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*From **experience** to **knowledge**...*
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*From **action** to **impact***

An IDEV **Country Strategy Evaluation**

Kenya:
Country Strategy Evaluation 2002–2012

Evaluation Report

AFRICAN DEVELOPMENT BANK GROUP

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Acknowledgements

This report, which was prepared by the African Development Bank's Operations Evaluation Department (OPEV) presents the findings of the Kenya Country Strategy evaluation, conducted on demand to inform the new country strategy.

The evaluation was conducted by James Adams, Lead Consultant, with contributions from Richard Stern, Knud Anders Rasmussen (international consultants who focused respectively on Infrastructure and Governance), and Zephaniah Samwel Oyier, local consultant. The evaluation was guided by Seetharam Mukkavilli, Chief Evaluation Officer with the support of Akua Arthur-Kissi, Research Assistant.

I would like to thank the OPEV team and the Consulting team for their contributions, hard work and efforts in carrying out the Kenya Strategy evaluation under very tight timelines and difficult conditions. I would also like to thank our colleagues from the East Africa Regional Resource Centre who facilitated the missions in Kenya, shared their views and provided valuable comments on the draft evaluation reports.

I would also like to express my appreciation to the representatives from the Government of Kenya for taking the time from their busy schedules to meet with the team and share their perspectives on the evaluation issues.

Rakesh Nangia
Director
Operations Evaluation Department
African Development Bank

Kenya: Country Strategy Evaluation 2002–2012
Evaluation Report, 2015

About the AfDB

The overarching objective of the African Development Bank Group is to spur sustainable economic development and social progress in its regional member countries (RMCs), thus contributing to poverty reduction. The Bank Group achieves this objective by mobilizing and allocating resources for investment in RMCs and providing policy advice and technical assistance to support development efforts.

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Abbreviations and Acronyms

ADF	African Development Fund
AfDB	African Development Bank (the Bank)
AWSB	Athi Water Services Board
AFD	French Development Agency (Agence Française de Développement)
CSP	Country Strategy Paper
EADB	East African Development Bank
EADI	African Development Institute
ECCAS	Economic Community of Central African States
ESTA	Economic and Statistics Department
EQ	Evaluation question
EU	European Union
FAPA	Fund for African Private sector Assistance
FSF	Fragile States Facility
GAP	Governance Action Plan
GIZ	German Agency for International Cooperation
IPR	Implementation Performance Reporting
ISLA	Institutional Support to Local Authorities project
ISRTAG	Institutional Support and Rehabilitation Technical Assistance Grant
ISRTAL	Institutional Support and Rehabilitation Technical Assistance Loan
MIC TAF	Middle Income Country Technical Assistance Fund
NBFIRA	Non-Bank Financial Industry Regulatory Authority
OECD	Organization for Economic Cooperation and Development
OSFU	Fragile States Unit
OSGE	Governance, Economic and Financial Reforms Department
OPSM	Private Sector Department
OPEV	Independent Operations Evaluation Department
PAGFPACAF	Public Finance Management and Business Climate Improvement Support Project
PAIC	Control Institutions Support Project
PAR	Project Appraisal Report
PASCRP	Growth and Poverty Strategy Support Program
PCR	Project Completion Report
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PFMBESP	Public Financial management and Business Enabling Support Project
PIU	Project Implementation Unit
PPER	Project Performance Evaluation Report
RD	Regional Department
REC	Regional Economic Community
RMC	Regional Member Country
RMF	Results Measurement Framework
UA	Unit of Account
UNDP	United Nations Development Program

Photo ©: Flickr

Executive Summary

Introduction and Evaluation Purpose/ Scope

This report presents the findings of an evaluation of three Kenya Strategy Papers (2002-2004, 2005-2007 and 2008-2012). This evaluation was included in OPEV's Work Program following a request from the East Africa Regional Resource Centre (EARC). The purpose of the evaluation is to: i) assess the relevance and performance of the Bank's key strategic interventions in Kenya; and ii) identify lessons and areas for improvement. It focused on the core engagement areas of the Country Strategy papers (CSPs), namely infrastructure (Roads, Water Supply and Energy), agriculture and environment, social sectors and emergencies. It also examined cross-cutting issues including, governance, regional integration, gender, and environment.

Evaluation Findings

Development Results – Relevance, Effectiveness, Sustainability, Cross-cutting Issues

The relevance of the Bank's interventions to Kenya's development needs/challenges and to the Government of Kenya's (GOK) development priorities is rated highly satisfactory.

The three CSPs were closely aligned with the GOK's overall strategy and priorities for investment. The strategic objectives stipulated in the CSPs were relevant to Kenya's development needs and challenges. All of the CSPs undertook appropriate consultation on its development: the GOK, donors and key stakeholders were provided numerous opportunities to comment on each draft CSP. The Bank has built a relationship of trust with the GOK by listening to GOK concerns and addressing their important priorities. This is demonstrated further through the strong support and ownership of the Bank's interventions by the GOK as reported through the key informant interviews. The Bank focused its interventions in Kenya on infrastructure (transport, energy and water) with the intention of supporting growth by alleviating major bottlenecks, reducing the cost of doing business and increasing's competitiveness. The infrastructure program also better integrates Kenya into the regional economy, securing its place as an infrastructure and communications hub. These priorities are also fully aligned with the Bank's recently approved Ten-year Strategy (TYS), which identifies infrastructure and regional economic integration as core priorities.

The effectiveness of the Bank's interventions is rated as moderately satisfactory, with a varying degree of success across sectors.

The effectiveness of Bank investments in Kenya's infrastructure was rated satisfactory, leading to improvements in the Transport, Water and Energy sectors. The Bank's Roads portfolio has contributed to and is likely to significantly contribute to an improvement in the reliability and efficiency of Kenya's Transport system; however, results of the Bank's "soft assistance" are mixed. The Bank has contributed to a significant increase in access to improved water; however this contribution may have been diluted by focusing on too many Water Service Providers and lack of adequate in-house Technical Assistance (TA). While most projects are at an early stage of implementation, Bank investments in the energy sector have leveraged significant resources from the private sector. The Bank has

been a catalyst in establishing Private-Public Partnerships (PPP) and in ensuring favorable terms for the GOK. They have contributed to and are expected to significantly contribute to an increased electricity supply and an expansion of renewable resources. These results in infrastructure will benefit the whole region by fostering regional integration. Results in this sector have been limited because of implementation delays. In addition, the Bank has not invested adequately in non-lending analytic work, particularly in the Transport and Water sectors. Adequate investment in TA can maximize the results achieved by the Bank in these sectors.

The effectiveness of the Bank's investments in social sectors was rated moderately satisfactory. While the health project contributed to an increase in facility capacity and leveraged additional funds for the sector, it has failed to produce broader policy reforms. Education-III made a modest contribution to the broader GOK secondary program. However, serious implementation delays have limited the effectiveness of this project and the Bank's engagement in broader sector issues. It is too early to assess the results of the 2 education projects.

The Bank's achievements are more substantial in the agriculture and environment sectors where its effectiveness was rated as satisfactory. These investments are likely to lead to an important contribution to Agriculture and Environment. Examples of achievements include the protection of existing forests and the establishment of a sustainable smallholder irrigation scheme.

The Bank has been instrumental in helping Kenya respond to a number of emergencies and in providing follow-up support to address longer-term challenges. As a result, the effectiveness in this area was also rated as satisfactory.

With the exception of the energy sector, the long-term sustainability of the results achieved by the Bank is rated unsatisfactory. It is at risk due to a number of challenges, particularly in the Transport and Water sectors.

Given the overall coherence of Kenya's power sector development program and the substantial progress in implementing it, the prospects for the long-term sustainability of the Bank's energy investments are likely. Unlike in roads, the cost recovery framework for the power sector is in place.

The transport sector holds many implementation challenges including: (i) need to secure adequate funds; (ii) potential impact of devolution; and (iii) road safety issues. Unless these challenges are addressed the substantial highway investments are vulnerable. Kenya's history is witness to this vulnerability. Indeed many of the roads, currently being rehabilitated and upgraded with the support of the Bank, were built with donor assistance 25-30 years ago and allowed to deteriorate in the intervening years.

The reform of the water sector is still work in progress and there is a real danger that achievements will be undermined if the Bank withdraws its assistance prematurely. The ongoing challenges to sustainability are primarily rooted in: (i) governance issues; (ii) capacity to cover O&M and capital costs; and (iii) potential impact of devolution.

In terms of the social sectors and agriculture/ environment sector, sustainability will depend on the GOK's capacity to secure financial resources.

There has been a notable shift between 2002 and 2012 in terms of the Bank's strategy towards addressing cross-cutting issues. The move from considering governance and crosscutting issues as specific interventions to considering them as themes that needed to be included in projects that are supported is clear. However, little progress has been achieved in the governance area, which has received limited attention. In addition, there is a need for a more systematic approach to mainstreaming gender into operational components.

Bank efforts to integrate cross-cutting development issues in its projects were rated as moderately satisfactory, with great variation across issues. While the Bank has emerged as a leader in Regional Integration, little progress has been achieved in the area of governance.

With respect to Regional Integration, the Bank has emerged as a leader with solid performance over the decade. The quality of the regional program has consistently improved. Of note, every road project financed in the past decade in Kenya has had an important regional dimension; each investment funds part of an international road that connects land locked countries with Mombasa. In energy, the transmission program under implementation is also dominated by regional inter-connections. Finally, a number of the water projects in the Kenya portfolio also have regional impacts. In addition to funding, the regional analytic program has also grown, making key inputs into a number of policy areas.

Managing the Bank's Assistance

While there is evidence of selectivity in the portfolio, the CSPs do not outline selectivity criteria that guided decision-making. On the other hand, the coverage of Monitoring and Evaluation (M&E) in CSPs improved over time, with the inclusion of results matrices. A persistent challenge in this area is the lack of data at the outcomes level. The portfolio has performed well compared to the Bank's portfolio, with reasonable improvement observed over time. However, long implementation delays have weakened results achievement. Aid effectiveness has also improved over time through harmonization, donor coordination and capacity building.

Recommendations

Recommendation 1: Increase selectivity towards areas of comparative advantage: (i) infrastructure, which is a key priority area and one where the Bank has been effective in achieving results for Kenya and for the region; (ii) agriculture and education, in which recent efforts present opportunities for greater developmental impact.

Recommendation 2: Expand the Bank's role as a catalyst for leveraging funding through PPPs– a comparative advantage of the Bank

Recommendation 3: Develop a strategy, in collaboration with the GOK, to address risks and challenges associated with the sustainability of results. Ensure that an exit strategy exists for each project.

Recommendation 4: Build capacity and invest adequate resources in analytical and advisory work.

Recommendation 5: Develop an appropriate strategy, in collaboration with the GOK, to systematically integrate governance in the Bank's projects and address the weaknesses of governance in Kenya. Ensure systematic integration of gender issues into operational components.

Recommendation 6: Develop a strategy, in collaboration with GOK and other donors, to address implementation delays. ■


GDC

Management Response

Management welcomes OPEV's Evaluation of the African Development Bank's last three Country Strategy Papers (CSPs) for Kenya, covering 2002 to 2021. The Evaluation provides a timely assessment of the CSPs' relevance, effectiveness and sustainability in the key areas of infrastructure, social sectors, agriculture and environment, and emergency support. It also assesses how well cross-cutting issues—governance, regional integration, gender, and environment—are integrated into the CSPs. Management generally agrees on the findings of the Evaluation, notably the need to integrate "soft assistance" components into project design to strengthen advisory services, address regulatory issues, and support policy reforms, and to mainstream cross-cutting issues, particularly gender and governance. The Evaluation also rightly points out the need to invest more in analytic work and to strengthen the longterm sustainability of Bank projects. Management welcomes the recommendations of the OPEV Evaluation, which have informed the Bank's new CSP 2014-18 for Kenya.

Relevance

Management agrees with OPEV that all three CSPs were fully aligned with Kenya's strategic framework, and that the Bank interventions approved and implemented under the strategies were relevant to Kenya's development needs and challenges. The new CSP will be fully aligned with Kenya's National Development Plan, the Medium Term Plan (MTP) II 2013-17.

Effectiveness

Management is encouraged by OPEV's finding that the Bank's highway projects have yielded high economic returns in the 20% range and have contributed to improving the reliability and efficiency of Kenya's transport infrastructure system, thereby promoting economic growth, socio-economic development and regional integration. In line with OPEV's findings, Management will ensure that "soft assistance" components, notably technical assistance and analytic work, are integrated into the design of future transport sector projects to address regulatory issues and support policy reforms. This approach will also strengthen the Bank's position as a key player in Kenya's road sector reform program.

Management welcomes OPEV's finding that the Bank's water and sanitation projects have contributed to an increase in access to improved water sources and sanitation facilities. In compliance with OPEV's recommendation, Management will seek to increase the effectiveness of Bank interventions in this sector by focusing on fewer water sector providers and funding long-term in-house technical assistance as an integral part of project design to better tackle institutional weaknesses and address policy and regulatory issues.

Management is encouraged by OPEV's finding that the Bank's energy projects have contributed significantly to increased electricity supply and expanded renewable resources, and that all ongoing interventions are expected to yield high returns. It also agrees with OPEV that the Bank should continue to exploit Kenya's geo-thermal generation potential through public-private partnerships, which have enabled the Bank to mobilize significant additional financial resources from private financiers.

Management appreciates OPEV's finding that the Bank's interventions in the health sector have contributed to an increase in facility capacity and leveraged additional funding for the sector. Management concurs with OPEV that the Bank's education projects to date have made modest contributions to Kenya's broader secondary program. It also agrees that the Bank's previous interventions in the social sectors – the Education III and Rural Health projects – experienced significant implementation delays, which hindered their effectiveness. These delays were due mainly to inadequate project readiness, especially for the works designs, at the time of approval. Since those projects began, the Bank has opened its office in Kenya and further strengthened the East African Resource Centre (EARC) with regional staff in such key areas as procurement, facilitating timely review and approval of procurement documents and reducing delays (before the Bank's office in Kenya was opened, all procurement documents had to be transmitted in hard copy to Tunis). In addition, the projects were restructured, and for the Education III project, a corrigendum was submitted to the Board in July 2008. As a result actual implementation of these projects began effectively in 2007–2008.

Management has taken measures to address the issue of project readiness: decentralization of project management to EARC staff; ensuring project readiness at appraisal through, for example, the timely preparation of works designs and equipment specifications; timely review and approval of project procurement at EARC level; day-to-day attention to problems as they arise; quarterly meetings with project teams; and timely project supervision at ministry and field levels.

Going forward, EARC is closely monitoring the ongoing and new education sector projects indicated by OPEV – TVET and HEST – to ensure on-time delivery. In addition, EARC has begun early preparation of the proposed TVET phase 2 under ADF-13 to ensure project readiness (especially for works and equipment) by appraisal.

Management welcomes OPEV's findings that the Bank's projects in the agriculture sector are generally performing well, contributing to increased forest protection and creating opportunities for small-holders who reside near the forests. The one exception OPEV cited is the Ewaso Ngiro Natural Resource Conservation project, which it said has faced a number of challenges. To improve the project's performance, Management extended the project to complete ongoing civil works and cancelled the remaining loan balance. The project closed on 31 December 2013, with a disbursement rate of 75%. There are several invoices currently being processed, thus the disbursement rate is expected to increase accordingly.

Management also welcomes OPEV's finding that the Bank's emergency operations have been effective in assisting Kenya to respond to a number of emergencies by quickly and efficiently deploying resources, and in providing follow-up support through full-scale projects to address longer-term challenges.

