the implementation of their programmes was not allocated. The final submission was highly summarised leading to loss of vital data.

In the Sector programmes, stakeholder platforms and workshops in the formulation phase never defined the development partner agenda to the departments. Once the Strategy was developed, the established stakeholder platforms ceased to be consulted and did not receive funding that was to accompany the reform process. The moment it became apparent and obvious what were the actual operational alternatives, the process became closed to the stakeholders after their design phase.

This respondents in the study indicated that the resource allocations were unrealistic as the development assistance was not forthcoming yet had been factored into their domestic budgets though the envisaged Action Plans. The PRSP prioritisation criterion was similarly very wanting with the very crowded cyclical process. The MTEF was also very poor in pro-poor budgeting due to resource constraints as well as heavy domestic and external debts. To magnify the situation, the executives used their discretionary powers to veto the budget without consideration to the sector priorities.

4.8.   Summary of Findings

From these findings, it can be concluded that the Departments as stakeholders were involved in the PRS formulation process only to the extent that they were able to provide technical expertise to the identified district priorities and synchronise them with the national macro

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economic framework. While the PRS was expected to be the outcome of a broad based consultative process encompassing all the stakeholders, their involvement was severely constrained by prevailing development partner agenda. Since the process was externally initiated and driven by the Brettton Woods Institutions as a precondition for future funding, the Government had to comply so as to attract funding to reduce it's debt burden. Despite the purpose of strategy being the provision of directional cues to the organisation that permit it achieve its objectives (Schendel/Hoffer), the Government has not achieved the objectives set out in the PRS due to donor overshadowing. Thus the level of involvement of the departments as critical stakeholders in the consultative strategy development process is highly debatable.

In as much as the ultimate responsibility for national strategy formulation lies directly with the Government, the Development Partners influenced and shaped strategy development through the Joint Staff Associations held to constantly review and approve the PRSP. It is worthwhile noting that to date, the Kenyan PRS has never gained full recognition by the Bretton Woods Institutions in terms of releasing the anticipated resources for the full implementation of the Strategy. Currently, the Government has embarked on a homegrown strategy (Economic Recovery Strategy) to realise the desires economic growth rate and the revitalisation of the depressed Kenyan economy. A glance at Hax and Majlif's emphasis on their definition of strategy… that "it ought to determine and reveal the organisational purpose in terms of long term objectives, actions, programmes and resource allocation priorities"…points to the fact that in the PRS, the long-term objectives were determined by the Bretton Woods Institutions and influenced by them while the action programmes were defined by Departments-leading to glaring inconsistencies between the objectives and the

actions. Moreover, the Department's objectives were not achieved through execution of the PRSP.

It can be concluded from the study, that the Development Partners greatly influenced and directed the formulation and implementation of the PRS through the Washington Joint Staff Associations that reviewed and approved the PRSP. To date, the Kenyan PRSP lacks the Bretton Woods Institutions support and new demands are constantly emerging. When we cast a glance at Hax and Majlif's emphasis in their definition of strategy... "That it ought to determine and reveal the organisational purpose in terms of long term objectives, actions, programmes and resource allocation priorities"... we clearly can surmise that while the Departments defined the priorities and resource allocations, the long term objectives were determined by the BWIs through resource sanctions leading to glaring inconsistencies between the objectives and the expected outcomes. Department's expectations were not addressed in the subsequent budgetary allocations.

From the study, it can be further concluded that the resource allocations for the departments were constrained by the limited funds available from the government kitty, as a consequence of Development Partners reluctance to release resources for the realisation of the PRS objectives. Consequently, the government faced an awning deficit in its domestic budget and was not able to provide substantive support to the strategy implementation. As stakeholders who developed the PRS priorities, the benchmarks would have been the resource allocation through the MTEF yet the Departments had to competitively bid for their resources with other Ministries. This implied overlooking critical identified priorities in the PRS in line with available funding. Moreover, the MTEF's pro-poor budgeting is subject to the strong discretionary powers of the BWI executives. Despite donor resources being factored into the

development budget for PRS realisation, these had to be constantly revisited and revised to conform to the Financial Institutions' stipulations compromising the expected projections. Despite the PRS being very strong in sound assessments of the challenges of poverty reduction and the prioritisation of public policy actions, the effectiveness of the existing Strategy is are to be translated into specific measures.

