



Evaluation of the European Union's Co-operation with Kenya

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*The opinions expressed in this document represent the authors' points of view
which are not necessarily shared by the European Commission
or by the authorities of the concerned countries.*

This report has been prepared by:



ECORYS Nederland B.V.

Watermanweg 44
3067 GG Rotterdam

P.O. Box 4175
3006 AD Rotterdam
The Netherlands

T +31 (0)10 453 88 00
F +31 (0)10 453 07 38
E netherlands@ecorys.com
Registration no. 24316726

W: www.ecorys.nl

Evaluation team:

| | |
|----------------------|---|
| Anneke Slob | Team leader, monitoring and evaluation specialist |
| Martin van der Linde | Deputy team leader, budget support and PFM expert |
| Jens Larsen | Transport sector expert |
| Rudy Ooijen | Agricultural and rural development expert |
| Karuti Kanyinga | Governance expert |
| Lydeke Schakel | Non state actors expert |

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List of Abbreviations

| | |
|----------|--|
| AEG | Aid Effectiveness Group |
| AfDB | African Development Bank |
| ASAL | Arid and Semi-Arid Lands |
| ASCU | Agricultural Sector Coordination Unit |
| ASDS | Agriculture Sector Development Strategy |
| ASG | Agricultural Sector Group |
| AU-IBAR | African Union-Inter African Bureau for Animal Resources |
| BDAG | Bridging Divides through Accountable Governance |
| BS | Budget Support |
| CBO | Community Based Organisation |
| CCI | Cross Cutting Issues |
| CDEMP | Community Development for Environmental Management Programme |
| CDF | Constituency Development Fund |
| CDFC | Constituency Development Fund Committee |
| CDI | Community Development Initiative |
| CDP | Community Development Programme |
| CDTF | Community Development Trust Fund |
| CEF | Community Environmental Facility |
| CfP | Call for Proposal |
| CGIAR | Consultative Group on International Agricultural Research |
| CIDA | Canadian International Development Agency |
| COMESA | Common Market for Eastern and Southern Africa |
| CRIS | Common Relex Information System |
| CSO | Civil Society Organisation |
| CSP | Country Strategy Paper |
| Danida | Danish International Development Agency |
| DAP | Drivers of Accountability Programme |
| DCG | Development (Partners) Consultative Group |
| DG DevCo | Directorate-General for Development and Cooperation |
| DGSP | Democratic Governance Support Programme |
| DMI | Drought Management Initiative |
| DMS | Drought Management System |
| DP | Development Partner |
| DPF | Development Partnership Forum |
| DQA | Data Quality Assessment |
| EAC | East African Community |
| EAMR | External Assistance Management Report |
| EC | European Commission |
| ECF | Extended Credit Facility |
| ECHO | European Commission Humanitarian Aid department |
| EDE | Ending Drought Emergencies |
| EDF | European Development Fund |

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| EEAS | European External Action Service |
| EIDHR | European Instrument for Democracy & Human Rights |
| EIRR | Economic Internal Rate of Return |
| EQ | Evaluation Question |
| ERS | Economic Recovery Strategy |
| ETR | End-Term Review |
| EU | European Union |
| EUD | European Union Delegation |
| EUR | Euro |
| FA | Financing Agreement |
| FAO | Food and Agriculture Organization |
| GBS | General Budget Support |
| GCG | Government Consultative Group |
| GDP | Gross Domestic Product |
| GJLOS | Governance, Justice, Law and Order |
| GoK | Government of Kenya |
| HAC | Harmonisation, Alignment and Coordination |
| HQ | Headquarters |
| HoM | Head of Mission |
| HoO | Head of Operations |
| HoS | Head of Sector |
| IBAR | Interafrican Bureau for Animal Resources |
| ICC | International Criminal Court |
| ICD | Inland Container Depot |
| ICDRR | Improved Community Drought Response and Resilience |
| IFMIS | Integrated Financial Management Information System |
| IL | Intervention Logic |
| ILRI | International Livestock Research Institute |
| IMF | International Monetary Fund |
| IRCB | Institutional Reform and Capacity Building |
| IRCC | Inter-Regional Coordinating Committee |
| IWRM | Implementing Integrated Water Resources Management |
| JAOR | Joint Annual Operational Review |
| JC | Judgement Criterion |
| JICA | Japan International Cooperation Agency |
| KACC | Kenya Anti-Corruption Commission |
| KARI | Kenya Agricultural Research Institute |
| KASAL | Kenya Arid and Semi-Arid Lands |
| KCSSP | Kenyan Civil Society Strengthening Programme |
| KJAS | Kenya Joint Assistance Strategy |
| KeNHA | Kenya National Highways Authority |
| KeRRA | Kenya Rural Roads Authority |
| KFS | Kenya Forestry Service |
| KJAS | Kenya Joint Assistance Strategy |
| KNDR | Kenya National Dialogue and Reconciliation |
| KRB | Kenya Roads Board |
| KRDP | Kenya Rural Development Plan |

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|-----------|---|
| KRF | Kenya Road Fund |
| KURA | Kenya Urban Road Authority |
| LA | Local Authority |
| LAIFOMS | Local Authority Integrated Financial Operations Management System |
| LASDAP | Local Authority Service Delivery Action Plan |
| M&E | Monitoring & Evaluation |
| MoJCA | Ministry of Justice and Constitutional Affairs |
| MoJNCCA | Ministry of Justice, National Cohesion and Constitutional Affairs |
| MoLG | Ministry of Local Government |
| MoR | Ministry of Roads |
| MoT | Ministry of Transport |
| MoTI | Ministry of Transport and Infrastructure |
| MT | Metric Ton |
| MTEF | Medium-Term Expenditure Framework |
| MTIP | Medium Term Investment Plan |
| MTP | Medium Term Plan |
| MTR | Mid-Term Review |
| NAO | National Authorising Officer |
| NC | Northern Corridor |
| NCRP | Northern Corridor Rehabilitation Project |
| NDCF | National Drought Contingency (response) Fund |
| NDMA | National Drought Management Authority |
| NEMA | National Environment Management Authority |
| NGO | Non-Governmental Organisation |
| NIP | National Indicative Programme |
| NSAs | Non-State Actors |
| NTBs | Non-Tariff Barriers |
| ODA | Official Development Aid |
| OECD-DAC | Organisation for Economic Co-operation and Development – Development Assistance Committee |
| O&M | Operation& Maintenance |
| OSIEA | Open Society Initiative for East Africa |
| PEFA | Public Expenditure and Financial Accountability |
| PEM-AAP | Public Expenditure Management - Assessment and Action Plan |
| PFM | Public Finance Management |
| PFM-RP | Public Finance Management – Reform Programme |
| PIC | Project Implementation Committee |
| PMFU | Programme Management and Facilitation Unit |
| PRBS | Poverty Reduction Budget Support |
| PRGF | Poverty Reduction and Growth Facility |
| PRSP | Poverty Reduction Strategy Paper |
| PSD | Private Sector Development |
| RIMT | Regional Integration by Means of Transport Infrastructure |
| RMLF | Road Management Levy Fund |
| ROM | Result Oriented Monitoring |
| RPRLGS(P) | Rural Poverty Reduction And Local Government Support Programme |
| RSIP | Road Sector Investment Plan |

| | |
|--------|---|
| RSP | Regional Strategy Paper |
| SBS | Sector Budget Support |
| SDR | Special drawing rights |
| SRA | Strategy for Revitalising Agriculture |
| SRPFM | Strategy to Revitalise Public Finance Management |
| STABEX | Système de Stabilisation des Recettes d'Exportation |
| STD | Sexual Transmittable Diseases |
| SWAP | Sector Wide Approach |
| TA | Technical Assistance |
| TAP | Technical and Administrative Provisions |
| TCF | Technical Co-operation Facility |
| ToR | Terms of Reference |
| TTCA | Transport and Transit Coordinating Authority of the Northern Corridor |
| UN | United Nations |
| UNDP | United Nations Development Programme |
| UK | United Kingdom |
| VOCs | Vehicle Operating Costs |
| WB | World Bank |
| WFP | World Food Programme |

Executive summary

Objectives, scope and methodology of the evaluation

This evaluation covers the European Union's cooperation with Kenya during the period 2006-2012. The objectives of the evaluation as defined in the terms of reference are (i) *to be accountable and to provide the relevant external co-operation services of the European Union (EU) and the wider public with an overall independent assessment of the EU's past and current co-operation relations with Kenya, and (ii) to identify key lessons and recommendations in order to improve the EU's current and future strategies, programmes and actions.*

The following sectors and types of support have been studied in detail:

- transport and infrastructure;
- agriculture and rural development;
- macro-economic support, and;
- governance, with a focus on support to local governance and Non-State Actors (NSAs).

The design and methodology of this evaluation are based on the methodological guidelines of the DG DEVCO Evaluation Unit, which was also responsible for managing this evaluation. A Reference Group in which all main stakeholders were represented, including various EU directorates, the Delegation of the European Union (DEU) in Kenya and the Government of Kenya (GoK) guided the evaluation.

Country context

Kenya has the largest and most diverse economy in East Africa growing at a satisfactory average rate of 6% per year during the period 2004-2007. These prosperous years were followed by two years with substantial less growth, mainly because of the post-election violence in 2008, droughts and the global financial crisis in 2008/2009. The economy picked up in the second half of 2010, while the economic growth prospects for 2013 and 2014 are relatively good (about 5% per year).

Oil exploration and developing its regional hub function could boost Kenya's economy, while agriculture will remain the mainstay of the economy. The growing importance of oil exploration in East Africa presents significant economic growth opportunities to Kenya and can further strengthen its regional economic hub function. Maintaining and further developing Kenya's extensive network of roads, ports and airports will be crucial for expanding the hub function. Agriculture will remain to be the primary engine of economic growth, while it is an important means of livelihood for the country's population.

There are some indications of poverty decline while progress as regards reaching the Millennium Development Goals of universal primary education and promoting gender equity is on track. However, income inequalities and regional development imbalances remain high.

Political instability and violence have threatened democracy and the development process in Kenya in 2008/2009, but since then the political context has improved gradually. The elections of December 2007 led to an outbreak of violence in 2008. Subsequently, a National Accord and Reconciliation Act was signed by the main warring parties which formed the basis for the establishment of a Coalition Government. This power sharing agreement resulted in the creation of a bloated cabinet: 44 cabinet ministers and almost a double number of deputy ministers, which complicated Government decision making. Nevertheless, a new Constitution was promulgated in August 2010, thus paving the way for more reforms including the devolution of governance to 47 counties. After the elections in March 2013 a new government was installed with a substantially reduced number of ministries: 18 in total. Those elections also marked the start of the devolution process. However, the Kenya political context as well as the relations between the Government of Kenya and its western partners, including the EU, is burdened by the fact that the International Criminal Court (ICC) has charged the newly elected President and his deputy for crimes against humanity committed during the post-2007 election violence.

The Kenya Government has clear long term policies, but operational plans at sector level are lacking. In 2008, the Government launched its Vision 2030, which is a long-term development blueprint and a follow-up of the previous Economic Recovery Strategy. Vision 2030 is accompanied by five-year implementation plans and by sectoral policies, including transport and agriculture. However, there are no operational plans for these two important sectors.

The Kenya country context thus provides a mixed picture: on the one hand an extensive overall policy framework and a continuation of economic development based on Kenya's regional economic hub, but on the other hand some serious political and governance challenges.

The EU's cooperation with Kenya

The EU ranks 9th on the OECD-DAC list of donors providing development aid to Kenya. During the period 2006-2012 the EU has disbursed a total amount of € 415 million, of which the major part originated from the 9th European Development Fund (EDF 2003-2007). The distribution between sectors and types of support was relatively even: transport (24%), agriculture and rural development (21%), macroeconomic support (24%), governance (11%) and other sectors (20%). In both the 9th and the 10th EDF country strategies regarding Kenya, transport and agriculture/rural development were the two focal sectors of support, while also macroeconomic support and support to governance programmes and projects were planned to be provided. At first sight, the planned disbursements appeared to be in line with the envisaged strategies. However, during implementation important changes were made, in particular as regards General Budget Support (GBS). Both country strategy papers (CSP) planned an important amount of GBS, but the amount actually provided under the 9th EDF was 18% less than the committed amount, while the GBS allocation under the 10th EDF was completely reallocated to other sectors.

Main strategic conclusions

Limited ownership of aid activities by the Government of Kenya, a difficult policy dialogue and slow progress in policy and institutional reforms have negatively affected the performance of EU support to Kenya. Kenya is not a very aid-dependent country, which might be one of the explanations of the limited ownership of GoK for some EU funded

programmes. Ownership was relatively higher for sectors having a high priority in the national policies such as infrastructure, agriculture and initially also GBS, but much lower for governance and community development programmes as these had not a very high government priority. Despite good overall alignment between the EU support and GoK's priorities, the policy dialogue has been problematic in most sectors with a few positive exceptions during short periods of time. Although new policies were developed by the GoK including policies for the focal sectors transport infrastructure and agriculture, they were not well translated into operational plans.

EU's responsiveness to changes in the Kenyan context and the attention paid to risk analysis and mitigation were initially not adequate, but improved over time especially after the post-election violence in 2008. The planning of the 9th and 10th EDF CSPs in respectively 2003 and 2007 took place in times of relative optimism, economic growth and planned policy and institutional reforms. The optimistic planning of the CSPs is strongly reflected in the planned aid modality mix that consisted primarily of budget support, both GBS and SBS. EU's optimism is illustrated by the fact that the EU was the only donor providing GBS. The EU – and the other donors – were taken by surprise by the post-election violence early 2008. The disbursement of the second tranche of the PRBS two days after the election was very unfortunate and could have been avoided with a more prudent approach. From 2008 onwards the EU became more risk aware. This is well reflected in (i) the increased attention paid to governance issues and (ii) the change of the aid modality mix under the 10th EDF. However, the EU's risk mitigation strategies are still not very well developed, despite improved governance analysis and more attention paid to the political dialogue.

The EU had a coherent strategy for its support to ASAL areas, but a comprehensive strategy for the entire agriculture and rural development focal sector was lacking. The EU support to this focal sector consisted of three separate components: (i) support to the ASAL areas with a focus on agricultural research and development of value chains, (ii) community development support delivered via the CDTF, and (iii) support to local governments. However, the support to community development and to local governance does not logically fit together with the support to the ASAL areas focused on increasing food security. Furthermore, three different sections of the DEU deal with the three components of this sector, which was also not conducive to developing and implementing a comprehensive sector strategy.

Providing effective support to the agricultural sector has also been affected negatively by the problematic policy and institutional context. Policies changed frequently, while good operational plans were lacking. Furthermore, donor coordination remained weak, despite many efforts to improve it. Since 2013, the institutional context has improved because only one Ministry is now in charge of agriculture, compared to the 10-12 Ministries in the past. However, the merging and restructuring processes are still on-going.

The focus of the EU on funding transport infrastructure and in particular the construction and rehabilitation of roads has been appropriate given the Kenyan context and EU's proven comparative advantage. The EU is recognised as one of the main donors in the transport sector and has a comparative advantage based on its specific knowledge and expertise and long-lasting support to the construction and rehabilitation of different kind of roads. Furthermore, the EU has been particularly active in the policy dialogue and donor coordination in the roads sub-sector. During the period 2005-2007 a lot of progress was made with implementing policy and institutional reforms. However, the context changed in 2008

partly because of the political crisis in Kenya and partly because the institutional reforms did not produce the anticipated results, particularly as regards road network management and maintenance.

In a context of fragmented project aid and relatively weak donor coordination, the EU has adopted a pragmatic approach through better coordination between the EU and its Member States. Before 2008, there was some momentum in donor coordination at sector level especially for roads and PFM. After 2008, consultations between the Government and the donors on aid effectiveness became less frequent, while donors mostly met in their own sector working groups. These groups were however mainly focussed on exchanging information, while no effective coordination and harmonisation took place. In this problematic context, the EU policies and strategies could not be harmonised well with those of other donors. Fortunately, the DEU succeeded to gradually improve donor coordination among the EU and its Member States. The EU Development Councillors meeting has now become the forum where main contextual issues are discussed and where also an initiative was taken to develop joint EU programming.

The attention of the EU was too narrowly focused on financial issues and outputs, rather than on achieving the development objectives. In principle, the main requirements for a results oriented approach were in place. The CSPs had intervention logics and result chains based on overall objectives, although the result chains were not so well defined and often no clear targets were set. However, the CSP intervention logics were in practice hardly used as ‘guiding documents’. Moreover, the various review reports focused mainly on the analysis of changes in the context and reported on the progress of activities (inputs) and on outputs to some extent, while they hardly contained information on results at outcome or impact level. Furthermore, the reallocation of the GBS envelope of the 10th EDF towards sector support, caused considerable pressure on identification and formulation of new activities. This was quite time-consuming and increased even more the input-orientation of the EU support.

Sector level conclusions

The EU was the only donor providing General Budget Support (GBS) to Kenya in the period 2006-2012, which not only limited its effectiveness but also led to strained relations with the GoK and disputes with some EU Member States due to different views on eligibility criteria and disbursement conditions. The discussions about the GBS from 2008 onwards – long delay of the disbursement of the last tranche of the PRBS (the GBS of the 9th EDF), cancellation of the 10th EDF GBS and reallocation of these funds to other sectors - have put the aid relationship between the EU and the GoK under strain, because the objectives of the two parties as regards GBS did not coincide. The GoK strongly regretted the long delay and cancellation. The GoK considered itself eligible for macroeconomic support and had the impression that donors applied the GBS eligibility criteria to Kenya not in the same way as in case of other countries. The GoK was aiming for a quick disbursement of – if possible – 100% of the last PRBS tranche and maintaining the GBS envelope of the 10th EDF, while the EU adopted a more careful approach regarding GBS and formulated a new GBS policy in which governance criteria play a more important role. The absence of other donors providing GBS and the non-existence of a real GBS policy dialogue with the GoK meant that the GBS aid modality was not very effective in terms of contributing to and influencing the formulation and implementation of GoK’s development policies.

The EU made a modest positive contribution to PFM reforms, although the PFM Reform Programme supported by the EU was not very successful. The PFM Reform Programme implemented by the GoK and supported by various donors was not very well designed, but provided nevertheless a workable framework for donor support. However, its implementation was weak due to insufficient high level political support, a weak PFM Reform Secretariat, a complicated set-up of the donor support, absence of an effective monitoring system and a weak PFM policy dialogue during most of the time. Despite the problems with the PFM Reform Programme itself, relevant PFM reforms have been implemented and continue to be implemented, thanks to drivers of change within a number of institutions responsible for PFM.

The EU contributed to improved agricultural practices that might lead to improved food security in ASAL areas. Important inroads have been made by the programmes aiming at improving agricultural and livestock production in the ASAL areas, such as: i) the introduction of improved food crop, grass and fodder crop varieties by farm households, ii) the lowering of the livestock mortality rate and improving the quality of the livestock, and iii) improving the livestock marketing infrastructure and reducing marketing cost by using the value chain approach. However, there is no solid evidence to show that overall food security has increased in the ASAL areas as a result of the EU support as the scope of the programmes has been limited so far in terms of number of beneficiaries compared with the total number of vulnerable households in the ASAL areas.

The EU contributed to better access to rural (social) infrastructure, but new sustainability challenges have emerged. The EU's community development support, being part of the agricultural and rural development focal sector, was provided through the Community Development Trust Fund (CDTF). The EU support to the CDTF has increased the access of communities to rural infrastructure, in particular schools. It is assumed that this has empowered the communities, but there is no concrete evidence as no good monitoring system has been set up. Unfortunately, the CDTF operates in relative isolation with limited linkages with government policies, while it is still fully dependent on donor funding, which threatens its sustainability. Moreover, new devolved funds have been established recently, which appear to be better linked to the new devolved governance context in which counties are responsible for community development.

EU's contribution to sector reforms in transport infrastructure has led to mixed results and despite some improvements of road maintenance, sustainability remains an important issue of concern. New independent roads authorities have been established in 2008, which are supposed to focus especially on maintenance of roads, but their impact on improving maintenance is not yet conclusive. There are indications that road maintenance improved during the period 2000-2009 especially maintenance of rural roads and the international trunk road network, but this does not apply to the same extent to the Northern Corridor. The fact that no reliable data on road maintenance could be found for the period after 2009 is quite indicative for the insufficient attention paid to it. There are contradictory opinions whether or not the funding provided by the Kenya Roads Board (KRB), responsible for the management of the Roads Maintenance Levy Fund, actually covers the current maintenance needs. Stakeholders do, however, agree that there is too little focus on elementary maintenance and too much focus on expensive rehabilitation.

The majority of the EU funded trunk roads have a high economic rate of return that may even become higher when Non Trade Barriers are removed.

The two main finished road projects of the Northern Corridor supported by the EU have a high economic rate of return of at least 40%, while the still on-going third EU funded Northern Corridor project is expected to have a similar high rate of return. For the EU funded section of the road to Ethiopia the calculations are less positive, but that road is considered to be of strategic regional importance. There are important gains being made through the reduction of travel time, but the gains in terms of reduced travel costs are less obvious, due to the fact that Non-Trade Barriers (police road blocks, custom procedures, etc.) have so far hardly been reduced, which affects negatively affect the gains being made by the rehabilitated roads.

The EU contributed to a more responsive government, but sustainability and impact are not guaranteed. The EU tried to support good governance in a very pragmatic way by focusing on Agenda 4, constitutional reforms and strengthening democratic governance by supporting many different activities including support to local governments and support to non-state actors (NSAs). Over time the envelope for this sector was increased, however no comprehensive strategy for this non-focal sector was designed. Nevertheless, the EU managed to contribute positively to an increased influence of NSAs on local and national government activities and to promoting the capacity of local governments to engage with communities, which is of great value in the context of the current devolution process. However, it should be noted that the EU's support to both NSAs and local government authorities has been too scattered and limited in scope and duration for achieving substantive sustainable outcomes and impact.

Main strategic recommendations

It is advised to pay more attention to the political and policy dialogue with the GoK, jointly with other donors particularly the EU member states. In view of the increasing politicisation of aid and the on-going difficult debate and strained relations between the GoK and western donors, due attention should be paid to the political and policy dialogue between these actors. Furthermore, the EU is in a unique position to play a key role in the political dialogue given its regular consultations with its Member States and the effort to come to a joint EU programming, based on a better division of labour among the EU and its member states. It is advised to involve the civil society also in these political and policy dialogues.

The choice of focal sectors for the 11th EDF NIP should be based on sector performance, EU's comparative advantage, GoK priorities, needs analysis, potential synergies and the division of labour among donors. Based on these criteria, the Evaluation Team recommends considering the following sectors:

- agriculture, particularly support to agricultural development in ASAL areas;
- infrastructure for the poor, including rural roads in ASAL areas;
- democratic governance, including support to the implementation of the devolution policy (in particular in ASAL areas), support to NSAs and election support.

It is recommended to develop comprehensive, results-oriented sector strategies with good intervention logics and clear targets for each focal and non-focal sector. These strategies should be developed jointly with the GoK, other donors and civil society. They should effectively guide the design, implementation and monitoring of the different activities and should facilitate a coordinated approach both with other development partners and

between the various EU supported programmes and projects. More precisely, the sector strategies should include the following issues: (i) clear needs and governance analyses, (ii) alignment with GoK priorities, (iii) division of labour, (iv) clear sector definitions, (v) synergies within and between sectors, (vi) overall and sector specific intervention logics, (vii) risk analyses and risk mitigation strategies, (viii) adequate monitoring and evaluation strategies and (ix) sound exit strategies. When defining these strategies, the aid modality mix should be considered as well, while the options for budget support can be explored once the conditions for it have improved.

Sector level recommendations

The Evaluation Team proposes the following specific sector level recommendations:

- continue focussing EU's support to the agricultural sector on the value chain approach in the ASAL areas as there is much merit in that approach in terms of improving productive operations, generating income and employment for small farm households and contributing to overall economic growth;
- initiate and facilitate a strategic reorientation of the community development support via CDTF in order to address its weaknesses and to link it with the devolution process;
- continue the EU support to the roads sector, but with a new broader focus on providing infrastructure to the poor, addressing clear priority needs and enhancing synergies between various activities supported by the EU;
- develop a comprehensive strategy for support to democratic governance, in particular support to the devolution process including providing PFM support to local governments and support to strengthening civil society organisations.

1 Introduction

1.1 Objectives of the evaluation

The objectives of the evaluation defined in the Terms of Reference (ToR, see Annex 1) are:

- to be accountable and to provide the relevant external co-operation services of the European Union (EU) and the wider public with an overall independent assessment of the EU's past and current relations with Kenya;
- to identify key lessons and recommendations in order to improve the EU's current and future strategies, programmes and actions.

1.2 Scope of the evaluation

The scope of the evaluation is broadly defined in the ToR. The temporal scope of this evaluation is 2006-2012 for the analysis of different levels of results, whilst from a strategic perspective the whole period 2003-2012 is taken into account. This means that the entire programming period of the 9th EDF, formally for the period 2003-2007, but with continued programming till 2012, is taken into account, in addition to the planning of the 10th EDF for the period 2008-2013. This evaluation report has also made use of the findings and conclusions of the previous country evaluation carried out in 2006.

The following sectors, types of support and related activities as presented in the Reconstructed Intervention Logic have been studied in more detail:

- Focal sector Transport Infrastructure;
- Focal sector Agriculture/Rural Development;
- Macro-economic Support; and
- Governance, with a focus on the local governance and Non-State Actors (NSA) support to deepen democracy activities.

This means that the two non-focal sectors Trade and Regional Integration, and Private Sector/Tourism have not been studied in detail.

Use of terminology

In line with the Lisbon Treaty, in this report the term EU support will be used for the support that the EU provided to Kenya. Formally, the term EU support is also used for the support provided by EU institutions and Member States. But in this specific situation the term EU support will exclude the support provided by the Member States.

1.3 Methodology

In line with the ToR the overall methodological guidance of the DG DEVCO Evaluation Unit was used. The basic approach consisted of three main phases, with several methodological stages. The first phase was the desk phase, which consisted of an inception stage and document review. In the inception stage the Reconstructed Intervention Logic was presented (see Chapter 3), which formed the basis for the formulation of the ten Evaluations Questions

(EQs) with related Judgment Criteria (JCs) and Indicators (Is). The formulation of the EQs, JCs and Is was finalised and approved at the end of the desk phase. The second phase was the field phase. The third phase was the synthesis phase focusing on data analysis (see Annex 4 for more details).

All the deliverables of the various phases were presented to the Reference Group in which all main stakeholders i.e. EU representatives including the Delegation of the European Union (DEU) in Kenya and the Government of Kenya (GoK) are represented.

The relation between the evaluation questions and the evaluation criteria is reflected in the following table.