Sustainability

Management agrees with OPEV's conclusion that issues and challenges in the road sector undermine the long-term sustainability of investments: insufficient funding for O&M, maintenance back-log, changes in the institutional responsibilities of urban and rural highway authorities following the devolution, vehicle overloading, and insufficient road safety. Management will ensure that future Bank interventions in the transport sector incorporate road safety initiatives. In this connection, the Bank has already provided funding to assist the Kenya National Highways Authority in enhancing its road safety capacity and mainstreaming road safety audits in new road development schemes.

The Bank has also provided funding for a study to assess private sector participation in road maintenance management on the Nairobi-Thika Highway project; and continues to provide support for capacity building in the road sector with every new project. The Bank has also supported the development of Kenya's new Urban Road Maintenance Strategy, which is expected to contribute significantly to enhanced sustainability of road investments. In addition, it is consulting with the Kenyan government and the Kenya Road Board on ways to widen the sources of finance for road maintenance. The Board is currently reviewing the possibility of revisiting the income from the fuel levy and a floating infrastructure bond.

Management also concurs with OPEV's finding that further reforms in the water sector are urgently required. OPEV correctly identified various challenges that compromise the longterm sustainability of investments, particularly the need for tariffs that reflect economic cost, cover O&M and ultimately cover capital cost. Devolution might also pose challenges to the effective implementation of water sector projects, particularly in rural areas.

To address these issues more effectively, in 2014 Management will revise the Bank's policy on Integrated Water Resources Management, examining the extent to which cost recovery is feasible for regional member countries. Management is also encouraging Bank staff to use more robust data to calculate EIRR and FIRR, to ensure that proposed tariffs are adequate. Management is aware that tariffs in Kenya are also a concern of other development partners (DP); the issue is discussed by the Water Sector Technical Group, in which EARC regularly participates. Improved O&M and post-construction sustainability are key aspects of the Bank's Rural Water Supply and Sanitation Initiative (RWSSI) Strategic Plan (approved in 2013), which will be used at the country level for the rural water component of the Thwake Multi-purpose Water Development Plan.

Management is encouraged by OPEV's finding that the prospects for the long-term sustainability of the Bank's energy investments are positive – mainly because Kenya has in place a cost recovery framework for the power sector. Management will engage in a close dialogue with the Kenyan government at central and county levels, supporting the establishment of similar cost recovery frameworks in the transport and water sectors, with a view towards increasing the longterm sustainability of Bank investments.

Management supports OPEV's view that Bank interventions in the health sector have been of limited sustainability and have contributed little to broader policy reforms. As the Bank has currently no ongoing health projects and the Indicative Assistance Program of the new CSP 2014–2018 does not include any new health interventions, the Bank would need to address health sector policy reforms through projects under future CSPs.

As regards education, Management agrees with OPEV that sustainability depends on the government's financial ability to support the improved facilities funded by the Bank. For the Bank's ongoing and new education projects (TVET and HEST), the target institutions have signed performance contracts for the preventive maintenance and rehabilitation of the infrastructure. Concerning policy reforms, EARC is currently chairing the education DP working group, thus taking the lead in policy and strategic dialogue. In this connection, the Bank is supporting the formulation of a new National Education Sector Strategy and a Gender Strategy for Science Technology and Innovation.

Management concurs with OPEV that sustainability in the agriculture sector is a particular challenge. The sustainability of past interventions in the sector depended on the government's securing additional financial resources. However, recent interventions in natural resources management and irrigation have opened greater prospects for farmers to generate their own income and run sustainable enterprises – for example, the Green Zones project's expansion of tea production and development of wood lots – thus improving sustainability. The Smallscale Horticulture Development project presents enhanced prospects for sustainability through increased productivity and improved marketing of horticultural products. Similar outcomes are expected for the Kimira-Oluch irrigation project.

Cross-cutting Issues

Governance. Management agrees with OPEV that the three CSPs gave limited attention to governance in terms of specific interventions. As OPEV stated correctly, the Institutional Support to Good Governance project, implemented under the CSP 2005-07, was the Bank's sole governance project during the period covered by the OPEV review. This is largely because DPs have traditionally not provided budget support to Kenya – the Bank's main instrument to address economic and financial governance issues and support policy reforms in these areas. In addition, the Kenyan government has not been willing to borrow from the Bank (and other DPs) for institutional support, preferring to use domestic resources or grant financing in these areas. Going forward, Management will ensure that governance issues are addressed through projects at the sectorial level, in compliance with the Bank's GAP II. Specifically, "soft" governance issues (such as legal and regulatory reforms, and capacity building) in the sectors covered by the new CSP will be addressed by including training, technical assistance and analytic work as specific project components.

Gender, Environment, HIV/AIDS, and Regional Integration. Management is encouraged by OPEV's finding that mainstreaming gender into the Bank programs and analytic work has been a theme in all three CSPs. That being said, it agrees with OPEV that there was less evidence in the CSP 2008–2012 of consistent mainstreaming of gender in operational components. The new CSP addresses gender equality in several ways:

- It provides for sound analysis of Kenya's gender-equality situation today.
- Gender-specific components will be integrated in all new projects, as relevant and feasible.
- Gender analysis will be included in the preparation of new projects to determine how they affect men and women and to allow for the development of sex-disaggregated and gender-relevant indicators for project logical frameworks.
- To improve local capacity for gender mainstreaming, staff from clients (e.g., ministries; executing agencies.) and project management teams will be trained on gender issues specific to their projects.

The Bank's forthcoming Gender Strategy 2014–2018 will provide the framework for mainstreaming gender equality in the Bank's new pro jects in Kenya.

Management is also encouraged by OPEV's finding that environmental challenges facing Kenya were well documented in the three CSPs and that the Bank's strategy of mainstreaming environmental issues across the portfolio was solid. OPEV cited the Green Zones project as a model in this regard. Management agrees with OPEV that the Bank's focus on HIV/AIDS has been through infrastructure projects, which represent by far the largest share of the Bank's portfolio in Kenya. Management supports OPEV's finding that the Bank's performance on regional integration has been solid throughout the past ten years. Management agrees with OPEV that the road, energy and water projects the Bank has funded during the past decade have had an important regional dimension and significant regional impacts.

Managing Bank's Assistance

Coherence, Selectivity, and Managing for Development Results. Management concurs with OPEV's finding that the three CSPs lack selectivity criteria to guide decision-making around the portfolio. This shortcoming has been addressed in the new CSP, which defines a clear set of selectivity criteria and discusses them in detail (see Management Action Record). The new CSP also contains a results-based framework that presents the results expected by mid-term in 2016 and completion in 2018, including both new projects and those carried over from previous CSPs. As an innovation, the results-based framework mainstreams green, inclusive, gender-disaggregated and youth employment indicators.

Portfolio Review. Management is encouraged by OPEV's assessment that the Bank's portfolio in Kenya is performing reasonably well, with greater improvement over time than the Bank's average. Management agrees with OPEV that the effectiveness of the Bank's interventions in Kenya continues to be hindered by a range of issues including: i) complex funds flow arrangements used by the Kenyan government for donor projects; ii) the need for EARC's disbursement capacity to be further strengthened; iii) issues related to compensation for project-affected persons; and iv) delays in releasing counterpart funding. These issues have been extensively discussed with the Kenyan government, including at senior levels, and measures are being taken to address them. For instance, while the possibility of e-disbursement will be explored during the ongoing SAP functional upgrade project, the Bank and the government have planned to critically review the funds flow in January 2014 and streamline the processes as required.

In addition, the disbursement staff at EARC have been temporarily reinforced by short-term staff, and an additional staff member will be deployed to EARC in 2014. With regard to compensation, the Bank's approach of providing compensation for new operations in sections has significantly reduced start-up delays in Bank projects in Kenya. The main compensation issue still pending is related to the Arusha Namanga Road, where the construction of the one-stop border post has been delayed by the compensation of project-affected people. However, following high-level dialogue with the Kenyan government, it has been agreed that this issue will be resolved without further delay, and the Bank is closely monitoring the situation. Regarding the delayed release of counterpart funding by the government, through the EARC the Bank will continue its dialogue to ensure that funds budgeted for Bank-financed projects are given priority during budget execution.

Paris Declaration Principles and Aid Coordination. Management is encouraged by OPEV's finding that the three CSPs have discussed the issue of aid effectiveness, with coverage increasing over time. OPEV correctly stated that the Bank is fully involved at all levels of cooperation between the government and DPs, with EARC leading several sector groups (Education/TVET, Public Finance Management, Energy). This would not have been possible if the requisite expertise were not based in Nairobi. ■

Management Action Record

The Bank's new CSP 2014-18 for Kenya was finalized and submitted to translation in October 2013, and is scheduled for Board consideration on **5th February 2014**. Timing of the evaluation has meant that this CSP has benefitted from OPEV's analysis and recommendations. As a result, key lessons have been fully integrated into the final draft of the CSP. Specific actions and lessons taken by EARC are flagged in this Management Action Record. These lessons will also inform future CSPs including where these are relevant to other East African countries.

Recommendation	Management Response
Recommendation 1: *Increase selectivity in areas where the Bank has a comparative advantage.*	
Increase selectivity towards areas of comparative advantage: ▪ *Infrastructure, which is a key priority area and one where the Bank has been effective in achieving results for Kenya and for the region;* ▪ *Agriculture and education, in which recent efforts present opportunities for greater developmental impact.*	**Agreed** - The new CSP is highly selective and fully responds to OPEV's recommendation. Actions and key lessons are elaborated below. ***Further actions/Lessons learnt:*** ▪ The new CSP focuses on two strategic pillars: 1. Enhancing physical infrastructure to unleash inclusive growth; and; 2. Developing skills for the emerging labour market of a transforming economy ▪ To ensure further selectivity of the new CSP was guided by the following principles: 1. Consultations with the Kenyan government and country stake-holders on priority areas for Bank support. 2. Alignment to Kenya's strategic framework. 3. Alignment to the Bank's Ten Year Strategy 2013-22, notably its twin objectives of inclusive and green growth. 4. Complementarity and synergies of Bank assistance with those of other DPs; 5. Lessons from previous CSPs; 6. The Bank's comparative advantage; and; 7. Analytical work undertaken by the Bank and other DPs. ▪ The new CSP does not include agriculture as a pillar, to ensure selectivity, but supports agricultural development through infrastructure investments. ▪ For the EARC region, this applies specifically to the new Interim CSP for Eritrea, and the CSP MTRs for Ethiopia, Tanzania, Uganda, Djibouti, Comoros, Rwanda and Burundi, all scheduled for CODE/Board consideration in 2014.

<table>
<tr><th>Recommendation</th><th>Management Response</th></tr>
<tr><td colspan="2">Recommendation 2: Mobilize additional funding.</td></tr>
<tr><td>Expand the Bank's role as a catalyst for leveraging funding through PPPs – a comparative advantage of the Bank.</td><td>Agreed - The Bank through EARC is increasingly assuming the role of a convener, connector and catalyst, leveraging financial resources and acting less as a sole financier. The USD 787m Lake Turkana Wind Power Plant approved in March 2013 is a good example of EARC acting as a connector and catalyst, bringing together the Kenyan government and private-sector financiers, where the Bank with a comparatively small contribution of USD 135m leveraged a large amount of additional financial resources through a PPP and PRG.

Further actions/Lessons learnt:

▌ For each new project to be prepared in 2014 (and beyond), EARC in close cooperation with OPSM and other relevant Bank departments, will partner with other DPs (traditional and non-traditional) and the private sector to leverage funding, notably through co-financing, Trust Funds (e.g., climate investment funds, global environmental fund, governance trust funds), PPPs and partial risk and partial credit guarantees (PRGs and PCGs), Kenya Shilling-based bonds, and through the Africa50 Fund.

▌ As of January 2014, EARC will closely work with the Bank's new Financial Sector Development Department, FRMB and FTRY to identify co-financing opportunities and provide advice to the Kenyan government on capital market development and the mobilization of additional funding through the issuance of infrastructure and other bonds.</td></tr>
<tr><td colspan="2">Recommendation 3: Improve sustainability of investments.</td></tr>
<tr><td>Develop a strategy, in collaboration with the GOK, to address risks and challenges associated with the sustainability of results. Ensure that an exit strategy exists for each project.</td><td>Agreed - The new CSP has made provision for an Infrastructure flag-ship study – led by EARC and expected to be completed in 2014 – which will look among other issues at the sustainability of investments in the infrastructure sectors. Meanwhile, sustainability issues are being more critically looked at for each project at design and implementation stages. It is also expected that with the new devolved government system, greater ownership will be exercised at beneficiaries' level, which will go a long way in mitigating sustainability risks.

Further actions/Lessons learnt:

▌ Upon approval of the new Kenya CSP by the Boards, EARC in close cooperation with ONEC and OITC, will launch the Infrastructure flagship study in February 2014.

▌ Management will ensure that as of January 2014 each new project prepared will include measures to ensure project sustainability and spell out an exit strategy for each project.</td></tr>
<tr><td colspan="2">Recommendation 4: Strengthen capacity building and analytic work.</td></tr>
<tr><td>Build capacity and invest adequate resources in analytical and advisory work..</td><td>Agreed - The new Kenya CSP is underpinned by a wide range of analytic work recently undertaken by the Bank and other DPs. Representing an innovation, EARC in 2013 prepared eight Analytical Briefs to reinforce the new CSP's strategic and operational choices. Going forward, the CSP also spells out a robust program of analytical and advisory work.
Further actions/Lessons learnt:

▌ EARC will ensure that for each new project prepared in 2014 'soft assistance' components, notably technical assistance and analytic work, will be integrated into the design of new operations as relevant and feasible, to address regulatory issues and support policy reforms. Additionally, funding of long-term in-house technical assistance will also be integrated in project design as required, to better tackle institutional weaknesses and address policy and regulatory issues. In addition to the concerned sector departments, EARC during the preparation of new projects will associate relevant support departments, notably EDRE and EADI.</td></tr>
</table>

Recommendation	Management Response
Recommendation 5: *Systematic integration of governance and gender in projects.*	
Develop an appropriate strategy, in collaboration with the GOK, to systematically integrate governance in the Bank's projects and address the weaknesses of governance in Kenya. Ensure systematic integration of gender issues into operational components.	**Agreed** - Under the new CSP, the Bank's new projects will address governance issues, in compliance with the Bank's GAP II. 'Soft' governance issues (such as legal and regulatory reforms; capacity building) in the sectors covered by the new CSP will be addressed by including training, technical assistance and analytic work as specific project components, as relevant and feasible. ***Further actions/Lessons learnt:*** ▌ As regards gender, the new CSP will address related issues as follows: 1. Sound analysis of the current situation in terms of gender equality; 2. Gender-specific components will be integrated in all new projects, as relevant and feasible; 3. nclusion of gender analysis in the preparation of new projects to determine how they impact on men and women. This will allow for the development of sex-disaggregated and gender relevant indicators to be included in project logical frameworks; 4. To improve local capacity for gender mainstreaming, staff from clients (e.g., ministries; executing agencies.) and project management teams will be trained on gender issues specific to their projects. The Bank's forthcoming Gender Strategy 2014-18 will be taken into account in the mainstreaming of gender equality in the Bank's new projects in Kenya. ▌ EARC will ensure that the design of each new project prepared in 2014 (and beyond) will integrate specific components to address governance and gender-equality issues, as relevant and feasible.
Recommendation 6: *Develop a strategy to reduce project implementation delays.*	
Develop a strategy, in collaboration with GOK and other donors, to reduce implementation delays.	**Agreed** - The Bank has already taken several measures to reduce implementation delays. These are elaborated below. ***Further actions/Lessons learnt:*** ▌ Streamlining of procurement at country-level and effectiveness conditions to reduce start-up delays, adoption of the readiness filter. ▌ Improving the frequency and quality of supervision missions, increased use of country PFM systems, etc. ▌ The Bank has greatly improved its monitoring capacity on the ground and reinforced its dialogue with the GoK and other donors on implementations issues including through sector specific portfolio reviews at regional level with specific action plans to address the issues discussed. ▌ EARC in 2014 (and beyond) will continue to implement the above-mentioned measures and continue dialogue to further reduce implementation delays.

