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Department for Africa
and the Middle East



Finland's country strategy for Kenya

2021–2024

Ministry for Foreign Affairs of Finland

EXECUTIVE SUMMARY

This strategy is written in line with the Finnish and European Union Africa strategies and at a time when both Kenya and the Finnish-Kenyan relationship are going through a transition. Kenya and Finland aim to broaden their relationship from traditional development cooperation towards a more multifaceted partnership in the medium- to long-term. Kenya's development strategy Vision 2030 outlines its aim to become a middle-income country by 2030. During the period of this strategy, Kenya is still eligible for ODA, but the relationship will increasingly shift towards growth from trade and direct foreign investments.

Kenya is an economic hub of East Africa with a long democratic tradition. Kenya is seen as an important player and often a source of stability, peace and security in the Horn of Africa – despite the fact that at times it is also a party to the conflicts. It is a lower middle-income country in the East African Community. Its dynamic private sector and robust economic growth have made it an attractive destination for foreign companies. Despite rapid development, Kenya suffers from large inequalities and corruption and is vulnerable to ethnic violence and violent extremism.

Kenya is a strong supporter of the multilateral rules based order, and is the only UN capital in the southern hemisphere. Finland and Kenya share many interests and values in the multilateral for a and there is potential for increased cooperation especially in questions related to free trade, environment, women and youth as well as democracy.

Finland has four interlinked strategic goals in Kenya. The first goal is to support Kenya's stability and seek partnerships in peace and security. Finland views that supporting good governance and equality leads to a more stable Kenyan society, which has a spillover effect into the region.

Secondly, Finland seeks to support the empowerment of women and youth. This leads to a more stable, prosperous and equal society. The support for youth especially, whether by creating economic or academic opportunities, is an investment to the future of the Finnish-Kenyan relationship.

The third goal for Finland is to help unlock the potential for sustainable and inclusive economic growth in Kenya. Kenya is an attractive market for Finnish companies. Sustainable economic growth will both assist Kenya in achieving its Vision 2030 goals as well as create opportunities for the Finnish private sector. Improving regional trade is a key enabler for achieving this goal.

Fourthly, Finland works with Kenya to tackle climate change. Kenya sees the effects of climate change as one of its major threats. Cooperation through the private sector, academic and state institutions, as well as policy advocacy on national and multilateral arenas, are instrumental for achieving this goal.

1 COUNTRY CONTEXT

Kenya is notable in the East African region for its advanced and diverse economy, dynamic private sector, educated population, developed public infrastructure and relative peace and stability. Yet, Kenya needs to deal with long-term instability and terrorism in the region as well as internal challenges such as widespread corruption, growing inequalities, ethnic tensions and violence, especially in connection with elections. Poverty remains a problem and around 36% of the Kenyan population is under the national poverty line. Kenya's population is expected to grow from the present 47,6 in 2019 to 67 million in the next ten years. Currently 75% of the population is under the age of 35. Its young population presents challenges for the education system and for the labour market to provide an adequate number of decent jobs for the new generation entering the labour force. The youth need an adequate and competitive skills set, and the economy needs to expand to create new jobs and sustainable income opportunities.

Kenya is considered one of the most stable democracies in the region with a vibrant civil society and active citizenry. Freedoms of assembly and expression and of the media are relatively well safeguarded. Kenya has a progressive constitution, a comprehensive legislative framework, and a set of capable institutions at national and county levels to implement laws and policies. The constitution of 2010 calls for a devolution of central government powers to the 47 counties. This is an opportunity but also a challenge for good governance since local duty bearers may not have the capacity to provide for services required by the constitution. The Kenyan Government and donor community consider a successful devolution process being critical for Kenya to reach its development goals.

Kenya graduated to a lower middle-income country (LMIC) in 2015. The importance of international aid is declining and many development partners are planning to move towards other forms of cooperation. Kenya aims to continue its transitioning into a MIC by 2030. Kenya's transitioning entails a rise in the level of average income and a further diversification of the base of production and exports. The level of extreme poverty in the country has been on a steady slide down. As Kenya is urbanizing, there remains a risk of a widening disparity between regions. Finland aims to support Kenya in transitioning in an economically and socially inclusive as well as sustainable manner, while at the same time seeing a solidification of democracy and human rights.