Table 1.1 Coverage of the evaluation criteria and EU key issues by the evaluation questions

| Criteria EQ | Evaluation Criteria | | | | | | | Key issues | |
|---|---------------------|------------|----------------|--------|-----------------|------------------------|---------------|------------|-------|
| | Relevance | Efficiency | Effective-ness | Impact | Sustainabi-lity | Coherence EU support * | Added value * | CCIs * | 3Cs * |
| EQ1 Responsiveness | ● | ○ | | | | ● | ● | ○ | ○ |
| EQ2 Donor coordination and harmonisation | ● | ○ | | | | ● | ● | | ● |
| EQ3 Results focus | ● | ● | ○ | | | ● | | | ● |
| EQ4 GBS Strategy | ● | ○ | | | | ● | ● | | ● |
| EQ5 PFM Reforms | | ● | ● | | ● | | ○ | | |
| EQ6 Agricultural and food security improvements | | | ● | ● | ● | ● | | | |
| EQ7 Rural service delivery and empowerment | | | ● | | ● | | ○ | ● | |
| EQ8 Transport system improvements | | ● | ● | | ● | ● | | ● | |
| EQ9 Economic Transport Impact | | | ● | ● | ● | | ○ | | ● |
| EQ10 Governance improvements | | | ● | | ● | ○ | | | ● |

| | |
|---|--|
| ● | The criterion is largely covered by the EQ |
| ○ | The criterion is also tackled in the EQ |

(*) Key issues and evaluation criteria additional to DAC.

During the desk phase many documents were collected (see Annex 3 for a complete list of documents) and some key stakeholders were interviewed. On that basis preliminary answers to the EQs and hypotheses were formulated that formed the basis for the field work.

The field work took place in a relatively short period of two weeks from 2-13 September 2013. During that period the evaluation team interviewed more than 120 persons and organised four focus groups (see Annex 2 for a complete list of all persons interviewed). The staff of the DEU and the GoK were debriefed on the preliminary findings and conclusions of the field work, and the reference group was debriefed a few weeks later.

The evaluation was designed to ensure a high level of data reliability and validity of conclusions by combining the use of qualitative and quantitative data. The evaluation relied to a large extent on secondary data, but also on some primary data. The aim was to make use of the strengths and weaknesses of various data collection tools to assemble a data set and an overall body of information that would allow the evaluation team to cross-check the information from one source with the information from another source. This triangulation process was crucial to elaborate the findings based on detailed evidence for each indicator. On the basis of the findings, sound conclusions could be formulated.

This draft final report includes complete answers to the evaluation questions, based on detailed evidence (see Annexes 6-16 for detailed evidence related to each indicator). A more complete overview of the methodological approach is presented in Annex 4.

1.4 Evaluation challenges

The evaluation team met a number of challenges throughout the evaluation.

Portfolio analysis

The portfolio analysis is, mainly, based on the financial information stored in the CRIS database¹, in which however, not all funds relevant for this evaluation are included. For instance, data on STABEX funds could not be completely included in the portfolio analysis as no information regarding STABEX funds has been systematically stored over the evaluation period. The evaluation team consulted different sources with scattered information on STABEX funds, including excel sheets provided by the EU, STABEX reports and External Assistance Management Reports (EAMR), which did not allow the evaluation team to reconstruct a coherent and accurate picture of the STABEX funds. However, the activities in the focal sectors funded with STABEX funds have been taken into account to the extent possible.

Collection of documents

Although some documents related to projects could be easily retrieved from CRIS (contracts, financial agreements, ROM reports) many other strategic and programme and project related documents proved to be difficult to collect. CRIS is the uniform filing system for the EU and there are guidelines regarding compulsory project documents to be uploaded in CRIS. However, project progress reports and work plans, mid-term reviews and evaluations, which are important for a country evaluation, are not systematically uploaded. CRIS is a

¹ The database of the Common Relex Information System (CRIS) allows for the extraction of data for specific time periods, geographical areas and/or sectors. Challenges were, nevertheless, encountered when constructing the portfolio. These include the fact that it is impossible to retrieve information on the amount of money that is planned and paid per decision/contract after a specific date. In other words, while information can be retrieved for each decision/contract on total amounts planned/paid up to the date of the extraction, it is not easy to collect information on the share of these amounts that have been planned/paid for a specific period. Furthermore, not all of the contracts in the CRIS database are assigned a (correct) DAC code or to a specific sector. The evaluation team needed, therefore, to manually allocate some of the contracts themselves.

project/programme level filing system and strategic documents such as CSPs were directly made evaluable to the evaluation team. Other supportive information for the Evaluation, such as, minutes of donor coordination meetings, documents of the Government of Kenya (GoK), NSA reports had to be collected separately which was not always easy. Websites of Ministries in Kenya do often not publish important documents on their websites and when they do so, rarely do they update the information. Nevertheless, during the field mission in Kenya the evaluation team was able to collect most relevant documents.

Gaps in information

Information on outcome and impact levels was hardly available. Availability of national statistics and monitoring and evaluation (M&E) data in Kenya is limited, for example statistics related to agricultural production in ASAL areas and recent, reliable statistics on road maintenance are not available. It was found that sector indicators had different figures originating from various sources, implying a lack of a systematised and harmonised approach to sectoral data collection and analysis. Also at the project level the evaluation team did not find one good internal monitoring system with baseline data, providing information at different levels of results. Furthermore, no baseline surveys or mid-term or final impact assessments were available and it appears that these have not been made systematically.

1.5 Structure of the report

This concise main report (Volume I) consists, after this introduction, of two background chapters – one on the Kenyan context and the other on the EU strategy, intervention logic and portfolio- which are necessary to put the findings in the right context. The main chapter 3 consists of a succinct presentation of the findings and answers to the ten evaluation questions that have guided and structured this country evaluation². In order to present an accessible and readable report, not all findings per JC are presented as such in this main report. Rather the main findings have been regrouped to present a story per EQ, whilst referring to the Annexes for more complete and precise evidence and findings. The report finishes with overall conclusions and recommendations. Detailed information on the evidence per indicator, the findings per judgement criterion and the answers to the EQs are presented in the annexes, which are put together in a separate volume (Volume II).

² This chapter is based on the annexes 6-15 in which for each EQ, detailed evidence per indicator is presented, followed by findings at JC level.

2 Context

2.1 Socio-economic development

Kenya has the largest and most diverse economy in East Africa, with good growth rates in the years 2004-2007 (6% per year on average). The prosperous years of 2004-2007 were followed by two years with only 2 to 3% growth (2008 and 2009), due to four major shocks, namely (i) the violence and political instability following a dispute about the presidential election results of December 2007, (ii) high international food and fuel prices in 2008, (iii) the global financial crisis in 2008/2009 and (iv) widespread drought affecting agricultural production and electricity generation (hydro power). The economy recovered in 2010, but the increased growth level of 6% could not be maintained in 2011 among others due to the fact that Kenya was hit by one of the worst droughts in history that particularly affected the ASAL areas. The economic growth rate in 2012 stood at 4.6%. The election held in March 2013 did not adversely affect economic growth as has been the case with previous elections in the last two decades³. The economic growth prospects for 2013 and 2014 are presently relatively good (about 5% per year), but remain below potential according to the World Bank⁴.

The growing importance of oil exploration in East Africa offers good opportunities for boosting the economic growth rate and can contribute to strengthening the regional economic hub position of Kenya. Oil exploration in Kenya has already led to discoveries of oil with potential to make Kenya an oil exporter. Kenya is supplied with a complex system of roads, ports and airports, which is important for its regional hub position. Road transport is the predominant mode of transport and carries more than 90% of all cargo and passenger traffic in the country⁵. Agriculture is the mainstay of the Kenyan economy and is expected to maintain its role as primary engine of economic growth for the economy and as an important means of livelihood for the country's population in the foreseeable future⁶. The agricultural sector employs about 75% of the labour force. It contributes 24% to the country's GDP directly and another 27% indirectly. The sector accounts for about 45% of the Government's revenue (US\$ 6.6 billion, 2011, est.) and more than 50% of Kenya's total export (US\$ 5.4 billion, 2011, est.)⁷ (see Annex 17 for more background information).

Political fragility threatens the realisation of the economic growth potential as is indicated in the following sections. Furthermore, terrorist attacks and turmoil in Somalia had a destabilising effect on Kenya. The world's largest refugee camp (Dadaab) is located in the North Eastern Province with half a million Somalian refugees.

Population growth in Kenya has been constant over the evaluation period and is estimated at 2.7- 3% % per year over the period 2004-2012. In 2012, the population was estimated at 43 million persons.⁸ Population growth is bot due to a still relatively high fertility rate, and to an increase in refugees, especially from Somalia.

³ Sharp decline in economic growth has been a characteristic feature of every election year and any other major political event or conflict since the return to multiparty democracy in 1991.

⁴ World Bank, 2013, Kenya Economic Update, Edition No 8.

⁵ Scott Mc Donald, 2004; Mott Mc Donald, 2013.

⁶ Kenya's Agricultural Sector Development Strategy (ASDS) 2010-2020 and Vision 2030 identified agriculture as one of the key sectors to deliver the 10% annual economic growth envisaged under the economic pillar.

⁷ Source: Kenya Agricultural Sector Development Strategy 2010-2020; Vision 2030.

⁸ World Data Bank, World Development Indicators, 2014



Also natural factors affected Kenya’s development performance. Over the past eight years (2005-2012), Kenya has experienced four episodes of severe droughts particularly the 2010/11 drought, cited as being the worst in 60 years affecting an estimated 4.5 million people– 3.8 million in the ASAL areas and 700,000 in the non-ASAL areas – triggering acute food insecurity in the areas and placing a heavy strain on the country’s economy (see Annex 11). The vulnerability to external shocks is also high especially those related to food and energy prices.

Progress on Millennium Development Goals (MDGs) remains patchy⁹. Goal 2 to achieve universal primary education, and Goal 3 to promote gender equity and empower women are on track with progress being made on other goals. However, progress on Goal 1 to eradicate poverty and hunger is lagging behind. The proportion of people below the poverty line is reported to be reduced from 52% in 2000 to 46% in 2006, and “there are indications that the current poverty rate may be lower than 46.6% by 2011 although the target set for 2015 is 26%” as indicated in a presentation of the MDG Status report 2012. Income inequalities and regional imbalances in development are high according to the same presentation.

2.2 Governance

Main public governance issues are:

- After Independence in 1963, Kenya continued the inherited model of centralised state powers. The practice of multiparty democracy was increasingly weakened and the Constitution was amended several times to provide for a strong executive and to weaken checks and balances;
- The one party state was abolished in 1991 and multiparty democracy returned; the first elections after the return of multiparty democracy were held in 1992. Since then elections were held regularly every five years;
- There has been a relatively free press since 2002 compared to several countries in the region;
- Civil society is relatively well organised and vibrant and active in its watchdog role of governance;
- In 2003 the Government of Kenya announced substantive governance reforms in various areas and new institutions were established, such as the Kenya Anti-Corruption Commission (KACC), and a series of new laws was adopted to promote governance;
- Despite these reforms, initial optimism faded as corruption scandals¹⁰ came to light and the new government manipulated the Constitution review process; its draft of the new Constitution was rejected in a referendum in 2005;
- The defeat of the government in the referendum about the draft of the new Constitution deepened divisions along ethno-regional lines; the emerging polarisation inured the country to violence;
- The elections of December 2007 led to an outbreak of violence in 2008;
- With international assistance including a mediation panel of Eminent African Personalities led by Kofi Annan, a National Accord and Reconciliation Act was signed by the main parties; the Accord aimed at promoting prospects for far-reaching reforms, including constitutional and institutional reforms, to prevent recurrence of violence;
- The National Accord established a Coalition Government based on a power-sharing agreement between the two parties in the dispute over the 2007 election results; this produced a bloated cabinet: 44 cabinet ministers and almost a double number of deputy ministers;

⁹ As indicated in a presentation on the MDG Status report 2012 by the Ministry of State, Planning, National Development and Vision 2030 on August 1st, 2013.

¹⁰ In particular the Anglo Leasing and Goldenberg scandals.

- Government decision making became difficult owing to lack of coherence within government; policy grid-lock and in-fighting featured prominently during the life of the coalition;
- A new Constitution was promulgated in August 2010, thus paving the way for more reforms including devolution of government to 47 counties, with the objective of, inter alia, promoting democratic and accountable exercise of power, and giving people the power of self-governance;¹¹
- After the elections in March 2013 a new government was installed; the new government reduced the number of Ministries from 44 under the Coalition government to 18. For some sectors the changes are substantial i.e for the agricultural and rural development where before the elections more than 10 ministries were involved and after the elections two main ministries remained;
- The March 2013 elections marked the start of the devolution process; the county governments were established following the election of governors and county assembly representatives.

Some important governance challenges faced by the EU to provide its support to Kenya throughout the evaluation period are presented in the following paragraphs.

Clear long term policies, but at sector level lack of operational plans

In 2001 the Poverty Reduction Strategy Paper (PRSP) was the main document on which the draft of the 9th EDF CSP was based. The PRSP was replaced by the Economic Recovery Strategy (ERS) in 2002. In 2008, after the 2007 elections that led to a lot of violence, Kenya launched its Vision 2030, a long-term development blueprint. It aims to create a ‘long-term competitive and prosperous economy with a high quality of life’ and to transform Kenya into a ‘newly industrialised middle-income country’. Vision 2030 is accompanied by five-year medium-term implementation plans (MTPs). The second Medium Term Plan for 2013-2017 has just been prepared. In Vision 2030, infrastructure and agriculture are key priorities in the economic pillar. The government priority for infrastructure is clearly reflected in the fact that it received 40.7% of development spending¹².

At sector level, various new policies and strategies have been formulated. Vision 2030 includes a number of flagship projects for infrastructure, including the development of a multi-modal transport corridor to Southern Sudan and Ethiopia from the new port at Lamu (LAPPSET corridor) and other crucial roads. The 2006 Sessional Paper on Development and Management of the Roads sub-sector further elaborates the priorities. A First National Spatial Plan and 50-year Integrated National Transport Master Plan were expected to provide a longer-term framework for the transport sector, but are not yet formally published. For the agricultural sector, the GoK presented its Strategy for Revitalising Agriculture (SRA) in 2004 in line with the ERS, but attempts to formulate an operational plan did not succeed. A new Agricultural Sector Development Strategy (ASDS) 2012-2020 was formulated in line with Vision 2030, but not followed up with an operational plan. Sometimes, new strategy papers have not always been approved formally as was for example the case with the Kenya Rural Development Strategy. A major problem, however, is the lack of operational plans which hinder the adoption of sector-wide approaches. These issues will be analysed in this report in relation to the focal sectors agriculture/rural development and transport infrastructure (see EQ6, EQ7, EQ 8 and EQ1).

¹¹ Article 174 of the constitution provides broad objectives of the devolved government.

¹² World Bank, 2013, Kenya Economic Update, Edition No 8.

Slow implementation of Agenda 4 reforms

The National Accord and Reconciliation Act of 2008 laid the foundation for power sharing and institutional reforms. Four agenda items were formulated to address the causes of the crisis, reconcile communities and prevent future conflicts. Agenda 4 items were to address long term issues, including constitutional, legal and institutional reforms; land reforms; youth unemployment; poverty and inequality; regional imbalances; national cohesion and unity; and transparency, accountability and impunity. In the period between 2008 and 2012, the most important developments concerning public governance in Kenya concerned the implementation of the four agenda items.

The single most important output of Agenda 4 reforms is the promulgation of a new Constitution, which took place in August 2010. Previous efforts during the last two decades had failed to produce a new Constitution because of vested interests. But through the National Accord agreements, the two parties agreed on a clear time frame and a new legislative framework. The new legislative framework, emanating from the bipartisan agreement of the National Accord, provided a basis for making a new Constitution, notwithstanding the still existing entrenched vested political interests. Despite the new constitution, over time discontent grew with the public and development partners due to slow implementation of many of the Agenda 4 items and in particular lack of political commitment to fight corruption. Furthermore, the large number of ministries led to many inefficiencies and a lack of coordinated reform efforts.¹³ The public was also increasingly disillusioned about the slow progress of institutional and several other reforms.

According to the new Constitution each county now has its own executive and legislative branches of local government and is primarily responsible for public service delivery. At the moment there is still a lack of clarity at the national and county government level concerning the new roles and responsibilities. These ambiguities have negatively affected the quality of public governance in Kenya. (see Annex 17 for more challenges related to the implementation of the Constitution).

Problematic relation between GoK and NSAs

During the evaluation period, the relationship between the GoK and NSAs focussed on governance reform has been tense, whilst in the period 2003-2007 relations were relatively good. The government has often been very reluctant to substantially engage with NSAs and limited trust exists between both actors. Many NSAs focussing on governance reforms were perceived by the GoK to be pursuing the donors' agenda as indicated in interviews and documents¹⁴. Furthermore, some of the governance oriented NSAs were opposed to the new government because of indictment of both the President and his deputy by the International

¹³ This section is based on: Norad (2009), "Political Economy Analysis of Kenya"; Kanyinga et al (2012), "The Political Economy of Reforms in Kenya: The Post-2007 Election Violence and a New Constitution"; Ecorys (2006), "Evaluation of European Commission's Support to Kenya"; The Republic of Kenya and The European Community (2007), Joint Annual Operational Review 2006; The Republic of Kenya and The European Community (2008), Joint Annual Operational Review 2007; The Republic of Kenya and The European Community (2009), Joint Annual Operational Review 2008; The Republic of Kenya and The European Community (2010), Joint Annual Operational Review 2009; The Republic of Kenya and The European Community (2012), Joint Annual Operational Review 2011; The Republic of Kenya and The European Community (2012), Joint Annual Operational Review 2012; South Consulting (2009), the Kenya National Dialogue and Reconciliation (KNDR) monitoring project: Project Context and Summary of Findings; South Consulting (2012) and Agenda Item 4 Reforms, Long-standing issues and solutions, Progress Review Report, March 2012.

¹⁴ Norad (2009), "Political Economy Analysis of Kenya".

Criminal Court (ICC) in relation to the crimes during the post-2007 election violence. The relations between the NSAs supporting the ICC and the new government thus were strained from the outset.

Between 2008 and 2012, many of these groups pressed for implementation of Agenda 4 reforms and the fight against impunity in particular. In that context many governance and human rights groups advocated to support the ICC intervention in Kenya with the argument that its intervention was a major step towards holding leaders accountable and towards the fight against impunity. Poor relations between these groups and the current government are the result of some of the NSAs advocating this position. This has produced certain important divisions among the NSAs. NSA representatives distinguished in interviews the more politicised NSAs on the one hand and the NSAs focussing on improving depoliticised service delivery on the other hand.

In addition the limited technical capacity of NSAs, significant competition amongst NSAs, and the politicization and ethnisation of some NSAs have not been conducive to fostering strong and substantive engagement between the GoK and NSAs.

The International Criminal Court intervention and implications for relations

- The March 2013 election has presented Kenya with diplomatic and political challenges. As mentioned above, both the newly elected president and his deputy are charged by the ICC for crimes against humanity committed during the post-2007 election violence;
- This has had certain diplomatic and political consequences for Kenya and its partners including the EU. The ICC case affected contacts with indicated members of government that remain limited to essential contacts, as indicated in interviews;
- Some EU Member States and other members of the International Community have reiterated that they cannot engage with Kenyan leaders; maintaining only essential contacts until the ICC case is settled. On its part Kenya has responded by intensifying cooperation with the east and with China in particular, whom Kenya views as more neutral on the ICC matter compared to the west¹⁵.

At the moment of writing the report, the ICC case was a major governance issue in Kenya and this was likely to remain so until the matter is settled. However, there are rapid developments, which makes it impossible to draw any evaluative conclusions on this real-time event. However, given the influence of the ICC case on international relations, this issue cannot be ignored.

2.3 International assistance

Kenya is not a very aid-dependent country compared to many countries in Africa, but development cooperation and assistance are still quite important. Development assistance amounts to 5-15% of the overall government budget, but that percentage is higher for some sector budgets. Furthermore, for development investments in some sectors the government depends to an important extent on development assistance.

¹⁵ XINHUA, 'China tells ICC to heed African Union on Kenya Trials' September 18, 2013.

The country programmable aid as well as all disbursed development assistance provided to Kenya have been increasing from 2004 onwards. Country programmable aid increased from US\$ 746.3 million in 2004 to US\$ 2193.2 million in 2011 representing an increase of 194%. Development aid increased by similar volume during the period – from US\$ 990.2 million in 2004 to US\$ 2831.2 million in 2011 representing an increase of 186%.

Table 2.1 Trend in development assistance in Kenya, 2004-2011 (Constant 2011 US\$ in millions)

| Year | Country Programmable Aid (CPA) | Disbursed aid |
|------|--------------------------------|---------------|
| 2004 | 746.3 | 990.2 |
| 2005 | 883.9 | 1094.6 |
| 2006 | 895.4 | 1294.4 |
| 2007 | 1315.9 | 1697.8 |
| 2008 | 1234.6 | 1669.1 |
| 2009 | 1663.5 | 2186.6 |
| 2010 | 1619.8 | 2025.7 |
| 2011 | 2193.2 | 2831.2 |

Source: http://webnet.oecd.org/dcdgraphs/CPA_recipient/.

Aid to Kenya has been quite fragmented and volatile. Donors have regularly reduced or increased aid commitments and/or disbursements in response to political changes. Aid increased immediately after the replacement of the Moi regime in 2002 but dropped after the violent conflict that engulfed the country in early 2008. Development aid increased again in the subsequent years, but it is generally scattered and consists increasingly of project support whose predictability is problematic.

The EU ranks 9th on the list of most important donors in the country in terms of volume of development aid provided according to OECD-DAC figures that show that the USA is the most important donor, contributing about one third of the total contributions of the top 10 donors. But there are new players such as China and South Korea that do not figure on the lists of OECD-DAC donors. Kenya now considers China as its most important donor. China does not only provide grant funding, but also concessional and commercial loans (for example, for infrastructure projects), while there are also Chinese direct private sector investments.

There have been various efforts at donor coordination including the Kenya Joint Assistance Strategy (KJAS) that dates from 2007 and was signed by the Government of Kenya and 17 Development Partners, including the EU and other bilateral and multilateral donors. In 2010, a KJAS review concluded that the KJAS has been applied to a lesser extent than envisaged and therefore recommended an update. The KJAS update process was finalised in March 2011. An Aid Effectiveness Group has been established that is chaired by the GoK and co-chaired by one of the donors.

3 EU Programme and Intervention Logic

3.1 Main characteristics of the Country Strategy Papers

There are two Country Strategy Papers (CSPs) relevant for the specific evaluation period 2006-2012: the CSP 2003-2007 linked to the 9th European Development Fund (EDF) and the CSP 2008-2013 linked to the 10th EDF. The formulation of both CSPs took quite some time, mainly because of political changes in Kenya i.e. the 2002 and 2007 elections. Over the whole period the two main focal sectors remained the same: agriculture/rural development and transport infrastructure. Different types of support and aid modalities were planned for these two sectors over the years.

Both the 9th and 10th EDF planned a considerable amount of macroeconomic support, mainly General Budget Support (GBS): 40-50% of the A-envelope for the 9th EDF, which was somewhat reduced to 33% for the 10th EDF. The disbursement of the last tranche of the 9th EDF GBS was delayed until 2012, while the 10th EDF GBS was reallocated to the focal sectors according to the Mid-term review (MTR) and the End Term Review (ETR).

There are also non-focal sectors according to both CSPs especially good governance and support to Non-State Actors (NSAs), trade and regional integration and private sector development/tourism. Furthermore the CSPs are linked to the EU's regional support, humanitarian support and support via the budget lines.

The original allocations of the 9th EDF CSP and the revisions made at the occasion of the MTR and the ETR are reflected in the following table.

Table 3.1 Allocations and re-allocations 9th EDF CSP

| A-envelope: | NIP 9 th EDF | | Mid-term Review | | End-Term Review | |
|-------------------------------|-------------------------|------------------|-----------------|-----------------|-----------------|------------------|
| | % | Amount (mill. €) | % | Amount (mill.€) | % | Amount (mill. €) |
| General budget support | 40-50 | 68-85 | 52 | 125-150* | 40 | 115 |
| Agriculture/rural development | 25-30 | 42-51 | 14 | 40 | 14 | 40 |
| Transport/Roads | 20-30 | 34-51 | 29 | 85 | 41 | 121 |
| Non-focal sectors | 5-10 | 9-17 | 5 | 15 | 8 | 25 |
| <i>Sub-total</i> | <i>100</i> | <i>170</i> | <i>100</i> | <i>290*</i> | <i>100</i> | <i>301</i> |
| B-envelope | | 55 | | 27 | | |
| Total | | 225 | | 327 | | 301 |

Source: CSP, MTR.

Note: - The amount foreseen for general budget support in the MTR was € 125 million, but a possible additional allocation of another € 25 million from the B-envelope was mentioned in the MTR.

As indicated in the Kenya country evaluation of 2006, at the time of the MTR of the CSP 2003-2007 a relative and absolute increase of General Budget Support was foreseen, but after the elections of 2007 that perspective changed and the GBS-envelope was reduced.

The original allocations for the 10th EDF CSP and the revisions after the MTR and the ETR are reflected in the following table.

Table 3.2 Allocations and re-allocations 10th EDF CSP

| | NIP 10 th EDF | | Mid-term Review+ STABEX Reallocation | | End-Term Review | |
|-----------------------------------|--------------------------|---------------------|--|---------------------|-----------------|---------------------|
| | % | Amount (mill. €) | % | Amount (mill. €) | % | Amount (mill. €) |
| A-envelope: | | | | | | |
| General budget support | 33 | 126.80 | 18 | 70.00 | 0 | 0 |
| Agriculture/rural development | 26 | 98.80 | 31 | 119.70 | 43 | 167.20 |
| Transport Infrastructure | 33 | 126.80 | 40 | 154.60 | 46 | 178.60 |
| Governance | 3 | 9.20 | 5 | 19.20 | 5 | 19.20 |
| Private Sector Development | 4 | 16.80 | 4 | 16.80 | 4 | 16.80 |
| Technical Cooperation Facility | 1 | 4.60 | 2 | 9.60 | 2 | 9.60 |
| <i>Sub-total</i> | <i>100</i> | <i>383.00</i> | <i>100</i> | <i>389.90</i> | <i>100</i> | <i>391.40</i> |
| B-envelope | | 26.75 | | 0 | | 0 |
| Total | | 409.75 | | 389.00 | | 391.40 |

Source: CSP, MTR, ETR.

As the 10th EDF CSP and the related National Indicative Programme (NIP) were formulated prior to the elections of December 2007, a substantial part of the envelope was allocated to GBS. However, during the period 2008-2012 it was decided to completely reallocate GBS mainly to the focal sectors and partly to the non-focal sectors.