Introduction

This report presents the findings of an evaluation of three Kenya Strategy Papers (2002-2004, 2005-2007 and 2008-2012). This evaluation was included in OPEV's Work Program following a request from EARC to inform the new Kenya CSP. The evaluation was carried out over a short period (six months) of time due to the Kenya elections, the change of government and the need to inform the new Kenya CSP. Due to these time and contextual constraints, the evaluation did not fully address the evaluation questions. Rather, it focused on bringing forward the main lessons from past experience to inform the new CSP cycle. ■

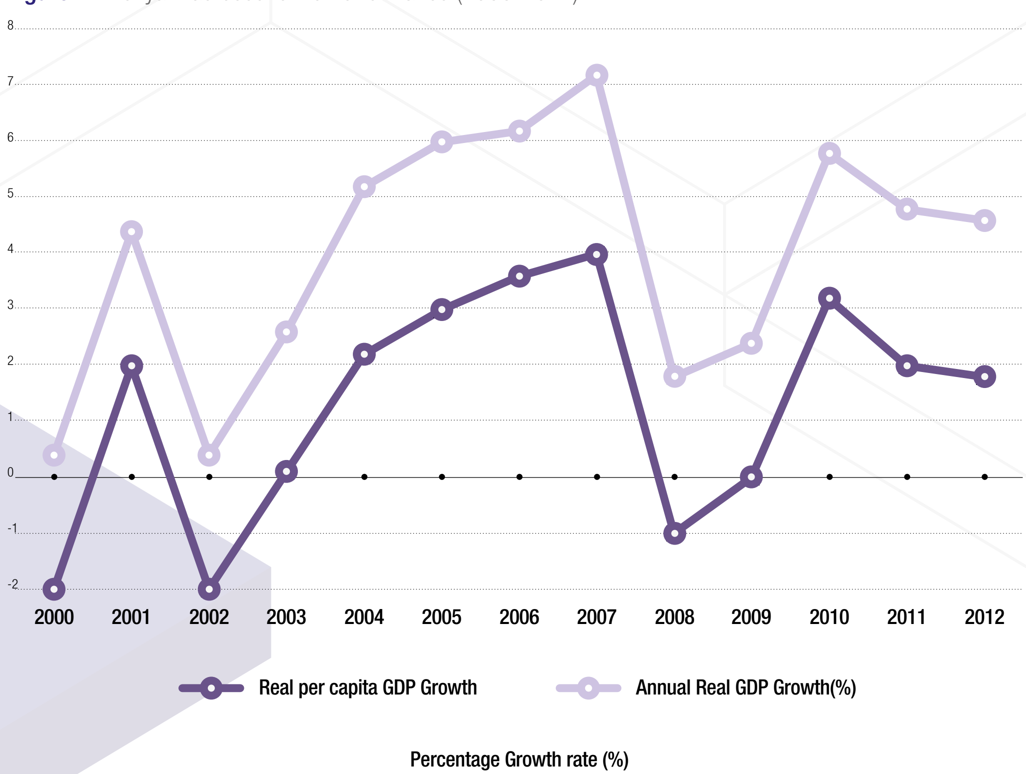
Background

Kenya's Economic Context

These three CSPs have supported Kenya's development efforts over a period of dramatic change in Kenya. During the period of the 2002 CSP, the Government of Kenya (GOK) moved forward with its Economic Recovery Strategy (ERS) -- a policy paper that established three key pillars forming the basis for the government's priorities for the entire decade. The first pillar was economic growth, specifically seeking to reverse the very low growth rates that had marked the preceding decade. This pillar focused on macroeconomic reforms, infrastructure investment and revitalizing the productive sectors. The second pillar, equity and poverty, focused on improving the delivery of health and education services and implementing more effective labor, agriculture and environment, and poverty programs. The third pillar, improving governance, concentrated on strengthening public safety, public administration and Government monitoring and evaluation capacity.

While the program and its underlying reforms had only a modest effect on growth during the execution of the2002 CSP, GNP growth rates increased each year covered in that CSP. Moreover, with the follow-up policy document that was completed during the

Figure 1: Kenya Macroeconomic Performance (2000-2012)



execution of the 2005 CSP, the Investment Program for the Economic Recovery Strategy (IPERS), the GOK strengthened the initial macro reforms. By the end of the execution period for the 2005 CSP, annual GNP growth reached 7%, an improvement from the earlier period.

Kenya's economy has been recovering from a number of shocks in the form of post-election violence which erupted at the end of 2007, the global financial crisis in 2008 and droughts in 2009 and 2011. According to the 2009 Kenya Economic Report, economic performance improved remarkably in the five Kenya's economy has been recovering from a number of shocks in the form of post-election violence which erupted at the end of 2007, the global financial crisis in 2008 and droughts in 2009 and 2011. According to the 2009 Kenya Economic Report, economic performance improved remarkably in the five years up to 2007, with growth in real GDP estimated at about 7% in 2007. The dramatic fall in growth that marked 2008 (to 1.5%) reversed in 2009/10 and 2010/11, with growth rates of 4.1% and 5.3% respectively. The reasons for this improvement included: good rainfall, higher prices for Kenyan exports on international markets, and increased public investment under the economic stimulus program implemented by the GOK at the end of 2009. Inflation, which had been very high in 2008/09, fell during the following two years. It increased again during 2011/2012 due to increases in import prices, particularly for food (reflecting the drought and increasing domestic demand) and oil (increasing domestic demand). While average economic growth rates improved, it remained well below that of its immediate neighbors and traditional partners in the East African Community (both Tanzania and Uganda have sustained growth rates of 5-6% over this period). However, over the past decade Kenya has demonstrated its potential for robust growth and been the source of a number of world class initiatives. The impressive development of its telecommunication sector is a case study of rapid nationwide expansion and efficient service delivery. Kenya is a global actor in horticulture production; the Kenya banking system is far more advanced than that of its neighbors (and is expanding rapidly in the region); and Kenya Airways is now the leading regional airline.

In spite of its modest growth performance, Kenya's pragmatic management of its debt obligations has ensured that it has fully met all financial obligations. Unlike nearly all its neighbors, it did not benefit from the HIPC Debt initiative and its present debt situation has been assessed as sustainable. Second, particularly over the past decade Kenya's resource mobilization effort has been excellent. Kenya's Revenue/GDP effort has averaged just above 20% over the last five years – considerably higher than that of all its neighbors. Finally, Kenya has had access to much lower levels of donor support than its neighbors – its per capita level of donor support is typically half of that received by Tanzania and Uganda. As a result it funds a larger portion of its budget and is less dependent on donor resources. According to OECD-DAC and the World Bank, Kenya received about US$1 billion in support during 2007, US$ 16 billion in 2010 of which 69% is bilateral, and US$ 2.4 billion in 2011 of which 62% is bilateral. Annex-A outlines Kenya's development indicators.

Kenya's Social Context

Kenya's population is estimated to be 41 million[1] and growing at a rate of about 2.4% per annum. The population is diverse with approximately 42 different groups. The structure reflects a high age-dependency ratio placing pressure on the productive age groups to support these dependent members of society. Results of the Kenya Integrated Household Budget Survey indicate that the national age dependency ratio is 84%, with the rural ratio (91.2%) exceeding the urban ratio (60.2%). Eastern Province has the highest dependency ratio at 132.3% followed by the

Western Province 99.4% and Nyanza Province at 88%. Nairobi has the lowest ratio at 54.4%.

Key social indicators also worsened between 2000 and 2007. There has since been some improvement. Illiteracy rates of 15-24 year olds average 7.2% in 2010, with women currently being more literate than men (93.9% of women are literate and only 91.9% of men between 15 and 24 years old). Primary school enrolment is 113% (gross - 2009) however only 52% of the rural poor have access to an improved water source (2008). HIV prevalence is 6.3% in the 15-49 age group (2009) and only 32% of the rural population have access to improved sanitation facilities (2008)[2]. Annex B outlines Kenya's progress on MDGs in these and other areas.

Development Challenges

Despite recent improvements in economic performance and the political environment, Kenya is still facing a number of critical development challenges including poverty, youth unemployment, economic vulnerability and weak governance.

Poverty - The last nationally representative survey conducted by the GOK (the 2005 Kenya Integrated Household Budget Survey) noted that just under half of Kenya's population could be considered poor. Given the lack of any recent nationwide household survey, an assessment of the poverty trend in Kenya since 2005 is problematic. However, recent World Bank analysis suggests that despite modest improvements since the 2005 survey, poverty remains high in the range of 34 to 43%. It also raises concerns with respect to inequality and the poor's access to key infrastructure services.

Youth unemployment - this is a significant challenge for Kenya, particularly given that youth represent two thirds of the working population. Kenya suffers from a high national unemployment rate at approximately 10 %. The country's youth are hit the hardest with a unemployment rate estimated at 35% for Kenyans around 20 years of age. More than 125,000 Kenyans aged between 18 and 25 are unemployed in each one-year age cohort[3].

Economic vulnerability - Despite recent improvement, the economy remains vulnerable to high international oil prices, climate change and exports. Poor economic performance was a result of unfavorable weather conditions affecting the agriculture sector, deteriorating physical infrastructure and high energy cost with an impact on doing business. Inflation trended downward as prudent monetary policy and stable exchange rate policy were implemented. Despite these efforts, deficits were on upward trend due to poor economic growth, increased public spending and weak revenue generation. In addition, Kenya's fiscal performance was affected by the 2008 postelection conflict. Kenya also experienced poor governance and security situation which impacted investor confidence and deterred external resource flows.

Governance challenges - In 2002, the corruption level in Kenya was among the 6 lowest scoring countries in the world, with a rating less than 2 out of a scale of 10. Since 2002, Kenya's Government has made repeated commitments to tackle corruption. Despite these efforts, Kenya is still perceived amongst the most corrupt countries in the world, ranking 146th in 2009 and 139th in 2012 on the Transparency International Corruption Perceptions index. Implementing the future devolution process is one of Kenya's most critical challenges as the government struggles to strengthen governance, a longstanding concern. The Government has put on top of its agenda the strengthening of institutions of Governance and the Rule of Law as a means of fighting corruption and improving management of public affairs. At project level, the Government slowed the implementation of projects as a result of problems with counterpart funding. In 2009, the Kenya

Economic Report stated that financial governance of Kenya at the national level has challenges as the legal framework for budget formulation and preparation remains weak. The report emphasized that there was a need for a Budget law that clearly spells out roles and responsibilities of different players in the budget formulation and preparation process. The budget law should be harmonized with the Fiscal Management Bill. The major challenge facing the current decentralization framework is a lack of a clear policy backed by a supportive legal framework. As a result, the administrative infrastructure for planning, budgeting, oversight and monitoring and evaluation remains weak, leading to duplication, inefficiencies and corruption. ■

African Development Bank's Assistance Strategy in Kenya

Objectives of the CSPs

The following table summarizes the key objectives of each CSP

Table 1: Objectives of the Kenya CSPs (2002-2012)

CSP	OBJECTIVE / OUTCOME
Health	
2002–2004	**Agriculture:** Integrating the ASAL into the mainstream of economic activity **Education:** Enhancing income generation and employment by providing more relevant skills for young people **Health:** Rehabilitation and expansion of health services delivery, with particular emphasis on the rural areas **Water Supply& Sanitation:** Rehabilitate Nakuru's existing water supply and sanitation facilities and restore supply to the design capacity; Development of appropriate institutional capacity to manage and operate the water supply and sanitation facilities in Nakuru Implementing the sector reform programme, focusing mainly on capacity building in the legal sector **Private Sector:** Support the emerging business climate in Kenya Promote public-private partnership (PPP) in the delivery of infrastructure services Enhance the regulatory and competitive frameworks for the privates sector
2005–2007	**Deepened financial intermediation:** Expanded access to financial services Enhanced economic governance in banking sector Reduced state control in banking sector and thereby contingent liabilities **Agriculture competitiveness:** Systems for agricultural technology development and transfer are improved Agricultural market reforms are implemented to increase proportion of end market value received by smallholders Misappropriations by agricultural marketing boards decrease **Health:** Improved access to health services Increase access to basic health care, specifically targeted to the poor Reduce out-of-pocket expenditures by the poor **Education:** Improve education attainment Increase access to education for the poor Reduce regional disparities in education Strengthen reporting mechanisms.
2008–2012	**Transport:** National road network in good condition; cost of transport reduced **Energy:** Increased supply of electricity **Water & Sanitation:** improved access to safe water and enhanced capacity for water resource management Improved hygiene **Business Environment:** Reduced cost of doing business Reconstruction, Rehabilitation n and Rural Livelihoods: Improved livelihoods for vulnerable groups **Skills Development:** Increased access to employment through skills development

Lending Program

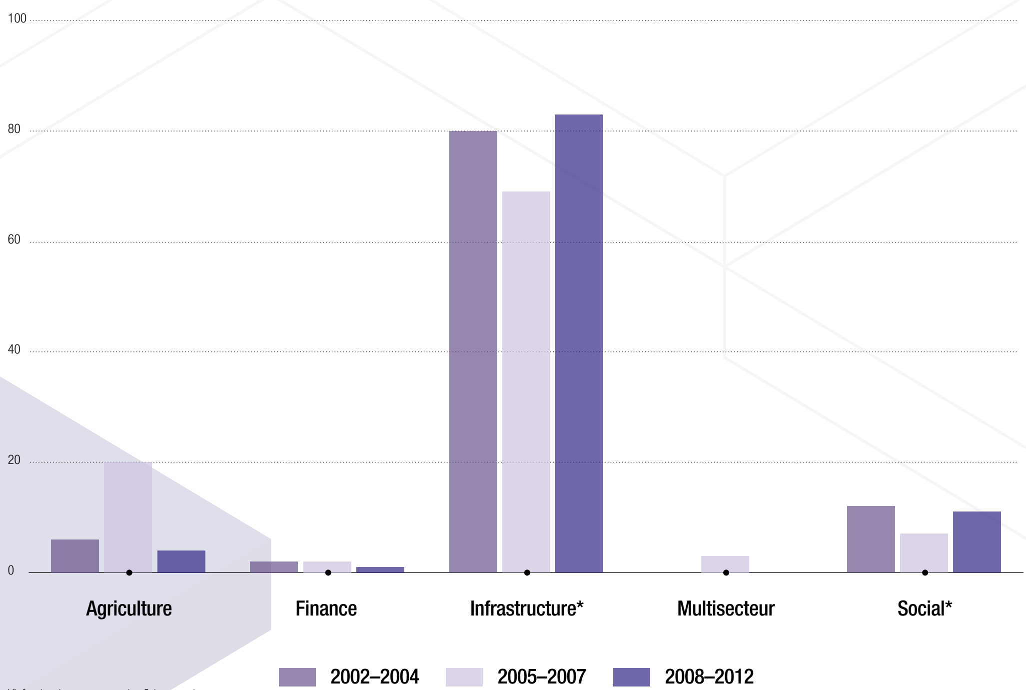
Kenya is the Bank's thirteenth largest borrower and has been a stable and important client. During 2002-2012, Kenya's borrowings totaled UA1.27 billion. Over the past decade the Bank's program in Kenya has expanded rapidly. In the first CSP under review the resources allocated to Kenya averaged UA 47.41 million per year; at that time the Bank would have been classified as a mid-level donor to Kenya. In the second CSP the resource flow grew to UA 109.26 million per year and by the time of the last CSP, the average annual allocation grew to UA 267.3 million per year, making the Bank an important donor for the GOK. The Bank's active portfolio is just under UA1 billion. Lending to infrastructure comprised an average of 78% of overall lending for the period which includes lending to energy/power that went from nil to over a quarter of the overall program. A break-down of the total Bank support to Kenya by sector is presented in Figure 2.