Kenya's transition implies also a transition in the partnership between Finland and Kenya, including the forms of aid. Finland does not foresee an end to development co-operation during the period covered by the strategy, but the forms of co-operation

are adapted to the changing context of co-operation. Finland aims to use more tools (eg. engaging more private sector co-operation), which catalyse aid in support for the ongoing transition of the Kenyan society and economy. Sustainability challenges are seen in sectors heavily supported by development partners, such as health, water and gender. For the timeframe of the strategy, it is foreseen that Kenya will continue to benefit from ODA, but will benefit even further from a growth of trade and commercial investments. The vibrant private sector is the main driver of employment and economic growth, which averaged about 5 per cent annually before the COVID-19 pandemic, surpassing African average levels. The service sector is among the fastest growing, with good job creation potential, while zero growth in manufacturing is seriously hampering the country's economic prospects. Simultaneously the country's debt level is rising. This will cause a major burden to the economy with the current downturn from covid-19 pandemic. Kenya has acknowledged the stress the pandemic places on its sovereignty and economy and has produced a wide-ranging plan for economic recovery.

Nairobi is an financial and economic centre, a regional hub for international companies and institutions. The relatively more developed environment provides opportunities for leapfrogging and for developing new solutions to some of the challenges stemming from ongoing megatrends, such as urbanization, digitalization and climate change. The number of middle-income households continues to grow, and the consumer goods market has become more attractive, also for Finnish companies.

Despite positive developments, Kenya still faces several challenges. Inequality continues to divide the population and the gap between the rich and the poor is growing. Poverty has decreased much slower than anticipated. Close to a quarter of the population lives in extreme poverty, over a third lack access to safe water and regional differences are vast. Institutions are not capable to deliver as expected, despite the efforts government and development partners have put into capacity development. Even though legislation is well developed and devolution is enabling more accountable governance, concrete implementation is still lagging behind, due to lack of commitment to reforms by the administration, lack of transparency and efficiency in resource allocation, and conflict of interest between national administration and counties. There is also corruption and lack of capacity to budget, plan and implement policies at the county and ward levels. Kenya is entering a period of potential instability related to the electioneering period for the upcoming elections in 2022, which can increase uncertainty and slow down the implementation of this strategy.

Women and girls face systematic exclusion and discrimination in service delivery, ownership and economic and political participation. There are important achievements

in the area of gender equality particularly in the legislative sphere, and a strong women's rights movement and political will for change. More women are getting educated and taking up important positions in economic and political life. Gender based violence touches the lives of 40% of women, with an increased trend of the most violent forms such as femicide. Nevertheless, strengthened awareness can be seen in increased reporting. Female genital mutilation and child marriage deprive girls and women from their right to make informed decisions on their future and their bodies, cause serious health issues, and hinder girls' right to education and livelihoods. Awareness around sexual and reproductive health and rights is low, and cultural traditions remain a hindrance for women's access to land, employment and right to self-determination.

Kenya views climate change as a serious risk for national and regional development. Population growth in Kenya and Africa is projected to be strong for the upcoming decades. Droughts and flooding are expected to increase affecting agriculture, cattle and livelihoods of people. Both mitigation and adaptation are needed and development must be looked through a climate resilience filter. Climate change adversely impacts food security and political stability, and has led to displacement of communities and migration of pastoralists into and out of the country. Overgrazing and conversion of forests to farming lands have led to environmental degradation, exposing the country to recurrent natural hazards. Yet disaster management is largely reactive, often forcing the government to re-direct resources to address emergencies and reconstruction needs at the expense of development programmes. This has led to the Kenyan government to consider climate change as a high political priority.

Kenya is a relatively stable country located in a highly volatile region. Kenya faces security threats from actions by radical groups within its borders, but also due to security disturbances emanating from Somalia and an increasingly volatile Eastern African neighbourhood. Kenya also has a maritime border dispute with Somalia. Due to its strategic location and its economic role, it is an important partner in efforts to integrate and stabilize the region.