In terms of EDF-allocations related to the two CSPs, the focal sector *Transport Infrastructure* is by far the most important sector with € 298 million i.e. 43% of total allocations.

9th EDF CSP 2003-2008

The preparation process of the 9th EDF CSP was long and cumbersome. Finally the CSP was signed in 2003 after the 2002 elections, which had created optimism in the country about positive policy and institutional reforms. That positive mood is to some extent reflected in the CSP as shown by the following statement: “key to the future development in Kenya is the successful implementation of the economic and public sector reform programme, notably measures to improve efficiency and public accountability” (p. 11, CSP). The PRSP was revised at the time of writing the CSP and was published under the name Economic Recovery Strategy (ERS). An important medium-term challenge mentioned in the CSP was the maintenance and reinforcement of the commitment to reforms, because that would be decisive for the ultimate sustainability of the PRSP and ERS.

Therefore, the main assumptions of providing support to the two focal sectors and the macro-economic support were that the GoK would effectively implement further policy and institutional reforms. If that would be the case, General Budget Support could be complementary to the focal sector support. No Sector Budget Support was foreseen, because at the time of writing the CSP that instrument was not yet well developed by the EU. For the roads infrastructure sector, it was expected that policy and institutional reforms would

continue, which could create the basis for a reduction of the funding gaps of the roads infrastructure investment programme with EU project funding. However, for the agriculture/rural development sector there was less optimism on the pace of reforms. Therefore, the agriculture/rural development sector in combination with non-focal sector support focused on strengthening communities, non-state actors and local governments.

To support economic growth and to strengthen Kenya's position as a regional hub, considerable attention would be paid to support regional economic integration through the focal sector roads infrastructure, but also the non-focal sector private sector development and to specific regional initiatives.

10th EDF CSP 2008-2013

The 10th EDF CSP was signed on 9 December 2007, a few weeks before the elections in Kenya, which led to considerable violence and a setback for the entire country in 2008. The 10th EDF CSP was on the hand more positive on concrete policy and institutional reforms that should be effectively implemented, whilst on the other hand there was an increased concern about specific governance issues such as corruption, the slow pace of decentralisation, relatively weak civil society, etc. The CSP planned to provide both GBS and SBS to the two focal sectors. For the transport infrastructure sector clear conditions related to the provision of SBS were formulated, but for the agriculture/rural development sector there no clear conditions were mentioned in the CSP. The increased attention for governance was reflected in the increased importance of Democratic Governance and support to NSAs as a non-focal sector.

3.2 Portfolio analysis

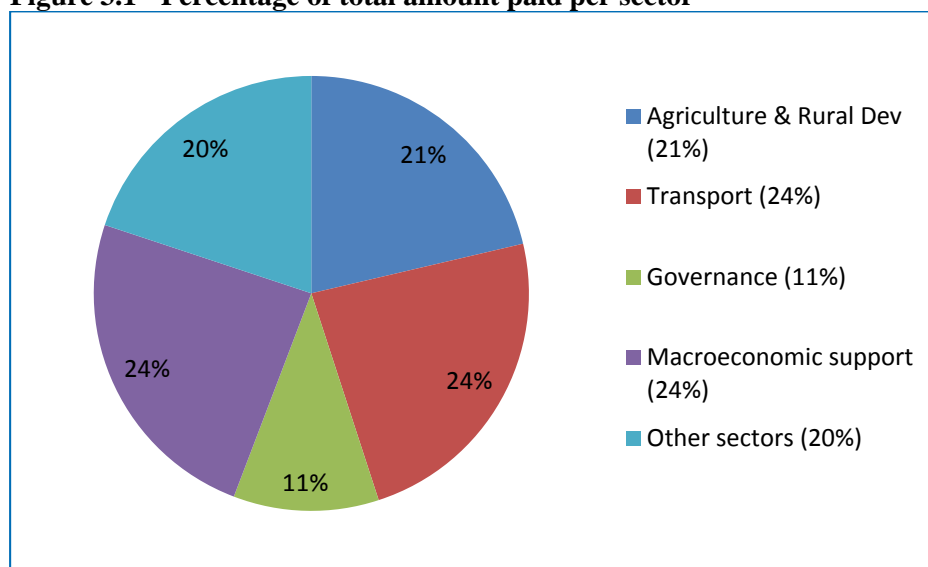
A portfolio analysis over the period 2006-2012 has been carried out and is presented in Annex 4. It is based primarily on information extracted from the European Commission's CRIS database and it covers contracts from various budget lines¹⁶. Information on STABEX funds is discussed separately as this data was not included in the CRIS system and uncertainties exist concerning the accurateness of the data received¹⁷. The majority of the planned and paid amounts relate to the 9th and 10th EDF, but some delayed contracts of the 7th and 8th EDF are also included.

The figure below shows a break-down per sector of the total paid amount of € 415 million of all contracts extracted from CRIS.

¹⁶ These are: FED (EDF), DCI-ENV and ENV, DCI-SANTE and SANTE, DCI-FOOD and FOOD, DCI-HUM, DCI-NSA, DCI-NSAPVD and ONG-PVD, DCI-SUCRE and Sucre, IFS and IFS-RRM, EIDHR and DDH, FINHCRIS, INFCO and DEVCOM, and ADM-MULTI.

¹⁷ The Evaluation Team received different excel sheets with data concerning the STABEX funds that contained statistics that varied from each other. In addition, the Evaluation Team have checked STABEX reports and EAMRs, which also sometimes contained divergent figures. Based on this information, the evaluation team has not been able to reconstruct a coherent and accurate picture of the STABEX funds. A coherent overview of the STABEX financing can, therefore not be provided. The Evaluation Team was, however, able to present in the text of the annex an outline of the main STABEX financed projects relevant for this evaluation.

Figure 3.1 Percentage of total amount paid per sector



The figure clearly demonstrates that most of the money spent concerns the focal sectors transport, macroeconomic support, and agricultural & rural development.

Transport

In total, around € 202 million has been planned and € 98 million paid to the transport sector. The contracts within the transport sector are for almost 100% paid by the EDF, with a negligible part being paid by the Sugar financing instrument.

The table below shows the shares of the different sub-sector/activity groups, as a percentage of the total amount paid to the Transport sector. It clearly shows that almost all the money has been spent for/on the activity group: “Construct/upgrade Northern Corridor and road to Ethiopia”. This activity group includes major contracts focused on, among others, the rehabilitation of the Mai Mahiu - Naivasha – Lanet Road, the Eldoret-Turbo-Webuye Road and the Webuye - Malaba Road (see Annex 4 for more details, especially also on the amounts planned vs the amounts paid).

Table 3.3 Percentage of total amount paid by sub-sector/activity group: Transport sector

| Sub-sector/Activity Group | Paid amount (€) | % Paid amount |
|--|-------------------|---------------|
| Capacity building | 421,138 | 0% |
| Construct/upgrade Northern Corridor and road to Ethiopia | 97,078,980 | 99% |
| Upgrade rural roads | 516,769 | 1% |
| Upgrade tourist roads | 111,997 | 0% |
| Upgrade road network Nairobi | 9,800 | 0% |
| Total | 98,138,684 | 100% |

The information presented above does not include the projects financed from STABEX funds. STABEX funds were used to finance the “EC STABEX Roads 2000 project phase II”, for which € 10.5 million was planned and around € 8 million paid. This project involved the rehabilitation of 900 km of gravel roads in five regions. In addition, the Central Kenya Rural

Roads project was financed from STABEX funds, for which € 21 million was planned and paid.

Agriculture and Rural Development

Within the agriculture and rural development sector, a total of around € 115 million has been planned and € 88 million actually paid. The majority –around 2/3- of the € 88 million spent has been financed by the EDF. The budget lines concerning non state actors and local authorities are the next most important sources of funds for expenditures within this sector.

The table below presents the shares of the different sub-sector/activity groups, as a percentage of the total amount paid to the Agriculture and Rural Development sector.

Table 3.4 Percentage of total amount paid by sub-sector/activity group Agriculture/Rural development sector

| Sub-sector/Activity Group | Paid amount (€) | % Paid amount |
|--|-------------------|---------------|
| ASAL research | 7,543,457 | 9% |
| Drought management (including drought response and resilience) | 17,993,708 | 20% |
| Food Security | 15,917,581 | 18% |
| Community development | 16,966,033 | 19% |
| Capacity building | 1,984,241 | 2% |
| Environmental management and biodiversity | 21,776,328 | 25% |
| Specific crop and livestock support | 6,280,782 | 7% |
| Total | 88,462,130 | 100% |

According to this breakdown, the largest activity groups are environmental management and biodiversity, drought management, community development and food security. The activity group “environmental management and biodiversity” mainly consists of the Community Development for Environmental Management Programme (CDEMP) plus some additional small environmental projects. The CDEMP is implemented by the Community Development Trust Fund (CDTF) that also implements the Community Development Programmes (CDPs) that are included in the cluster community development. However, the environmental programmes implemented by the CDTF pursue different environmental goals than the other CDPs that are focused on social and economic infrastructure. These different objectives are reflected in the Reconstructed Intervention Logic. The activity group “drought management” includes the “Drought Management Initiative” and the support to the Kenya Rural Development Programme (KRDP), which also covers institutional capacity building in drought management and climate change adaptation. Finally, the “food security” activity group includes the Dryland Farming Programme, a support programme for urban and peri-urban population affected by soaring food prices in Kenya, and a contract focused on using food aid to stimulate markets in pastoral communities (see Annex 5 for more details).

The information presented above does not include the projects financed from STABEX funds. The main Agriculture and Rural Development projects financed with STABEX funds are:

- Horticultural Produce Phytosanitary Certification & Quality Assurance (HORTICAP) (planned € 3 million, paid € 3 million);

- Quality Coffee production and Commercialisations Support Programme (planned € 6 million, paid € 3.5 million);
- Support to ASCU /Strategy for Revitalising Agriculture (planned € 2 Million, paid € 1.5 million);
- Community Development Programme Phase III (planned € 13 million, paid 5 million).

Macroeconomic support

General Budget Support (GBS) was planned to be a key component of the two CSPs as indicated above. However, only the GBS of the 9th EDF has actually been provided¹⁸ under the name “Second phase of the Poverty Reduction Budget Support (PRBS-II)”. The PRBS-II consisted in fact of GBS and Technical Assistance for supporting the PFM Reform Programme, respectively € 120 million and € 5 million (planned amounts, while actual disbursements totalled respectively € 98.7 million and € 2 million)¹⁹. This is more than the original allocation in the CSP, because in the MTR and ETR changes were made to the allocations (see table 3.1).

All the money planned and spent on macroeconomic support during the evaluation period, around € 101 million²⁰, has been financed by the EDF (see Annex 5 for more details). This amount includes € 2 million EU support for the PFM Reform Programme.

The following table shows the amounts committed and disbursed.

Table 3.5 Planned and disbursed GBS amounts (in €)

| | Committed | Disbursed | Date |
|-----------------------------|--------------------|-------------------|---------|
| Budget Support | | | |
| Fixed tranche 2005/2006 | 50,000,000 | 50,000,000 | 12-2005 |
| Fixed tranche 2006/2007 | 20,000,000 | 20,000,000 | 12-2007 |
| Variable tranche 2006/2007 | 30,000,000 | 20,625,000 | 12-2007 |
| Variable tranche 2007/2008 | 20,000,000 | 8,078,125 | 07-2012 |
| Total budget support | 120,000,000 | 98,703,125 | |

Governance

For the Governance sector, around € 51 million has been planned and € 45 million spent. The majority of the money spent has been funded by the EDF. The Democracy and Human Rights financing instruments (European Instrument for Democracy and Human Rights are the next most important financing sources for the governance sector.

The table below presents the shares of the different sub-sector/activity groups, as a percentage of the total amount paid for the Governance sector.

¹⁸ We already mentioned that the 10th EDF GBS component (indicative amount of € 126.8 million) was never implemented and at the occasion of the MTR and the ETR of the CSP 2008-2013, those funds were reallocated to other sectors.

¹⁹ Originally an amount of only € 68-85 million was programmed for GBS under EDF-9. During the Mid Term Review, that amount was increased to € 125-150 million. Finally a financing agreement amounting to € 125 million was signed.

²⁰ Initially, the first tranche of GBS was not included in the portfolio as it was paid in December 2005, in principle outside the evaluation period. However, it is impossible to analyse the GBS-strategy (see EQ4) without taking the formulation and disbursement into account.

Table 3.6 Percentage of total amount paid by sub-sector/activity group Governance sector

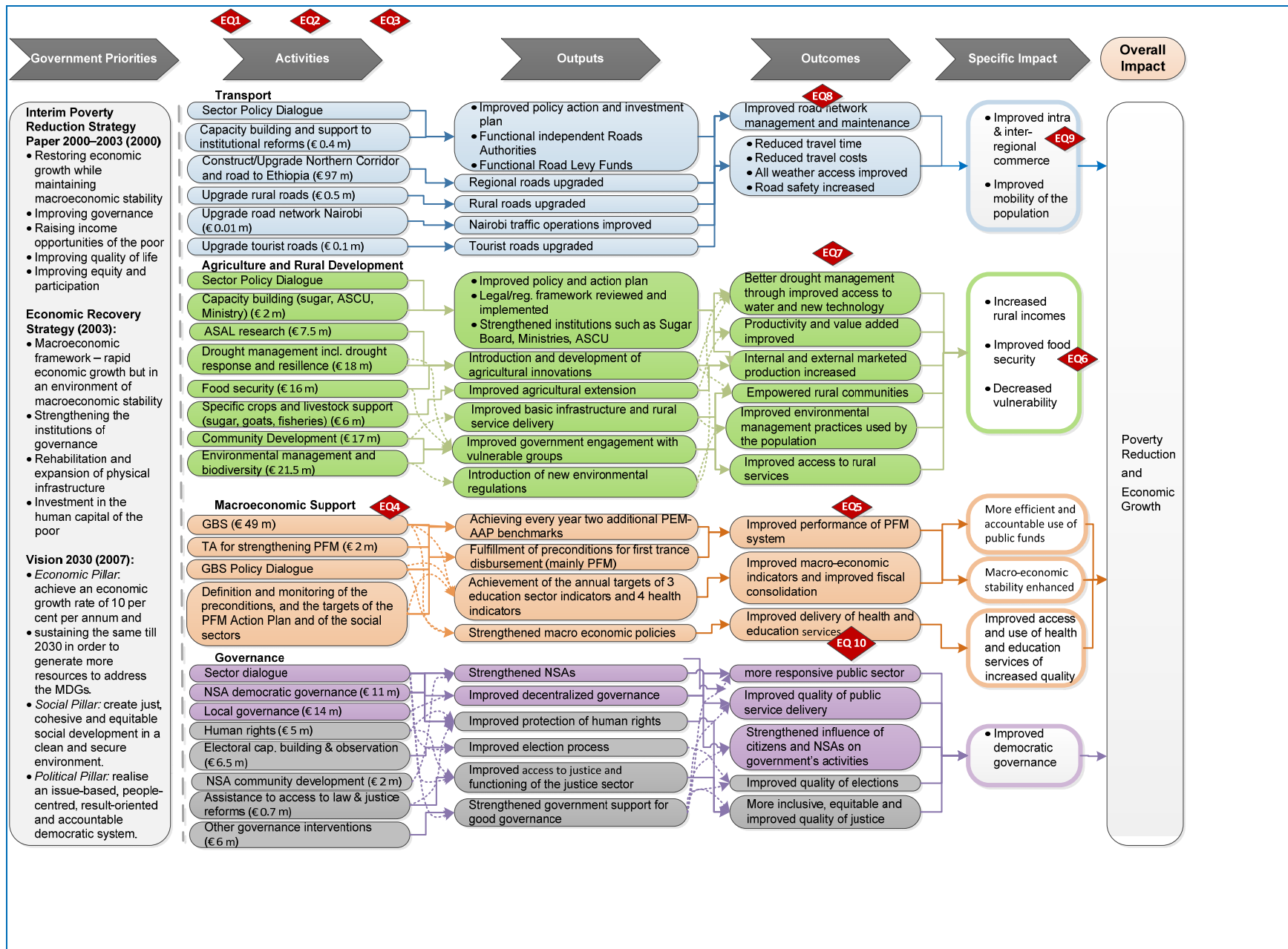
| Sub-sector/Activity Group | Paid amount (€) | % Paid amount |
|---|-------------------|---------------|
| NSA democratic governance | 11,136,222 | 25% |
| Human rights | 4,711,317 | 10% |
| Local governance | 14,219,329 | 32% |
| Electoral capacity building & observation | 6,442,451 | 14% |
| Other governance support activities | 5,842,224 | 13% |
| NSA community development | 1,797,312 | 4% |
| Assistance to access to law & justice reforms | 725,944 | 2% |
| Total | 44,874,799 | 100% |

Most of the money has been spent on “local governance” activities and on supporting NSAs to foster democracy. These activity groups include technical support to local authorities to improve local governance and grants & capacity building support activities to strengthen NSAs’ influence on governments’ policies. More specifically, “local governance” encompasses the Rural Poverty Reduction and Local Government Support Programme, which aims to reduce rural poverty by improving accountability and Local Authorities’ responsiveness in delivering services to the poor. The “NSA democratic governance” activity group includes the main programme “Support to Non-State Actors” (NSA-NET), which aims to improve the quality of life of especially poor, marginalized and vulnerable Kenyans by enabling them to have a voice in national development policies and thus enhancing local ownership of development programmes (see Annex 5 for more details).

3.3 Reconstructed Intervention Logic

The reconstructed intervention logic is presented on the page overleaf. The focus is on the sectors and sub-sectors that have been selected for this evaluation²¹. The information on paid amounts of the portfolio analysis has been included in the activities column.

²¹ The sub-sectors in grey of the governance sector are not part of the sample.



4 Main findings

4.1 EQ1: Responsiveness

To what extent has the programming and implementation of the EU policies and strategy responded adequately to the specific context of Kenya and its evolution over the 2003-2012 period?

4.1.1 Answer to EQ1

The planning of the 9th and 10th EDF CSPs in respectively 2003 and 2007 took place in periods of relative optimism, economic growth and planned policy and institutional reforms. The elections in 2002 led to a relatively long formulation process of the 9th EDF CSP, but the changes after the 2002 elections were reflected in the CSP. This was not the case for the 10th EDF CSP that was formulated mainly in 2007, but the approval- without further changes in the text- was delayed till after the elections. The prevailing optimism is reflected in both CSPs, in which due attention is paid to alignment with GoK priorities but much less to needs assessments and proper risk analyses. Given the positive assessment of the Kenyan context and the specific overarching strategic orientations of the EU policies at that time (that were in favour of the provision of GBS and SBS), the majority of the envelopes were meant to be spent on budget support.

Because of the changes in Kenya, in particular the unexpected post-election violence in 2008, that planning proved to be far too optimistic. The EU realised that it had paid insufficient attention to risk analysis especially the governance risks. This led from 2008 onwards to a more careful approach and more attention paid to governance aspects, which in turn led to a complete shift of the aid modality mix from a majority to be spent on budget support to exclusively project support for which the ownership by the GoK varied. Based on its policies including the ERS and Vision 2030 the GoK gives priority to infrastructure and agriculture. Therefore, the GoK shows clear ownership of the improvements of trunk roads and agricultural interventions. However, ownership for community development and some governance activities is more limited. The EU responded to the changes in the context in various ways: more attention to the political dialogue, more attention to governance analysis and a change of aid modalities.

The shift to project aid increased the challenges to establish coherence between the various EU supported interventions. There are some scattered examples of good coherence, notably in the support to the Arid and Semi-Arid Land (ASAL) areas and in the response to the 2007 elections and the preparation of the 2013 elections through the political dialogue. However, in general, there is a lack of coherence both within and among sectors, which limits the value added of the EU. The explanatory factors behind this limited coherence are on the one hand the large number of sectors the EU is active in with a large number of different funding instruments, and on the other hand the specificities of the Kenyan context. Problematic donor coordination (see 4.2) and the fact that Kenya is not a very aid-dependent country are explanatory factors that are related to the Kenyan context.

The choice for the two focal sectors, transport infrastructure and agriculture/rural development is considered to be appropriate in view of the Kenyan context at the time and the comparative advantage the EU has in both sectors. That comparative advantage is, according to key stakeholders, based on the leading role the EU has played in the two sectors, the recognised knowledge of the DEU and the variety of support provided. It should be noticed that regarding the agricultural and rural development sector, the EU has a specific comparative advantage in its support to ASAL areas because of the value chain approach – linking and addressing all steps in the value chain i.e. from production, to processing, and marketing (see text box in 4.6.3) that has been developed, but this does not apply to the entire focal sector support. Also for the non-focal governance sector no comprehensive sector strategy has been developed. In governance, the synergies between the various EDF-supported programmes and the budget lines that support NSA projects are quite limited as budget line projects are not targeted, but selected on the basis of a request for proposals. This limits the potential to create synergies, because this would require a more comprehensive and targeted approach.

It can be concluded that before 2008 the EU was not adequately prepared to respond to changes in the Kenyan context. EU Member States pointed at risks, but these were ignored to an important extent by the EU (more information is provided in the answer and findings on EQ4, see 4.4). Especially governance developments as presented in the context section were not given adequate attention. After the 2007 elections, the EU became more responsive. This did not lead to changes in the strategy, as was considered at some point of time, but rather to changes in the aid modality mix as indicated above.

There are some important lessons to be learned from this experience. Some of these lessons have already been implemented such as improved attention for the political dialogue and strengthening the linkages between this dialogue and the planning and implementation of development cooperation. This means that, for example, the political dialogue on elections is linked to specific election support. Another lesson is the need for continued attention to governance analysis, including political economy analysis. A lesson that still has received limited attention is the need to develop good risk analysis and related risk mitigation strategies.

4.1.2 Rationale EQ1

This question covers the extent to which the EU's policies and strategy took into account the needs and problems of the population as expressed in successive GoK plans or by the Civil Society in different fora. The context analysis made clear that there were quite some fundamental changes in the political and economic situation in Kenya during the period under study, with the post-election crisis in 2008 having a major impact. The context analysis also indicated that there were periods of rapid policy developments and institutional reforms and periods of stagnation. One of the main issues is whether the EU was adequately prepared to respond to changes in the context, for example by making use of risk mitigation analyses and strategies or scenario analysis.

As this question deals to an important extent with the relevance of the EU support to Kenya, the appropriateness of the choice for the two focal sectors is an integral part of this EQ. Furthermore, there was pressure to disburse more money through the focal sectors because the 10th EDF GBS was reallocated to the focal sectors. The appropriateness of the decisions for reprogramming were examined.

The portfolio analysis showed that the implementation of a large share of the programmes planned under the two CSPs was severely delayed and a considerable part was not implemented at all and replaced by other types of activities. Therefore, it was assessed to what extent the changing governance situation in Kenya has had an effect on programming and implementation of the CSPs, and in particular on the mix of aid modalities and funding instruments. The various aid modalities and funding instruments (and the mix thereof) employed for implementing the EU's cooperation strategy with Kenya could have had significant influence on the value added and internal coherence of the EU support. The mix should have been based on strategic choices, and should take into account the national context, programme objectives and potential avenues to achieve them, ownership and alignment objectives, as well as a careful consideration of the recipient government's capacities and the advantages / disadvantages of employing the various aid modalities and instruments. The evaluation team has analysed the aid modality mix against the background of changes in Kenya.

The overall EU development cooperation rationale consists of more than the EDF-CSP funding as was shown in the portfolio analysis (see chapter 3 and Annex 4). In practice, there is a combination of policies, strategies and funding instruments through which a large variety of activities is being financed. The regional strategy (RSP), the political dialogue (via European External Action Service-EEAS), and humanitarian assistance via ECHO (European Commission Humanitarian Aid department) are supposed to be coherent with and complementary to country assistance via the EDF-CSP. Therefore, this strategic question has also focused on the coherence of the EU support in the changing Kenyan context.

This question does not only have an accountability element, but aims also to draw lessons that are relevant for future design and planning of EU assistance.

4.1.3 Main findings EQ1

Good alignment, but ownership problems

There is good alignment between the EU support and the priorities of the GoK as outlined in the overall development policies such as the ERS and also Vision 2030. The CSPs pay considerable attention to the GoK policies and how the EU support relates to the priorities set by the GoK (see Annex 6, I.1.1.1).

The government policies are based on general analyses of the country's needs as presented in the ERS and Vision 2030 as well as in sector policy documents that indicate priorities (see also section 2.2). However, there are no detailed needs assessments including surveys and institutional assessments that should form the basis for government policies and operational plans. Programmes supported by the EU are based on the same general needs analyses, but not on very detailed analyses, although there are many variations among and within sectors of support. The new Roads Act approved in 2007 was elaborated on the basis of a series of good (donor-driven) studies and needs assessments. The ASAL Policy and the Kenya Rural Development Programme (KRDP) were also based on reasonably good sector analyses. Despite these positive examples for specific focal sectors, there is a general lack of sound needs assessments identifying and focussing on the needs of most vulnerable groups. It was planned to operationalise these overall sector policies and strategies in specific investment or action plans. However, this operationalisation took only place to a very limited extent through

MTPs, but not through specific roads or agricultural investment plans. This has hindered the performance of EU support to two focal sectors as the planning and formulation of specific interventions was based on the assumption that good operational plans would become available (see section 2.2)²².

Despite overall good alignment, the ownership of GoK for quite some programmes is limited (see Annex 6, I.1.1.3). Ownership is arguably higher for the more technical programmes having a high GoK priority such as the trunk roads, but also initially for the GBS. In section 2 it was already indicated that especially infrastructure, but also agriculture have a high priority in the GoK policies, which is also reflected in high development spending especially for infrastructure.

For specific projects and programmes ownership varies considerably from good ownership for some projects such as KARI/KASAL and the rehabilitation of roads to relatively limited ownership such as for the community development programmes of the Community Development Trust Fund (CDTF), but also for some NSA support programmes and institutional support programmes. Roads and agricultural research are important priorities for the GoK, which is an important factor contributing to ownership in these areas. EAMRs and interviews also point at ownership issues for some governance projects, resulting in inaction and delays (see Annex 16).