Non-lending Support

The 2002 CSP contained only a brief mention of the non-lending program. The second makes only modest progress on being specific about preparation work and the priority of a gender profile. While the 2008 CSP improved with a clear listing of proposed non-lending activities, it lacked details on specific tasks.

There has been substantial and increasing work on regional issues with a number of individual analytic pieces being developed. The practice of completing a broad Africa-wide study on an issue and then drawing out its implications at the

Figure 2: Distribution by Sector (%) Kenya CSP Evaluation 2002-2012



*(infrastructure:power, water & transport
Social:Education, Health, Social protection)

country level appears to be a particularly effective approach for the Bank. An example of this was the regional study on inflation that was followed by a analytical work on inflation in Kenya. Given the regional focus of the Bank, these studies represent a clear comparative advantage of the Bank.

With the recent expansion of capacity of the EARC, a comprehensive program of country work was established. The level of resources available to support analytic work on key sector policy and institutional issues was found to be limited based on a review of work programs across a number of sectors. ■

Evaluation Approach

Evaluation Rationale, Purpose and Scope

This evaluation was conducted to inform the new CSP. The purpose of the evaluation is: (i) assess the relevance and performance of the Bank's key strategic interventions in Kenya; and (ii) identify areas for improvement.

The evaluation focused on the core engagement areas of the Bank: infrastructure, social sectors, agriculture and environment, and emergencies. It also examined cross-cutting issues including, governance, regional integration, gender, and environment. The reference period for the evaluation was from 2002 to 2012 corresponding to the preceding three CSPs for the periods 2002-2004, 2005-2007 and 2008-2012. The primary user of the evaluation report is the EARC. Other users include relevant Ministries/departments in the GoK, other grant/loan recipients and Bank partners and staff.

Evaluation Issues, Questions and Methodology

The evaluation addressed two sets of issues:

- **Development Results –** focused on what has been achieved in Kenya and examined the following issues: relevance, effectiveness, sustainability and cross-cutting issues.

- **Managing the Bank's assistance in Kenya –** examine how and why the development results were achieved or not. It focused on: coherence, efficiency, Paris Declaration Principles and Aid Coordination, and Managing for Development Results

Multiple sources of evidence were used to address the evaluation issues and questions. Data collection methods included a comprehensive review of Bank documents and documents of other development partners and the GOK, almost 50 key informant interviews with a wide range of stakeholders, an electronic survey (44% response rate) and site visits to eight projects, which were selected purposively based on location, coverage of key engagement areas and cross-cutting issues. Details are in Annex C.

Limitations

Time and Contextual Constraints: As the evaluation was intended to inform the development of the next Kenya CSP, time was a constraint as the draft report was required in about three months. Further, Kenya's 2013 elections were a major constraint due to the preoccupation of the national-level stakeholders and related difficulties in scheduling meetings/interviews. Efforts were made to overcome these constraints to the extent possible by beginning the field missions early.

Data Accessibility: Due to the recent establishment of the EARC and staff turnover, data availability was a challenge. It was exacerbated by the pre-occupation of the government with the elections, which coincided with the field data collection. In terms of documentation, the evaluation's serious constraint lied in the absence of mid-term review reports and end-term reports for Kenya's two CSPs for the period 2002-2004 and 2005-2007. In case of 2008-2012 CSP, the end term report, which was still on-going was not available for the evaluation. ■

Evaluation Findings

Development Results: Relevance

A review of the three CSPs against the GOK's development strategies concluded that all three were fully aligned with the GOK's overall strategy and priorities for investment. The Bank has been operating under the overall umbrella of the Kenya Joint Assistance Strategy (KJAS) 2007-2024. The KJAS includes an analysis of the division of labour between development partners positioning the Bank as a potential leader for transport/roads, and as an active donor in 8 other areas[5]. The composition of the Bank's portfolio and its evolution has been broadly consistent with this proposed division of labour.

*The relevance of the Bank's interventions to Kenya's development needs/challenges and to the GOK's development priorities was rated **highly satisfactory.***

The process of developing the CSPs involved several rounds of consultations at various levels of Government, including Ministerial, and with a variety of stakeholders, including Cabinet Ministers, Members of Parliament, government officials, consultants, professionals, civil society organizations, organization s dealing with global commons and people from the ASALs, other donors, as well as all implementing and beneficiary groups. This conforms to good practice.

The Bank has established a relationship of trust with the GOK by listening to their concerns and helping address their important priorities. This is demonstrated further through the strong support and ownership of the Bank's interventions by the GOK as reported through the key informant interviews. The following table summarizes the relevance ratings per sector:

Infrastructure Development

Roads

The AfDB's road portfolio is fully supportive of the GOK's development priorities detailed in its long-term development strategy papers: Vision 2030, and the first five-year Medium Term Plan (MTP) for the period 2008-2012. The MTP has three overarching pillars namely: economic, social and political. One of the foundations on which the pillars are anchored is expansion of economic infrastructure, which in turn is dependent on the development of physical infrastructure. All the Bank's highway

Table 2: Relevance Ratings

Sector	Rating
Roads	Highly Satisfactory
Water	Highly Satisfactory
Energy	Highly Satisfactory
Health	Highly Satisfactory
Education	Highly Satisfactory
Emergency Work	Highly Satisfactory
Overall	Highly Satisfactory

projects reviewed are in line with the regional integration priorities of the GOK and its East African neighbors.

Water

The water assistance program is fully aligned with the 2013 CATF by enhancing water resource development and assisting in managing urban growth. The Bank's Kenya water assistance program is fully aligned with its 2013 TYS which commits to allocating a significant proportion of Bank resources towards enhancing water resource development and assisting in managing urban growth, particularly in urban sanitation and management.

In addition the portfolio serves to underpin Kenya's own long term economic and social development strategy (Vision 2030), the associated five year Medium Term Plan (MTP) for 2008-2012 and as the detailed water sector reform program that the country has articulated and begun to implement over the last decade.

The Bank's interventions are designed to support the creation of effective water and sewerage service institutions, rehabilitate and augment water supply and sanitation systems, and help to implement a rural water supply and sanitation program. AfDB's assistance forms part of a coherent and coordinated donor effort in the sector. The consortium includes Germany, the World Bank, France, DANIDA, and Japan who have together committed over $1 billion with each donor concentrating on a few geographical areas.

Energy

To address the chronic power shortages the Ministry of Energy prepared a Least Cost Power Development Plan (LCPDP). Its effective implementation will require large and sustained growth rates in energy generation. To meet these needs and address the problems of reliability, the LCPDP has prioritized the development of a diversified portfolio of complementary electricity assets. Kenya's generation capacity is expected to progressively shift from unpredictable hydropower and fuel price-sensitive thermal power to more sustainable renewable energy options, including the exploitation of its considerable geothermal and wind potential.

The Bank's energy initiatives are fully supportive of and an integral part of the GOK's strategy. Specifically, the Bank program seeks to address the central problem of inadequate and erratic electricity power supply. Central to the GOK's strategy is an access scale-up program with a target of increasing access by 10 percent a year and a major portion of the Bank's efforts are designed to support its implementation. The Bank's emphasis on transmission is helping meet the significant investment costs associated with the expansion of the country's domestic grid as well as the construction of transmission interconnection lines with countries in the region. Its assistance to thermal generation in Thika is helping Kenya meet its immediate needs while its support for renewables in Menengai geothermal and Turkana wind will help diversify the countries energy base making it less vulnerable to the costs of imported oil and lowering Kenya's carbon footprint. Furthermore, its support for private transactions in Thika, Turkana and Menengai, supports the country's effort to promote private participation in infrastructure.

Other Areas of Engagement: Social Sectors, Agriculture and Environment and Emergency Operations

Health

The Bank's investment in Health addresses a need in the rural areas of Kenya. The strategic focus of the Bank's project, Health-III, which concentrated on rural health, addressed a need to construct and improve the quality of services in rural health centres. The facilities in rural areas were typically run down and faced constraints in delivering an appropriate range of health services. By addressing this need, the project offered the opportunity to improve the quality of services in rural areas and limit the need to travel urban health facilities and; reduce crowding in urban health facilities.

Education

Each of the education projects is fully consistent with stated Kenyan priorities. The Bank's repeated support to secondary education represented a long-standing commitment to assist in funding GOK activities in that sub-sector. It was a sub-sector many other donors had departed in favor of primary education, and an area where substantial capacity shortfalls exist.

Agriculture and Environment

The GOK's agricultural strategy has focused on two broad issues: making agriculture more productive and addressing the challenges of arid and semi-arid lands (ASAL). All Bank projects reviewed were aligned well with the GOK strategy - the first theme was present across the Bank program and a number of projects addressed ASAL constraints. Some of the projects worked on applying available technology, including a scaled up effort to address a number of livestock diseases. Others tested new approaches to protecting forest areas and developing systems to stimulate smallholder horticulture productivity. Developing a successful approach to smallholder irrigation was a key issue in two projects. Finally, the one project classified as "environmental" involved developing an approach to broadly deal with ASAL challenges; the livestock project also addressed the ASAL challenge.

Emergency Work

Kenya has been subject to an exceptional number of emergencies over the period under review. The emergency instrument has allowed the Bank to quickly respond to appeals for resources after floods, droughts, the avian flu crisis, a number of humanitarian crises and to deal with the aftermath of the election violence in 2007. Originally subject to a $500,000 limit, the most recent operation utilized the revised and higher budget limit of $1 million. Since GOK is involved in the appeals, there is strong ownership of these efforts.

Development Results: Effectiveness

Table 3 outlines the ratings of the effectiveness criterion per sector. The following sections provide details of results achievement in each sector.

Infrastructure Development

The Bank's investments in Kenya's infrastructure have contributed to or will likely contribute to: a more reliable and efficient Transport infrastructure system, an increase in electricity supply and an expansion of renewable resources, and an increase in access to improved water sources.

Overall, The Bank's interventions in Kenya have been rated moderately satisfactory, with varying degree of success across the sectors. While the Bank has been effective in infrastructure and agriculture/environment, it has been less successful in social sectors and governance. Effectiveness was weakened by implementation and disbursement delays. The Bank has not invested appropriately in non-lending analytic work.

Roads

Since 2002 the Bank has approved six loans, totaling UA 558 million, for projects to support the rehabilitation and upgrading of key trunk roads, which serve Kenya's domestic needs while improving vital transport links in the East African region more generally. (See Annex D). All these projects included a TA component designed to, inter alia, support the Kenya National Highway

Table 3: Effectiveness Ratings

Sector	Rating
Transport	Satisfactory
Water	Satisfactory
Energy	Satisfactory
Health	Moderately Satisfactory
Education	Moderately Satisfactory
Agriculture	Satisfactory
Emergency Work	Satisfactory
Overall	Moderately Satisfactory

Authority capacity building efforts and targeted studies such as developing options private sector participation in highway operations and maintenance.

The effectiveness of the Bank's Roads portfolio was rated satisfactory. It has contributed to and is likely to significantly contribute to an improvement in the reliability and efficiency of Kenya's Transport system; however, results of the Bank's soft assistance are mixed

"I am able to buy my stock cheaply from Githurai Market because of the easy connection. While I used to pay SH 30 as fare to Githurai, I now pay only SH10. Espansion of this road has made connections to and from Nairobi faster and cheaper than in the past and this is good for business" Jane Njeri, Fruit Seller

Based on the appraisal reports for the highway projects, the estimated economic rates of return are in the 20% range. The high economic rates of return are further demonstrated by the high volumes of travellers, which were observed by the evaluation mission on the recently completed Nairobi-Thika Highway and the Mombasa-Uganda Highway. Based on the field mission, these projects have contributed to or have the potential contribute to improving the reliability and efficiency of the transport infrastructure system in Kenya and as a result promote economic growth, socio-economic development and regional integration. For example, the Nairobi-Thika Superhighway, which was inaugurated in November 2012, has led to a number of benefits. First, chronic traffic has been significantly reduced leading to savings on fuel consumption and time. Travel time between Nairobi and Thika has been reduced from two hours to 40 minutes. Second, the highway has been beneficial to businesses that thrived as a result of an increase in the number of commuters and savings in travel time and cost. As such, it has helped increase trade flows in and out of Nairobi. Finally, the highway has provided students with a reliable mode of transportation, providing them with the option of living outside campus.

On the other hand, results of the Bank's "soft assistance" in the transport sector are mixed. On the positive side, the AfDB's loans routinely include funds for feasibility studies and detailed engineering design for future projects. These invariably go well and have contributed to a robust long term lending program. However, interview respondents reported some reluctance to use the Bank funds for important studies. For example, while Bank funding has been available to develop proposals for private sector participation in the operations and maintenance of the Nairobi-Thika Highway, the GOK decided not to use Bank funding and preferred instead the carry out the study on its own. Moreover, the limited resources for non-lending analytical advisory work in the sector have meant that the Bank has not been a key player in the analytic work on the road sector reform program.

The effectiveness of the Bank's water portfolio was rated satisfactory. It has contributed to a significant increase in access to improved water sources in Kenya. However, this contribution may have been diluted by focusing on too many Water Service Providers and lack of adequate in-house Technical Assistance.

Water

Since 2002 the Bank has approved four loans totaling UA167 million to support Kenya's water and sanitation sector. In addition, a credit of UA 200,000 was made in 2006 to improve water and sanitation for Kisumu's schools. (See Annex D). All these projects have supported capacity building efforts including the development of sustainable O&M programs, improved billing systems, reduced unaccounted for water consumption (UfW), upgraded metering and training.

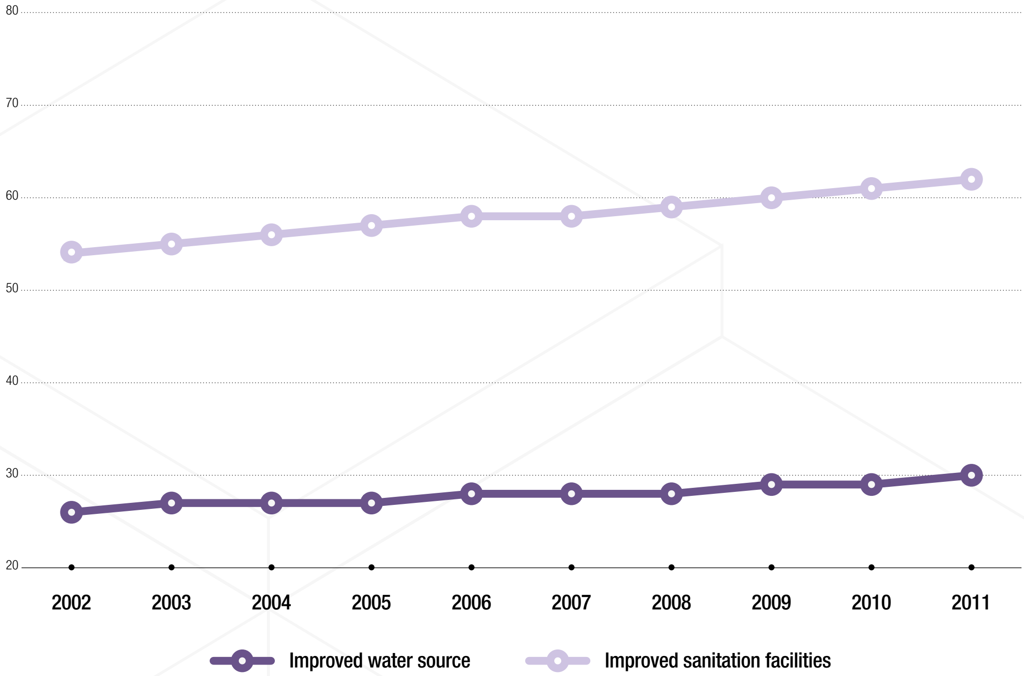
The Bank's water and sanitation projects have contributed to an increase in access to improved water sources and to improved sanitation facilities. According to the World Bank database, the proportion of the Kenyan population with access to improved water sources has been increasing every year over the study period. The proportion of Kenyans that had access to better water sources increased from about 53% in 2002 to almost 61% in 2011.