The effects of the covid-19 pandemic are yet to be seen in full, but will reduce government's revenues and hamper service delivery. It is expected that a recession will occur, poverty will increase and politics to become more divisive. The social and economic consequences may become considerable, affecting access to jobs and reverse gains in gender equality. Inequality is expected to grow as those in a vulnerable position are affected more by the pandemic.

Since independence, Kenya has received development aid worth over 40 billion dollars (OECD/DAC). Though Kenya is still one of the top five ODA recipient countries in Africa, its interest in and dependency on ODA is declining. Kenya's Big 4

development objectives are affordable healthcare, food security, industrialisation and affordable housing. At the same time, Kenya is aiming at increasing trade and investment with external partners. To attract investment, Kenya has focused on improving the business environment.

Endemic corruption remains a critical challenge for Kenya's development. Up to 30% of the national revenue is estimated to be lost to corruption, mainly as a result of deficient tendering processes. Despite the wide recognition of the issue as a major obstacle for socio-economic development, the legal system is yet to deliver results .

The decisive factor for Kenya's sustainable development will unquestionably be the ability and readiness to create opportunities for youth and women to act as change agents. If the youth and women are empowered with education, skills development and business opportunities leading to job creation and inclusive economic growth, and if simultaneously the private sector flourishes and keeps investing into more production capacity, can Kenya achieve its ambitious objectives set out in the Vision 2030.

2 FINLAND'S RELATIONS WITH KENYA

The bilateral relations between Kenya and Finland are evolving. The good relations since the early days of independence, built through long-standing development cooperation and civil society cooperation, are moving towards wider engagement in multiple fields. In transforming the cooperation, lessons from the key cooperation sectors, such as forestry, should be taken into account. The effects of Covid-19 have further demonstrated need to continue development cooperation in order to support Kenya's green, sustainable recovery and transformation.

In recent years, the presence of the private sector, academic and other non-state stakeholders has noticeably increased.

Finland is considered a trustworthy partner but however, is not very well known to most Kenyans. Finland is known for its progressive gender equality policies and as an open, stable democratic society, which respects the rule of law. Finland is also known for its environmentally sustainable solutions, which could translate into sustainable businesses together with Kenya.

Both countries highly value multilateral cooperation and are firm supporters of a rules-based international order. Finland and Kenya share many common interests when it comes to international cooperation, such as free trade, environment, gender and youth, as well as democracy and equality.

European Union is the biggest development and trade partner of Kenya. The Team Europe approach piloted during the Covid-19 crisis has brought a more integrated European approach and pooled our resources in a productive way. Participating actively in Team Europe activities is highly valuable for Finland. Nordic cooperation is another important platform for cooperation, for the promotion of our values, offering sustainable commercial solutions and providing a model for integration. Both the Finnish Africa Strategy and the European Africa strategy create a good basis to build equal partnerships upon. Looking ahead to 2030, the common objective for both our countries is to gradually reduce development cooperation and increasingly strengthen our political, trade and investment, as well as institutional and academic partnerships.

Finland follows the humanitarian situation in Kenya and the region. Depending on the needs, Finland has the possibility to give support to the international humanitarian response. Finland also contributes to the budget of the European Union humanitarian

assistance and provides unearmarked core funding to UN humanitarian organizations and the Central Emergency Response Fund.

Kenya's gradual transformation into a more developed economy and society is the basic assumption upon which we build our future relations. The global pandemic is likely to slow down the transition at least in the short term. Despite this, the trend of increased focus on partnerships between the private sector, academia and other non-state actors will continue, and political relations are expected to develop and deepen. The role of traditional development cooperation is expected to decrease gradually towards 2030, and more attention on domestic resource mobilization and sustainability is needed.

Our renewed partnership will seek to enhance stronger trade flows, peer-to-peer support and knowledge transfer. Numerous on-going initiatives between political, private sector and civil society actors contribute to this partnership. This Country Strategy helps to bring all interests and stakeholders closer together. The biannual bilateral consultations, which began in their present form in 2016, are another opportunity to take stock and to deepen and broaden the partnership from an equal basis.