Community development and NSA support do not have a high priority for the GoK as indicated in section 2. There are no specific policies for these areas, whilst spending of the GoK development budget in these areas is limited as well (see also section 4.7 EQ7 and section 4.10 EQ 10). The CDTF was set up as an agency of the Ministry of Planning in 1996 with a Board of Trustees representing various stakeholders. The establishment of the CDTF was based on a Financing Agreement between the GoK and the EU.²³ Despite this formal status and formal collaboration with other government departments and counties, reports and interviews indicate that the CDTF has operated in relative isolation with sometimes limited direct working relations with other government departments. One explanation for the relative isolation was the lack of a clear rural development strategy and/or operational plans and the dispersed institutional set-up of the sector (see 4.7). Furthermore, all CDTF staff costs are part of the donor-funded budget. The complicated institutional set-up of the agriculture and rural development sector with more than 10 ministries involved until the restructuring after the March 2013 elections is another explanation for sometimes problematic ownership. In combination with the fact that the CDTF is working in a large number of counties, given its demand-driven approach, this further complicates the institutional set-up.

Insufficient attention to risk analyses and risk mitigation especially before 2008

At the start of the evaluation period, the years 2006 and 2007 when also the 10th EDF CSP was formulated, which was a period of economic growth and relative optimism (see chapter 2), the EU had no clear mechanisms in place to respond to serious changes in the context. The

²² For transport a First National Spatial Plan and 50-year Integrated National Transport Master Plan were expected to provide a longer-term framework for the transport sector, but were not yet formally published at the moment of drafting the report. For the agricultural sector, the GoK presented its Strategy for Revitalising Agriculture (SRA) in 2004 in line with the ERS, but attempts to formulate an operational plan did not succeed. A new Agricultural Sector Development Strategy (ASDS) 2012-2020 was formulated in line with Vision 2030, but not followed up with an operational plan.

²³ CDTF is a Ministry of Planning agency established in 1996 through a Financing Agreement between the Government of Kenya (GoK) and the European Union (EU), and gazetted under Legal Notice No. 303 dated 26th March 1996. This was repealed through legal notice No. 172, dated 20th September 2007 to allow CDTF to be multi-donor funded.

CSPs for the 9th and 10th EDF did not have a risk assessment analysis and no risk mitigation measures were in place (see Annex 6, I.1.2.1).

The EU was taken by surprise - as other DPs- by the post-election crisis in 2008, while the disbursement of the second GBS tranche just after the elections put the EU specifically in quite a vulnerable position. The EU acted quickly together with other donors to the 2008 crisis and a joint international response was formulated (see Annex 6, I.1.2.2).

After 2008, the EU has become more aware of the risks related to changes in the Kenyan context. Since that time governance analyses get more attention. Also the aid modality mix has changed (see below). However, there are still no good risk analyses or risk mitigation strategies in place, whilst the CSPs in combination with the EAMRs, JAORs, MTRs and ETRs would provide a good framework for risk analyses and regular updates.

There has been a complete and justified shift from a planned aid modality including a large budget support component towards the actually implemented aid modality mix of the 10th EDF consisting's exclusively of project aid

As indicated in chapter 3, both CSPs had originally planned a large GBS component, but only a substantial share of the envelope of the CSP 2003-2007 (EDF-9) was actually allocated to GBS and disbursed. Although both CSPs aimed for a large GBS envelope and the 10th EDF planned for starting SBS programmes and limiting project aid to a minimum, the reality has been that only the GBS envelope of the 9th GBS has been used, that no SBS programme has been started and that almost all aid of EDF-10 is being provided as project aid.

The emphasis on GBS and SBS can be explained by the fact that both CSPs were formulated in a period of relative optimism and confidence in the policies and quality of governance of the GoK (in 2003/2004 and 2007). Furthermore, there was a strong drive at the level of the EU Headquarters in Brussels to increase the percentage of EU aid offered as budget support.

Nevertheless, already in 2006 there were signs that the economic, policy and governance context in Kenya was less favourable for GBS than when the 9th EDF CSP was formulated. This resulted in delays of the actual GBS disbursements. Despite these indications of a still problematic context, the CSP 2008-2013 leaned towards the optimistic side and planned GBS and possibly also SBS.

However, there was a serious deterioration of the political, policy and governance situation in 2008, which improved only slowly in the years thereafter. Therefore, not only the GBS envelope of the 10th EDF was not used, also no SBS for the two focal sectors was provided. In reality, all EDF-10 funds have been provided as project aid so far, which is more or less the opposite of what was envisaged in the CSP 2008-2013.

In the decision-making on the shift in the aid modality mix, HQ in Brussels has played a very active role, as the thinking on budget support gradually changed. This led to delays in decision-making and sometimes cancellation of programmes such as the SBS REGAIN for the ASAL areas. This SBS was formulated after the reallocation of GBS to focal and non-focal sectors. The DEU considered SBS to ASAL areas to be feasible, but HQ decided that

this was not an appropriate choice²⁴. With this decision, it is clear that no SBS will be provided under the 9th and 10th EDF CSP, which is a deviation from the planning.

The initial choice for GBS and SBS was understandable in view of the context of those particular periods. However, the risk that the favourable conditions for GBS and SBS would be short-lived, were insufficiently taken into account. Also the conditions in the two focal sectors were not favourable for providing budget support. The fact that in the two focal sectors SBS was seriously considered in respectively 2009 for the transport sector and 2012-13 for the agricultural sector, but not provided is an indication of increased responsiveness of the DEU. The post-election violence led to an increased attention for governance factors, which in turn led to change in the aid modality mix. Therefore, the shift in aid modality mix towards project aid is justified.

The internal coherence of EU support has been quite limited with some scattered positive examples and considerable room for improvement

There is hardly any evidence of synergies among the various sectors of support.

Within the focal sectors of support there were attempts to create internal synergies between the various projects and programmes on the one hand and the political dialogue on the other hand. This was especially the case with the transport sector where a balanced package of interventions was planned in line with the policy dialogue. However, the implementation of the package was delayed and priority was given in practice to trunk roads with less emphasis than planned on institutional sector reforms and other types of roads.

Also the agricultural support to ASAL areas would consist of a balanced package of interventions agreed upon with the Ministry of State for Development of Northern Kenya and other Arid Lands. This Ministry was till the 2013 elections responsible for development in the ASAL areas. After the elections, this Ministry was abolished and tasks were transferred to the new National Drought Management Authority (NDMA) established in 2011. However, NDMA mainly deals with drought risk management and is therefore important for the EU supported Drought Management Initiative. The NDMA needed still to link up with the KARI and FAO agricultural and livestock programmes in the ASAL, at the moment the evaluation was carried out. Both FAO and KARI have already worked together in the livestock programme as part of the fodder crop component with KARI providing improved drought resistant grass seeds and technical assistance for the fodder crop schemes implemented by FAO in the arid zones. As these programmes are now being carried out under the KRDP, there are potentially good opportunities for the three parties (and other ones too) to coordinate and complement activities in the ASAL including strengthening of resilience (Annex 11, 6.2.1). It appears that attempts to increase coherence and complementarity between the various types of support to ASAL were on-going at the moment of the evaluation and discussions on joint programme-based approaches continued. The support to ASAL also appears to be streamlined to the extent possible with ECHO support, but streamlining appears to take place on an ad-hoc basis with little concrete examples presented in documents and

²⁴ The second version of the Action Fiche and related documents, in which the DEU proposed to provide SBS to the ASAL programme, was discussed by the QSG2 at EU Head Quarters in May/June 2013. The Mission was informed orally that the official reason for rejecting the proposal was the high fiduciary risks in Kenya. The mission has requested written information as regards the arguments of the QSG2 to reject the financing proposal (e.g. minutes of the meeting of the QSG2) but that could not be provided to the mission for reasons of confidentiality. Besides that, it should be noted that this decision making process did not take place within the evaluation period of 2006-2012.

interviews. However, CDTF is not part of the efforts to increase complementarity and coherence regarding the support to ASAL.

The available evidence indicates that there are clear sign of increasing synergies between agricultural research, food security and drought management activities in ASAL and to a more limited extent with environmental management and ECHO support. From the concrete examples so far, lessons can be learned to further improve synergies.

Despite the clear focus on ASAL in recent years, there was no coherent strategy as such for the entire agriculture and rural development sector. This focal sector consists of three types of support: i) agricultural support to ASAL areas; ii) community development support; and iii) rural poverty reduction via support to local government. These three distinct types of support are managed by three different sections in the DEU and do not relate to each other.

There was also no comprehensive strategy for the non-focal governance sector, which has led to a series of scattered interventions. The governance sector includes activities that focus both on the demand and supply side. While this gives –on paper– the opportunity to exploit synergies by focusing on the same regions and issues from both the demand and supply side, this opportunity was not exploited in practice. For example, the capacity building activities that focused on enhancing Local Authorities’ responsiveness and accountability were not complemented by NSA projects in the same region that focused on demanding transparency and accountability with respect to the same public funds (Local Authority Transfer Fund and Poverty Reduction Fund). Instead, most of the NSA projects that dealt with the management of devolved funds mainly focused on the CDF. Another example is the lack of coordination between EU supported CDTF projects and the NSA projects that dealt with the management of devolved funds. Since the NSA projects did not specifically cover CDTF projects, an opportunity was missed to exploit synergies by addressing both the demand and supply side of accountability and responsiveness concerning the CDTF projects (see also the text box on the Nakuru field visit section 4.7.3). Furthermore, in governance, the synergies between the various EDF-supported programmes and the budget lines that support NSA projects are quite limited as budget line projects are not targeted, but selected on the basis of a requests for proposals. This limits the potential to create synergies, because this would require a more comprehensive and targeted approach.

There are also very limited synergies between the Regional Strategy Paper (RSP) and the CSP interventions.

There is some evidence of synergies between the development cooperation interventions mentioned above and the political dialogue for which initially Relex was responsible and later EEAS from 2011 onwards. The EU became aware of the importance to pay more attention to governance issues in the aftermath of the 2008 post-election crisis. The EU was quite active in the handling of the post-election crisis together with other DPs. According to interviews the establishment of the EEAS in 2011 led to increased attention for the political dialogue, which was linked to development cooperation programming. This was quite visible around the preparations of the 2013 elections where the active EU involvement through EEAS in the political dialogue on the elections was linked to election support programmes. However, it should be realised that not all stakeholders have a common opinion on the required level of coherence between the political dialogue and development cooperation, as some fear that (too) close linkages may lead to increased politicisation of aid.

The focus of the EU on the agricultural and rural development sector has been appropriate, especially the focus on ASAL areas where the EU has a comparative advantage and a clear strategy

Whilst most aid is appreciated by beneficiaries and found to be relevant, the EU is especially appreciated for its consistent support to ASAL areas that has been elaborated into a more coherent approach since 2006. Specific characteristics of the EU support to this focal sector as recognised by key stakeholders are: i) the consistency of the support to this sector over a long period of time; ii) the focus on ASAL areas through agricultural research and the value chain development approach; iii) the combination of different types of interventions with a variety of implementing partners (GoK institutions, UN agencies, NSAs). The reallocation of GBS funds was meant to further strengthen this ASAL focus.

However, the community development support provided through the Community Development Trust Fund (CDTF), with the possible exception of some ASAL focused environmental activities, is not at all linked to the agricultural response strategy for ASAL, as stated above. The same applies for the support to export crops and some local governance activities. In fact, there is no coherent overall sector strategy. There is only a coherent strategy for the support to the ASAL areas (approximately covering 60% of the expenditures to this focal sector during the period 2006-2012, but increasing gradually over time).

Especially for agricultural research and development in the ASAL areas, the EU has according to the stakeholders proven to be a staunch supporter with the conviction that research and development (and later value chain development) play a key role in increasing production and productivity in order to lift small farm households out of poverty. Key stakeholders acknowledge the importance of EU's long term and consistent support to agriculture and its rich experience in this sector. This information clearly indicates that the EU has a comparative advantage in the support to ASAL areas because of its knowledge and its clear strategy and the variety of support provided. This provides further potential for the future, although policy and institutional constraints (see chapter 2 and EQ6) should not be neglected, and a clear risk analysis for this sector is needed (see the finding on risk analysis and risk mitigation above).

The focus of the EU on the transport sector has been appropriate given the comparative advantage of the EU in this sector, but there is a clear risk that construction and rehabilitation of trunk roads will dominate the activities

The EU is recognised as one of the main donors in the transport sector. This perceived comparative advantage is based on the long-lasting support of the EU to that sector and the specific knowledge and expertise of the EU in this sector. In addition, the EU planned to focus its support on a variety of different activities, including funding to different types of roads, an active role in the policy dialogue and in donor coordination (see EQ2), and institutional support provided in the form of studies and TA. Given the policies of both the EU and the GoK at that time, the EU focus on the transport sector in the period 2006-2007 when also the 10th EDF was formulated, was appropriate and balanced.

The pace of the policy and institutional reforms slowed down from 2008 onwards and the emphasis of the GoK and was put more and more on trunk roads. Given the top priority given by the GoK on trunk roads, the EU had hardly any other choice than following this, which meant in practice that the envisaged balance in the support to this sector was less visible than intended (with approximately 75% of the total sector expenditures going to trunk roads) as shown in the portfolio analysis (section 3.2). The EU continued to be active in the policy

dialogue and donor coordination, but after 2008 the conditions for a good dialogue and coordination deteriorated (see also EQ2 and EQ8).

The reallocation of GBS funds to this sector, which was in line with GoK priorities, increased the pressure on formulation and planning. As the trunk roads were already planned to a large extent, they provided an easy possibility to spend more funds. There are some lessons to be learned from this process, where contrary to the initial planning the vast majority of funds was spent on trunk roads, which was a top government activity, but went at the expense of rehabilitation of urban and rural roads. This clearly shows the importance of a good policy dialogue between the government and DPs, where preferably formal agreement is reached on priorities, but where it can also be concluded that stakeholders ‘agree to disagree’.

4.2 EQ2: Donor coordination and harmonisation

To what extent was the EU support well-coordinated and complementary to the interventions of other donors?

4.2.1 Answer to EQ2

The EU together with EU Member States, other development partners and the GoK made various attempts throughout the evaluation period to improve donor coordination in line with aid effectiveness principles. The institutional set-up for donor coordination was changed various times, but donor coordination remained problematic throughout the whole period and affected EU performance.

In 2006 new donor coordination mechanisms started to function. These donor coordination mechanisms should be linked to a Kenya Joint Assistance Strategy (KJAS) that was still being formulated in 2006, and implementation of KJAS only started just before the 2008 crisis (see section 2). In the years 2006-2007, there was some momentum in sector donor coordination in some specific sectors such as transport and PFM, where good policy dialogues were taking place. This contributed to policy and institutional reforms in the case of transport. However, as the drafting of the KJAS was delayed and the post-election crisis changed the context dramatically, the momentum for improved donor coordination got lost.

In 2009, in response to a critical review of the donor coordination mechanisms at the time, the institutional set-up was changed and the Aid Effectiveness Group was set up with clear responsibilities for the government and donors. However, this institutional change did not lead to the expected improvement in donor coordination and harmonisation. Misperceptions that limited donor coordination under the previous set-up were still existent and valid. The main explanatory factors are lack of trust between development partners and the government as well as limited leadership on the part of the government, as indicated in a joint review of donor coordination. This has contributed to weak coordination.

The existing platforms are ineffectively utilized for coordination. They tend to serve the purpose of information exchange rather than being mechanisms for effective coordination and harmonisation. Government consultations on aid effectiveness are less frequent compared to those of donors. The absence of agreement on division of labour has led to limited coordination and harmonisation in most sectors. In a context of fragmented project aid (see

section 2.3) it should be realised that donor coordination is quite difficult. There are no concrete opportunities to provide joint budget support as most donors stick to project aid.

In this overall problematic donor coordination environment, The EU has been active in donor coordination in the sectors in which its efforts were concentrated. After 2008, the focus at sector level was more on practical information exchange around specific projects than on consultations around policy and institutional reforms. There was no clear agreement on division of labour among donors. Therefore, it was difficult to have a well-coordinated EU support that effectively complemented interventions of other donors.

The EU could not change this context, but is part and parcel of it. Within this difficult context, the EU made clear attempts to consult other donors on its strategies and the implementation, but there was no structured and formalised mechanism for this consultation. As a result, the EU policies and strategies were also not well harmonised with those of other donors.

In view of the problems with overall donor coordination, the EU and MS gave specific attention to the improvement of EU coordination. The EU development councillors meeting became the forum where main contextual issues were discussed. The EU development councillors took the initiative in 2013 to develop a joint EU programming as an attempt for a new KJAS attempt had failed. In fact, this can be considered as a pragmatic, but not ideal way forward in a situation where donor coordination has been problematic. According to the aid effectiveness principles of Paris, Accra and Busan, good donor coordination would, however, require government leadership and include all DPs. In Kenya, overall donor coordination mechanisms are in place, but not functioning satisfactorily. Therefore, internal EU coordination with the MS has become more important. A clear lesson is that the policy dialogue requires constant attention, but in such a complicated context expectations regarding the possibilities for good coordination are limited, and therefore various options should be explored. The DEU clearly shows that it has learned this lesson.

4.2.2 Rationale EQ2

Kenya is not a very aid-dependent country, but development cooperation is still quite important as shown in the figures on development assistance to Kenya presented as part of the context (chapter 2). In the changing context of Kenya donors had different views on the main developments in Kenya and on the appropriate strategies and type of aid to be provided. This was also the case among EU Member States. The EU had a special position in this debate as illustrated by the fact that the EU was the only donor providing GBS. Furthermore, new international actors such as China and South Korea play a more and more prominent role in Kenya, which affects the attitude of the GoK towards donor coordination and changes the setting. Despite the divergence of opinions and strategies a joint donor strategy Kenya Joint Assistance Strategy (KJAS) was developed in 2007 and donor coordination mechanisms were being put in place. At present, the EU is preparing not only its new programming for the 11th EDF, but also a new joint EU programming exercise in the first half of 2013. This EQ (and elements of other EQs) aims to link to this joint programming exercise.

Given the rapidly changing international context in which Kenya is operating and the emergence of new international actors this specific EQ is focused on donor coordination and external coherence, because it is expected that this will provide meaningful lessons for future programming and implementation of EU support. This second EQ is closely linked to the first EQ when it comes to EU's comparative advantage in specific sectors and types of support

such as GBS, because in that context the division of labour among Development Partners is important. Furthermore, the synergies with other donors are also important in this context, which is related to the issue of internal EU coherence that is part of EQ1.

4.2.3 Main findings EQ2

There is a complete aid architecture in place, but it is not functioning very effectively

Various documents²⁵ as well as interviews with various stakeholders showed that there has been a structure for donor coordination; formal mechanisms were and are in place. Attempts at donor coordination began with the Harmonisation, Alignment and Coordination (HAC) initiative. HAC was meant to be strengthened by the development of a Kenya Joint Assistance Strategy (KJAS) for which the preparations started in 2004. The HAC was agreed upon in 2007 for the period 2007-2013. This was during the time of economic growth and relative optimism as indicated in the context developments (see chapter 2) and in the findings and answer to EQ1. The implementation of the KJAS started just before the 2008 crisis.

The review of HAC in 2009 pointed out that ‘the pace was slowed down and changed and thus hindered the overall objective of the HAC: to promote national development’²⁶. In the spirit of the KJAS both the government and donors made new attempts to improve coordination: HAC transformed into the Aid Effectiveness Group with the government and DPs co-chairing. One year later in April 2010, the KJAS review report noted that the misperceptions that limited the success of HAC were still existent and valid in 2010 and included the feeling on the part of both the government and DPs that none of them had created genuine partnership²⁷. A lack of leadership from the GoK was indicated as one of the main problems. In the KJAS review, very strong words are being used such as “rift of trust” and “risk of disagreement or claims of misbehaviour”²⁸.

KJAS should have provided an opportunity for harmonising policies and strategies of donors and the GoK, but the KJAS review report noted that by 2010 achievements were restricted to integrated programmes, joint missions and joint analyses. Critical also was that the development partners were not using the results framework developed under KJAS. According to the review, ‘the results framework matrix is poorly used; few report to their capitals on its use’.

Development partners were –since 2008- more active within their own coordination institutions as indicated in the KJAS review and in interviews, but these forums were focused primarily on facilitating and sharing of information rather than facilitating effective coordination and harmonisation. Because of this, donors have not resolved the challenge of division of labour, which has been discussed several times in joint meetings with the government. Some sectors therefore have remained more crowded than others. A better division of labour is difficult to realise in a context of rather dispersed project aid (see 2.3) and limited GoK leadership.

²⁵ The main documents in this respect include The Kenya Joint Assistance Strategy – KJAS - (2007-2012); The KJAS Review Report, 2010; and 3rd Aid Effectiveness Group (AEG) Retreat Report, 2012.

²⁶ HAC Review, 2009.

²⁷ KJAS review report, 2010. p.11.

²⁸ Ibidem, p. 5 and 6.

Coordination at sector level has varied over time, with relatively good coordination in 2006-2007 in most sectors, but the momentum got lost in 2008

Some sector or sub-sector working groups have worked well during certain periods of time. This, however, is dependent on whether the sector is well defined²⁹ and on willingness of both the GoK and the DPs to effectively coordinate their efforts and harmonise policies and strategies.

The EU has been active in coordinating the agricultural sector and the transport sector. The donors in the agricultural sector signed a code of conduct to govern the partners' work in the sector with a view to increasing aid effectiveness, but the results of this code in terms of improved coordination and harmonisation are not clear. Agricultural sector group meetings do take place and information is being exchanged. However, with the failure of Agricultural Sector Coordination Unit (ASCU) set up specifically to improve sector coordination within the dispersed institutional set-up, there is little evidence of improved synergy with donors who continue with stand-alone projects. The road sub-sector group worked very well in the period 2005-2007 when policy and institutional reforms were prepared. Also the PFM donor group worked quite well during most of the time during the years 2006-2012 and contributed to the formulation of the PFM Reform Programmes in 2005/2006 and recently in 2012/2013. However, during the years 2006-2011 coordination of the PFM reform strategy led by the GoK was not up to standard, while the PFM policy dialogue did not function well (see annex 10, sections A10.2 and A10.3).

Nevertheless, from 2008 onwards most sector groups have functioned as platforms for exchanging information, while limited real coordination and harmonisation has taken place as indicated in the KJAS review, other KJAS reports and in interviews. As most donors only provide project support, with the EU being the only donor providing GBS and considering SBS, the only possibility to work together was on joint programmes or on good synergies between various donor programmes. In line with the KJAS and the policy dialogue in various sectors, harmonisation of aid modalities in and across sectors was foreseen, starting with programme-based approaches and going in the direction of pooled funds and budget support. In practice, hardly any harmonisation took place and project aid remained the dominant modality. There is limited concrete evidence on harmonisation of project aid, because there is no clarity on the division of labour. There was information exchange at the sector level as indicated above. However, the KJAS review in April 2010 also pointed at the clear need to improve harmonisation and alignment. Nevertheless, progress in terms of harmonisation and alignment has proven to be difficult in practice.

The Joint PFM support programme (SPRFM) suffered from a weak institutional set-up of donor support (see section 4.5). Also the KRDP was meant as joint programme, but while the EU, FAO and IFAD joined, the World Bank did not join. In practice, information exchange, is insufficient to come to good coordination and harmonisation (see 4.6). Agreement on the division of labour among donors has taken place in some sectors. For example, in the roads sector there is clear agreement on the funding of the rehabilitation of specific trunk road sections. However, in most sectors there is no clear agreement on the division of labour, but new initiatives are being developed (see below). Main explanatory factors mentioned in documents and interviews are lack of leadership by the GoK, lack of partnership between the

²⁹ There are no uniform sector definitions, which hinder effective coordination. KJAS has different definitions than the MTP and attempts are made to harmonise sector definitions.

government and donors, but also divergent opinions among donors (for example, the US as one of the main donors is hardly active in donor coordination).

The EU has been active in all coordination fora, but gradually coordination within the EU and its Member States has become more important

The EU has been active in all different donor coordination fora, and has taken the lead in various sector groups such as the Roads sub-sector group (during the period 2005-2006) and the Agricultural sector group. There is also clear evidence of the active participation of the EU in many policy dialogues with varied results.

Given the limitations in overall donor coordination in Kenya as indicated above, the EU's policies and strategies have not been effectively harmonised with the policies and strategies of other donors.

Throughout the evaluation period, the EU development councillors met regularly in order to coordinate the aid of the EU and the Member States. EU development counsellors meetings are not part of the KJAS set-up, but exist next to it. Given the problems with the implementation of the KJAS from 2008 onwards, the EU development counsellors meetings increased in importance as another donor coordination forum. As the idea of preparing a new KJAS with a clear division of labour did not get off the ground, the EU development counsellors meeting started in 2012-2013 a discussion on an adequate division of labour among 10 Member States and the EU. The main idea was to come to a joint EU programming exercise. A consultant was recruited to complete a mapping exercise as the basis for further decision-making in 2013. This report was forwarded to the AEG for sharing with other donors and the GoK. This joint EU programming exercise only involves a limited number of donors i.e. the EU and its Member States, whilst the role of the GoK is not clear.

In the EU development councillors meetings due attention could also be paid to the relations between the political dialogue and development cooperation between the EU and the GoK. As overall donor coordination in Kenya is quite problematic, this specific EU setting became the forum where more discussion took place and some joint action was taken.

There is limited evidence of positive synergies at sub-sector and project level between EU support and that of other donors

In the roads sub-sector there were high hopes of concrete and positive synergies between the expected effects of donor support to the institutional reforms on the one hand and the coordination of the funding of major road rehabilitations on the other hand. However, not only the EU, but also other donors are becoming sceptical regarding the intended outcomes of the reforms. The construction and rehabilitation of major trunk roads is, in general, reasonably well coordinated. There is a clear focus on some specific transport corridors, which are divided in several parts, for which funding is sought and found.

In the agricultural sector, the institutional set-up was very complicated till 2013 and complementarity of agricultural support by various donors did not really get off the ground. At the moment of evaluation, the various stakeholders in the agricultural sector were more positive on the basis of new programme-based approaches. However, there is no clear evidence on synergies yet, but there might be potential for future synergies

The Nakuru field visit (see text box in section 4.7.3) revealed a lack of coordination and no synergies at local level, but on the basis of the field visit no general conclusions can be drawn.

4.3 EQ3: Results focus

To what extent is there a consistent results focus in the planning and implementation of EU support, and to what extent are lessons being learned from M&E?

4.3.1 Answer to EQ3

No consistent results focus could be found in the planning and implementation of EU support, which shows that there is no improvement since the 2006 country evaluation, which came to the same conclusion.

Although basic conditions are in place, such as CSPs with results focus reflected in a logic framework, annual, mid-term and end-term reviews of the CSPs, regular reporting systems at project and programme level, in combination with external ROM, project evaluation and review procedures, in practice the results focus especially on outcomes and impact is limited.