The Bank's contribution was demonstrated, for example through the results achieved in the Nakuru urban area where the volume of water supplied has increased by over 65%. Over 220,000 peri-urban and rural customers (original target of 200,000) now have access to improved water supplies. In addition, customer business information has been computerized, regular monthly billing has been introduced and collection efficiency has improved from 40% to 95% compared to the target of 90%. Unaccounted for water (UfW) was reduced from 70% to 46% against the target of 25%.

However, progress is uneven and several Water Service Providers are struggling. While there are substantial water losses due to physical inadequacies in the distribution system, the UfW is also indicative of continuing theft and corruption in water sales and metering. These realities continue to undermine the financial integrity of the water service providers. For example, even Nakuru is only just able to cover its routine O&M costs. The current tariff should be more than adequate to meet O&M needs if it could reduce its UfW further.

While overall progress in institutional development has been significant, effectiveness has been weakened by a lack of in-house TA and focusing the limited effort on too many WSPs (seven). The loans included funds for consultant studies but such services are not a substitute for long-term expert TA and institution building. WSPs faced many daily and anticipated challenges as they attempted to improve service delivery. The presence of in-house TA can provide valuable support in helping the WSPs to effectively address these challenges. Given the institutional challenges facing the water sector, significant staff time to provide analytical and advisory services to the Bank's clients was required. However, the few staff working on these projects focused on the routine aspects of loan supervision (procurement and disbursement) and not the long-term challenges of reforms or institution building. Adequate staff time for analytical and advisory work to support its

Figure 3: Access to Improved Water Sources /Improved Sanitation Facilities



Source: World Bank, World Development Indicators

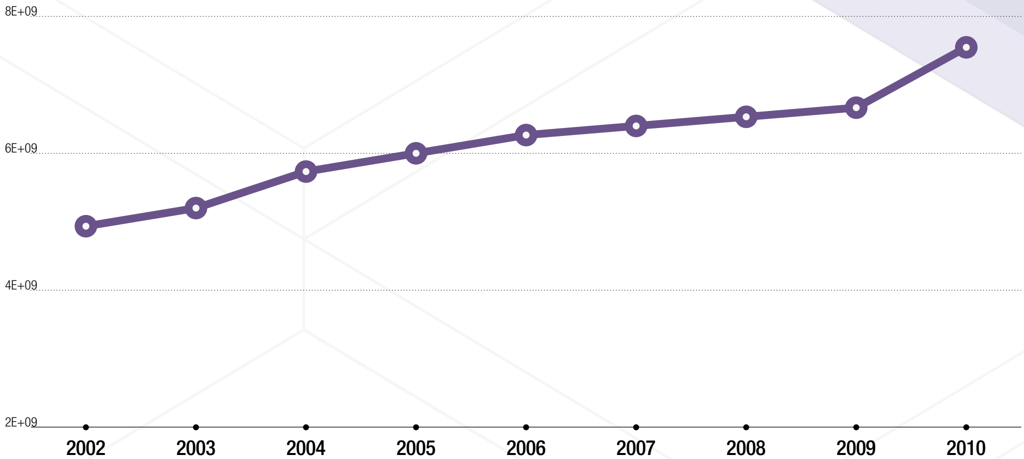
interventions in the water sector is essential if the Bank is to maximize its development impact.

Energy

Since 2002 the Bank has approved six loans for Kenya's power sector totaling UA 333 million to support key elements of the country's and east African region's transmission and generation investment program. (See Annex D). According to the World Bank electricity production increased during the study period. Bank projects contributed to this upward trend and are expected to significantly contribute to a further increase in electricity supply in the future.

While most investments are still at an early stage of implementation, all ongoing projects are expected to yield high returns. Moreover, it is evident that the Bank has had a substantial impact on the quality of the private sector transactions it has supported. Bank support for the Thika and Turkana projects have attracted the interest of well-qualified private partners and catalyzed substantial private and public flows to these projects. Support to its counterpart agencies in negotiating these deals also helped ensure that Kenya secured optimal terms. While Kenya has an estimated geothermal generation potential of about 10,000 MW, only a fraction of this valuable renewable resource has been exploited to date. Despite the attractive economics, the private sector has been reluctant to incur the risks associated with drilling for stream. The willingness of the Bank, and other key donors, to provide substantial assistance to the government's drilling program has provided the basis for a substantial expansion of this renewable resource.

Figure 4: Kenya:Electricity production (kWh)



While most projects are at an early stage of implementation, Bank's investments in the energy sector have leveraged significant resources from the private sector. They have contributed to and are expected to significantly contribute to an increased electricity supply and an expansion of renewable resources. The effectiveness of the energy portfolio was rated ***satisfactory.***

Bank (and donor support) support for regional integration is also about to pay substantial dividends. Upon completion of the current portfolio of interconnections between Kenya and its neighbors, a functioning regional power grid will have been established for the first time. This is expected to substantially increase both the reliability and stability of power supply in East Africa with significant regional economic benefits.

Other Areas of Engagement: Social Sectors, Agriculture and Environment and Emergency Operations

The Bank's investments led to modest contributions in social sectors, but more substantial results in the agriculture and environment sector.

Health

The Bank approved one health project, Rural Health-III, for UA 28 million in September 2004. This project is the third in a series of health projects that began in 1985. All three projects focused on the construction and rehabilitation of rural health centers. In both Rural Health I and III, Bank staff successfully mobilized additional funds through co-financing with the OPEC Fund.

In terms of effectiveness, the project contributed to an increase in health facility capacity and improved health services. However, there was little effort to work more broadly on the policy issues facing the sector. As a result, Health-III did not yield any broader policy reforms similar to the infrastructure program.

The improvement of services to poor people under the Rural Health-III was evidenced by an increase in the utilization rate of primary health facilities (from 60% to 90%). According to the Performance Completion Report (2007), the percentage of women giving birth in health facilities increased from 46% to 70%. There was also an increase in the proportion of children fully immunized by 20% rising to 77 %.

Education

Education has benefitted from broader Bank support. Specifically, three projects totaling UA 84 million were approved in the past decade: Education-III, involved the continuation of a long term program that supported the GOK's program in secondary education; the Technical and Vocational Education and Training (TVET) project, which aims at strengthening this key subsector; and the Higher Education, Science and Technology (HEST) Project, which is a recent investment supporting university programs in science and technology, including a strengthened program for environmental studies.

The effectiveness of the Health portfolio was rated moderately satisfactory. While the health project (Health-III) contributed to an increase in facility capacity and leveraged additional funds for the sector, it has failed to produce broader policy reforms.

In terms of achievements, Education-III was a modest part of the broader GOK secondary program that increased gross secondary enrolment rates (from 41% in 2002 to 60% in 2008). However, it faced a range of serious implementation delays taking more than 9 years to implement. Given the continuous support these projects required in terms of physical implementation, attention to and impact on broader secondary issues was limited.

The preoccupation of Education-III with implementation limited Bank engagement in broader sector developments. In contrast, the TVET program was supported by up-front sector work which assessed the subsector in detail. Moreover, from the initiation of both the TVET and HEST Projects, the PIUs involved have been fully integrated into the responsible ministry. However, it is early to make an assessment of results on the effectiveness of the TVET or the HEST Project.

The Bank is now leading the donor group in this sector. The Bank is perceived by GOK as an honest broker in the sector and this provides an opportunity for the Bank to play an important leadership role.

Agriculture and Environment

Given agriculture's importance to the Kenyan economy (28% of GNP in 2011) and its key role in employment, this sector has received considerable attention from the Bank over the past decade. In addition, the environmental challenges facing Kenya are urgent and important. These two areas have received a total of UA 111 million through 6 projects during the study period[6]. The projects include: the ASAL Based livestock Project; the Kimura-Oluch Smallholder Irrigation Project, the Green Zones Development Support Development Project (which involves investments to protect key forest watersheds); the Ewaso-Ngiro North Natural Resource Conservation Project; the Smallholder Horticulture Project and; the Creation of Sustainable Tsetse and Trypanosomiasis Free Areas Project.

The effectiveness of the Education portfolio was rated moderately satisfactory. Education III has made a modest contribution to the broader GOK secondary program. However, serious implementation delays have limited the effectiveness of this project and the Bank's engagement in broader sector issues. It is too early to assess the results of two of the education projects (TVET and HEST).

With the exception of one project, the agriculture and environment projects are performing well. Two on-going projects covered by the field visit offer particular advantages. The Green Zone Project has clearly developed an approach to protecting existing forests while creating opportunities for small-holders resident near the forests. The Kimira-Oluch Smallholder Irrigation Project is a well-designed scheme that offers the possibility for a sustainable smallholder irrigation scheme -- not an easy accomplishment in East Africa. Nevertheless, during the field visit it was apparent that some incremental support will be necessary to complete downstream development. However, the Ewaso Ngiro Natural Resource Conservation Project has faced a number of problems, which reflect the real challenges of trying to facilitate development in the low return arid areas of Kenya.

Emergency Operations

During the study period, Kenya has accessed to the Bank's emergency instrument seven times and two full scale projects emerged as follow-up to an emergency engagement. The total resources are significant - UA 2.8 million in the emergency instrument and UA 52 million in the two follow-up projects.

The effectiveness of the Agriculture portfolio was rated satisfactory. Bank's investments are likely to lead to an important contribution to Agriculture and Environment. Examples of achievements include the protection of existing forests and the establishment of a sustainable smallholder irrigation scheme.

The availability of an emergency instrument ensured that the Bank could play a constructive role in a wide range of emergencies. By using agencies that have capacity for addressing emergencies and specialize in the areas involved, Bank resources were quickly and efficiently deployed; typically the relevant UN agency has been used to manage these emergency funds.

The Bank's willingness to follow-up its emergency instrument with full-scale project of support has also proven to be an effective strategy in this area. It allowed the Bank to identify and design longer-term and effective responses to the challenges involved.

Development Results: Sustainability

Table 4 outlines the ratings of the effectiveness criterion by sector. The following sections describe the challenges and risks that affect the sustainability of results in each sector supported by the Bank.

The effectiveness of the emergency operations was rated satisfactory. The Bank has been instrumental in helping Kenya respond to a number of emergencies and in providing follow-up support to address longer-term challenges.

Infrastructure Development

Roads

With the exception of the energy sector, the long-term sustainability of the results achieved by the Bank was rated unsatisfactory. It is at risk due to a number of challenges, particularly in the Transport and Water sectors.

Although Kenya has made major progress in highway sector reform, many challenges remain. Unless these challenges are addressed the highway investments are vulnerable. Kenya's history is witness to this vulnerability. Indeed many of the roads, currently being rehabilitated and upgraded with the support of the Bank, were built with donor assistance 25 - 30 years ago and allowed to deteriorate in the intervening years.

Table 4: Sustainability Ratings

Sector	Rating
Transport	Unsatisfactory
Water	Unsatisfactory
Energy	Satisfactory
Health	Unsatisfactory
Education	Unsatisfactory
Agriculture	Unsatisfactory
Emergency Work	N/A
Overall	Unsatisfactory

A key policy issue is the need to secure adequate funds for O&M. While Kenya's Road Fund currently collects about $300 million annually and is one of the largest in Africa, its revenues are insufficient to cover O&M needs. It is estimated that the current revenues would be sufficient to cover only 80% of the annual maintenance requirements. However, there is a considerable maintenance backlog and no additional current revenue source is likely. The GOK is proposing to issue additional infrastructure bonds to support future highway investment but to date it does not have a dedicated revenue source to service such financial instruments

Devolution will also lead to challenges. Changes to the current responsibilities of the urban and rural highway authorities will be necessary as the county councils assume responsibility for local roads. The demands for improved infrastructure from the new local governments will place a further strain on the already inadequate budgetary resources. In addition, overloading of heavy goods vehicles is a major problem in Kenya, similar to many African countries. Weighbridges are few and corrupt practices in the operation of those that do exist render them largely ineffective. If this situation continues, the useful life of trunk roads is likely to be reduced by around 25% - a significant economic cost.

Road safety issues are a major concern. They also pose a serious reputational risk for all donors. Road fatalities in Kenya are currently over 3,000 a year and can be expected to rise as highway speeds increase with the newly constructed trunk roads.

The GOK and the donors are well aware of these issues and are working together to identify appropriate policy and institutional solutions. For example the World Bank and Nordic Development Fund have supported the development of proposals for road licensing fees; KeNHA is about to implement a pilot program for private sector participation in road management and maintenance in the Mombasa-Uganda corridor; the government recently contracted out the management of two major weigh stations on the Mombasa Nairobi road to SGS of Switzerland and a new independent National Transport and Safety Authority is currently being established. All these initiatives will take time to develop. Some initiatives, particularly those with cost recovery, are likely to encounter implementation and political difficulties. They will also require a continuing analytical and advisory effort on the part of the donors.

Water

The reform of the water sector is still work in progress and there is a real danger that achievements will be undermined if the Bank withdraws its assistance prematurely. This has already happened in the Rift Valley and is likely to happen in other areas when the Water Services Board loan closes in the next year.

The ongoing challenges to reform are primarily rooted in governance issues. Embezzlement of resources, arbitrary decisions, and capture by vested interests are daily realities for water utilities in Kenya. Ensuring that tariffs reflect economic costs, cover O&M and are ultimately sufficient to cover capital costs is a major challenge. The Kenyan regulatory regime permits such tariffs but local vested interests often intervene to prevent justified increases. Moreover, the regulatory authorities have rejected tariff increases owing to unjustifiable WSP expenditures. Progress towards full cost recovery will be incremental and closely related to the institutional development of the water supply entities.

The Bank's efforts to integrate cross-cutting issues into its projects were rated as moderately satisfactory, with a great variation across issues. While the Bank has emerged as a leader in Regional Integration, little progress has been achieved in the governance area, which has received limited attention. In addition, there is a need for a more systematic approach to mainstreaming gender into operational components.

Devolution will also pose challenges. Under the new government structure, the WSPs will fall under the new county councils. Within the new structure, the WSBs operational and supervisory roles will cease with their future functions confined to financing. While this restructuring is sound, implementation will again be a major task. Without continued and targeted support the gains made by the Bank's beneficiaries may well be quickly eroded.

The rural water supply investments supported by the Bank are particularly vulnerable. The adjustments in the procurement arrangements for the Lake Victoria rural water component inevitably shifted some responsibility and "ownership" away from the local village organizations structures charged with developing and managing village level water supplies. Furthermore, while the village level investments supported under the Water Services Board project e.g. boreholes powered by solar energy, are technically robust, neither the villages nor the local WSPs have the necessary financial resources to repair mechanical breakdowns when they inevitably occur.