3 FINLAND'S STRATEGIC GOALS

Finland views its relations with Kenya in a holistic and broad-based manner, building on our long history of co-operation. Value-based foreign policy will form a basis for engagements with Kenyan counterparts e.g. through biannual consultations, bilateral visits and co-operation on multilateral fora on topics of mutual interest. Both in the bilateral and multilateral contexts Kenya, as an important African nation, has a significant role in global co-operation, including through the incumbent membership of the United Nations Security Council. Finland actively engages with Kenya in dialogue on the effects of and recovery from the setbacks caused by the covid-19 pandemic.

3.1 Finland supports Kenya's stability and seeks partnership in areas of peace and security

Finland and Kenya share many values such as democracy, rule of law, human rights, gender equality and market economy. Finland seeks to support good governance and inclusive democratic processes in order to ensure Kenya's stability and positive role in the region. Kenya is active regional player, supporting co-operation in Eastern Africa, the Red Sea and the Western Indian Ocean. Its influence in regional organizations supporting peace and security, such as EASF, AMISOM and IGAD, is important. Kenya is also a member of the UNSC in 2021-2023.

Topics for possible cooperation include UN reform, the promotion of global trade, climate change, gender equality and youth empowerment. Finland will continue to support the implementation of Kenya's 1325 National Action Plan through UN Women as well as continue participating actively in the discussion on UNSC resolution 2250 on Youth, Peace and Security in Kenya. These will be further discussed in bilateral consultations, bilateral contacts between our missions in New York and Geneva, and at international meetings. The Embassy in Nairobi also actively cooperates with local NGOs working on strengthening democracy and good governance in Kenya.

3.2 Empowerment of Women and Youth

Promoting the rights of women and girls and gender equality are key goals in Finland's foreign policy as well as a sustainable development goal for 2030. Through the support for women in leadership and the Women, Peace and Security agenda Finland seeks to increase the influence of women in decision-making processes and

gender sensitive policy-making, also in the security sector. Countering gender-based violence is another key area for cooperation, which has become even more pertinent as the Covid-19 pandemic has triggered an increase in gender-based violence also in Kenya.

Supporting the participation of Kenyan youth in the economy as well as in political decision-making constitutes an important investment in the future. The vast majority of the Kenyan population are children or youth hence, the importance of this work cannot be underestimated. Increased academic cooperation and student exchange, skills development and political engagement on the Youth, Peace and Security agenda are good examples of means by which long-lasting improvements in the livelihoods of Kenyan youth can be achieved.

Women and Youth are the main beneficiaries for Finland's development co-operation in Kenya in the upcoming four years. In our co-operation, we will strive to take into consideration the particular vulnerabilities of the groups' concerned as well as the regional differences between urban areas and rural regions. The Agenda 2030 "Leave No One Behind"- principle forms an important basis for our development cooperation in Kenya. The inclusion of women and youth with disabilities will be given special attention, as non-discrimination is an important crosscutting development cooperation objective for Finland. Finland acknowledges that a crosscutting multiactor approach is useful in the empowerment of women and youth. We will involve academia, civil society and the private sector through e.g. experience sharing and peer support.

Finland engages in a political and policy dialogue with a broad range of actors in the Kenyan government, both at national and county levels. Finland also participates actively in the gender sector working group. We maintain a good relationship with the State Department for Gender Affairs and other key actors in Kenya. We will also cooperate with Nordic and European Union partners in advancing gender equality in Kenya. Finland continues to support the UN Women country programme in Kenya in three sectors. We will start a bilateral programme aimed at decreasing gender-based violence. Gender aspects will also be taken into account when developing the second impact area in our country development program aimed at enhancing job creation and skills development among youth. We will actively co-ordinate our work with Finnish and Kenyan CSOs.

3.3 Un-locking inclusive and sustainable economic growth, which promotes business opportunities between the two countries.

In our Team Finland approach promoting trade and investments between Finland and Kenya, we actively seek synergies between various actors and instruments of co-operation. Kenya is seen as an increasingly attractive destination for Finnish companies and investment facilities. Inclusive economic growth and a diversification of the Kenyan production base are important for increasing trade between our countries.