The main and most important problem is the lack of adequate M&E systems at the level of projects and programmes. Most projects do adequately report on inputs, expenditures and outputs, but not at outcome and impact level. Small projects cannot always be expected to report at outcome and impact level, given the short duration and limited scope. However, for big projects and programs such as the major trunk roads and the KRDP, the lack of clear outcome and impact indicators points at an insufficient results focus. In relation to EQ1 we already pointed at the lack of in-depth needs assessments and the complete lack of baseline data. In addition, projects fail to set up adequate systems geared towards their own needs and that of major stakeholders. In cases where attempts were made to design and set up adequate M&E systems, these attempts were not often successful. Either overambitious M&E systems were designed with sometimes hundreds of indicators, which made them too costly to implement or capacity problems led to problems with implementation.

Confronted with this basic lack of data, there is little real value the external M&E activities such as ROM and project evaluations can add. The coverage of EDF interventions with external M&E reports –including ROM, mid-term and final evaluations- varies among the sectors between 40% and 60%. However, the quality of the reports and the information they provide is often limited. Given the problems with weak baseline and monitoring data, the external M&E missions cannot in the short period of available time present concrete evidence on outcomes and impact. Therefore, the external M&E reports can only point – in the best of cases- to inadequate and incomplete information regarding outcome and impact and present some scattered evidence. Furthermore, evaluations regularly suffer from weak evaluation designs, which make them not very reliable and useful.

There is also no consistent results focus of the EU support at sector or country level. Given these limitations it is not possible to aggregate M&E findings from projects and programmes at sector level to report on achievement of CSP objectives. The clear reporting structure at CSP level, both jointly through the JAORs, MTRs and ETRs, and internally for the EU through the EAMRs, does not lead to clear reporting at (aggregate) sector outcome or impact level. The focus of these reports is mainly on changes in context and progress of activities (especially planning and payment of allocated amounts).

Given the problems with the results focus at all levels, it is not surprising that learning from M&E is limited, although there are a few positive examples. There are some internal and external explanatory factors explaining the limited results focus. Internal factors are related to the heavy work burden of DEU staff and little incentives to be more results-oriented. Also limited professional M&E capacity both within the DEU and within the Government of Kenya to steer and guide monitoring and evaluation play a role. Ownership of external M&E, i.e. M&E efforts that are not initiated by the DEU or Kenyan actors, is limited. Contextual factors are national M&E systems that are still in an infant stage and the limited GOK ownership of M&E of foreign funded programmes.

The EU system of support remains primarily input and output-oriented, whilst there is considerable room for improvement to focus also on outcome and impact at all levels: at national level, sector level and project level. The most important lesson to be learned is that ownership of M&E is needed to realise improvements in the results focus. Therefore, assessment of the existing M&E capacity should be made a more intrinsic part of project and programme identification and formulation.

4.3.2 Rationale EQ3

In the 2006 CSP evaluation one of the main recommendations was to improve the results orientation of the CSP during implementation and especially in the MTRs and ETRs. In the ToR of this evaluation (Annex 1) there is attention for the follow-up of the recommendations of the previous country evaluation. At present, DEVCO is also conducting a reflexion on the internal M&E system, which could be complementary to this exercise. Also the DEU expressed its interest to learn more from this evaluation on how to improve its M&E function. A separate EQ on results focus is therefore justified as it will especially focus on the linkages and needs of the various levels of support i.e. project/programme management, (non-)focal sector management and strategic management of the country operations. This is a very strategic question as it deals with the capacity of the EU to manage the programmes in a result-oriented way. Therefore, it has a broader focus than just the focal sector support, but deals with all the inter-linkages between policy and strategy formulation, actual planning and implementation and the feedback loops. This is a main dimension of the efficiency of EU support. This question deals specifically with the results focus during implementation.

This question aims to be forward-looking and will lead to operational recommendations both at DEU and HQ level to improve the results focus on the basis of an analysis of the M&E system's strengths and weaknesses.

4.3.3 Main findings EQ3

There is no evidence of adequate and robust interrelated M&E systems at project, sector and national level to report on results at output and outcome level

All projects suffer to some extent from weak internal M&E systems. This often starts already with weak designs including deficient log-frames and a complete lack of baseline data. The monitoring concentrates on inputs and outputs, for which in general reasonably reliable data is available, but there is no reliable reporting on outcome or impact.

Some efforts were undertaken to set up adequate monitoring systems in some specific programmes such as the CDP programmes, but these efforts were often overambitious and

therefore failed again or were not yet delivering. CDTF started to work on a M&E system with the assistance of a TA (funded by Danida), but a very complex system was set up with hundreds of indicators that could not be implemented. Similar attempts were reported by other projects. Also the ASCU was meant to set-up a sector wide M&E system, but failed to do so because the set-up of ASCU was severely delayed and there was no agreement among the main partners on ASCU's roles and responsibilities. The problematic linkages between project M&E and national statistics and M&E programmes such as M&E of the implementation of the MTPs of Vision 2030 constitute another complicating factor. Since 2004, the Ministry of Devolution and Planning is developing the National Integrated Monitoring and Evaluation System (NIMES), but its scope and capacity are still limited.

In line with the limited M&E systems, progress reports of projects and programmes are mainly limited to input and output reporting, with hardly any reliable information on outcome and impact. It is striking that in the communication with project and programme staff, the EU pays very little attention to the importance of adequate M&E information.

Monitoring by the EU is focussed on project and programme level and there is no aggregate reporting at sector level in line with the sector intervention logics. Regarding the EAMRs, JAORs, MTRs and ETRs, they provide, in principle, a good framework for frequent reporting on results. In practice, these reports focus on the analysis of changes in the context and report on the progress of activities (inputs) and hardly contain information at output, let alone outcome or impact level. In interviews, no good explanation for the lack of results focus could be provided. However, interviewees indicate that for most of these reports the focus is on disbursements in line with the planning. In some cases such as the MTR of the 10th EDF, the preparation of the MTR was contracted out to consultants. The DEU considered the work of the consultants to be of poor quality. Therefore, no full text of the MTR is available.

The ROM coverage of EDF-interventions is relatively low; ROM reports contain valid and useful findings especially related to the project design and relevance, but have limited concrete information regarding effectiveness

Throughout the evaluation period 2006-2012, 20 ROM reports have been made for EDF interventions i.e. 17 for the 9th EDF and three for 10th EDF interventions³⁰. The ROM coverage per sector is indicated in the table below. With the exception of macroeconomic support for which no ROMs were carried out, ROM coverage circulates around 50%.

Table 4.1 ROM coverage per sector

| Sector | No of ROM reports | % coverage* |
|-------------------------------|-------------------|-------------|
| Transport infrastructure | 5 | 57% |
| Agriculture/rural development | 11 | 41% |
| Macroeconomic support | -- | -- |
| Governance | 4 | 49% |
| | 20 | |

* Coverage has been calculated in terms of paid amounts covered. A project that is covered by two ROMs or two evaluations is not double-counted.

The scores are an important element of the ROM reports and are intended to support the results focus of EU interventions. The 20 ROM reports point at reasonable performances with

³⁰ Another 27 ROM reports are available for Kenya covering non-EDF expenditures that have not been taken into account.

B-scores (on a four points scale A-B-C-D) being the most common. The overall score on relevance is highest (15 B-scores in 20 ROM reports) and lowest for efficiency (11 B-scores in 20 ROM reports). These scores are in line with the ACP ROM Results Study, Country based Pilot study Kenya 2000-2012. However, there is no evidence indicating how the scores contributed to an improved results focus at the level of projects and programmes.

One common finding of the ROM reports is that project designs and logframes often show weaknesses that affect performances, but which are not captured by the M&E systems. Given the problems with good data collection and weak M&E systems it is not surprising that the ROM-analyses of effectiveness and impact is based on scattered, mainly qualitative and impressionistic findings. Therefore, the usefulness of the ROM reports for this evaluation is mainly limited to findings regarding the project design and some findings on efficiency in relation to management.

As ROM missions are initiated by HQ, there is no automatic ownership of the ROM reports by the EU as indicated in interviews. ROM missions do increase the work burden of DEU staff. ROM procedures foresee good interaction with the DEU staff and a management response is part of the procedure, but is not always provided.

The evaluation coverage of EDF-interventions is also relatively low and the quality of evaluation and review reports varies enormously

In total 13 evaluation and review reports for the period 2006-2012 could be collected. For some sectors, in particular transport, hardly any evaluation report is available: there is only one final evaluation report for NRCP I and II. Contrary to ROM reports that are uploaded systematically in the CRIS-system, evaluation and review reports are not stored in CRIS. On the basis of this information, the evaluation coverage per sector has been calculated and is presented in the following table.

Table 4.2 Evaluation coverage per sector

| Sector | No of evaluation reports | % coverage* |
|-------------------------------|--------------------------|-------------|
| Transport infrastructure | 1 | 57% |
| Agriculture/rural development | 4 | 31% |
| Macroeconomic support | 4 | 42% |
| Governance | | 48% |
| | 13 | |

* Coverage has been calculated in terms of paid amounts covered as presented in the portfolio analysis. Stabex funds have been excluded, given the lack of reliable data. A project that is covered by two evaluations is not double-counted.

The quality of evaluations is a more important indicator for the results focus than the evaluation coverage (see Annex 16). Most evaluation reports do not make a clear distinction between outputs, outcome and impact. Only four out of 13 evaluation reports are considered to have an adequate evaluation design. With a good evaluation design, the evaluations do in all cases present conclusions that are clearly based on findings, while the recommendations are mostly in line with the conclusions. Therefore, a good evaluation design is a precondition for good quality of the evaluation, as is indicated also in evaluation literature and guidelines.

For most evaluations analysed, no methodological expert has been involved to assure the quality of the deliverables. This might be an explanatory factor for the relatively poor

evaluation designs. The DEU did consider the quality of one out of the 13 evaluations to be quite poor, and two other evaluations reports were also considered to be relatively weak. For this evaluation, strict quality criteria and indicators were developed and applied, leading to a higher number of poor and weak evaluations.

There is no evidence of systematic learning and follow-up of M&E findings, but there is scattered evidence of consistent follow-up and learning in some specific cases

Problems with the timing and quality of external M&E reports explain why limited learning and follow-up takes place. For the ROM reports there is an institutionalised mechanism for follow-up as indicated above, which is absent for evaluation and review reports. Nevertheless, the detailed analysis of 20 ROM reports and 13 evaluation reports for the selected sectors made clear that limited learning and follow-up has taken place. In the governance sector, there were a few cases of clear learning and follow-up of ROM evaluation recommendations, which led to improved performance³¹.

There are various explanatory factors for the limited learning, such as the perceived disappointing quality of the evaluations, and the lack of ownership of ROM and evaluation reports with DEU and programme staff. Sometimes recommendations are difficult to follow-up and would require a re-design of the project, which is often considered to be too time-consuming. Also sometimes the high number of recommendations (more than 100 in one evaluation report) complicate follow-up.

4.4 EQ4: GBS Strategy

To what extent has the strategy of the EU regarding the provision of General Budget Support been appropriate?

4.4.1 Answer to EQ4

Although the design and approval of the 9th EDF GBS were ‘reasonably well justified’ in 2003/2004 in view of the political, policy and economic context in Kenya and the EU’s own GBS policy at that time, it has to be acknowledged that it was a risky undertaking. The first signs of the difficult context became already apparent during the final phase of the negotiations about the PRBS-II agreement in 2005 with protracted discussions and negotiations about the preconditions for signature of the PRBS agreement.

Since the start it was clear that the (developmental) risks were substantial: the risks that (i) the objectives of the GBS could not be achieved due to a deterioration of the policy stance and orientations of the GoK, (ii) the eligibility criteria would no longer be satisfied, (iii) the specific disbursement conditions would not be met and that the GBS tools (such as the policy dialogue) could not be used as envisaged. For quite some time the EU did not appear to be very aware of those risks, although various MS pointed frequently at them. The problems became apparent when the decision about the disbursement of the second PRBS tranche had

³¹ This is the case for the evaluation of the DGSP programme where a clear lesson learnt was learnt for the design of the successor ie the NSA-. The lesson learned and the recommendation taken on board was the need for a more proactive role for GoK structures (MoJCA) in the implementation and management of the programme to ensure local ownership and promote a constructive relationship between GoK and NSAs. Also the MTR of the RPRLGSP local governance programme included clear action plan to address weaknesses. Which according to the final evaluation were followed up adequately.

to be postponed a couple of times due to non-fulfilment of the eligibility criteria. Finally, the positive IMF PRGF review of April 2007 cleared the way for disbursing the second tranche. In that same year the 10th EDF CSP was signed with a substantial GBS-envelope, albeit relatively less than the 9th EDF GBS.

The decision (taken in 2006/2007) to include GBS in the CSP 2008-2013 could still be considered as ‘moderately appropriate’ in view of the improving political and economic conditions in Kenya in 2007 and in view of the overall EU strategy to increase GBS funding in most of its partner countries. However, the political and economic context deteriorated quickly in 2008 and it was evident that it was impossible to start preparing a new GBS programme at that time (and the years thereafter). In view of the fact that the improved conditions in 2007 were of a very recent date - in 2006 the second tranche of the PRBS could not be disbursed because of non-fulfilment of the eligibility criteria - and in view of the fact that all other donors abstained from offering GBS, a more prudent approach as regards programming GBS under the 10th EDF would have been more appropriate.

Almost immediately after the disbursement of the second PRBS tranche in December 2007, the post-election violence started, which was a very unfortunate combination of events that was very difficult to foresee for the EU. The release of the second tranche led to many reactions from MS and debates in Parliaments of MS, which were difficult to handle for the EU. Nevertheless, a better risk mitigation strategy (e.g. not disbursing prior to or just after national elections) could have avoided the above mentioned problem and would have allowed the EU to have handled the communication with the DPs and the GoK better.

The changed situation in Kenya and the debate on the appropriateness of GBS for Kenya led to a standstill around both implementation of 9th EDF GBS and planning of 10th EDF GBS in the years 2008-2010.

The third tranche of the PRBS was finally disbursed in July 2012 and the amount was determined by the EU on the basis of disbursement conditions agreed 7 to 8 years ago (in 2004/2005). The discussions and negotiations about the third tranche and its final disbursement in July 2012 did not serve anymore the main purpose of a variable tranche: stimulating the government to reach certain performance criteria and feeding the policy dialogue on the implementation of current policies.

The decisions (in the years 2008-2012) to postpone the preparation of a new GBS programme and finally to cancel it completely, were justified in view of – in the first instance - the political, governance and economic situation in Kenya and – later on – also in view of the EU’s new budget support guidelines, which stipulate that respect and promotion of fundamental values are preconditions for a GGDC and which put more emphasis on risk mitigation.

The GoK regretted both the long delays regarding the disbursement of the third tranche of the 9th EDF GBS and the delayed decision-making on 10th EF GBS. The GoK considered itself eligible for macroeconomic support and had the impression that donors did not apply the GBS eligibility criteria to Kenya in the same way as to other countries. During the years 2008-2012, the two budget support issues – disbursement of the last PRBS tranche: cancellation of the GBS envelope of the 10th EDF and reallocation to other sectors - have put the aid relationship between the EU and the GoK under strain, because the objectives of the two parties did not coincide. The GoK was aiming for a quick disbursement of – if possible – 100% of the third variable PRBS tranche and maintaining the GBS envelope of the 10th EDF

in order to get additional financial resources for funding the government budget, while the EU wanted to adhere strictly to the eligibility criteria and the disbursement conditions, in order to optimise the developmental effects of the budget support.

The two budget support issues have also put the EU in a somewhat difficult position when it concluded in 2012 that the (old) GBS eligibility criteria were met, which made disbursement of the third PRBS tranche possible, while at the same time it had to explain that Kenya was not eligible for GBS (a GGDC) on the basis of the new budget support guidelines of the EU. Although, the explanations and justifications were valid and justified, they were not always understood and/or appreciated by the GoK and other parties interested in the subject.

Despite the intentions of other donors to also provide GBS when the EU started its GBS in 2004/2005, none of the other donors started providing GBS during the period considered by this evaluation (2006-2012). The absence of other donors providing GBS and the non-existence of a real GBS policy dialogue with the GoK meant that the PRBS was lacking one of the main GBS tools, and thus could not be very effective in terms of contributing to and influencing the formulation and implementation of the development policies of the GoK.

The EU strategy regarding the provision of GBS has definitely changed during the evaluation period. Appropriateness of GBS has to be assessed against the prevailing criteria at the time, which has led to a mixed assessment. The recent EU strategy puts more emphasis on the importance of good governance criteria and is now more in line with the thinking of the more vocal and critical MS.

The main lessons learned from this analysis of the appropriateness of the EU's GBS strategy in Kenya are³²:

- a) It is risky to disburse budget support tranches one or two months before or after elections or other crucial political events in the partner country;
- b) Extending the duration of a GBS contract may weaken the original rationale of the budget support and the relevance of the original disbursement conditions, in particular when the political, economic and policy context has changed drastically compared to the context existing when the original financing decision was taken;
- c) Disbursement conditions of variable tranches should be formulated in such a way that they refer to the performance of an on-going policy (a policy currently being implemented) and to current monitoring indicators. This requires indicators of which the formulation is not time-bound;
- d) Providing GBS without a credible policy dialogue deprives GBS from its major tool to contribute to improving the formulation and implementation of the policies and strategies of the partner government;
- e) GBS should be provided jointly with other donors. A joint GBS programme increases the impact of both the policy dialogue and the financial support provided to the partner government. Moreover it strengthens donor harmonisation and the alignment of aid with the partner country's policies, systems and procedures.

³² After the reallocation of the 10th EDF GBS and given the Kenyan context, providing new GBS under the 11th EDF is not an option. Therefore, no specific recommendations on GBS have been formulated and specific lessons learned have been integrated here.

4.4.2 Rationale EQ4

In chapter 3 the planning of the GBS under the 9th and 10th EDF CSPs was presented. Only the 9th EDF GBS was actually implemented and disbursed albeit with considerable delays, whilst the 10th EDF GBS was cancelled.

This EQ4 is focussed on analysing and evaluating the strategy and approach of the EU as regards whether or not providing general budget support to Kenya during the period 2006-2012 has been appropriate. EQ4 does not constitute a comprehensive results evaluation of the GBS provided, but is focussed on evaluating the appropriateness of the EU strategy as regards the provision of GBS within the prevailing political and socio-economic context in Kenya.

4.4.3 Main findings EQ4

The design and approval of the 9th EDF GBS were ‘reasonably well justified’, but overall the provision of GBS was a risky undertaking

The GBS of the 9th EDF was provided under the name “Second phase of the Poverty Reduction Budget Support (PRBS-II)”. The Financing Agreement (FA) and the Technical and Administrative Provisions (TAP) of the PRBS-II were drafted in 2004. The TAP specified that seven preconditions had to be met before the Financing Agreement could be signed and before the first fixed tranche could be released. Furthermore, all PRSB-II disbursements were subject to satisfactory implementation of the overall macro-economic reform programme underlying the IMF/PRGF agreement³³, while the disbursement of the variable tranches were for 50% subject to achievements of specific PFM indicators and for the other 50% subject to achievement of health and education indicators.

Preparation, design and approval of the PRBS took place in 2004 and 2005, when there was still confidence in the newly elected government (in December 2002), which had launched its Economic Recovery Strategy (ERS (in 2003), had formulated the Enhanced Financial Management Action Plan, had announced measures to fight corruption and had successfully concluded the negotiations with the IMF about a PRGF credit. However, already in 2005, even before the Financing Agreement was finally signed in November 2005, the political and economic context became less favourable for GBS. In 2005 the IMF and the GoK could not reach agreement on the second review of the PRGF because Kenya could not meet five performance criteria³⁴. Major corruption scandals also attracted attention. Furthermore, it took the GoK considerable time to meet the seven preconditions of the PRBS (see Annex 9 for more details).

This evidence indicates that the design and financing decision about the PRBS-II were indeed based on a proper analysis of the political and economic situation in Kenya during the years 2003-2004, which was a period of relative optimism. However, given the clear weaknesses in policy formulation and implementation and in view of the deterioration of macro-economic policies already visible in 2005, the GBS was also a relatively risky undertaking. As we already saw in EQ1 (JC1.2) the CSP had poor risk analysis and no risk mitigation strategies.

³³ IMF/PRGF = International Monetary Fund / Poverty Reduction and Growth Facility.

³⁴ IMF, 2007, Second PRGF review. The second review was finally concluded in March 2007.

The design and financing of the 9th EDF GBS reflected the EU state of the art regarding provision of the GBS at that time

The design and financing decision of the PRBS-II were in line with policies and strategies of the EU as regards budget support prevailing at that time as reflected in the “*Guide to the programming and implementation of budget support for third countries*” published in March 2002”³⁵. With that publication, at the start of the 9th EDF, the EU was at the forefront of donors providing GBS. In Kenya many donors were hesitant to provide GBS, and this made the EU the only donor to provide GBS, although other donors considered this aid modality in the period 2005-2007.

The forefront position regarding the provision of GBS in Kenya was even more accentuated when the EU considered a very substantial increase in the GBS envelope, because the total envelope was increased as unallocated 8th EDF funds were added (see table 3.1). In the end the MTR agreed on the amount of € 125 million- which is reflected in PBRBS-II- with a possible topping-up of € 25 million of the B-envelope, which was never effectuated. The 2006 country evaluation argued that there was insufficient justification for the increase given the already mentioned governance weaknesses at that time.

Other donors were far more prudent in their approach towards GBS. Throughout the whole period 2004-2012, there has been an intensive debate among the EU and its Member States whether or not GBS would be an appropriate aid instrument in Kenya. The 2006 evaluation of the EC support to Kenya mentioned that (see Vol. II, p.91) “bilateral donors, especially EU member States, have criticised the role of the EC as regards BS at various occasions. Nevertheless, the EC defended and maintained its firm position on the issues under discussions”.

While the Member States had a wait and see attitude, the EU opted for a sizeable and even increased GBS envelope in its 9th EDF CSP (and also in the 10th EDF CSP) at the moment these discussions took place.

The disbursement of the GBS tranches, with the exception of the first tranche, were substantially delayed and decisions on disbursements were contested

The first tranche was released in December 2005 immediately after the GoK signed the FA on PRBS-II in November 2005 when the preconditions were met (see table 3.4 for disbursement details). Decision making about the disbursement of the second tranche could not take place in 2006, because the GoK had not yet reached agreement with the IMF about the second review of the PRGF, which would make it highly unlikely that Kenya would meet the macro-economic eligibility criterion of the PRBS-II. The second PRGF review was finally concluded in April 2007, which paved the way for assessing the conditions for the second tranche of the PRBS. Also the PFM Reform Programme had started by that time. As the decision making within the EU still took some time, it was decided not to disburse the second tranche within a few months prior to the elections on 27 December as this could be considered as support for the government in power at that time. The second tranche was immediately disbursed after some initial positive reports on the outcome of the elections and before the post-election violence started. Given the violence, with the benefit of hindsight this can be considered as a very unfortunate decision.

³⁵ European Commission, 2002.

The political, economic and social conditions in Kenya were not favourable in 2008 and 2009 for taking a decision about the disbursement of the final PRBS tranche. In 2010 and 2011, there were protracted discussions and negotiations between the GoK and the DEU about whether or not Kenya did satisfy the eligibility criteria and to what extent the disbursement conditions were met. Finally the EU decided to disburse only 27% of the available amount of the last tranche. As the conditions were already formulated in 2004 i.e. eight years earlier, it was in fact impossible to make an uncontested decision on the last disbursement.

The decisions to initially plan for a substantial GBS envelope under the 10th EDF in 2007, and to reduce it in 2010 and cancel it completely in 2012 reflects the changing policy of the EU regarding GBS

The decision to allocate 33% of the EDF-envelope (i.e. less than the planned 40-50% in the 9th EDF) was in line with EU-policies at that time. The decision to disburse the second tranche of the 9th EDF GBS was also taken at the same time. Given the eligibility for GBS in 2007, the GBS allocation of 33% of the envelope was justified, but as with the 9th EDF GBS risks were not sufficiently analysed.

At the time the GBS programme should have been formulated in 2008-2010, the situation had changed dramatically because of the post-election violence and non-satisfaction of the GBS eligibility criteria. Therefore, the 2010 MTR proposed to reallocate part of the GBS-envelope to the focal sectors, i.e. € 57 million of the total of € 127 million (see table 3.2). The GoK was not in favour of that reallocation and the EAMR2011 reports on the delayed decision on the MTR related to this issue, which seriously affected commitments.

From 2011 onwards, the economic context improved gradually and GBS eligibility on the basis of the 2007 GBS Guidelines became in sight again. An important step was taken in January 2011, when the GoK signed an agreement with the IMF concerning a loan from the Extended Credit Facility (ECF)³⁶. Up to February 2013 all ECF performance criteria have been met, apart from a few minor slippages. GBS eligibility (on the basis of the 2007 GBS Guidelines) was confirmed mid 2012 by the DEU when it concluded that Kenya was eligible for receiving the last tranche of the PRBS-II (see above).

However, that positive assessment of the (traditional) GBS eligibility criteria did not clear the way for preparing the GBS programme of the 10th EDF, because in the meantime the EU had adopted a new budget support policy. According to that new policy, more attention has to be paid to the assessment of the respect and promotion of fundamental values (rule of law, human rights and democracy). In the case of a Good Governance and Development Contract (the new name of GBS provided by the EU), respect of those fundamental values has become even an official precondition for providing a GGDC. Moreover an elaborated Risk Management Framework has been introduced, which implies that the EU has become more risk averse both at the level of the fundamental values and the GBS eligibility criteria. In line with that new policy, the 10th EDF GBS was cancelled and the entire envelope was reallocated to other sectors.

³⁶ The successor of the PRGF.

4.5 EQ5: PFM Reforms

To what extent has the EU-funded macro-economic support programme contributed to improved performance of Kenya's PFM system?

4.5.1 Answer to EQ5

Opinions and conclusions of a number of studies and evaluations differ as regards the extent to which the performance of Kenya's PFM system has improved during the period 2006-2012. PEFA assessments of 2006, 2008 and 2012 do not show a clear upward trend, but it appears that there is agreement on the achievement of quite a number of improvements and reinforcements of the system. The EU-funded macro-economic support programme consisted of GBS and funding of the SRPFM. The EU support could have contributed to improved performance of Kenya's PFM system via (i) the GBS disbursement conditions, (ii) the PFM policy dialogue and (iii) the financial support provided to the SRPFM.

Ad (i): There was a clear relationship between the PFM disbursement conditions of the first fixed tranche and the on-going and planned PFM reforms at the time the PRBS was prepared and launched in 2004/2005. It is plausible that there has been mutual influence: the on-going and planned reforms have shaped the disbursement conditions and those conditions have contributed to motivating the GoK to realise the on-going and planned reforms, which in turn have contributed to improving the performance of the PFM system. However, the links in later years around the disbursement of the second tranche in 2007 and even more so around the disbursement of the third tranche in 2012 were very weak. With the benefit of hindsight the lesson can be drawn that it would have been much better to link the PFM related disbursement conditions to the implementation of the PFM strategy being implemented at the time the disbursement condition had to be met.