Energy

Given the overall coherence of Kenya's power sector development program and the substantial progress in implementing it, the prospects for the long-term sustainability of the Bank's energy investments are

likely. Unlike in roads, the cost recovery framework for the power sector is in place. In 2006, the Energy Act established an effective framework for enabling the commercial viability of electricity companies and opened the door for competition in the electricity market. The Act requires that all tariffs charged for electricity supplied shall be just and reasonable and established at a level that enables an electricity supply license holder to: (i) maintain its financial integrity; (ii) attract capital; (iii) operate efficiently; and (iv)fully compensate investors for assumed risks. The Energy Act also established the Energy Regulatory Commission (ERC) as an autonomous body, empowered to autonomously set, review and adjust tariffs and tariff structures at levels that enable licensees to recover their costs. As a consequence, Kenya's tariff structure fosters sector sustainability as fuel costs and exchange rate fluctuations are passed through to end-consumers on a monthly basis while adjustment for inflation takes place every six months. Electricity suppliers are thus protected from fuel market risk, while the impact on consumers of inflation is delayed. Average electricity retail tariffs (revenue per unit sold) are high in Kenya compared with neighboring countries, reflecting the fact that in Kenya prices are close to, or at cost recovery levels. Kenya's average tariffs are expected to decline as cheaper generation from wind, geothermal and regional hydro generation make up a greater share of the energy mix.

Other Areas of Engagement: Social Sectors and, Agriculture and Environment

Health

The Project's sustainability is unlikely. The GOK's past record on facility maintenance in health is not strong and there is no plan in place. Furthermore, it is uncertain that resources will be available over time to sustain project facilities given the potential impact of devolution on rural health centers.

Education

Sustainability depends on the GOK's financial ability to support the improved facilities funded by the Bank. In 2010, education expenditures comprised over 17% of Kenya's budget, but with population growth and the recent GOK commitments to education there are real risks of funding issues constraining the provision of maintenance and operational costs. As responsibilities for education under the devolution program are agreed, and as the consolidated Education Ministry is likely to retain a priority in budget allocations, the prospects in education are more positive than in health but still present a real resource challenge.

Agriculture and Environment

Sustainability is a particular challenge in the agriculture sector. The earlier interventions were mainly "one-off efforts", providing increased government services that will need to be sustained by continued budget allocations. The Tsetse Project PCR specifically raised this concern. However, more recent interventions have greater prospects for mobilizing sustaining resources. The Green Zones Project's expansion of tea production and development of wood lots increases its prospect for sustainability.

Cross-cutting Issues

There has been a notable shift between 2002 and 2012 in terms of the Bank's strategy towards addressing crosscutting issues -- from considering governance and crosscutting issues as specific interventions to considering them as themes to be included in projects. Therefore under the 2002-2004 CSP, there are clear initiatives that were directly targeted towards addressing specific crosscutting issues. However, in the 2008-2012 CSP, there is a greater emphasis on integrating crosscutting issues in project design. This reflects a general change in donor approach to development assistance. Approximately 43% of the projects assessed include a gender component while only 14% of projects incorporated governance and 18% included HIV/Aids.

Between 2002 and 2004, cross-cutting issues have been incorporated into project design and implementation without detracting from the overall objectives of the project. However, as the strategy of the Bank has adapted to mainstream these issues, it has become increasingly challenging to ensure that the issues are proactively incorporated and implemented, apart from including them in the project intervention.

The following table outlines the ratings of the Bank's level of integrating cross-cutting issues in its projects:

Governance

Overall, governance is an area that received little attention over the past decade, with the exception of the 2005 CSP. The 2002 CSP contains an analysis of governance and reviews some of the activities that the new Government was undertaking. However, there was no operational follow-up. The 2005 CSP, which was considered a significant improvement, included a thorough discussion of governance and supported a specific governance operation focused on capacity building in key public

Table 5: Projects Incorporating Crosscutting Issues (of 28 projects for which reports were available)

Crosscutting Components in Projects Assessed[7]				
CSP	Governance Component	Gender component	HIV/AIDS component	Environment
2002-2004	1	4	1	6
2005-2007	3	7	4	6
2008-2012	0	0	0	8
Grand Total	**4**	**11**	**5**	**20**

oversight organizations. The 2008 CSP, perhaps affected by the election violence, returned to a low-key approach to governance, limiting its coverage to a brief summary of recent developments with no suggestions for operational or analytic work.

The Institutional Support to Good Governance project, the sole governance initiative, was multi-sectoral and implemented under the CSP (2005-2007). A total of UA 5.5 million was provided under the project to assist the Government improve public financial management in the areas of procurement, and auditing, and also to intensify the fight against corruption (see Box 1).

Other Cross Cutting Issues: Gender, Environment, HIV/AIDS.

The importance of mainstreaming gender into the Bank programs and analytic work has been a theme in all three CSPs. The GOK has been a consistent supporter of gender work and the new Constitution facilitates increased gender engagement. The 2002 CSP supported Heath-III which had significant components directed at women's health but other projects in that cohort did not consider how they could support gender development. The 2005 CSP was stronger on gender and included a systematic approach to mainstreaming gender. The Kenya Country Gender Profile was prepared in 2007 making specific recommendations for the enhancement of the gender integration in the portfolio. In addition, a number of the water projects funded as part of 2005 CSP incorporated components addressing gender

The Institutional Support to Good Governance Project raises a number of useful lessons in terms of effectiveness of implementation. The effectiveness of any governance intervention is highly dependent on political commitment. This was confirmed in this project where the counterpart institutions were unable to attend PSC meetings and did not provide contributions.

While the majority of activities were implemented, the degree to which these activities will have an impact is highly dependent on the political will. This is specifically relevant in terms of systems that are

Table 6: Ratings of Cross-cutting issues

Sector	Rating
Governance	Unsatisfactory
Gender	Moderately Satisfactory
Environment	Satisfactory
HIV/AIDS	Moderately Satisfactory
Regional Integration	Highly Satisfactory
Overall	Moderately Satisfactory

Box 1: Institutional Support to Good Governance

The Institutional Support to Good Governance Project raises a number of useful lessons in terms of effectiveness of implementation. The effectiveness of any governance intervention is highly dependent on political commitment. This was confirmed in this project where the counterpart institutions were unable to attend PSC meetings and did not provide contributions.

While the majority of activities were implemented, the degree to which these activities will have an impact is highly dependent on the political will. This is specifically relevant in terms of systems that are established for transparency and accountability, such as the e-Procurement system.

To date, the e-Procurement system has not been launched due to the inadequate legal framework. The government is currently introducing Public Key Infrastructure (PKI) to provide digital certification services. However, transparency could have partially been achieved by simply publishing the processes and results of procurement procedures without a fully-fledged automated system.

Although capacity of the Kenya National Audit Office (KENAO) was strengthened, the execution of duties poses a challenge. The greatest challenge for accountability institutions in general is their reliance on budget allocations from the Government Treasury. This in itself compromises accountability as these institutions often suffer under-funding. A study undertaken in 2012 by Kenyatta University on factors affecting the performance of government oversight institutions (specifically KENAO) identified issues of motivation, remuneration, lack of training, staff turnover, inadequate tools, and lack of financing.

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issues. Appraisal reports for that period included a consistent and solid analysis of gender issues relevant to every project under consideration. After 2008, while good coverage of gender issues in appraisal reports continued, there was less evidence of consistent mainstreaming of gender in operational components. This may reflect the heavy emphasis on large-scale infrastructure over that period.

The environmental challenges faced by Kenya were well documented in the CSPs. Over the past decade a number of projects (in particular in the energy sector) have been directed at environmental aspects. Numerous agriculture projects also included components aimed at addressing aspects of its environmental challenges. The strategy of mainstreaming environmental issues across the portfolio was solid. The Green Zone Project is a model in this regard.

The majority of the focus on HIV/AIDS has been through infrastructure projects, such as in the transport and water sectors, incorporating contractor obligations to ensure HIV/Aids awareness of employees.

As the regional development bank for Africa, the Bank has a responsibility to assist in fostering regional integration. This has a particular priority in Kenya, given its position as a regional transport hub. Reflecting this situation, a separate and useful Regional Integration Strategy Paper was completed in late 2010. The two pillars of that strategy were infrastructure investment and capacity building. The infrastructure priorities include transport, energy and water. The agenda focuses on a range of policy questions involved in better integrating the twelve countries of greater East Africa.

The performance of Regional Integration in Kenya has been solid throughout the past ten years as the quality of the regional program has consistently improved. Of note, every road project financed in the past decade in Kenya has had an important regional dimension; each investment funds part of an international road that connects land locked countries with Mombasa. In energy, the transmission program under implementation is also dominated by regional interconnections. Finally, a number of the water projects in the Kenya portfolio also have regional impacts.

In addition to funding investments, the regional analytic program has also grown, making key inputs into a number of policy areas. In fact it is the one part of the non-lending program in Kenya that has been consistently effective. Recent work has included feasibility studies on potential regional investments, work on insurance harmonization, and work on improving the regional payment system, work on macroeconomic shock synchronization and a range of capacity building studies.

Managing Bank's Assistance

Coherence, Selectivity, and Managing for Development Results

While selectivity is broadly visible in the evolution of the portfolio, the CSPs themselves do not provide specific selectivity criteria to guide decision-making around the portfolio. For example, the 2008-2012 CSP's strategic position on governance was not addressed adequately despite the fact that the Bank's Governance Strategic Directions and Action Plan 2008-2012 (GAP 2008-2012) provide a rationale for greater strategic selectivity in the Bank's governance work.

While there was evidence of selectivity in the portfolio, none of the CSPs outline selectivity criteria that guided decision-making. On the other hand, the coverage of M&E in CSPs improved over time, with the inclusion of results matrices. A persistent challenge in this area is the lack of data at the outcomes level. The portfolio has performed well compared to the overall Bank portfolio, with improvements observed over time. Aid effectiveness has also improved over time through harmonization, donor coordination and capacity building.

The attention to results and M&E in the Kenya program has also considerably changed over the period covered by the evaluation. There was only a brief mention of results in the 2002-2004 CSP - a short paragraph on "Monitoring Outcomes" and policy matrix in an annex. The 2005 CSP included a section outlining the GOK's efforts on results and the Bank's "results-based framework". The 2008 CSP drew heavily from Bank and other data sources to document the progress on development (and lack thereof) across a range of key development issues. It included a section on how the CSP would be monitored and a results monitoring matrix was included in an annex. This evolution of how M&E is addressed in the CSPs demonstrates the increased focus on results. Notwithstanding these good intentions, M&E of CSP results were constrained by limited data availability. Improved country-level data is essential to strengthening M&E. Over the past five years, the Bank has worked with the National Statistics Office and other donors to strengthen work in this area. In addition a comprehensive statistical profile on Kenya was produced by the Bank in 2010. One area where progress is clearly needed is improving poverty statistics and related analysis. Table 7 provides an overview of how M&E are addressed in the three CSPs:

Portfolio review

Compared to the Bank's overall portfolio, the Kenya portfolio is performing well, with reasonable improvement over time. Various indicators followed the same trend as the overall portfolio and show a better than Bank average performance (Table 8).

Performance varies by sector (See Annex E- Table 9). Agriculture shows the lowest elapse time for start-up for its 5 active operations within the portfolio with an average of 4 months and 6 months for effectiveness and 1st disbursement respectively. At the other end of the spectrum, the infrastructure sector records the longest elapse time with 8 months and 11 months respectively. The agriculture sector is also the one with the best performing portfolio with overall assessment rating of 2.8, followed by infrastructure with an average performance rating of 2.4 (See Annex E-Table 10). The worst indicator across the board is related to Activities and Outputs suggesting there are still issues with physical implementation performance.

For infrastructure projects, the reasons for the initial delays include late land acquisition and compensation payments, problems with contractor guarantees, poor contractor performance, delays in the release of counterpart funds, and long lags in the issuance of payment certificates. Variations between specific sectors are often related to local capacities. In Water supply and sanitation, WSP capacity constraints have also been a major bottleneck. For example, it was necessary to change design of the rural component of the Water Services Board Support Project to overcome procurement delays resulting from absorptive capacity constraints faced by the rural service providers. On the contrary, physical implementation of the power projects seems to have gone relatively smoothly once the initial delays have been overcome. The establishment of the Nairobi Office has been important factor in ensuring an overall satisfactory implementation performance. Some of the issues relating to delays in disbursement caused by lags in the payment of resettlement compensation have been resolved as a result of close and frequent interactions between the Bank and staff of the Kenya Electricity Transmission Company (KETRACO).

Table 7: Elements of M&E in Bank CSPs

CSPs	Results Matrix Included	Availability of Mid-term CSP assessment report	Availability of CSP Completion Report	Monitoring of CSP Outcomes
I (2002–2004)	No	No	No	Not applicable
II (2005–2007)	Yes	No	No	No
III (2008–2012)	Yes	Yes	No	No

Table 8: Comparative Performance Indicators

Performance Indicators	Evolution			Overall Bank Comparison		
	Kenya 2005	Kenya 2009	Kenya 2011/2012	APPR 2007	APPR 2009	APPR 2011
Average duration from approval to effectiveness(months)	-	6.6	7.8	16	12	13
Average project age(years)	2.8	3.4	3.6	4.2	3.4	5.7
Disbursement Ratio (%)[8]	-	17.24	26	25	28	19
Average Project Size(UA mill)	18.4	31.1	44.1	20.2	44.4*	49*
Projects overall assessment(Rating scale 0-3)	-	2.2	2.5	n/a	n/a	n/a
Projects at Risk-PAR[9](%)	40	24	21	45	37	30.1
Problematic Projects-PP[10](% ongoing projects)	-	6	1	7	6	5
Average Portfolio Size (UA Mill)	-	817	869	-	2180	2220

* Excludes other external funds not captured in SAP

Source: Compiled by OPEV using Bank's Annual Portfolio Reports 2007, 2009, 2010; Country Portfolio reports from 2004 to date.

The successful projects in agriculture faced many of the implementation issues noted in other areas of Bank engagement but improved supervision resolved issues and facilitated rapid project execution. The following factors have contributed to this success: project staff in place, agreed budgets, and the local population was involved at the outset.

The need to improve project implementation has been a constant issue in the Kenya CSPs. The 2008 CSP presented a serious scaling-up of the effort to assess and improve project performance. As part of the CSP process, this issue was reviewed in detail with the GOK. The discussion focused on the need for improved project preparation and agreement was reached on a detailed portfolio improvement plan. First, there was agreement to strengthen the Kenya field office capacity on implementation. Second, the Ministry of Finance agreed to build up its project monitoring capacity. Third, it was agreed to conduct special training on procurement and disbursement, areas where the Bank's program faced continuous difficulties. Fourth, the Bank committed to doing regular country portfolio performance reviews (CPPRs) and finally the GOK and the Bank adopted a "project readiness filter" to review the quality of project readiness and ensure improved project quality at entry. Analysis suggests that the follow-up to this program has been serious and has contributed to the progress that has been made on implementation. While improvements have come slowly it is clear that both the GOK and the Bank are working systematically to improve project performance. In particular, the work on the two CPPRs conducted since 2008 has been excellent.

Four problems continue to affect the pace of implementation:

- The complex flow of funds arrangements used by the GOK for donor projects remain a problem in spite of past attempts to address it. While some ministries manage this better than others and some donors felt modest progress has been made.

- Even though increasing disbursement capacity in Nairobi has helped improve disbursement performance, there is still a need for additional staff to process disbursement requests and to conduct capacity building in Kenya and regionally. At least one donor reported that moving to e-disbursement has improved the timeliness and quality of their disbursement record.