The study points to the fact that the Government departments as key stakeholders in the formulation process identified and clearly set the agenda for sector policy in identification of priorities – yet they lacked the mandate to dictate and allocate funds to these priorities. They were faced huge deficits in their budgets a in anticipation of donor inflow to meet their sector obligations. The were subjected to advancing the BWI agenda in order to tap the funding making them redesign their priorities accordingly rather than advance the cause for their sector priorities.

From the study, it can be concluded that as stakeholders, involvement of the government departments was low where critical decisions and discussions on sector budgetary allocations were being made. They also did not participate in the Economic Governance Group where critical resource and sector allocations, indicators and time bound goals for achievement of certain parameters were made. This clearly goes against the principle of stakeholder participation in strategy formulation where active participation is inherent in the whole process.

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CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS

The final part of this chapter amplifies the level of participation, the responses in the PRSP and it highlights the consequence thereof.

5.1. Conclusions

From the study, and in terms of the strategy content, the PRS developed with the departments as critical stakeholders, clearly determined clearly described the current poverty afflictions and incidences in addressing poverty reduction in Kenya. It also provided a detailed fiscal strategy and an action plan with policies, priorities, and institutional changes as well as a clear consistency with macro economic stability and indicators of resource availability. The strategy was able to set out the resource requirements including external assistance and the expected outputs. The departments were achieving this within the governance frameworks that prescribed whom they were serving as well as outlining the distribution of power among the different stakeholders. This proved critical as for accountability purposes but also brought out conflicts of interest between the departments and the development partners as they tried to balance their varying interest.

We cannot fault the fact that for the first time in Kenya, the PRS opened up the space for stakeholder participation in a focused development strategy through participation of the departments in the formulation processes. Poverty diagnostics and causes were well enumerated in the strategy; acknowledging the multi-faced nature of poverty that goes beyond income measures. This increased awareness on poverty issues among the general public. What then emerges is that by being part of a stakeholder group, individuals share expectations with others ant therefore possess sufficient power to determine the strategy of the organisation (Nut 7 Backoff 2002). Moreover, it emphasises the fact that stakeholders

bring critcal experience, expertise and knowledge to the strategy formulation process, and their involvement influences the strengthening of ties as well as building their commitment to implementation of recommendations (Winton 2002).

The PRS resulted in considerable opening of the government through consultations and meetings with other national stakeholders, creating dialogue and facilitating more effective dissemination of information. Other benefits due to the PRS formulation process include open discussions, new information about the priorities of the poor, networking, integration of cross cutting issues and specific themes, identification of actions with recourse to existing funds and institutions. As one of the critical benchmarks of stakeholder involvement in strategy formulation, the concept of participation means "meaningful, proactive and results oriented engagement whose key elements include information shoring, consultation, joint decision making, initiation and control by the stakeholders (McGee & Norton 2001). Through the PRS formulation process, the departments as stakeholders achieved the benchmarks in part.

Through participation, stakeholders can influence and share control over priority setting, and ensure that people and their institutions are treated as assets and partners in the development process. If given clear rules of the game, access to information and appropriate support, then people can effectively develop and implement strategies effectively.

This study has updated our knowledge of the practice and experience around the participation of the government in the development of national poverty reductions strategies. It has also provided an initial assessment as to whether and how the inclusion of participation as a key element in the new frameworks of poverty reduction strategies have led to substantive

changes in the national government and IFI/donor behaviours in relation to the policy making process and the Poverty reduction progress. In light of the above findings, it is recommended that for total stakeholder commitment in the development of the national strategies, the consultation space and platform have to be facilitative to allow the participation and commitment of all the stakeholders in realising the defined strategy and course of action. The processes of reaching an initial agreement involvement in strategic planning, thinking through some of the implications and developing a commitment to strategic planning. If this were the case, then the parties widely recognise the purpose and worth of strategic planning efforts leading of broader legitimacy and ownership (Delberget et al 1989). As with stakeholder definitions, it follows that without allowing for participation as in the case of the departments- the constraints led to lack of initial agreements between departments and development partners, lengthy and constant revisions of the strategy t and lack of that critical commitment and ownership to the formulation process.