Ad (ii) There has been an active PFM policy dialogue in the period 2004-2006 when the PRBS-II was being prepared and the SRPFM was being formulated. During those years, the DPs – including the EU – have contributed to designing a new comprehensive PFM policy, which has contributed to improving the performance of the PFM system. That momentum got lost from 2007 onwards, but in December 2011, the PFM policy dialogue has been revitalised. It has contributed to monitoring the last year (2011) of the SRPFM and has acted as a platform where the new PFM Reform Strategy for 2013-2018 was being discussed.

Ad (iii) The performance of the SRPFM in terms of guiding and coordinating a comprehensive PFM reform programme has not really lived up to its expectations. There were not only design weaknesses, but also a weak institutional set-up and leadership and last but not least a complicated and inefficient set-up of donor support to the SRPFM. The EU contribution to the external funding of the SRPFM just exceeded 10% in terms of actual expenditures. As the use of the EU funding was not earmarked for specific purposes or activities, the overall conclusions as regards the contribution of the EU support to improvement of Kenya's PFM system via the SRPFM are the same as those presented here above for all external funding and are thus not so positive.

Taking all these three factors together it can be concluded that the EU support has had some positive influence on a number of PFM reforms as one of the contributing donors, via a modest financial contribution and via the PFM policy dialogue at the time the PRBS was

formulated. However, generally the support has not been very effective and did not live up to the expectations at the start of the SRPFM.

The main *lessons learned* from this analysis of the contribution of the EU support to improving the performance of the PFM system in Kenya are³⁷:

- PFM sector coordination is only really effective when it is led by the GoK, when it gets high level political support, and when the PFM Reform Secretariat is adequately staffed;
- PFM related budget support disbursement conditions should be formulated in such a way that they can accommodate and/or be adapted to changes and modifications of the Government's PFM policies during the period of implementation of a budget support programme;
- When certain PFM related budget support disbursement conditions become out-dated during the implementation of a BS programme, due to policy changes and/or modifications of the monitoring tools, they need to be reformulated/adapted. That could then be formalised in a Rider of the Financing Agreement;
- From an alignment and harmonisation point of view, a bilateral project is not the preferred aid modality, but in view of the recent experience with the inefficient and inadequate set up of the Pooled Fund for financing the SRPFM and in view of the present negative opinions of both implementing agencies and the DPs about a Pooled Fund, it is better to aim for bilateral projects for the time being and to strengthen the role of the PFM Reform Secretariat to coordinate the various support projects and to program, monitor and coordinate the entire PFM Reform Strategy for the years 2013-2018;
- Given the fact that the EU does not aim for a 'programme-wide' support to the new PFM reform strategy, it is worth considering a PFM support project focussed on strengthening PFM of the newly created Counties. As such synergies can be created with other EU support programmes focussed on strengthening the devolution process (see also the recommendations presented in section 5.2).

4.5.2 Rationale EQ5

The macroeconomic support program of the 9th EDF CSP consisted of GBS (€ 99 million paid) and Technical Assistance for supporting the PFM reform programme (€ 2.0 million actual disbursements, see portfolio analysis). This fifth evaluation question (EQ5) is focussed on evaluating the achievement of one of the three envisaged outcomes of the PRBS-II, namely improved performance of the PFM system.

PRBS-II was supposed to support the improvements of the PFM system through three instruments, namely: (i) funding GoK's PFM reform programme entitled Strategy for Revitalising PFM (SRPFM), via a Trust Fund managed by the World Bank, (ii) policy dialogue on PFM reform in the context of the GBS policy dialogue and the Development Partners Group on PFM reform, and (iii) the PFM related disbursement conditions on the basis of which part of the variable tranches of the GBS could be released. All these three instruments have been addressed in the indicators of the Judgement Criteria of this EQ (see Annex 11 for more details).

³⁷ Given the fact that the EU does not aim for a 'programme-wide' support to the new PFM reform strategy this section on lessons learned has been included here.

The SRPFM came to an end in June 2011³⁸. Total expenditures amounted to US\$ 24.5 million of which US\$ 10.6 million had been provided by the World Bank, US\$ 5.1 million by the GoK, US\$ 3.1 million by the EU and US\$ 5.7 million by five Pooled Fund donors. Actual expenditures were much lower than the original budget, which amounted to US\$ 88 million (of which US\$ 25 million was planned to be provided by the World Bank and about US\$ 6.9 million by the EU).

A transition period lasting from January 2012 to March 2013 has been funded by three donors (CIDA, Danida and SIDA) on the basis of an “Interim Road Map for PFM Reforms”, using the balance of funds of the SRPFM period. A new PFM reform strategy for the period 2013-2018 has been approved by the GoK in February 2013. Funding of that new strategy has not yet been secured.

4.5.3 Main findings EQ5

The SRPFM has not really lived up to its expectations in terms of promoting PFM reforms, while the donor support to the SRPFM has not been very effective.

The various review and evaluation reports of the SRPFM indicate that its design was not very strong, while the institutional set-up was rather weak, including the PFM Reform Secretariat. The donor support to the SRPFM was based on complicated funding arrangements including a Pooled Fund of five bilateral donors, a separate World Bank funded project, which was also co-funded by the EU, and a number of separate bilateral projects. The utilisation rate of the available funds was very low, among others due to the above mentioned complicated funding arrangements. Moreover, donors did not adhere to what was agreed in the original Memorandum of Understanding and Joint Financing Agreement.

Based on various evaluations and reviews and confirmed in interviews the SRPFM as a coordinated and comprehensive reform programme cannot be considered as successful, due to insufficient high-level political support, a weak PFM reform secretariat and not well-organised donor support.

Relevant PFM reforms have been implemented and continue to be implemented

Despite the problems with the weaknesses of the SRPFM, relevant PFM reforms were implemented. The performance of the PFM system in Kenya has been assessed on the basis of the PEFA methodology in 2006, 2008 and 2012. Those assessments showed that the PFM system was performing reasonably well compared to other sub-Saharan countries. Although the overall picture of the scores of 2012 was slightly weaker than in 2008, the PEFA listed also a number of improvements of the PFM system since 2008, which were not directly reflected in the scores of the 28 indicators (see for more evidence I5.2.2 in Annex 10).

The Review of the PFM reform strategy of Kenya, carried out in June/July 2010 concluded that clear progress had been made with strengthening the PFM system in several areas, not because of the effectiveness of the SRPFM, but because of the effectiveness of individual reform initiatives, which had their own ‘drivers of change’. The other evaluation reports also

³⁸ It should be noted that the EU funding had already ended in June 2010, implying that the effective period of EU funding was less than two years: from September 2008 (signing of the Grant Agreement) up to June 2010. It was tried to extend the EU funding period up to June 2011: The Trust Fund Agreement was extended up to June 2011, but for administrative reasons it was not possible to extend the duration of the corresponding Grant Agreement between the World Bank and the GoK in time. Consequently the extension did not materialise.

mention specific areas where progress has been made regarding PFM Reforms. Also the latest published Public Expenditure Review (PER) from 2010 concludes that during the years 2004/2005 -2008/2009 good progress had been made in key PFM areas, but also identifies important areas of concern.

The various reviews and evaluations indicate that Kenya's PFM system has gradually been strengthened during the period 2006-2012, although the results vary from one PFM component to another, while the findings of the various studies are not always identical and/or consistent. All studies list a number of clear improvements and achievements, while at the same time mentioning challenges and areas where insufficient progress has been made. The most remarkable results have been registered so far in the area of revenue collection, public procurement and internal and external auditing. Developing an Integrated Financial Management Information System (IFMIS) advanced much too slowly up to 2010, but accelerated substantially since then after a special IFMIS Department had been established. The introduction of Programme Budgeting, being prepared since 2007, got a major boost in 2011/2012 when a new Chart of Accounts based on programme classifications was made and introduced.

The GBS provided by the EU hardly contributed to PFM reforms

A chronological relationship between the implementation of PFM reforms and PFM disbursement conditions existed clearly at the time the PRBS was prepared and launched in 2004/2005. The PFM related preconditions for signing the Financing Agreement and for disbursing the first fixed tranche were directly linked to the PFM reforms being implemented at that time. The link between on-going PFM reforms and the PFM related disbursement conditions of the first and second variable tranche was much weaker, because (i) the disbursement conditions were linked to PEM-AAP benchmarks, which were at that time no longer used as PFM monitoring tools, and (ii) the delay between the assessment of the indicators and the reference year of the assessment was far too long: e.g. the state of the PEM-AAP benchmarks in 2007/2008 was evaluated in 2012 (see JC5.3 in Annex 10). Thus, it is quite unlikely that the disbursement conditions of those variable tranches have contributed anything to improvement of the PFM system in general and to the implementation of the SRPFM in particular.

The PFM policy dialogue positively influenced PFM Reforms in the period 2004-2006

There has been an active PFM policy dialogue in the period 2004-2006 when the PRBS-II was being prepared and the SRPFM was being formulated. During those years, the DPs – including the EU – have contributed to designing a new comprehensive PFM policy. Unfortunately, that momentum got lost in the years thereafter. From 2007-2009, there was hardly any policy dialogue, among others because there was no institutionalized platform for such a dialogue. With the establishment of a Joint Working Group in 2010, which was converted into the joint PFM Sector Working Group (PFM-WSG) in December 2011, the PFM policy dialogue was revitalised³⁹. The PFM-WSG and contributed to monitoring the last year (2011) of the SRPFM and provided a platform for discussions about the new PFM Reform Strategy for 2013-2018.

³⁹ It should be noted that there was a substantial time lag between the last meeting of the Joint Working Group in October 2010 and the first meeting of the PFM-SWG in December 2011, implying that there was no formal structure for the PFM policy dialogue during 14 months.

4.6 EQ6: Agricultural and food security improvements

To what extent did the EU support to the agricultural sector contribute to improved food security, in particular for ASAL areas?

4.6.1 Answer to EQ6

The EU supported various activities in the Arid and Semi-Arid Lands (ASAL) areas, in particular regarding agricultural research, crop and livestock development, drought management, capacity building, food security and environmental management. ASAL areas have been most affected by the recurrent droughts, causing food insecurity and significant economic losses for a large part of the population (14 million people), while in addition this region has to provide shelter to many Somali refugees. In the CSPs outputs and outcomes were defined as presented in the Reconstructed Intervention Logic (see section 3.3, Agriculture and Rural Development). However, no quantitative targets were set, which could help assessing the effectiveness of the interventions. The main envisaged outputs were related to the development of agricultural innovations based on agricultural research findings, and the introduction of innovations for agriculture and livestock through improved agricultural extension. This was done through a series of different projects and programmes, for which during the years a value chain approach was developed considering all actors in a market chain, from primary producers to end users of a product.

The Kenya Arid and Semi-Arid Lands (KASAL) research programme implemented by the Kenya Agricultural Research Institute (KARI) developed drought resistant sorghum, grass and fodder crop varieties. These varieties were multiplied in collaboration with an EU supported Food and Agriculture Organisation (FAO) project. The promotion of drought resistant sorghum varieties by KARI had a significant effect on improving the income of small farm households in the semi-arid areas, estimated at € 200 per household per year. The above mentioned FAO project has also promoted the production of grass and fodder crops by farm households in the arid areas –using the drought resistant varieties developed by KARI– and has carried out livestock vaccination programmes. Both activities have an important effect on the productivity of the livestock sector. The reported increase of 50% in cattle prices in some markets can be attributed to the animals being more healthy and in better condition. Furthermore, better livestock market facilities and market information, also supported by the FAO project, have also contributed to that price increase (see also section 4.6.3). These interventions to improve agricultural and livestock production are nowadays further pursued by the EU financed Kenya Rural Development Programme (KRDP) with various programmes on crop and livestock research and development, value chain development and other innovative marketing and trade based systems in the ASAL areas (see section 4.6.3 and annex 11).

Climate changes have also been addressed through the various EU interventions in the ASAL areas with the introduction of more drought resistant crops (sorghum, grass and fodder crops) and setting up small scale agricultural production schemes for supplementary feed for livestock. The National Drought Management Authority (NDMA), supported by the EU, and the National Environmental Management Agency (NEMA) are promoting rural households to take more environmental measures, which would result in increasing resilience in case of adverse weather conditions (droughts). The NDMA has also set up an early warning system. However, the actual outcomes of the activities of the NDMA and NEMA are not yet clear.

There is only scant evidence regarding the scale of environmental measures taken by rural households to increase their resilience to droughts with for instance the increasing use of drought resistant crops and better pasture management. The latter is being practiced by pastoralists, according to the Food and Agriculture Organisation (FAO), by leaving land fallow to allow grass to recuperate, but there is no data on the scope of such practices (e.g. % of pasture land, % of pastoralists practicing this).

There is no solid evidence, based on programme monitoring data, which shows at what level total agricultural and livestock production and the average farmer's income in the ASAL areas have increased due to the various EU-supported interventions. Apart from the fact that such data are not available, it should also be noted that such an overall effect cannot yet be expected because the scope and scale of the innovations supported with EU funding have been too limited for having an effect at the level of total agricultural production and the average farmers' income in ASAL areas. It is roughly estimated by the evaluators that only about 2.5% of the total number of households in the ASAL areas (estimated at 2 million households) have directly benefitted from interventions supported by the EU, with some parts of ASAL being better served than others.

There is also no solid evidence showing that food security has increased in the entire ASAL areas as a result of the EU support. Food security in some parts of the ASAL areas appears to have improved in 2012, not in particular because of EU supported interventions, but due to improved rain fall, which had a direct effect on livestock productivity. There has been progress with increasing the incomes of a small percentage (2.,5%) of the rural households in ASAL areas due to EU supported programs. It seems plausible that that has had a direct positive effect on the households' food security situation. Furthermore, important inroads have been made to help overcome some of the main barriers hampering improvements in agricultural and livestock production - and hence farmers' income - in the ASAL areas by using the value chain approach, such as: i) the introduction and adaptation of improved food crop, grass and fodder crop varieties by farm households, ii) lowering the livestock mortality rate, iii) improving the quality of livestock; and iv) improving the livestock marketing infrastructure and reducing marketing cost.

4.6.2 Rationale EQ6

The main focus of this EQ is on the EU support to ASAL areas, because this was a considerable part of EU's focal sector support, where the EU also had a comparative advantage as was concluded in the answer to EQ 1 (see 4.1.1 and Annex 6, JC 1.3).

Over the past eight years (2005-2012), Kenya has experienced four episodes of severe droughts particularly the 2010/11 drought, cited as being the worst in 60 years affecting over 10 million people in the Horn of Africa (mostly in Somalia, Kenya and Ethiopia). In Kenya, an estimated 4.5 million people were affected – 3.8 million in the ASAL areas and 700,000 in the non-ASAL areas – triggering acute food insecurity in the areas and placing a heavy strain on the country's economy. Of the estimated US\$ 12 billion in drought-related damages and losses between 2008 and 2011, some US\$ 11 billion was attributed to lost income flows across all sectors of the economy. The direct impacts of the droughts were most severe in the ASAL areas with an estimated total population of some 14 million people or about 25% of the country's total population. The livestock sector, main economic activity in the arid areas, was particularly badly hit during the last drought, accounting for over 70% of total damages and loss (estimated value of Kshs 70 billion or US\$ 850 million).

Besides the heavy economic losses, the droughts are also causing high and volatile food prices, placing additional pressure on the food security situation in both urban and rural areas, especially in the ASAL areas. Hence drought risks management and tackling drought emergencies are high on the agenda of the Government of Kenya with the aim to reduce the economic costs of the droughts, to reduce the high cost of food imports and to reduce rural poverty - particularly in the ASAL areas where poverty is most severe. Appropriate management of the drought emergencies is therefore considered critical to the country's development, while improving agricultural productivity (crops and livestock) is a key element of a structural solution for the food security problems.

The answer to this question provides insight into the overall achievements of the objectives of EU support to this focal sector. Moreover, there is an important learning element in view of the planning of the 11th EDF, in combination with the findings and conclusions of EQ 1-3 regarding this focal sector. As there are no reliable national data regarding production and productivity in ASAL areas, the evaluation had to rely on project based information.

4.6.3 Main findings EQ6

There are some indications of increased crop and livestock production in parts of the ASAL, due to the value chain approach developed by the EU, but the geographical areas where these changes were observed remain limited

There is scant programme data that agricultural and livestock production has increased and its quality improved in parts of the ASAL areas (in terms of metric tons or number of animals) due to the EU programme interventions. Indications of crop production increases are mainly related to increased production of sorghum for the industrial market by small scale farm households in the semi-arid areas, albeit at a still very modest scale (estimated at 5,000 MT), but with good prospects for further growth using better farm practices according to KARI/KASAL⁴⁰. The same applies to the production of fodder crops by farm households in the arid areas (an estimated 600 ha under irrigation, production volumes unknown), which certainly had an effect on the quality of the livestock (beef and dairy) in parts of the arid areas. However, limiting factors for growth of the fodder crop production schemes in the arid areas have been the access to irrigation water⁴¹ and the capital investments to be made for land preparation (levelling, construction of irrigation and drainage channels) and irrigation equipment (pumps and pipes).

Livestock production and productivity have increased with notable reductions in animal mortality due to improved feed and vaccinations, (radio) training programmes for livestock holders, and improvements of the livestock market infrastructure. FAO estimates that livestock market prices have increased by 50% with an increase in livestock sales from € 27,000 to € 67,500 per week in six livestock markets alone due to market improvements as part of the EU support to the FAO livestock programme⁴². Because household monitoring data is missing, it has not been possible to determine the increase in income of the farming households in nominal or real values⁴³. However, with the reduction in animal mortality and

⁴⁰ Source: KASAL Final Report, September 2009-December 2011 (no date) and interview with KASAL programme coordinator.

⁴¹ Irrigation water is currently drawn from rivers within the area which at times have low water levels or may run dry.

⁴² FAO/ICDRR Interim Narrative Report no. 2, July 2013 (page 13).

⁴³ Based on an extrapolation exercise done by FAO, covering 40 markets, FAO estimated a total incremental income of over € 270,000 per week or € 15 per beneficiary household per week. This calculation was based on the total revenue collection (0.1% market sales tax) from six sample markets during the period Dec.-Jan. 2013. About 17,900 beneficiary

increase of market prices, programme beneficiaries are clearly better off than before the start of the programme interventions. Under the KRDP these interventions to improve livestock market systems will be pursued further with various programmes focused on the development of innovative market based systems in the ASAL; crops and livestock (see annex 11, EQ 6, indicator 6.1.1).

The vaccination programmes have had an important effect on the productivity of the livestock sector by reducing the animal mortality rate and the disease prevalence of livestock, which resulted in a higher quality of the animals. With a reduction in the animal mortality rate, the sales of animals on the livestock markets and the supply of animals for the meat processing sector have increased according to an FAO report. The reported increase of 50% in cattle prices in some markets could be due to the animals being more healthy and in a better condition (because of the provision of fodder), and due to better livestock market facilities and information. Hence an important lesson is that under the KRDP, these interventions to improve livestock market systems should be further pursued with various programmes for the development of innovative market based systems in the ASAL areas for both the crops and livestock sectors.

The total number of farm households that have changed agricultural and/or livestock management practices in the ASAL areas is estimated at some 52,000 households (see annex 11, indicator 6.1.1). The figures are not precise due to lack of detailed monitoring data, but they provide a general indication of the scope and coverage of the interventions in relation to the total number of farm households in the ASAL areas.

The indicated increase of crop and livestock production in parts of the ASAL areas could be attributed to the introduction of fodder crop schemes, the animal vaccination programmes, improved livestock market infrastructure and more in general to applying the value chain approach. The EU was the major donor funding the development and implementation of these interventions and approaches. However, the scale and scope of the interventions are still relatively modest. Nevertheless, it is planned that under the KRDP the value chain approach and the fodder crop production schemes will be developed further.

There is some evidence of diversification in semi-arid areas, but little in arid areas

The KARI/KASAL programme and the FAO livestock programme, both supported by the EU, have contributed to some diversification of agricultural production in the ASAL areas, albeit at a modest scale but with good to very good technical and financial potential for further expansion. With the use of a value chain approach by KARI⁴⁴ (see text box below) and by linking sorghum producers with the end market (breweries), KARI has been quite successful in promoting the diversification of agricultural production in the semi-arid areas as mentioned above⁴⁵ (see also annex 11, indicator 6.3.2).

“Value chain” refers to all activities and services that bring a product (or a service) from conception to end use in a particular industry – from input supply, to production, processing, wholesale, and finally, retail. It is so called, because value is being added at the product or service

households make use of the 40 markets to sell livestock. Hence the incremental income would equate to €15/week/per household (€270,000: 17,900): an increase of €10/week/per household from pre-project figures according to the report. Source: FAO/ICDRR Interim Narrative Report no. 2, July 2013

⁴⁴ For a research station such as KARI, the value chain approach is a new activity for which staff had to be specially trained and/or hired. The approach proved to have much merit especially when introducing new, improved crop varieties to farming households who are traditionally very risk avoiding especially when it comes to entering new crop outlets.

⁴⁵ Mid-term evaluation KASAL, 2010

at each step. Taking a “value chain approach” to agricultural development means addressing the major constraints and opportunities faced by farmers, traders and other actors at multiple levels of the value chain⁴⁶.

This has been less so in the arid areas where livestock is the key commodity and where crop production was less suitable unless under irrigation. With the introduction of improved grass varieties and fodder crop varieties, important inroads have nevertheless been made towards the diversification of income sources by approximately 2,000 farm households (covering 600 ha⁴⁷) who have entered into the business of fodder crop production for livestock holders in the some parts of the arid zone (eastern part), near river water sources (for irrigation) and near main cattle markets. KRDP has also planned to further contribute to diversification of agricultural production.

There is scant evidence that rural households have taken more environmental measures that have resulted in increasing resilience

Climate changes have been addressed through the various EU interventions in the ASAL areas with the introduction of more drought resistant crops (sorghum, grass and fodder crops) and setting up of small scale agricultural production schemes for supplementary feed for livestock. The scope of these interventions in terms of number of beneficiaries (estimated at about 12,000 farm households involved in seed multiplication, grass and fodder crop production and sorghum production) has been modest and mainly concentrated in parts of the ASAL areas (see annex 11, indicator 6.2.1). Improved pasture management in the arid areas has been introduced and shows promising results (FAO), but there is no evidence based information on the scale of uptake of this practice by the pastoralists.

In addition, NDMA and NEMA have been key drivers to stimulate rural households taking more environmental measures. Both institutions have been supported by the EU. The NDMA has set up an early warning systems and contingency plans (said to be both in place) to mitigate the effects of droughts. Another important function of the NDMA is to enhance drought preparedness and to strengthen the adaptation of the ASAL population to climate change (to come in full operation in 2014 according to the NDMA). The NDMA has only recently started to operate (in 2011), which makes it difficult to show results yet in terms of improved drought risk management and tackling drought emergencies. As it has not been faced with drought situations, it has yet to be put to the test. It is planned to further increase the synergies as indicated above in the findings related to EQ1 (see section 4.1.3).

NEMA has supported ASAL communities to become more involved in environmental planning in the context of drafting and implementing district development plans. This was done through a capacity building programme with EU support. The final evaluation report of the EU-funded Community Environment Facility (CEF) mentions that the integration of environmental planning in the overall district planning has not been very successful, but it may have helped the communities, albeit at a modest scale, to successfully initiate environmental activities that could contribute to better drought management and improve resilience⁴⁸.

⁴⁶ ACDI/VOCA; Value Chain approach: Bringing Small Enterprise into Competitive Industries in the Global Economy, 2013; www.acdivoca.org/valuechains

⁴⁷ Source: FAO Draft final narrative report, December 2010, and data provided during interviews with KARI/KASAL and FAO programme coordinators.

⁴⁸ Final evaluation CDP3 and CDEMP, 2010.

An innovative programme to mitigate negative environmental effects that merits attention and which has been supported by the EU, is the index based livestock insurance programme carried out by ILRI. It aims at providing income security for pastoralists and other livestock farmers in the ASAL areas by compensating them for the loss of livestock due to droughts (i.e. less food intake). The programme did not have a direct effect on increasing livestock production, as that was not the principal aim, but in the long run it may have such effects because pastoralists with insurance coverage would be willing to invest more in animal health care (vaccinations) and additional feed (procurement of fodder crops).

In some specific areas there are signs of increased food security linked to EU support

There is no solid evidence based information to show that food security has increased in the ASAL areas as a result of the EU support. Food security in some parts of the ASAL has somewhat improved in 2012 but this was largely due to improved rain fall conditions which has had a direct effect on livestock productivity. The Kenya Food Security Group⁴⁹ has reported a reduction of food insecure people in ASAL areas of about 1.5 million people or 200,000 households in 2012.

Although rain fall conditions determine to a large extent food security, it is likely that project and programme interventions start to have a positive effects as well. As reported earlier, an estimated number of 52,000 households have changed their agricultural and livestock practices as a result of EU-supported interventions. In principle, this could have contributed to improved income and food security. Also many other projects and programs, supported by other donors, are active in the ASAL areas. However, there is no joint monitoring system or good statistical data collection providing insight in actual changes of household incomes and food security in the areas. Although no specific targets have been set in the CSPs regarding the scope of the interventions, it is important to have an idea about actual scope and coverage of the EU funded interventions because the CSPs focus on the entire ASAL areas.

4.7 EQ7: Rural Service delivery and empowerment

To what extent did the EU support to rural development contribute to better access to markets and services to the rural population and to empowered rural communities?

4.7.1 Answer to EQ7

A series of Community Development Programmes has been funded by the EU through the Community Development Trust Fund (CDTF), which was established in 1996 through a Financing Agreement between the EU and the GoK.⁵⁰ These programmes aimed at improving access to markets and services and empowering rural communities through the provision of demand-driven community infrastructure projects, such as schools, roads, bridges, etc.

There has been a strong demand for these projects, which signifies that this support modality was well adapted to the needs and interests of the rural communities. The huge demand implied that, within the available budget of CDP-3, only 5% of the projects could be approved

⁴⁹ It is reported that the number of rural households in the ASAL with insufficient access to food has decreased from 3.75 million to 2.2 million people (Kenya Food Security Steering Group, 2011/12 short rains season assessment reports, no date).

⁵⁰ It concerns the Community Development Programmes (CDP) 1, 2 and 3 during the period 1997-2012. Under CDP-4, which started in 2010, a total of 173 (CDI) +97 (CEF) = 270 projects have been approved for funding.