- In its effort to reduce upfront implementation delays, the Bank has eliminated most conditions of first disbursement and ensured instead that any critical actions should be taken before board approval. However, some projects in the portfolio still have the finalization of Resettlement Action Plans (RAP) together with a timeframe for the compensation of Project Affected Persons as a condition of disbursement.

- Projects visited by the evaluation team reported significant delays in the release of counterpart funds from the GOK treasury and their parent ministry, past payment delays have resulted in financial penalties to the GOK as well as increasing the risk of implementation delays when contractors experience cash flow problems. The strain on the GOK budget is only likely to get worse as the GOK faces the costs associated with devolution and the competing demands of other priority sectors.

Paris Declaration Principles and Aid Coordination

All three CSPs have discussed the issue of aid effectiveness, with coverage increasing over time. While the first CSP preceded the Paris Declaration, it did include a brief summary of the state of aid coordination in Kenya and a chart that summarized the sectors in which the major donors were engaged. By 2008, the CSP included a comprehensive discussion of the issue, with an assessment of compliance with the Paris Declaration and a much-improved chart on "Development Partner Sector Presence". This increased attention clearly reflected the greater donor engagement in the issue as well as the more systematic focus and involvement of the GOK. While the emergence of various governance challenges have at time presented numerous challenges to GOK–donor relations, it is clear that the quantity and quality of cooperation improved over time.

A comprehensive system involving senior level interactions on aid effectiveness, technical level meetings on key issues facing donor programs and extensive cooperation within sector groups has been established with the GOK. GOK has cooperated fully with the development of this more comprehensive and continuous system of interaction with the donor community. It participates actively in donor discussions and has strengthened the Ministry of Finance's capacity to work with the donor community. With the decentralization of the Bank, its engagement in the process has expanded over time; today the Bank is fully involved at all levels of cooperation. All donors interviewed noted the improvement in the level of interaction with the Bank's expanded office. Moreover, in a number of sectors over time Bank staff was requested to lead the donor sector groups – an important activity that would not have been possible if the local expertise was not in Nairobi. ■

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Conclusions and Recommendations

The relevance of the Bank's interventions to Kenya's development needs/challenges and to the GOK's development priorities was rated highly satisfactory. The three CSPs examined were closely aligned with the GOK's overall strategy and priorities for investment. All of the CSPs involved appropriate consultation during preparation: the GOK, donors and key stakeholders were provided numerous opportunities to comment on each draft CSP. The Bank has built a relationship of trust with the GOK which is demonstrated further through the strong support and ownership of the Bank's interventions.

The effectiveness of the Bank's interventions in Kenya was rated moderately satisfactory, with a varying degree of success across sectors. The effectiveness of the AfDB's investments in Kenya's infrastructure were rated satisfactory – they led to improvements in the Transport, Water and Energy sectors. They have contributed to or will likely contribute to: a more reliable and efficient Transport infrastructure system; an increase in electricity supply and an expansion of renewable resources and; an increase in access to improved water sources. These results will not only benefit Kenya, but the region as a whole. The Bank's investments in the energy sector have leveraged significant resources from the private sector and the Bank is perceived as a catalyst and broker for the establishment of PPPs. The Bank's investments led to some modest contributions in social sectors, but more substantial results in the agriculture and environment sector with contributions such as the protection of existing forests and the establishment of a sustainable smallholder irrigation scheme. Effectiveness, particularly in infrastructure health and education, was weakened by long implementation and disbursement delays. The Bank has not properly invested in non-lending analytic work, particularly in the Transport and Water sectors. Adequate investment in Technical assistance can maximize the results achieved by the Bank in these sectors.

With the exception of the energy sector, the long-term sustainability of the results achieved by the Bank was rated unsatisfactory. It is at risk due to a number of challenges, particularly in the Transport and Water sectors. Challenges include: the need for the GOK to secure adequate funding; the impacts of the devolution; governance issues; and reforms that are not fully implemented.

The Bank's Efforts to integrate cross-cutting issues in its projects were rated moderately satisfactory. There was a notable shift between 2002 and 2012 in terms of the Bank's strategy towards addressing crosscutting issues – from considering governance and crosscutting issues as specific interventions to considering them as themes that needed to be included in projects. However, Bank efforts to integrate governance were rated as unsatisfactory, as little progress has been achieved in this area, which has received limited attention. In addition, there is a need for a more systematic approach to mainstreaming gender into operational components. With respect to Regional Integration, which was rated as highly satisfactory, the Bank has emerged as a leader with solid performance throughout the past ten years.

While there was evidence of selectivity in the portfolio, the CSPs do not outline selectivity criteria that guided decision-making. On the other hand, the coverage of M&E in CSPs improved over time, with the inclusion of results matrices. Nevertheless, a persistent challenge in this area is the lack of data at the outcome level. The portfolio has performed well compared to the Bank portfolio, with improvement observed over time. However, significant implementation delays have weakened results achieved. Aid effectiveness has improved over time through harmonization, donor coordination and capacity building. ■

Recommendation 1:

Increase selectivity towards areas of comparative advantage: (i) infrastructure, which is a key priority area and one where the Bank has been effective in achieving results for Kenya and for the region; (ii) agriculture and education, in which recent efforts present opportunities for greater developmental impact.

Recommendation 2:

Expand the Bank's role as a catalyst for leveraging funding through PPPs – a comparative advantage of the Bank.

Recommendation 3:

Develop a strategy, in collaboration with the GOK, to address risks and challenges associated with the sustainability of results. Ensure that an exit strategy exists for each project.

Recommendation 4:

Build capacity and invest adequate resources in analytical and advisory work.

Recommendation 5:

Develop an appropriate strategy, in collaboration with the GOK, to systematically integrate governance in the Bank's projects and address the weaknesses of governance in Kenya. Ensure systematic integration of gender issues into operational components.

Recommendation 6:

Develop a strategy, in collaboration with GOK and other donors, to reduce implementation delays.


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Annexes

Annex A: Kenya's Development Indicators

Table A.1: Statistical Tables: Trends of key indicators, 2002-2012

Indicator	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Growth and Inflation											
GDP growth (annual %)	1.5	2.9	5.1	5.9	6.3	7.0	1.5	2.7	5.8	4.4	4.6
GDP per capita growth (annual %)	-2.1	0.18	2.3	3.2	3.6	4.3	-1.1	0.0	2.9	1,6	1.7
GNI per capita, Atlas method (current US$)	390	410	460	520	570	660	740	780	810	820	850
GNI per capita, PPP (current international $)	1160	1180	1250	1340	1430	1530	1550	1560	1620	1690	1760
Inflation, consumer prices (annual %)	1.9	9.8	11.6	10.3	14.4	9.7	26.2	9.2	3.9	14	9.4
Composition of GDP											
Agriculture, value added (% of GDP)	29	29	28	27.2	26.8	25	25.8	27.2	25.1	28.5	27.1
Industry, value added (% of GDP)	17.4	17.6	18.2	19.1	18.5	18.5	19.8	18.6	18.5	17.5	17.4
Services, etc., value added (% of GDP)	53.5	53.4	53.7	53.7	54.8	56.4	54.4	54.9	57.1	55.6	53.3
External Accounts											
Exports of goods and services (% of GDP)	24.9	24.1	26.6	28.5	27.1	26.8	27.6	24.2	27.5	28.5	27.2
Imports of goods and services (% of GDP)	30.3	30	32.9	36.0	37.8	37.7	41.7	36.6	40	45	44
Current account balance (% of GDP)	..	..	..	-1.3	-2.3	-3.7	-6.5	-5.51	-7.3	-9.7	..
External debt stocks (% of GNI)	47.4	46.9	43.7	34.6	29.7	27.7	24.9	28.12	27.5	30.4	..
Total debt service (% of GNI)	4.1	3.9	2.2	2.9	1.9	1.7	1.3	1.3	1.2	1.3	..
Total reserves in months of imports	..	..	..	3.1	3.5	3.9	2.7	4	3.8	3.1	..
Other Macroeconomic Indicators											
Gross domestic savings (% of GDP)	9.76	10.5	10.7	10.18	7.7	8.2	5.1	6.6	7.5	4	2.9
Gross fixed capital formation (% of GDP)	17.2	15.8	16.2	18.7	19.1	19.4	19.4	19.6	20.3	20	20.4
Fiscal Accounts											
Revenue, excluding grants (% of GDP)	22	16.7	20	20.2	18.3	18.7	19.4	19.6	20.3	20.2	..
General government final consumption expenditure (% of GDP)	17.1	18.1	17.9	17.4	17.6	17.9	16.5	16.2	17.2	16.3	17.2
Gross national expenditure (% of GDP)	105.3	105.9	106.2	107.5	110.7	110.9	114.1	113.3	112.2	116.5	117.2

Indicator	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Cash surplus/deficit (% of GDP)	1.99	-2.2	-1.5	1.5	-2.3	-2.9	-4.1	-5.3	-5.9	-4.5	..
Poverty & Social Indicators											
Poverty											
Human development index	..	..	..	0.472	0.480	0.491	0.495	0.505	0.511	0.515	0.519
Gini Coefficient	..	..	..	47.7	..	..	..	..	..	..	..
Poverty headcount at national poverty line(% population)	..	..	..	46	..	..	..	..	..	..	..
Health											
Life expectancy at birth, total (years)	52.9	53.3	53.9	54.6	55.7	56.6	57.6	58.6	59.5	60.4	..
Immunization, DPT (% of children ages 12-23 months)	84	73	73	76	80	81	85	84	83	88	..
Improved water source (% of population with access)	53.5	54.4	55.2	56.1	56.9	57.7	58.5	59.3	60.1	60.9	..
Improved sanitation facilities, rural (% of rural pop. with access)	26.9	27.1	27.3	27.5	27.7	28	28.2	28.4	28.6	28.8	..
Mortality rate, infant (per 1,000 live births)	65.9	64.5	62.9	61	59.2	57.4	55.1	53.7	51.7	49.8	48.7
Education											
School enrollment, preprimary (% gross)	42.8	51.5	51.2	50.3	49.5	48.4	47.7	51.8	..	..	..
School enrollment, primary (% gross)	91.4	106.9	107	107.4	105.4	112.5	112.2	113.3	..	..	..
School enrollment, secondary (% gross)	40.8	42.9	46.9	47.6	49.8	52.4	59.1	60.1	..	..	..
Population											
Population growth (annual %)		2.70	2.67	2.69	2.67	2.67	2.66	2.67	2.68	2.69	2.70
Population, total (million)	33	33.9	34.83	35.78	36.75	37.75	38.77	39.82	40.90	42.02	43.17
Urban population (% of total)	20.6	21	21.3	21.7	22.1	22.4	22.8	23.2	23.6	24	24.4
Private sector & financial sector development											
Time required to start a business (days)	..	60	47	54	54	44	30	34	33	33	32
Cost to start a business (%of GNI per capita)	..	54.6	53.7	48.3	46.3	46.2	39.8	44.6	46.8	45.2	40.6
Tme required to register property (days)	..	48	48	79	84	79	79	73	73	74	73
Stock market capitalization (%of GDP)	10.8	28	24.2	34.1	50.6	49.1	35.8	35.1	44.9	29.7	39.6
Bank capital to asset ratio (%)	..	11.8	11.9	12.1	..	12	12.6	12.7	13.2	13.2	..

Source: World Bank Data, World Development Indicators, December 2013; Note: --- = Unavailable data

Annex B: Kenya - Millennium Development Goals

Table A.2: Kenya's progress towards the Millennium Development Goals, 1990-2012

Goals	Target	Indicators	1990	2003	2007	2011	2015 (Target)
Eradicate Extreme Poverty and Hunger	Halve between 1990 and 2015, the proportion of people living on less than one dollar a day	Proportion of population below $1 per day (PPP)	43.3	56	43.4	..	21.7
		Proportion of population below national poverty line	..	..	45.9	..	..
	Halve between 1990 and 2015, the proportion of people who suffer from hunger	Prevalence of underweight children under 5-years of age	32.5	19	19.3	..	16.26
Achieve Universal Primary Education	Ensure that by 2015 children everywhere, boys and girls alike, will be able to complete a full course of primary schooling	Net enrolment rate for primary school (6-12 years)	80	104	110	..	..
		Proportion of pupils starting grade 1 who reach last grade of primary	63	81	..	..	100
		Literacy rate of 15 -24 year- olds, women and men(%)	74.9	66.4	83.8	92.8	100
Promote Gender Equality and Empower Women	Eliminate gender in primary and secondary education, preferably by 2005 and to all levels of education, no later than 2015	Ratio of boys and girls in primary school	94	101	95	95.3	100
		Ratio of boys and girls in secondary school	75	97	87	90	100
		Ratio of boys and girls in tertiary education	36	53	59	70	100
		Share of women in wage employment in non-agricultural sector	..	..	..	..	..
		Proportion of seats held by women in national parliament (%)	1.1	7.1	7.2	9.8	..
		Ratio of literate females to males of 15 -24 years-old	..	..	82	102	..
Reduce Child Mortality	Reduce by two-thirds between 1990 and 2015 the under-five mortality	Under five mortality rate	98.2	103	90	75	33
		Infant mortality rate (per 1,000 births)	67.7	73	79.4	60.2	
		Immunization, measles (percent of children ages 12-23 months	48	..	80	..	100

Goals	Target	Indicators	1990	2003	2007	2011	2015 (Target)
Improve Maternal Health	Reduce by three-quarters, between 1990 and 2015, the maternal mortality rate	Proportion of births attended by skilled health personnel	51	42	56	43.8	38.25
		Maternal mortality rate (100,000)	649	414	591	360	147
Combat HIV and AIDS, Malaria and other diseases	Have halted by 2015 and begun to reverse the spread of HIV and AIDS	HIV prevalence among 15 -19 year-old pregnant women	15.6	9	5.1 (2006	..	0
		HIV prevalence among 20-24 year-old pregnant women (%)	15.6	9	..	..	..
		Contraceptive prevalence rate of all women aged 15-49 years (%)	26.9	41	..	..	..
	Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases	Prevalence rate associated with tuberculosis	139	349	347	288	0
		Proportion of TB cases detected and cured under DOTS (Directly Observed Treatment Short Course) (%)	36	78	82	81	..
Ensure Environmental Sustainability	Halve the proportion of people without access to safe drinking water and basic sanitation	Access to improved water source (percent of population)	42.7	54	57.7	60.1	84
		Access to improved sanitation (percent of population)	24.6	27.6	29	31	..
	Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources	Forest area (percent of total land area)	6.6	6.2	6.1	6.07	..
		National protected area (percent of total land area)	11.6	11.7	11.7	..	..
		CO2 emissions (metric tons per capita)	0.24	0.19	0.26	..	..
		GDP per unit of energy use (constant 2005 PPP $ per kg of oil equivalent)	3.12	2.92	3.17	3.11	..
Develop a Global Partnership for Development	Develop further an environment conducive for beneficial trade and foreign direct investment	Net ODA received (percent GNI)	14.39	3.5	4.89	7.38	..
		Debt service as a percentage of exports of goods and services	28.58	14.45	5.9	3.9	..
	In cooperation with the private sector, make available the benefits of new technologies	Telephones lines (per 100 people)	0.74	0.97	1.24	0.68	..
		Mobile cellular subscribers (per 100 people)	0	4.7	30.3	67.5	71.9
		Internet use (per 100 people) %	0	2.9	7.9	28	32
		Personal computers (per 100 people)	..	..	..	..	..