There is also the need to ease the capacity constraints as evidenced as some of the challenges to the strategy formulation process that hinder strategy formulation more so in terms of institutional and capacity development as the success of the strategy is dependant on all the stakeholders. Success in policy formulation depends on building long term capacities of stakeholders to formulate appropriate operational strategy, create appropriate institutional set-up with sustained commitment and continuous institutional process strengthening This ultimately results in institutional arrangements that provide effective processes that are supported by well motivated stakeholders.

5.2. Recommendations

In order to have broad based stakeholder participation, feedback and debates should taken place around disaggregated themes, at decentralised levels and at later points in time where most of the changes would happen in terms of additional resources spent and the new institutional arrangements.

The role of external actors in the formulation process largely needs to be reconsidered in relation to their overall impact in the policy formulation process at the national levels, and whether they achieve their objectives and whether they serve the best interests of the organisation. Consequently, trust with external partners is exceedingly critical as it determines the successful formulation of the strategy as well as its implementation. Trust eliminates unnecessary conflicts among stakeholders and clearly defines areas of collaboration (Terry 1993).

Strategy "Determines the organisational purpose in terms of action programmes... resource allocations priorities... is a coherent and unifying and integrative pattern of decisions... engages all the hierarchical levels of the firm and defines the nature of economic contributions it intends to make to its stakeholders (Hax and Majluf1991). This was clearly evident in the PRS formulation process where lack of integrative decisions and stakeholder engagements proved a major impediment to the process. From the aforementioned definition it clearly emerges that there is need to engage all the stakeholders in the formulation process so as to develop "coherent and integrative decisions" for these have a bearing on the performance of the institution at different levels.

5.3. Limitations of the Study

This research documents findings from Departments in line Ministries. These represent the nine critical Sectors for the PRSP. It would have been more desirable to obtain information from other stakeholders including development partners as well to properly understand their rationale behind the conditionalities attached to the PRS and what their perception of an integrated, participatory and consultative process was in strategy formulation.

5.4. Suggestions for further Research.

This study helps gain better understanding of the implication of stakeholder involvement in the formulation of national strategies. The research findings highlight the critical role of stakeholders in strategy formulation processes as well as the challenges as well as the importance of enhancing stakeholder commitment and ownership for the achievement of the overall objectives. What the findings cannot explain however is whether the responses were an outcome of these processes, or whether there were extenuating factors that contributed to the responses. There is need to further advance this research in relation to levels of stakeholders involvement throughout the strategy formulation and implementation as they are critical determinant in the overall organisational survival in a turbulent environment.

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APPENDIX 1: QUESTIONNAIRE

This survey seeks to establish the extent of involvement of key Government Departments in the formulation of the Poverty Reduction Strategy for Kenya and the challenges faced during the formulation process. We would appreciate it if you could take time and respond to the questions that follow herein. Your responses will be kept strictly confidential and will be used for purposes of this research. Should you be interested in this survey, we shall be more than willing to share with you the results from this study.
Thank You

Gulavic M.A.N
MBA Student
University of Nairobi.

SECTION 1: PROFILE

1. Ministry:...............................Department....................................

2. Which part in the PRS formulation do you play? Tick against the choice.

		YES	NO
a.	National workshops	☐	☐
b.	Regional workshops	☐	☐
c.	Focus groups	☐	☐
d.	All of the above	☐	☐

3. According to you what are the principal priorities of the Poverty Reduction Strategy?

	YES	NO
a. Improving the business environment for domestic and foreign investments and completing the process of privatisation	☐	☐
b. Rule of law and the establishment of effective mechanisms for combating corruption.	☐	☐
c. Establishing sound social, healthcare and education systems	☐	☐
d. Converging with East African Community integration and other regional integrations.	☐	☐
e. Integration into the global world economic space by attracting foreign investments.	☐	☐

4. Who has the main responsibility for national poverty reduction strategy formulation in the country?

		YES	NO
e.	Government	☐	☐
f.	Donors	☐	☐
g.	Civic Society Organizations	☐	☐
h.	Private Sector	☐	☐
i.	General Public	☐	☐
j.	All of the above	☐	☐
k.	Other (specify)..............		