Under CDP-4 that percentage has even dropped to 2% . The majority of the funded projects (>60%) was related to education, while much less funds were used for other rural infrastructure (see annex 12, indicator 7.1.5). This is the outcome of the demand-driven character of these programmes and it reflects the importance communities attach to education.

These programmes have indeed led to an increase in the availability and use of rural infrastructure, with a strong emphasis on construction of schools. Under CDP-3 and CDP-4 about 77,000 rural households have benefitted from this programme, which is about 2% of the estimated total number of rural households in Kenya (4 million). The majority of the CDP funded projects was located in the Western and Central Provinces.

There is no evidence based information to what degree these CDP programmes have enhanced empowerment of rural communities. However, it could be argued that the effective demand driven approach of the CDTF contributes to the empowerment of the communities. Furthermore, communities may have become better organised and empowered due to the CDTF projects and they may have become more vocal in demanding rural services from national and local authorities, but there is no clear evidence supporting these assumptions/expectations. These aspects have never been monitored and recorded.

To be noted is that the CDTF is currently facing key challenges related to the lack of capacity and/or lack of good governance at the level of the community associations, resulting in a lack of transparent and accountable practices in procurement and financial management, including a few cases of misuse/embezzlement of funds by project management at community level. These cases (three) have been investigated and immediate action was taken by CDTF (cancelling of funds, suspension/indictment of those responsible). There are also reports of weak leadership and poor decision making and domination by some members within the community associations, leading to disputes between the members themselves and between the members and the board of directors⁵¹ (see annex 12, indicator 4.7.3).

A final note is that under the new Constitution counties are supposed to serve more directly the communities and this will have consequences for the functioning of the CDTF. Given the strengths, but also the clear weaknesses of the approach followed so far, strategic rethinking of the role of the CDTF is required; particularly with regard to its place within the on-going devolution process, its continued total (100%) reliance on donor funding, and the need to improve grant management at community level. Despite the formal set-up of the CDTF as an agency of the Ministry of Planning and formal agreements on collaboration with other government departments and counties, the CDTF has operated in relative isolation with limited direct working relations with other government departments as the emphasis has been on the provision of community based infrastructure. One explanation for the relative isolation was the lack of a clear rural development strategy and/or operational plans and the dispersed institutional set-up of the sector. Worth mentioning is that new devolved funds have been set up that provide similar support as the CDTF and that appear to be better embedded at local level (see EQ10 and text box in section 4.6.3).

⁵¹ Sources: Quarterly Progress Report, January-March 2013, CDTF, Community Environment Facility (CEF) II/NRM, (Chapter 1.4, Challenges Encountered); and field visit to CDTF projects in Nakuru county (Text box 4.6.3).

4.7.2 Rationale

The specific CDP activities assessed in this EQ were supposed to improve basic infrastructure and rural service delivery at community level, and to strengthen government engagement with vulnerable groups. These outputs were supposed to contribute to the overarching goal of the CDPs to reduce poverty in Kenya by empowering communities to initiate and implement community based socio-economic infrastructure, eventually leading to more decision-making power of communities and increased access to services.

The CDPs have two components dealing with socio-economic infrastructure and environment (conservation and protection): the Community Development Initiative (CDI), and the Community Environmental Facility (CEF). The environmental component is not dealt with in this EQ, but is addressed in EQ 6 as part of the support to ASAL areas. CDI funds are allocated to community based organisations on the basis of Calls for Proposals. Since 1996, the CDTF has funded some 800 community based socio-economic and environmental projects in rural and peri-urban areas in Kenya⁵².

Given the importance of the CDTF projects for the focal sector agriculture/rural development, and in line with the analysis of the relevance of the support to this focal sector in EQ 1 (JC 1.3) a separate EQ, focusing mainly on outcomes of specific community development support is justified.

This EQ focuses on the one hand on the Government's capacity to engage with rural communities (including vulnerable groups) and to deliver rural services, and on the other hand on improved organisation and hence empowerment of the rural communities. The improvement on the supply side (Government) and the demand side (the communities) are assumed to lead to improvements in the overall livelihood of vulnerable people in both the rural and urban areas in terms of socio-economic infrastructure and improved access to services.

While addressing the above evaluation question, the dynamic context of the interventions is taken into account in terms of the linkage between the EU supported rural development programmes on the one hand and the devolution process and the (local) governance reforms on the other hand.

4.7.3 Main findings EQ7

The lack of integrated rural development policies and operational plans and the complex institutional set-up have hindered performance in the area of rural development

The Kenya Rural Development Strategy (KRDS) was mentioned in the CSP 2003-2008 as an important building block. The CSP, formulated in 2003, indicated that the final draft of the KRDS awaited formal GoK adoption. However, the KRDP was never formally approved and no action plans were prepared.

All main government planning documents, from the PRSP to the ERS and to Vision 2030, mention rural development as an important priority. However, in the Agricultural Sector Development Strategy (ASDS) 2010-2020, rural development is only mentioned twice in the context of participatory planning on the basis of district plans, to be jointly prepared by rural

⁵² Source: CDTF, Guidelines for grant applications, 2011.

communities and the Local Authorities (LAs), and in the context of the role of the Agricultural Sector Coordination Unit (ASCU), which was established to address the fragmentation of responsibilities between agriculture and rural development related ministries and non-state actors.

Throughout the evaluation period 10 to 12 Ministries were in charge of agriculture and rural development, which has created huge coordination problems. The new government installed in 2013 decided to reduce drastically the number of ministries. There is now one Ministry of Agriculture, one Ministry dealing with Environment, Water and Natural Resources and a Ministry of Planning and Devolution. The CDTF fell originally under the responsibility of the Ministry of Planning, National Development and Vision 2030 and now under the Ministry of Planning and Devolution.

The CDTF has been set up as a semi-autonomous body with limited institutional linkages, whilst it is not clearly embedded in national policies. However, the new Constitution has created a new policy and institutional context to which the CDTF will have to adapt.

There is no evidence on increased government's capacity to deliver services and engage with rural communities as a result of EU support

According to the CDTF guidelines, the CDTF leads the application and selection process while the role of the local authorities is limited to confirming that the CDTF supported project is in line with the relevant county development agenda. In the absence of such a confirmation, the draft application form will not pass CDTF's administrative check. The final evaluation of CDP-3 (2010) found that many of its projects were insufficiently integrated into the local poverty reduction plans of the Local Authorities. The evaluation report also indicated that essential linkages with the line ministries regarding operation & maintenance funding (e.g. of schools and health facilities) were often missing. However in CDTF's final report about CDP-3⁵³, it is mentioned that relevant government departments were brought on board by CDTF as associates to oversee project implementation while technicians from the Ministry of Works or the private sector came on board for technical supervision⁵⁴. These linkages with other partners could however not be confirmed during the field visit to Nakuru as illustrated in the following text box with a summary of findings of that field visit.

EU Projects at the local level: views from the field in Nakuru

The evaluation team visited several projects in Nakuru county including a CDTF-supported school construction project and several civic awareness building and empowerment projects financed by the NSA-net project.

The CDTF project was initiated by the community members, after having noticed a call for proposals, and reflected what they considered to be their priority needs. They had to finance 10% themselves (in the past 25%), which had been challenging but did contribute, according to the interviewees, to increased commitment of the community members and good community ownership. Nevertheless, there are signs that community ownership may be more limited than expressed by the interviewees.

⁵³ Final report, January 2007-September 2010, Community Development Programme Phase III (CDP-3), CDTF, no date.

⁵⁴ The main purpose of linking the communities with government agencies and the private sector is to enhance and maximise the technical and financial sustainability of on-going and future CDTF projects through adequate staffing (e.g. for schools and health facilities), the provision of regular supplies (medical drug kits for health facilities), and provision of routine maintenance (e.g. rural access roads, water and sanitation facilities).

For example, the community often referred to the project as the “CDTF project” rather than 'our' project and monitoring was considered to be the responsibility of CDTF staff. The local community appeared to have limited or no control over the project except through a school based project implementation committee.

The civic awareness and empowerment projects sought to equip the community members with skills to monitor public-funded projects; including Constituency Development Fund (CDF) projects, among other devolved funds⁵⁵. These projects appeared to be very important as leaders are rarely held to account. The evaluation team was repeatedly told how some leaders would divert project funds for private use or divert projects to areas where they would get more political support. Interviewees indicated how the civic awareness projects helped them achieving the knowledge, tools and confidence to demand for accountability and the proper allocation of the funds. Various examples were provided of how problems with stalled and/or fraudulent projects were effectively tackled with the (indirect) support of the civic awareness projects. While interviewees indicated that they still have a long way to go in terms of effectively monitoring devolved funds, influencing decision making processes and holding political leaders and government officials' accountable; all expressed to be confident this could be achievable with the continuous support of the civic awareness projects.

Despite the positive contributions both the CDTF and the civic awareness projects face sustainability and coordination problems. The CDTF project is for its sustainability dependent on the extent to which the Ministry of Education provides funds for maintenance, but so far the Ministry was not yet involved. The CBOs in turn are heavily dependent on donor support to be able to continue with their civic awareness activities.

Furthermore, although all the projects focus on enhancing local development and reflect the priority needs of the local communities, they operate without a common coordination and monitoring framework. The District Development Officer (DDO) ought to provide a framework for coordination but the different projects are implemented without reference to one another and with very little co-ordination. Project officers in Nairobi by-pass the DDO's office straight to the projects at the local level. The CDTF in particular operates with limited or no oversight from the DDO and other government officers. One officer pointed out that 'we are only called to accompany the project managers from Nairobi when they are visiting the field; we have no other role'.

As regards the funding of community development projects, the CDTF is particularly active in the Western and Central regions. Out of a total of 179 projects funded under the CDP-3 (January 2007 - September 2010), 127 or 71% were located in those regions. The majority of the projects (67%) were related to primary and secondary education. Of the total projects which have been approved under the CDI component of CDP-4, 56% were related to primary and secondary education with between 30-40% of the projects located in ASAL areas (see annex 12, indicator 7.1.2). Other priority needs, but with a much lower priority than schools, are related to health (local dispensaries, maternity wards), water and sanitation and economic infrastructure (roads and bridges).

The above indicates that the relatively poor ASAL areas were not the primary beneficiaries of the CDP support and that this part EU's support for agricultural and rural development was

⁵⁵ Kenya has over 10 devolved funds supporting development projects at the local level. Some operate without reference to, or coordination with, others.

not focussed on ASAL areas, thus limiting possibilities for synergies with EU funded support in those areas. The absence of focus on ASAL areas can be explained by the fact that CDTF's calls for proposals⁵⁶ are open for all communities in Kenya without any regional focus or preference. The CDTF is working in principle in all districts and counties of Kenya. However, in view of the ASAL focus of the EU support strategy for agricultural and rural development, it is surprising that the issue of setting a target for CDP support to ASAL areas has never been discussed.

CDTF has supported only very few economic infrastructure projects such as rural access roads and bridges; in fact only 14 projects since 2007. It is presumed that improvements of the CDTF-funded roads and bridges have led to better access to markets and reduced travel time, but much depends on the level of maintenance which, if not done, could wipe out this gain in market access within a short period of time⁵⁷.

The demand from the rural communities for CDP support is very high. Under CDP-3 a total of 3,609 applications were submitted, of which only 79 projects or 5%, were approved by CDTF, because of the available financial envelope. Under CDP-4 an even higher number of applications was received totalling 9,919 for the CDI component of which 173 projects were approved or less than 2% (see annex 12, indicator 7.1.3). This indicates that there was a very high demand for CDTF projects, which can be explained by the nation-wide coverage. However, after a careful selection process and given the limited availability of funds only a small percentage of project demands could actually be funded.

Clear criteria have been set by CDTF for the registration of Community Based Associations that are eligible for grants, but there is only scattered evidence that communities have become more empowered

CDTF's guidelines for grant applicants are found to be clear and stipulate that, as part of the eligibility criteria, the community has to be organised and registered as a Community Based Association by the relevant authorities when submitting an application. Besides having appointed members of the Board of the Association, a Project Implementation Committee (PICs) has to be put in place with a gender balance in line with standing Government guidelines. This means that either at least 30% of their members must be men or at least 30% must be women. By not meeting these criteria, the application will be rejected. The Government guidelines for setting up community based organisations stipulate how leaders have to be elected, how board meetings and general assembly meetings are to be held, and how possible conflicts are to be resolved (among the members, between the members and the board, etc.).

There is no evidence based information that the participation of communities in community planning and in the decision-making on community investments has improved. Although it is presumed that over time and under the influence of the CDTF projects, rural communities have become better organised, more empowered and more vocal as regards demanding more and better services from the national and local authorities, it is not known to what degree and at what level that has actually happened. These issues have never been monitored and recorded systematically by the CDTF (e.g. to measure impact of programme interventions as part of an internal M&E system). There is only some scattered information in M&E reports

⁵⁶ Rural communities, applying for support from the CDTF, are requested to submit a full proposal after a call for proposals from the CDTF (using the news media).

⁵⁷ Stabex-funded roads were in specific coffee growing areas where there might have been CDTF projects, but synergies were not explicitly aimed for and no mapping of EU-funded projects has taken place.

that communities have become more empowered, but this was not confirmed during the field visit to Nakuru.

Recent reports and interviews point at key challenges faced by the CDTF related to the lack of capacity and/or lack of good governance at the level of the community associations. More in particular the lack of transparent and accountable practices in procurement and financial management is identified as a weakness of many associations. There were even a few cases of misuse/embezzlement of funds by the community project management, which have otherwise prompted immediate action by the CDTF (cancelling of funds and suspension/indictment of the responsible persons).⁵⁸

In terms of good governance, there are reports of weak leadership, poor decision making and domination by some members within the associations, leading to disputes between the members themselves and between the members and the board of directors. Other agencies, also active in community development programmes in Kenya using grant money (UNDP, KPMG, Deloitte), have shown better discipline and competence in grant management than CDTF, are more cost effective and are said to have stronger project monitoring and evaluation systems (see annex 12, indicator 7.2.1).

4.8 EQ8: Transport sector improvements

To what extent did the EU support to the transport sector contribute to better road network management and in particular road maintenance?

4.8.1 Answer to EQ8

The EU has clearly contributed to policy and institutional reforms of the road transport sector in order to realise sustainable improvements. Fast progress has been realised in 2006 and 2007 related to the adoption of the new Roads Act, which led to the set-up of three new independent roads authorities responsible for maintenance. However, progress in the implementation of the policy and institutional reforms in subsequent years has been slow with significant setbacks. The implementation of the institutional reforms coincided with the post-election violence in 2008 leading to a loss of momentum for operational policy changes. Other setbacks are related to a lack of innovative organisation culture in the new road authorities in line with their mandate (although there are variations between the various road agencies), the limited ability of the newly established MoR to demonstrate overall leadership in the roads sector and some uncertainties regarding the financial and managerial responsibilities of the new road authorities. One specific issue of debate was the recruitment of new staff for the roads agencies, which was done on the basis of performance rather than via open recruitment. Donors including the EU were in favour of recruitment on a more competitive basis, which would have stimulated a more innovative organisation culture. Therefore, there are clear indications that the ownership of the pace and depth of the reforms by the GoK could have been more pronounced even if it is acknowledged that a consolidation phase is needed before positive effects of reforms start to show.

The EU's contribution to the policy and institutional reforms is related to its position as one of the leading donors in the donor coordination group for the road sector. The donor

⁵⁸ Examples have been reported in the CDTF quarterly progress report January-March 2013.

coordination group functioned quite well in the period 2005-2007 when the EU and other donors actively supported the planned institutional reforms through a rather intensive policy dialogue. However, donor coordination did not regain that same momentum in the years after 2008. The EU aimed at strengthening the road maintenance performance. The EU provided TA for this purpose, prioritised it attention in the policy dialogue, made it a conditionality in projects, and complained about the insufficient maintenance on the Northern Corridor. So, before 2008 the EU as one of the main donors was in a good position to play an active role in the reform process through a good policy dialogue and relatively good donor coordination, while from 2008 the EU's ability to influence reform was primarily project-driven, which is, in principle, less effective to contribute to reforms. This is due partly to the overall crisis in the country that affected donor relations and hindered institutional reforms, but also to sector-specific constraints as main decisions on reforms were taken, but problems in implementation of the reforms occurred.

Whilst the basic conditions for good road maintenance (including sufficient budgets, in principle) appear to be in place, in practice road maintenance is still not up to standard for many roads. Some improvements have been realised on specific parts of the road network. However, the evidence is quite scattered due to a lack of comprehensive road condition surveys. For the Northern Corridor some progress is reported, even though the road condition level persistently remained below the level for the other international trunk roads. Limited progress is also reported for the rural roads network. A proportion of funds, which might be as large as 40%, is spent on road rehabilitation, rather than on routine and periodic maintenance. There is only little progress in the way road maintenance is managed by the three road authorities, at least until quite recently. Nevertheless, there is some progress in the financial management of road maintenance, where KRB plays an important role. There is no agreement among the stakeholders to what extent the institutional reforms have led to overall positive changes regarding road network management and maintenance. It is clear that there have been improvements in road maintenance, but both the actual progress made, and the sustainability of these improvements are source of an intensive debate. It is concluded that improvements in road maintenance have been realised, but the progress is uneven for various road types and sustainability is not guaranteed.

This is in line with the recent EU Court of Auditors report on Road Infrastructure in Sub-Saharan Africa⁵⁹ indicating that most roads are affected by premature deterioration. This is also the case for the EU funded Northern Corridor as indicated above. As a result, and despite the establishment of road funds and road authorities, additional efforts are needed in order to succeed in establishing effective road maintenance functions that ensure the sustainability of road infrastructure. Kenya was not included as a case study country in the EU Court's report, but this evaluation confirms that the Court's conclusion also applies for Kenya.

The EU started with a clear comparative advantage in the roads sector (see EQ1) and in 2006-2007 there was good momentum to stimulate policy and institutional reforms, which was successfully done at the time. In 2008, with the post-election crisis the momentum disappeared and institutional reforms were confronted with setbacks. Therefore, the EU's approach became necessarily more project-oriented, because also SBS was not considered to be a feasible option anymore. Given the pressures on planning of the funds, including re-allocated funds of GBS, there was hardly time to revise fundamentally the response strategy

⁵⁹ European Court of Auditors, 2012: "The European Development Fund (EDF) contribution to a sustainable road network in sub-Saharan Africa". Special Report No 17/2012.

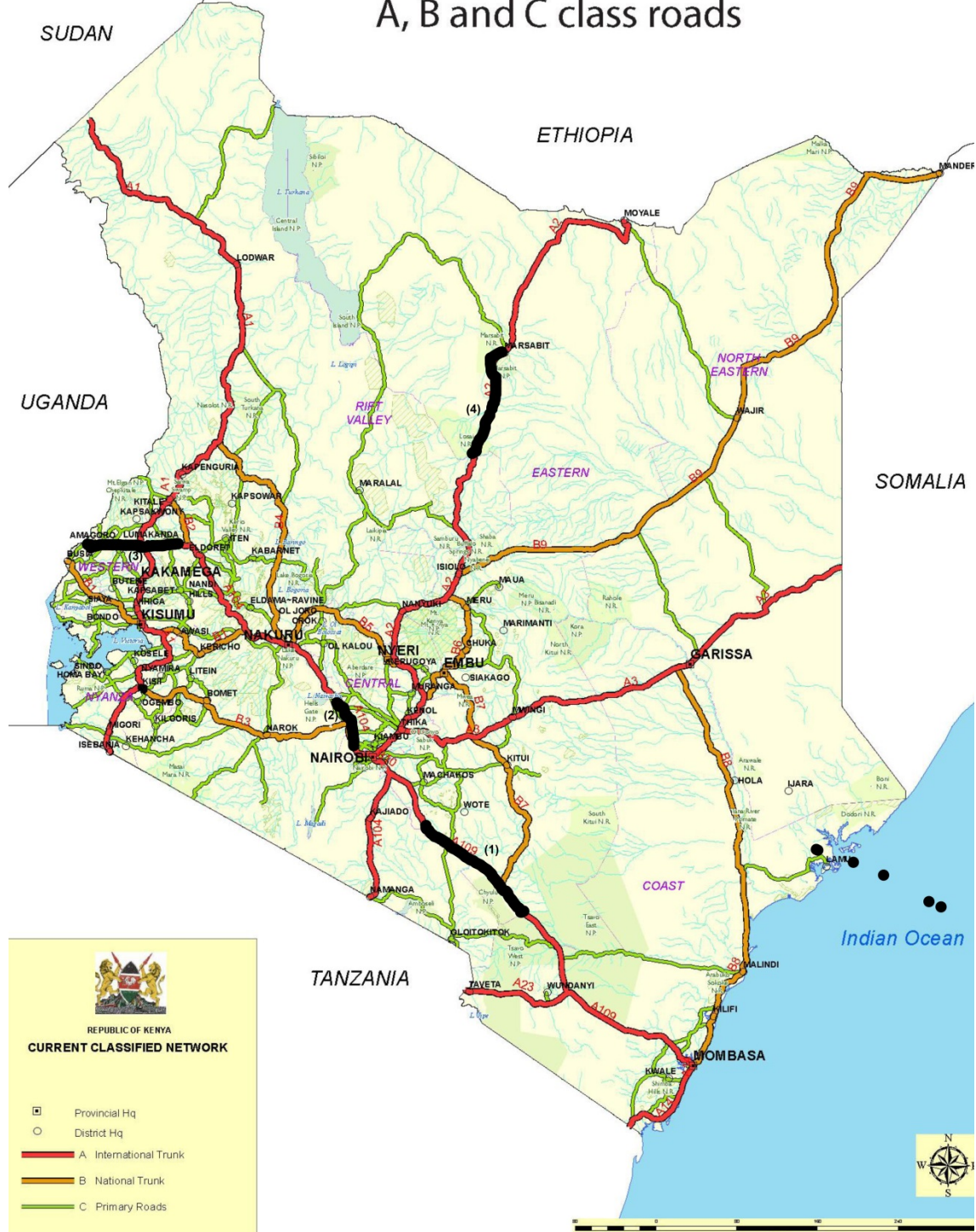
and it was logical that ad-hoc solutions to the problems were promoted. The EU was very much aware of the clear necessity to link policy and institutional reforms aiming for a better road network management and maintenance situation with direct investments into the construction and rehabilitation of various types of roads. However, when the momentum for an intensive policy dialogue got lost in the post-election crisis, also the long term goals of better road management and maintenance got relatively out of sight. Therefore, a clear lesson is that the consequences of a limited policy dialogue and lack of insight into planned sector improvements should be analysed and lead to a change in strategy, if deemed necessary. A clear related lesson is that the EU could have paid more attention to better data collection and monitoring of maintenance of all categories of roads, especially the roads rehabilitated with EU support.

4.8.2 Rationale EQ8

The EU has supported the transport infrastructure sector in Kenya since 1983. On the next page, a map with the main roads and the roads funded by the EU is presented. Since the 9th EDF, the EU has prioritised the support to policy and institutional reforms. The sector policy dialogue and support to capacity-building have been the main types of activities. The support to the transport sector has suffered from some delays especially as regards the funding of other than inter-regional roads. Therefore, in EQ1 the appropriateness of the support to the focal sector and in particular the focus on trunk roads has been assessed (JC1.4) in relation to the aid modality mix (JC1.5). Issues of donor coordination and harmonisation in the transport sector have been dealt with in EQ2, whilst the results focus is addressed in EQ3. The findings and preliminary answers to these three strategic questions regarding the transport sector constitute a good background for this transport sector question on performance.

The underlying assumption of the intervention logic is that policy and institutional reforms should go hand in hand with actual investments in road construction, rehabilitation and maintenance in order to realise effective and sustainable improvements in road network management. When this is actually the case, lessons may be drawn for future support to this sector.

NATIONAL ROADS NETWORK A, B and C class roads



The Northern Corridor Rehabilitation Programme (NCRP) has funded 3 sections of the corridor in 3 phases and the project Regional Integration by Means of Transport one section of the corridor leading up North to Ethiopia as shown in black on the map.

- (1) NCRP Phase I: Sultan Hamud – Mtito Andei Road Project. Reconstruction of 131 km including 39 km of a new road alignment and 11 new bridges.
- (2) NCRP Phase II: Maai Mahiu – Naivasha – Lanet Road Project. Rehabilitation/reconstruction of 95 km.
- (3) NCRP Phase III: Malaba Border Station – Eldoret Road Project. Rehabilitation/reconstruction of 120 km.
- (4) RIMT: Merille River – Marsabit Road Project. Upgrading of 95 km.

4.8.3 Main findings EQ8

Improved sector policies since 2006, but lack of operational plans

The GoK has considered transport infrastructure to be a key priority for a long period of time as reflected in the PRSP of 2000, the ERS of 2003 and Vision 2030 elaborated in 2007. Initially, there was more emphasis in the overall policy documents on well-maintained physical infrastructure applying labour-based methods (i.e. the Roads 2000 Strategy for rural roads), whilst later there was more emphasis on interconnectivity not only within the country, but also within the region. The first Medium Term Plan (MTP) related to the planned implementation of Vision 2030 focuses on some important flagship projects including: 1) a new multi-modal transport corridor from the port of Lamu to Northern Kenya, Southern Sudan and Ethiopia; 2) reduction of the accumulated maintenance backlog; and 3) accelerated implementation of the Roads 2000 Strategy.

Prior to the adoption of Vision 2030 and MTP1 the GoK with assistance of DPs including the EU, prepared revisions of the sector policies. After lengthy and careful preparations (see I.8.1.1 and I.8.1.2) the Kenya Road Act of 2007 was approved. The framework for the future organisation of the road sector and for sustainable road maintenance, including reduction of the accumulated maintenance backlog, is laid down in the Road Act. The Act also determines that the Minister of Roads once every 5 year shall prepare a 5-year Road Sector Investment Plan (RSIP). In addition, it has been determined that all road works on the low volume network shall follow the Road 2000 Strategy, which over the years has become a generic name signifying the flexible use of a local resource based technology on road works.

The preparation of the RSIP took considerable time. The work on the RSIP had already been started before the approval of the 2007 Roads Act as a follow up of an earlier EU-funded policy and strategy study⁶⁰ of which a first draft was presented in October 2006⁶¹. Nevertheless, the last version of the RSIP 2010-2014 from May 2011 was only approved in 2012. Despite the interesting analysis underpinning the RSIP, the long delays in adoption of the RSIP did not contribute to its usefulness as the budgets including the maintenance budgets are unrealistically high compared to the actual available funding⁶² and some of the basic assumptions are out-dated. Furthermore, no good linkages with the MTEF had been established (see Annex 13, I.8.1.1).