Source: UNDP 2000-2010, World Bank Data on Development indicators, 2012-2013(Note: ----= Data unavailable)

Annex C: Evaluation Approach

Evaluation Issues and Questions

Following are the evaluation issues and questions that were addressed by the evaluation:

Table A.3: Evaluation Issues and Questions

Development Results – what has been achieved in Kenya
Relevance ▪ Was the Bank's strategy relevant in the context of Kenya's needs, policies and priorities?
Effectiveness ▪ What was the overall performance of the Key pillars of the strategy; at sector /project level and on key analytical work? ▪ What are the key positive and negative factors (e.g., strengths [success drivers] and weaknesses) affecting these performance aspects?
Sustainability ▪ Were the interventions sustainable in terms of national ownership, capacities developed and institutional/policchanges?
Managing the Bank's Assistance - how and why results were achieved or not
▪ Were the strategies well positioned in terms of focus, long-term continuity, comparative advantage, partnerships) with appropriate modalities/ instruments? ▪ Has AfDB as an institution done well (e.g., responsiveness to client needs, supervision, policy dialogue, aid coordination, and other value addition) in facilitating its assistance to achieve such strategic objectives? ▪ Were the cumulative program interventions implemented efficiently?
Key Lessons and Recommendations
▪ What are the key lessons and recommendations that can be drawn especially for the next CSP?

- The evaluation issues and questions (particularly effectiveness) were only addressed in part due to time and contextual constraints (i.e., election). Therefore, the report outlines preliminary evaluation findings, which will be the foundation for a full-fledged evaluation to be carried out over the next few years.

Data Collection Methods

The key data collection methods included a document review, key informant interviews, an electronic survey and, key informant interviews.

Document Review: The desk review is based on documentation produced by the Bank, other development partners, and the Government, including policy documents (CSP, Poverty Reduction Strategy, sector policies and strategic plans, Governance Strategy Direction and Action Plan 2008-2012); project documents (project appraisals, supervision and completion reports, Mid Term Reviews 2008-2012, impact assessments (for some projects), Governance: Development Effectiveness Review 2012, PFMR Evaluation Report by KPMG, and PFMR Evaluation Report by KPMG (IFMIS). No other monitoring and evaluation (M&E) data was available for review. A full list of documents reviewed is outlined in Annex 3.

Key Informant Interviews: A total of 47 semi-structured interviews (see Annex 4 for the interview questionnaire) were carried out with key stakeholder groups involved in the development and implementation of the projects in the three CSPs being evaluated. The complete list of interviewees is provided below.

Survey Questionnaire: An electronic survey of the project coordinators was carried out to elicit their perceptions and experiences. The survey had a response rate of 44% (15 out 34 persons).

Field Visits: The four- day field visit covered eight projects (please see Annex 6 for list of projects reviewed), which were selected purposively based on the following criteria:

- Location of project sites in a contiguous manageable area: common sites at Rift valley province, Thika, environs of Nairobi, (ASAL area if possible within time constraints)
- Projects with key elements on cross-cutting issues:(regional integration, private sector development gender, environment, inclusive growth)
- Elements of Key pillars such as infrastructure, poverty reduction, etc.
- Coverage of key engagement areas such as agriculture, roads, energy, water, education and health was undertaken covering eight projects for site observation and interaction with the

Rating Scale

Relevance

Criteria	Definition
Highly Satisfactory	The Bank's interventions are fully aligned with the development needs/challenges of the country and the priorities of the Government.
Satisfactory	The Bank's interventions are aligned with the majority of development needs/ challenges of the country and the priorities of the Government.
Moderately Satisfactory	The Bank's interventions are aligned with some development needs/challenges of the country and the priorities of the Government.
Unsatisfactory	The Bank's interventions are aligned with a few development needs/challenges of the country and the priorities of the Government.
Highly unsatisfactory	The Bank's interventions are not aligned with the development needs/challenges of the country and the priorities of the Government.

Effectiveness

Criteria	Definition
Highly Satisfactory	The Bank's interventions in the sector achieve all the development objectives.
Satisfactory	The Bank's interventions in the sector achieve the majority of development objectives.
Moderately Satisfactory	The Bank's interventions in the sector achieve some of the development objectives.
Unsatisfactory	The Bank's interventions in the sector achieve a few development objectives.
Highly unsatisfactory	The Bank's interventions in the sector do not achieve any development objectives

Sustainability

Criteria	Definition
Highly Satisfactory	It is highly probable that the results and benefits will continue after completion of the Bank's interventions.
Satisfactory	It is probable that the results and benefits will continue after completion of the Bank's interventions.
Moderately Satisfactory	There is some probability that the results and benefits will continue after completion of the Bank's interventions.
Unsatisfactory	There is a low probability that the results and benefits will continue after completion of the Bank's interventions
Highly unsatisfactory	There is a very low probability that the results and benefits will continue after completion of the Bank's interventions

List of Interviewees

No.	Agency	Name of person(s)	Title/Position
1	Ministry of Energy	Mr. Patrick Nyoike Mr. Richard Jiukuri	Permanent Secretary Chief Energy Expert
2	Ministry of Environment & Mineral Resources Climate Change Coordination	Mr. Ali Mohamed Stephen Mutua King'uyu Charles C. Mutai David Buluku Adegu	Permanent Secretary Climate Scientist Senior Assistant Director Climate Scientist
3	Ministry of Finance, External Resources Department	Ms. Joy Murithi Mr Steven ONCHOKE Ms. Caroline Mwenii	Deputy Director, AfDB Desk AfDB Desk Officer Officer, Aid Effectiveness
4	Ministry of Planning & National Development	Dr. Steven Wainaina Fresia Kamau	Economic Planning Secretary Deputy Chief Economist
5	Ministry of Livestock Development	Dr. Jacob Ole Miaron	Permanent Secretary
6	Ministry of Agriculture	Mr. Nkanya	Chief of staff
7	Ministry of Health	Mr. Waititu	Director, Donor Coordination Permanent Secretary
8	Ministry of Higher Education		Permanent Secretary
9	Ministry of Local Government	Prof. Karega Mutahi	Permanent Secretary
10	Ministry of Roads	Engr. M. Kamau Engr. P. Kilimo	Permanent Secretary Roads Secretary
11	Ministry of Water and Irrigation	Engr. Peter Mangit	Director, Land Reclamation, Donor Coordination
12	Kenya Anti-Corruption Commission	Mr. Pascal Mweu	Forensic Investigator
13	Ethics & Anti-Corruption Commission	Mr. Willis Wasala Mr. Gilbert Lukhoba Mr. Ronald Wanyama	Senior Officer, Research Senior Officer, Education Senior Officer, Prevention
14	Public Financial Management Secretariat	Mr. Peter Njoroge Mr. Argwings Owiti	Monitoring & Evaluation Communication Specialist
15	Public Procurement Oversight Authority	Mr. Jerome Ochieng Ms. Augusta Njue Mr. Thomas Otieno Mr. James Kilaka Ms. Jane Njoroge Mr. Joseph Abok	ICT Manager Capacity Building Officer Capacity Building Officer Compliance Officer Manager, Technical Services Manager, Internal Audit
16	Kenya Highway Authority	Mr. Kiiru	Programmes Coordinator

No.	Agency	Name of person(s)	Title/Position
17	Ministry of East Africa Community	Mr. Richard Sandige	Ag Permanent Secretary
18	Ministry of Special Programmes	Mr. Waigwa Irungu	Desk Officer
19	Lake Victoria South Water Serv Board	Mr. Joseph Nyaumba Weya Engr. Moses Agumba	Board Chairman Ag. Chief Executive Officer
20	Geothermal Development Corporation	Mr. Jectone Achieng	Deputy Manager, Corporate Planning and Projects Dept
21	National Bureau of Statistics	Mr. Zachary M. Chege	Ag. Director General
22	KEPSA-Kenya Private Sector Assoc	Mr. Anthony Weru	Head
23	Kenya Electrical Transmission Co. Ltd-KETRACO	Dr. John Mativo Mr. Fernandes Barasa Engr. Justin Muna	Director, Technical Services Head, Finance Project Coordinator
24	Kenya National Audit Office	Mr. S.N. Kinuthia	Deputy Auditor General, Corp
25	Internal Audit Office	Philip Ndungu Willis Okwacho	Internal Auditor General Senior Internal Auditor
26	Department of Gender& Social Devt	Ms. Winnie Mwasiaji Ms. Beatrice Kataka Protus Makaba Onyango	Asst. Director for Gender & Social Chief Gender and Social Devt Deputy Director
27	Rift Valley Water Services Board	Mr. Paul Gicheru	Water Service Manager

Annex D: Bank's Interventions in Infrastructure - 2002–2012

Roads:

- Timboroa – Eldoret road which is part of the Northern Corridor International Trunk Road, which serves as a major transit route for traffic to and from Uganda, Rwanda, Burundi, eastern Democratic Republic of Congo (DRC) and southern Sudan
- Three loans to help finance the Mombasa-Nairobi-Addis Ababa Highway which is designed to (i) improve land transport communications between Kenya and Ethiopia and contribute to enhance trade and regional economic integration; (ii) provide landlocked Ethiopia with an alternative outlet to the sea through the port of Mombasa; and (iii) open up Kenya's North Eastern Province, and help integrate it with the rest of Kenya
- Nairobi-Thika Highway Improvement Project, (also a part of the Mombasa Addis highway) which is the first limited access road in the country and is designed to remove major urban transport bottlenecks along the Nairobi-Thika highway, one of three major transport corridors within the Nairobi Metropolitan area.
- Rehabilitation and reconstruction of the Arusha-Namanga-Athi River trunk road which is one of the EAC's priority regional roads and runs from Tunduma in southern Tanzania/Zambia border to Moyale in northern Kenya/Ethiopia border.

Water

- The Rift Valley Water Supply and Sanitation project, which provided institutional support to the Rift Valley Water Services Board (RVWSB) and the Nakuru Water and Sanitation Services Company (NAWASSCO); water and sanitation improvements in Nakuru including the development of new and rehabilitation of existing water sources, rehabilitation of water distribution and sewerage systems, the provision of water meters, public kiosks and public latrines; water and sanitation improvements in small towns in Rift Valley and; support for public awareness campaigns on water.
- The Water Services Boards Support Project, which aims to strengthen the Athi Water Services Board (AWSB), the Lake Victoria South Water Service Board (LVSWSB), the Northern Water Services Board (NWSB), and the Tana Water Services Board (TWSB) and fourteen of their Water Service Providers; the rehabilitation of water supply and sanitation/sewerage systems for Migori, Isiolo, Nyahururu, and Murang'a North/Murang'a South Districts; new rural water supply and sanitation facilities for the Lake Victoria South Water Services Board and in the Northern Water Services Board; and water and sanitation infrastructure rehabilitation and extension in selected areas of Kibera.
- The Small Towns, Rural Water Supply and Sanitation Project, which provides support for institutional development, plus investments in water supply, sanitation, and water storage infrastructure for additional water service providers (WSPs) reporting to the Lake Victoria South and the Tana Water Services Boards (TWSB) and to selected WSPs falling under the Tanathi Water Services Board

- The Nairobi Rivers Rehabilitation and Restoration Program (NRRP), which is designed to undertake a major clean-up of the city's rivers in line with a basin wide Master Plan. The NRRP consists of four major components: (i) Environmental education; (ii) conservation of the riparian reserve; (iii) integrated waste management and; (iv) restoration of the Nairobi dam. The project objective is to rehabilitate and expand access to sewerage services for the Nairobi population from 40% in 2009 to 59% by 2014. This program is also being supported by the EU, ADF, JICA, SIDA the World Bank and UN Habitat.

Energy

- Improvement Project, the Ethiopia Kenya Electricity Highway, and the NELSAP Interconnection project – which are designed to upgrade the country's transmission system, reduce system losses and increase access to electricity in the urban and rural areas, interconnect the electric grids of the Nile Equatorial Lakes countries: Burundi, Kenya, Uganda, DR Congo and Rwanda and interconnect the grids of Kenya and Ethiopia.

- The Menengai Geothermal Development Project, which aims to develop a geothermal field to produce enough steam to generate 400 MW of power from an Independent Power Producer (IPP) or a Public Private Partnership (PPP).

- A senior loan to a private generator for the Thika Thermal Power Project which is designed to help to quickly alleviate Kenya's energy shortfall and produce dispatchable power at short notice to complement Kenya's rapidly increasing renewable power generation capacity.

Annex E: Portfolio Review

Table A.4: Portfolio Management Performance by Sector (Active Operations)

Sector	Number of Active Operations	Approval - Effectiveness (Mths) Avg	Average Duration: Approval – 1st Disbursement (mths)	Average Project Age(Yrs)	Disbursement Ratio (%)
Agriculture & Environment	5	4	6	5.5	52.8
Power	5	9	11	2.6	21.8
Social(Education, Health,HEST)	2	7	9	3.3	35.3
Transport	5	7	14	3.2	30.4
Water Supply& Sanitation	6	9	14	3.5	30.54
Overall Performance	23	7.8	10.8	3.6	26.65

Table A.5: Implementation performance rating

Sector	Number of Active Operations	IP Rating	Financial Management Rating	Activities and Output Ratings	Overall Performance Rating
Agriculture & Environment	5	2.81	2.85	2.82	2.81
Transport	6	2.36	2.38	2.17	2.49
Power	5	2.36	2.84	1.95	2.43
Water Supply& Sanitation	6	2.41	2.40	2.26	2.49
Social(Education, Health, HEST)	5	2.51	2.53	2.31	2.60
Multisector	1	2.23	2.25	1.75	2.19
Overall performance rating	2.5				

Source: Compiled by OPEV Team (SAP performance scoring data), April 2013.

Endnotes

1. Est. July 2012: Public Expenditure and Finance Accountability (PEFA) Assessment report on Kenya (EU and GIZ).
2. http://www.ruralpovertyportal.org/en/country/statistics/tags/kenya
3. Source: Kenya's Youth Unemployment Challenge, Discussion Paper, UNDP, January 2013
4. Kenya Joint Assistance Strategy 2007-2012 – Improving aid effectiveness. The KJAS provides the basis for the support of 17 development partners for the implementation of the government's development strategy. The KJAS partners are Canada, Denmark, the European Commission (EC), Finland, France, Germany, Italy, Japan, the Netherlands, Norway, Spain, Sweden, the United Kingdom, the United States, the African Development Bank, the United Nations, and the World Bank Group.
5. Agriculture and rural development; Education; Energy; Environment; Gender; Private sector development; Urban, local government, and decentralization; Water and sanitation.
6. The evaluation team found that a number of other projects are categorized as agriculture but, are best placed as emergency operations.
7. The identification of component is derived from project documentation and could not be confirmed for all projects during field visits.
8. Disbursement ratio: measures the disbursements as a percentage of the undisbursed balance
9. Projects-at-risk (PAR): refer to projects that are either problematic or potentially problematic. (PAR = PP + PPP). The PAR rate for a country's portfolio is calculated by dividing the number of PAR by the total number of rated projects per sector or country
10. PP: Projects with either IP or DO scores ≤ 1.5

IDEV

Independent Development Evaluation

African Development Bank

About this Evaluation

This report presents the findings of an evaluation of three Kenya Strategy Papers (2002-2004, 2005-2007 and 2008-2012). The evaluation aimed to: i) assess the relevance and performance of the Bank's key strategic interventions in Kenya; and ii) identify lessons and areas for improvement. It focused on the following core engagement areas of the Country Strategy Papers: infrastructure (roads, water supply and energy), agriculture and environment, and social sectors and emergencies. It also examined cross-cutting issues including, governance, regional integration, gender, and environment.

IDEV

Independent Development Evaluation
African Development Bank

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