SECTION 2: INVOLVEMENT

	(1)	(2)	(3)	(4)	(5)
1. To what extent were you involved in the development of the mission statement for PRSP?	☐	☐	☐	☐	☐
2. To what extent did you participate in the following?					
a. The Cabinet?	☐	☐	☐	☐	☐
b. The National Steering Committee	☐	☐	☐	☐	☐
c. The Technical Working Group	☐	☐	☐	☐	☐
d. The National Consultative Forum	☐	☐	☐	☐	☐
e. The Economic Governance Group	☐	☐	☐	☐	☐
f. The District Secretariat	☐	☐	☐	☐	☐

Explain...
....
....
....

3. To what extent has the Ministry been able to access additional resources under the PRSP?	☐	☐	☐	☐	☐

4. To what extent was the Ministry able to influence:					
a. The policy setting	☐	☐	☐	☐	☐
b. The policymaking	☐	☐	☐	☐	☐
c. Resource Allocations	☐	☐	☐	☐	☐

4. To what extent was the Ministry able to share control over:

a. The policy setting ☐ ☐ ☐ ☐ ☐

b. The policymaking ☐ ☐ ☐ ☐ ☐

c. Resource Allocations ☐ ☐ ☐ ☐ ☐

5. To what extent has your Ministry contributed to the deliberations of the Sector Working

Groups? ☐ ☐ ☐ ☐ ☐

6. To what extent have the consultations influenced the thinking process in terms of policy

formulation? ☐ ☐ ☐ ☐ ☐

Explain..

....

....

8. To what extent did you initiate and approve the expenditures at the Ministerial level?

☐ ☐ ☐ ☐ ☐

9. To what extent is the PRS formulation process addressing national development and

poverty reduction agendas? ☐ ☐ ☐ ☐ ☐

10. In what other ways was the Ministry involved in the PRSP

process?...

....

....

SECTION 3: CHALLENGES

1. What are the main obstacles to an effective Poverty Reduction Strategy in the country (in

terms of access to information, human resources etc)? List them.

1. ....

2. ....

3. ....

4. ....

5. ....

3. What are the major areas where existing Poverty Reduction capacities need to be strengthened?

        1.Institutional capacity

        2.Private sector organizations.

        3.Research institutes.

        4.University programmes.

        5. Human resources capacity

        --(Specify)..

....

....

4. What were the challenges in PRS formulation that you faced? Do you agree with these?

CHALLENGE	AGREE	INDIFFERENT	DISAGREE
External control of the process			
Unrealistic development targets			
Unrealistic and inadequate resource allocations			
Unfamiliar budgeting process (MTEF)			
Development Partners conditionalities			
Priority Shifting by external partners			
Ministries involvement degree			
Time Frame inadequacy			

ii)   Please list other challenges.

a..

b..

c..

d..

e..

15. In your opinion, is there a linkage between the actual recommendations made by your Ministry and priorities in the final PRSP? Give reasons for your answer.

....

....

....

16.In your opinion, did you have equal access to information related to the development of the PRSP as the Development Partners whilst formulating the PRSP?

	YES	NO
	☐	☐

17. Did the Ministry identify the priority strategies for the PRSP?

	YES	NO
	☐	☐

Reasons...
....
....
....

	(1)	(2)	(3)	(4)	(5)
14.To what extent has the Government been able to mobilise additional funding under the PRS?	☐	☐	☐	☐	☐

SECTION 4: Participation:

1.Who in your opinion played the lead role in the consultative forum?

   a) The government
   b) The development partners
   c) The private sector
   d) The civil society
   e) None of the above.

2. To what extent have the consultations influenced the thinking process in terms of policy formulation?

☐ ☐ ☐ ☐ ☐

3.To what extent have your ministry contributed to the deliberations of the Sector Working Groups?