Finland supports economic inclusion and sustainable growth in Kenya. Our country programme includes an impact area aiming at job and skills creation for youth. Socially responsible, economically and environmentally sustainable investments are important tools in creating inclusive economic growth. Private sector solutions will be sought in order to jointly tackle issues such as the slowing of and adaptation to climate change.

Finland will work to support economic growth and an enabling regulatory framework in Kenya and regionally in Eastern Africa. A more predictable business environment will generate private sector growth, attract more foreign direct investment and increase the potential for trade with Finnish companies. Private sector instruments will be strategically used to create beneficial synergies with the development cooperation work done through the Country Programme. Finland supports and promotes regional and global initiatives aiming at a predictable and conducive business environment for trade such as TMEA, AfCFTA, UNCTAD and, WTO. Finland promotes an EU trade policy in Africa, which builds on a level playing field and assists in African economic integration.

Close cooperation between Business Finland, the Embassy and the country team in the Ministry for Foreign Affairs, is a key factor in assuring to an effective, cohesive Team Finland approach. Aligning Business Finland programs such as DevPlat with the work in Kenya is instrumental. Business seminars, delegation visits and other events will create links between Kenyan and Finnish companies. Engagement with Kenyan youth and supporting local innovation ecosystems will help in transforming the Kenyan economy. Finland will also support the technical education of Kenyan youth with its development policy instruments.

The potential of regional trade in East Africa is still largely underutilized. Finland seeks to unlock the regional growth potential and create opportunities for Finnish companies

through its support to regional organizations such as TradeMark East Africa. Finland will actively participate in the Team Europe initiatives on green recovery and digitalization in Kenya.

3.4 Tackling climate change

Building climate change resilience is of undisputable importance for an ecologically and socially sustainable transition in Kenya. Countering the effects of climate change will require mitigation, as well adaptation. Kenya is in many respects extremely vulnerable to climate change, especially in the arid and poorest regions of the country. Climate change affects food security, one of Kenya's central development priorities. Tackling climate change will require a broad set of tools, for example legislation on land administration and school curricula supporting knowledge in this area.

Climate change will be a crosscutting objective in all our development cooperation. We will engage with the Kenyan government on the national and county level, including academic co-operation through the HEI-ICI instrument in fields such as meteorology, teacher training and food security. Finland will engage in expert level multisectoral co-operation utilizing our contacts with NGO's, research institutions, the private sector and international development partners.

Finland has been active in the forestry and water sectors in Kenya for several years. From previous country programmes, we have extensive experience, which we can build upon in helping Kenya strengthen climate change resilience. Finland will target climate change challenges in Kenya through the use of private sector instruments and cooperation with relevant NGO's and academic institutions. Climate change will furthermore feature in our political dialogue with Kenya, both at the bilateral and multilateral levels. Co-operation in responding to climate change provides business opportunities in the area of green and circular economy, e.g. waste disposal solutions and electric vehicles. The fact that Nairobi hosts the UNEP and UNHabitat headquarters offers an opportunity for increased dialogue and co-operation on environmental issues with Kenya.

4 IMPLEMENTATION AND MONITORING

The country team in the Regional Department of the MFA and the Embassy are in charge of the implementation of the Country Strategy. This is done in close collaboration with Departments/Units in charge of different instruments and activities identified under each strategic objective. While the country team is responsible for coordinating country level activities, other Departments/Units keep country teams informed and involve them in discussions as well as activities relevant to the strategic goals. Country teams hold dialogues with relevant Departments/Units within MFA and with stakeholders outside the MFA that are active in the country. Stakeholders outside the MFA are encouraged to have dialogues with the country teams on the ways they can benefit from synergies and contribute to the strategic goals in each country.

The Embassy and the team as a whole are providing analysis on the implementation of the strategy as part of their regular reporting. The implementation of the Country Strategy is reviewed in the annual discussions of the Ambassador and in other regular discussions with relevant partners. Possible updates are agreed based on the annual discussions by the leadership of the Regional Department.