☐ ☐ ☐ ☐ ☐

4.Do you think there is a linkage between the actual suggestions made by your Ministry and the recommendations in the Consultation reports? Give reasons for your

answer...
....

5.What was the level of information sharing? Or was most of the information classified as confidential?

	(1)	(2)	(3)	(4)	(5)
	☐	☐	☐	☐	☐

6.Were the priority strategies identified in the PRS the Ministry?

	YES	NO
	☐	☐

a) Did they receive the required resources necessary for their implementation?

	YES	NO
	☐	☐

b) Did they receive priority in policy measures adopted?

	YES	NO
	☐	☐

c) Were these priorities similar to those suggested by the Partners?

	YES	NO
	☐	☐

8.To what extent did you initiate and approve the expenditures at the organisational level?

	(1)	(2)	(3)	(4)	(5)
	☐	☐	☐	☐	☐

9. Were the priorities addressed in the PRS? Give reasons for your answer...
....
....

10. How would you rate the PRS in relation to meeting your identified priorities? (on a scale of 1-5 where I is the lowest and 5 the highest)

	(1)	(2)	(3)	(4)	(5)
	☐	☐	☐	☐	☐

11. What was your role at the National Steering Committee?

a) Recommend ☐
b) Guide and oversee ☐
c) Appraise ☐
d) Advice ☐
f) Facilitate ☐
g) Observer ☐
h) None of the above ☐

APPENDIX 2:LETTER OF INTRODUCTION

UNIVERSITY OF NAIROBI
FACULTY OF COMMERCE
MBA PROGRAM- LOWER KABETE CAMPUS

Date.................................

TO WHOM IT MAY CONCERN

The bearer of this letter..

Registration No..

Is a Master of Business Administration (MBA) student of the University of Nairobi.

He/She is required to submit as part of his/her coursework assessment a research project report on some management problem. We would like the students to do their project on real problems affecting firms in Kenya. We would therefore appreciate if you could assist him/her to collect data in your organization for the research.

The results of the report will be solely used for academic purposes and a copy of the same will be availed to the interviewed organization on request.

Thank You

JACKSON MAALU
COORDINATOR, MBA PROGRAM

APPENDIX 3: Sample Frame For Government MTEF Sectors

	Sector	Ministries	Departments
1.	Physical Infrastructure	Roads and Public Works Ministry of Energy Transport &Communications	• Roads • Major Water Works & Sanitation • Buildings & Construction • Energy • Communications • Telecommunications
		Roads and Public Works Ministry of Energy Transport &Communications	• Roads • Major Water Works & Sanitation • Buildings & Construction • Energy • Communications • Telecommunications
2.	Agriculture and Rural Development	Agriculture Lands & Settlement Livestock Development	• Crop Development • Food Security • Fisheries • Forestry • Cooperative Development • Lands Administration • Livestock
		Environment & National Resources	• Environment Management • Forestry
		Water	• Water and Sanitation • Rural Water
3.	Public Administration	Office of The President National Assembly Ministry of Local Government Ministry of Foreign Affairs	• Director of Personnel Management • Parliament • Local Government • International cooperation
4.	National Security	Office of the President Finance Planning	
5.	Tourism, Trade and Industry-	Trade	• Trade, • Industry • Small Scale enterprises • Financial Services
		Tourism &Information	• Tourism • Information
6.	Human Resource Development	Health Education, Science & Technology Labour &Manpower Development	• Health • Education • Labour/Manpower Development • Labour Productivity &Employment • Shelter &Housing • Population
7.	Public Safety, Law & Order	Office of the President Justice& Constitutional Affairs Office of the President Ministry of Home Affairs	• Public Administration • Legal services& Administration of Justice • Internal Security • Provincial Administration • Rehabilitation Institutions
8.	Information and Technology	Ministry of Transport and Communications Ministry of Planning and National Development Ministry of Energy	• Transport • ICT • Energy
9.	Macro Working Group	Ministry of Planning & National Development Ministry of Finance Central Bureau of Statistics	• Planning • Macro • Budget • CBS

Respondents- Departmental Heads