Implementation of institutional reforms in 2008, but results lag behind

Prior to 2007 there were three main institutions in the roads sector: 1) Ministry of Transport and Communications (MoTC), responsible for the formulation of the national transport policy; 2) Ministry of Roads, Public Works and Housing (MoRPWH), responsible for the development policy and oversight of various roads agencies and institutions including maintenance; and 3) The Kenya Roads Board, established in 1999, responsible for the coordination of the development and maintenance of the road network and the administration of the Road Maintenance Levy Fund (RMLF).

⁶⁰ Scott Wilson, 2004: Transport Sector Policy and Roads Sub-Sector Policy and Strategy.

⁶¹ Parsons Brinkerhoff Consortium, October 2006: Preparation of the road Sub-Sector Policy and Strategy, including an Investment Programme for 2007-2020”.

⁶² According to the 2010-2024 RSIP-plan (P. 45-46) for FY 2009/10 Kshs 98.5 billion are needed for the road sub-sector as compared with the Kshs70.5 billion available on the national budget incl. the RMLF; and Kshs 30 billion are needed for routine and periodic alone as compared with the Kshs 20 billion available from KRB, of which up to 40% might be used for rehabilitation, see. Annex 13, I.8.3.1.

The 2004 study by Scott Wilson on the roads sector, funded by the EU, considered the KRB as the best-resourced organisation, both in terms of financial and human resources at the time. However, the institutional setting at that time was hindering KRB's performance. The legal framework under which KRB and other roads organisations operated, did not define a set of clear cut responsibilities and a clear division of labour among the organizations. Therefore, the decision was taken to establish new roads agencies and this was laid down in the Roads Act of 2007. This Roads Act reformed the road sector by separating policy functions from the execution of works, which was transferred to the three new autonomous and independently managed road agencies KeNHA, KURA and KeRRA. The main aim of the institutional reforms was to ensure sustainability of the roads network through well planned and implemented road maintenance. These agencies were to be overseen by an independent board consisting of representatives of road users and stakeholders, with the majority being from the private sector. With this change, KRB would be provided with a more adequate institutional framework for dividing the funds among the road agencies and ensuring value for money. The new and independent roads authorities became operational in 2008.

However, quite soon after the start of the new institutions reports were published indicating that the desired effects and change of culture were not or were only very partially realised. Of course, the post-election crisis hindered rapid progress with the implementation of institutional reforms, but there were other sector-specific factors as well. Internal EU documents and interviews with various different actors indicated that the expectations were not fulfilled and main issues were the managerial culture in the new Roads Authorities inherited from government. Furthermore, the lack of clarity regarding the content and scope of financial and managerial responsibilities granted to these new Roads Authorities was said to remain unclear. Also in other project related reports such as ROM reports and in interviews reference has been made to the necessary change of 'mind-set' regarding maintenance in the newly established structures, but that this change of mind-set is not apparent. Finally, in line with these statements the 2011 Capacity Assessment Report found that all the institutions continue to be largely managed and directed as civil service organizations and are not geared up for result based performance (see Annex 13, I.8.1.2).

Although the evidence is rather scattered and seemingly contradictory on the changes of organisation culture after 2008, a closer look reveals the following pattern:

- (1) Corruption and fraud: A recent WB report⁶³ stresses the importance of some actions leading to improved transparency through publication of accounts and improved accountability due to regular audits;
- (2) Financial management of maintenance works: The situation has improved recently according to a recent WB paper, especially because of the limiting of disbursements from the RMLF to projects with approved budgets⁶⁴;
- (3) Prioritisation of maintenance works is still a serious problem according to several different sources, cf. below;
- (4) Only little progress is reported on the implementation of road works⁶⁵.

⁶³ World Bank, July 2011: "Diagnostics on Governance and Political Constraint for Kenya Country Assistance Strategy. Infrastructure. Updated draft version (Roads and Ports)".

⁶⁴ World Bank: Appraisal Report (60.005-KE of March 29, 2011).

⁶⁵ JICA has supported the implementation of road maintenance works for the last 10 years. Only limited progress was reported at the interviews. The World Bank seems in general less sceptical. However at the interviews it was acknowledged only limited progress has taken place, and new WB-project focusing on road maintenance seems to be in the pipeline.

For the first two issues the positive development has been strongly influenced by KRB; while the two remaining issues are the main responsibility of the new road authorities.

Another setback in the implementation of the reform program is related to the fact that the financial and managerial responsibilities of the new road authorities remained somewhat unclear, see Annex 13, I.8.2.2. There is still no clear cut division of labour on road issues at the district level, in spite of good intentions behind the 2007 Road Act and strong local political interference⁶⁶.

According to the 2011 Capacity Report an additional setback is related to the fact that MoR by 2010 only to a limited degree had been able to demonstrate overall leadership and direction on how the new road authorities should demonstrate their performance as a result of insufficient staff capacity.

In 2013 after the elections the two ministries (MoR and MoT) were merged into the Ministry of Transport and Infrastructure (MoTI). The new Constitution, which became effective after the 2013 elections will also affect the mandate of KeRRA and KURA as the responsibilities for road maintenance will be with the counties. However, these changes are beyond the evaluation period, but the uncertainty created by this situation came up in interviews during the field visit.

There is no doubt regarding the strategic and operational ownership of the GoK on the construction and rehabilitation of trunk roads. However, the ROM reports point at ownership issues regarding the proposed NCRP components on capacity building to support institutional reforms. In fact, the TA capacity building component was replaced by the procurement of test equipment. Also the interviews pointed at a high level of ownership at national level for the major technical interventions' such as support to the rehabilitation and construction of roads, but a lower of ownership for the institutional reforms, see Annex 6, I.1.13.

Some evidence on improved road sector management and maintenance

Even though the funding for maintenance has grown considerably in the last 10 years, and the share of GDP being spent on road maintenance has gradually increased from about 0.7% in 2003 to about 0.85% in 2011⁶⁷, there is no uniform assessment of the funding situation for maintenance purposes (see for detailed evidence Annex 13, I.8.3.1).

There are various studies⁶⁸ that indicate that the available funding for road maintenance should have been sufficient for adequate road maintenance, which should have led to a clear decline in the accumulated maintenance backlog. There is contradictory evidence as to whether the funding provided by KRB actually does cover the routine and periodic maintenance needs or not. The uncertainty is related to the need for establishing an updated and comprehensive road condition survey covering the total road network. However, there is more agreement on the problems related to the performance of the road authorities, including on prioritisation. Stakeholders agree that there is too little focus on elementary maintenance, and a rather excessive focus on expensive rehabilitation. Some statistical data provided by

⁶⁶ Alanet (2011): Final Capacity Needs Assessment Report/.

⁶⁷ In terms of actual maintenance work carried out the increase might have been even larger since there are indications that the level fraud and corruption has declined in the period, cf. World Bank, July 2011: "Diagnostics on Governance and Political Constraint for Kenya Country Assistance Strategy. Infrastructure. Updated draft version (Roads and Ports).

⁶⁸ World Bank, Diagnostics on Governance and Political Constraint for Kenya Assistance Strategy. Infrastructure, July 2011, Updated draft version (Roads and Ports); Parsons Brinkerhoff, October 2006, Preparation of the road-sub-sector Policy and Strategy, including an Investment Programme for 2007-2020.

KRB indicate that the proportion of rehabilitation might indeed be as high as 40%-50%. For KeNHA it might be even higher, implying that the maintenance funding actually is used in an inefficient way.

The available survey data, based on visual inspections of the classified road network, suggest that the period 2000-2004 was a period of considerable improvement for all road classes, which is linked to the establishment of the RMLF. The available survey data are less clear for period 2004-2013. The last global survey data are from 2009. For some other road classes, there has been clear improvement in road condition from 2004 till 2009 such as for paved sections of the international trunk roads, and for the rural roads there has been a limited but systematic improvement for all main road categories. For urban roads and the rest of the trunk road network the maintenance situation definitely did not improve, however (See Annex 13, I.8.3.2).

For the Northern Corridor, which is by far the most important road corridor in Kenya, KeNHA has provided detailed annual road condition data for NC as shown in the following table.

Table 4.3 Development in Road Condition of the Northern Corridor

| Condition | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|--------------|-----------|-----------|-----------|------------|------------|------------|------------|------------|------------|------------|
| Good | 30 | 30 | 30 | 38 | 38 | 35 | 52 | 52 | 46 | 46 |
| Fair | 23 | 37 | 37 | 62 | 42 | 42 | 18 | 18 | 38 | 37 |
| Poor | 46 | 32 | 32 | 0 | 20 | 23 | 30 | 30 | 16 | 17 |
| Total | 99 | 99 | 99 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |

Source: KeNHA.

As the table shows the road condition has improved considerably in the period, primarily because massive investments have been carried out. However, a closer analysis of the road condition data for the Northern Corridor indicates that improved maintenance may also have contributed to the improved condition of the NC road network since 2004 as well, see Annex 13, I.8.3.2.

In spite of clear improvements in 2010, the condition of the NC road network was in the years after 2009 persistently below the condition level for all other paved sections of the international trunk roads in 2009. Of these roads as much as 73% of the network was in good condition and only 5% in poor condition. The road condition for the NC was also for the whole period below the 2004 level for all other paved international trunk roads. There are also reports on the need for rehabilitation/reconstruction before the expiry of the planned lifespan of 15 years. In particular, KeNHA reported that the two operational road sections on the NC financed by EU are being rehabilitated too early compared with the constructed planned life at about 15 years or more, see Annex 13, JC 8.3. In theory, a number of factors may have contributed to this situation such as sub-standard design and construction, truck overloading and insufficient maintenance.

As final design and construction at least on the EU road sections were up to standard, according to the 2012 evaluation, sub-standard design and construction did not contribute to the premature decay of the NC road network. The 2012 evaluation did find a decay pattern of

the road surface consistent with serious overloading,⁶⁹ which has a serious impact on road expectancy and maintenance costs⁷⁰. Accordingly, this would require an additional allocation of funds especially for periodic maintenance to keep the road condition of the Northern Corridor at the same high standard as the rest of the paved sections of the international trunk roads (Road class A). However, at interviews with KeNHA it was reported that there was no extra allocation of maintenance funds for the Northern Corridor to catch up with these extra maintenance needs. Actually for sections on the Northern Corridor there is direct evidence of insufficient routine and periodic maintenance. According to various ROM reports, routine and periodic maintenance have often been problematic on the EU financed road projects on the Northern Corridor.

In combination these are strong indication that routine and especially periodic maintenance of the Northern Corridor has been insufficient.

The EU contributed positively to the policy and institutional reforms, and thus to some improvements in road maintenance, but sustainability is not yet guaranteed

Since 2003 the EU has put policy and institutional reforms very high on the agenda as part and parcel of its support to this focal sector. Active participation in the policy dialogue, funding of studies and TA have been the main mechanisms of support. The 2006 evaluation of the 9th EDF country strategy evaluation concluded that the EU was very active in the policy dialogue and progress was realised, but “the CSP underestimated the risks and overestimated the pace of GoK’s commitment to take the reform process forward”. As described in EQ1 and EQ2 the active sector policy dialogue with the EU as one of the most active DPs in a lead role for the sector coordination group, lasted from 2005 till 2007. The planning of the 10th EDF CSP in 2009, which comprised a well-balanced coherent package of interventions in the transport sector, placed EU in a good position to uphold this position in connection with the implementation of the new institutional reform for the road sector. Especially, the policy dialogue and institutional support went hand in hand with funding of the various road projects.

After 2008, the direct involvement of EU in the institutional reform process declined. In the wake of the difficult political climate, the momentum for continued institutional reform had almost stopped from 2008. Within the EU, there was a feeling that the reform process was primarily donor driven and lacked local ownership as demonstrated in the recruitment processes that were primarily based on secondments, against the clear recommendation of the DPs. The aim was to establish performance based roads agencies with a new organisation culture as indicated above, but although roads agencies were established the new organisation culture is not yet embedded in these agencies. In addition, the implementation of 10th EDF CSP program was delayed with more than three years, including the TA program. Nevertheless, the EU continued to try integrating institutional support to the extent possible in the existing programme such as NRCP II, but those efforts were project based rather than based on the policy dialogue and were not always successful (See Annex 13, I.8.2.2).

The main aim of the policy and institutional reforms was to contribute to better road management and maintenance. It was reported above that some improvements in maintenance have been realized on specific parts of the road network, but further improvements are

⁶⁹ A number of papers and interviews reported that for the Northern Corridor there was little progress, if at all, on the truck overload issue in the period, see e.g. Grontmij, June 2012: “Evaluation of the Northern Corridor Rehabilitation Programme Phase I & II. Final Report”.

⁷⁰ EU’s Court of of Auditors report on Road Infrastructure in Sub-Saharan Africa.

required. Given the EU efforts to support policy and institutional reforms, it can be concluded that the EU did also contribute to the slight improvements in road maintenance, but further sustainable improvements to the road maintenance system are required.

4.9 EQ9: Economic transport impacts

To what extent did the EU support provided to the transport sector contribute to more intra- and interregional commerce?

4.9.1 Answer to EQ9

It is likely that the three EU supported projects on the Northern Corridor with time will have a significant impact on domestic and international trade in Kenya. In particular the volume of trade between Kenya and Uganda is likely to be affected and might with time increase with as much as 5%, according to calculations of the evaluation team based on various transport studies⁷¹. The impact on the volume of Uganda's overseas trade might even be stronger because of relatively large savings in transport costs and a relatively high sensitivity of the trade volume to reduction in transport costs⁷². Contrary to this, the impact on the volume of Kenya's own overseas trade via the port of Mombasa is likely to be weaker due to a combination of a relatively smaller reduction in transport costs and more limited sensitivity. In addition, the evaluation team made a rough calculation of the impact on the domestic trade between the various regions in Kenya indicating that the transport costs of most of this trade would be influenced significantly. The savings in transport costs of the trade with Uganda are likely to be significantly affected as well. This means that the total transport costs for 16 million tons of trade, i.e. about two thirds of the total domestic trade between the main regions and international trade volume would be affected positively with a reduction in the total transport costs at 5% at least, according to calculations of the evaluation team (See Annex 14). Furthermore, most of the considerable savings in the transport costs for the trucks plying on the improved road sections can be expected to be gradually transferred to the cargo owners due to competition among the transporters on the Northern Corridor.

Thereby, the three EU financed road projects on the Northern Corridor are likely to have a noticeable positive impact not only on the national economy of Kenya but also for other countries using the corridor, and Uganda in particular. The trucks plying on the improved road sections will on average save about 30% in Vehicle Operating Costs (VOCs) mainly due to less attrition while driving on the improved road sections. This in combination with the large traffic volume on the Northern Corridor implies that all three projects were highly feasible from an economic point of view with an Economic Internal Rate of Return (EIRR) in the order of 40%. However, socio-economic aspects i.e. the expected effects on the local population were hardly taken into account during planning and implementation and are not reflected in the EIRR.

For all roads changes to the original designs were needed, leading to redesign, some delays and cost increases. Nevertheless, these redesign improved the quality of the works and did not

⁷¹ Nathan Associates Inc., April 2011: "The Corridor Diagnostic Study of the Northern and Central Corridors of East Africa."; Javier Lopez Gozales and Xavier Cirera, November 2012: "A Review of the impact of transport of costs on trade flows", Trade Mark; and Supee Teravaninthorn, Gael Lalabant: Transport Prices and Costs in Africa: A Review of main International Corridors".

⁷² Northern Corridor diagnostics study, 2011.

negatively affect the EIRR. The experience from the implementation of the NC road projects shows the importance of good design quality for timeliness and cost efficiency of the implementation.

The improvements in the road condition and other improvements on the Northern Corridor, have had a significant effect in terms of reduced travel times. Furthermore, the average annual growth rate for car traffic on the corridor has been about 4.5%. In practice, the travel time between Mombasa and Nairobi has been considerably reduced since 1998 from about 48 hours to half that time, as the average velocity has doubled. In spite of these improvements in the road network the travel speed is still incredibly slow due to widespread delays occur in ports, at border crossings, queuing, and numerous police and axle load controls. When considering cargo movements the travel times are even much longer. For example it takes about nine days for an overseas container to pass through Mombasa Port. A side effect of all these Non Trade Barriers and other infrastructure related delays is that precision is almost impossible implying large extra inventory costs. Furthermore, there is clear evidence that road safety deteriorated on the Northern Corridor. The issue of axle load control has throughout the evaluation period been an area of considerable interest by various donors including EU but only with little success so far.

Accordingly, an important lesson learnt is that optimisation of the performance of the Northern Corridor calls for a broad array of well integrated interventions including major infrastructure investment projects and implementation of important institutional reforms. These interventions should not be limited to the road sector. The EU was aware of these challenges and did discuss them in various fora, but no (intersectoral) programme to address these challenges was foreseen. The WB and JICA have carried out ambitious support programs along these lines.

The position of the Merille-Masabit project has been almost the opposite of the three NC projects. The project is less feasible from an economic point of view and the calculated EIRR is much lower and might even be negative according to 2009 calculations. Nevertheless, the project was considered by EU to be of top strategic importance to both Kenya and Ethiopia because of important “non-measurable benefits of indeterminate magnitude”⁷³. This means that the impact of the Merille-Masabit project on domestic and foreign trade is considered to be of critical yet more uncertain importance than the analysed impact of the three EU supported road projects on the Northern Corridor. According to the evaluation team, the project might even be of similar critical importance if other socio economic factors such as improved physical access for ASAL areas, security, and tourism are taken into account.

The EU is the only major donor financing major road projects through grants. It is clear from the data available for Kenya, but also elsewhere in Sub-Saharan Africa that there is a shifting pattern in funding of trunk roads, where grant funding is decreasing and the loans component is increasing over time. This is also illustrated in the funding of the LAPSSET corridor, where the EU is the only grant providing donor and all other sections are funded through concessional or commercial loans. Also the economic feasibility of these projects is an argument in favour of another funding modality. It should be realised, however, that at the time of the formulation of the 9th and 10th EDF CSP the situation was different and less loans were available. Despite the clear change in funding modalities, the GoK is still interested in receiving grants for trunk roads. In line with the principle of additionality of funding and in

⁷³ See the Identification Fiche of 23 June 2009.

line with the 2013 Communication of the EC on financing for development⁷⁴ a lesson is that the GoK with its Development Partners should explore innovative modalities of delivering finance for trunk roads including blending of grants with loans and equity. Given the regional hub position of Kenya and the positive effects that oil exploration may have, the importance of further investments in roads, ports, and other transport infrastructure cannot be denied.

4.9.2 Rationale EQ9

The portfolio analysis showed that the largest share of commitments and expenditures of the 9th and 10th EDF CSP went to the rehabilitation of two major inter-regional roads with the aim to strengthen regional economic integration, mainly through a series of consecutive funding of the rehabilitation of the Northern Corridor.

The appropriateness of the focus on trunk roads is analysed as part of EQ1 (see JC1.4). There is an on-going debate whether rehabilitation of major roads should be funded by grants or whether other feasible alternatives are available. This debate is also of particular importance for the 11th EDF in Kenya. Therefore, this EQ focuses on the efficiency of EU funding to regional roads and also on the specific impact of the EU support to the construction and rehabilitation of trunk roads in combination with the support to capacity building and the sector policy dialogue.

4.9.3 Main findings EQ9

There have been substantial delays and cost overruns regarding the EU funding of rehabilitation and construction of trunk roads, but these were counterbalanced by good implementation

Regarding costing of the trunk roads there is evidence on increased costs, cf. I.9.1.1. In three of the four projects the redesign was of poor quality, which did not adequately take into account that the roads had deteriorated further since the original design was made. For the three Northern Corridor (NC) projects there have been large increases in the calculated (or actual) project costs that have been incurred during the whole period from identification to completion. As regards the fourth project (Merille-Marsabit) – not being part of the NC – there might have been very limited cost increases so far (see I.9.1.1). There were not only increases in costs, but also serious delays (see Table A14.1 and Table A.14.2).

The experience from the implementation of the NC road projects shows the importance of good design quality for timeliness and cost efficiency of the implementation, but also that good quality of the implementation contributed positively to the efficiency⁷⁵. Also pro-active interventions of the DEU are said to have contributed positively to an efficient implementation⁷⁶.

⁷⁴ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions (2013); Beyond 2015: towards a comprehensive and integrated approach to financing poverty eradication and sustainable development, p. 8.

⁷⁵ ROM, 2004, Monitoring Report Sultan Hamud, and ROM, 2009 Monitoring Report Final Mai Mahiu – Lanet Road.

⁷⁶ ROM, 2009, Monitoring Report Final Mai Mahiu – Lanet Road.

There have been substantial gains in terms of reduced travel time and reduced travel costs on the Northern Corridor, resulting in a high EIRR of more than 40%

The 2012 evaluation of NRCP shows substantial reductions in travel time for trucks along the NC in the order of 40-50% of the time (see I.9.2.1 and Table A14.3). It is still almost unbelievable slow as compared with Europe. So even though the travel time for a truck on a route between Mombasa and Nairobi has been halved since 1998, the average velocity is not more than about 20 km/h. When considering cargo movements via Mombasa Port the travel times become much longer. It takes a container on average about 9 days to pass through the port⁷⁷.

Travel costs have been reduced substantially, cf. I.9.2.2, but are still high. For example, it costs US\$ 5,000 to transport a container from Mombasa to Bujumbura by road; compared to US\$ 1,000 to transport the same container from Japan to Mombasa. In addition to the vehicle operating costs (VOCs) the total transport costs include important extra cost related to Mombasa Port and extra costs connected with the uncertainty on the duration of the transport⁷⁸.

The 2012 evaluation of NCRP calculates that a truck passing on an improved road section will save about 33% of the VOCs, cf. I.9.2.3. According to cost calculations carried out by the comprehensive Corridor Diagnostic Study, the VOCs constitute about 53-60% of total transport costs for transports between Mombasa port and Kampala, see Table A 14.3⁷⁹. As about 30% of the Northern Corridor has been improved by the three EU projects, this means that total transport costs are reduced with about 5-6% for transports between Mombasa Port and Kampala. Similarly for the trucks plying between Uganda and Kenya the total transport costs are reduced with about 5-8.5%, see Table A14.5. It is reasonable to expect that a considerable share of these cost savings eventually will be transferred to the cargo owners, because there is stronger competition among the international transporters on the NC than on the average in Africa and because a part of the trucks is owned by the users, i.e. by factories, trading companies or similar, see I.9.2.2. The 2012 evaluation of the NCRP calculates the Economical Internal Rate of Return (EIRR) of the two completed phases to be as high as 40%, which is considered to be very satisfying, see I.9.1.2. Despite substantial delays and cost increases, the efficiency of NCRP is still assessed positively as shown in the high EIRR.

Even though based on relatively uncertain planning data it appears that the calculated the EIRR of the Merille-Marsabit project is much lower, and might even be negative. The uncertainty is reflected in the size of the EIRR which originally was calculated as low - 3.3%⁸⁰, but was later revised to be 10.2%⁸¹ mainly because of more optimistic expectations regarding projected traffic volume. For comparison it is mentioned that the LAPSSET Corridor Development Authority has calculated an EIRR at 12.9%⁸² for the whole road section from Lamu to Lokichar towards Southern Sudan. A similar EIRR calculation for the whole section from Lamu to Moyale at the border with Ethiopia via Isiolo appears not to have

⁷⁷ Nathan Associates Inc., April 2011: "The Corridor Diagnostic Study of the Northern and Central Corridors of East Africa." Action plan volume 2: Technical Papers C. Corridor Diagnostic Audit.

⁷⁸ Nathan Associates Inc., April 2011: "The Corridor Diagnostic Study of the Northern and Central Corridors of East Africa." Action plan volume 2: Technical Papers B. Trade and Traffic Forecast.

⁷⁹ In these calculations the benefits are the benefits from all three EU road investment projects on the Northern Corridor included, even though one is still unfinished (The Malaba-Eldoret road project).

⁸⁰ COWI, February 2009: "Identification Study for 10th EDF to Transport Infrastructure". Final Report, Vol. 1.

⁸¹ Annex 2 of the Financial Agreement on the Regional Economic Integration by means of Transport Infrastructure, regional roads.

⁸² Quarterly Report No. 1 of July 2013 on the "Progress of the Implementation of Lamu Port – South Sudan – Ethiopia Transport (LAPSSET) Corridor Project" by the Board of LAPSSET Corridor Development Authority.

been carried out. In contrast to the Northern Corridor projects important “non-measurable benefits of indeterminate magnitude”⁸³ correctly get more attention for the Merille-Marsabit project, including regional integration, trade facilitation, support to the tourism sector, improved physical access and security, and reduction of poverty and achievements of MDGs.

There has been a gradual substitution of grant funding by loans for rehabilitation and construction of trunk roads

It is clear from the data available for Kenya, but also elsewhere in Sub-Saharan Africa that there is a shifting pattern in funding of trunk roads in the direction of increasing the share of loans, see I.9.1.3. Ten years ago a number of donors were supporting road investment projects on the trunk road network, which were at least to some extent financed by grants. In 2009⁸⁴, the donors committed approximately €870 million for on-going road projects on the trunk road network in Kenya. This amount consisted of approximately € 700 million in loans, with a mix of concessional and commercial loans from WB, AfDB and China, and of approximately € 170 million in grants mainly provided by EU. This makes the EU the main and almost only donor that provide grants to trunk roads in Kenya. It should be recognised that at the time of formulating the 9th and 10th EDF CSP the situation was different, as less loans were available at that time.

It is likely that the improved condition of the trunk roads had some positive impact on inter-regional and intra-regional commerce

A number of studies show⁸⁵ that variations in transport costs along the Central or Northern Corridors as well as other transport corridors in Sub-Saharan Africa have a considerable impact on the trade volume, see I.9.3.2 for further details. In the Northern Corridor Diagnostic Study it has been calculated that the price elasticity of volume of trade between Uganda and Kenya to changes in the transport costs is about -1.0 while it is as high as -1.9 for Uganda’s overseas trade passing through the port of Mombasa. The volume of trade between Kenya and Uganda is likely to be affected and might with time increase with as much as 5%, according to calculations of the evaluation team based on various transport cost studies, taking into account the reduction in transport costs and the price elasticity.

The combination of relatively large savings in transport costs and a relatively high sensitivity of the trade volume for Uganda’s overseas trade leads to an even higher impact of about 10% increase of the volume of Uganda overseas trade. Contrary to this, the impact on the volume of Kenya’s own overseas trade via the port of Mombasa is likely to be weaker due to a combination of a relatively smaller reduction in transport costs and more limited sensitivity. In contrast, the impact on Kenya’s own overseas trade appears to be insignificant.

In addition, a rough calculation indicates that the transport costs of most of the domestic trade between the various regions in Kenya would be influenced significantly, i.e. a reduction of approximately 5% (see Table A14.5). All in all, this means that the transport costs for about 2/3 of the 25 million tons domestic and international trade in Kenya will be affected positively with a reduction in the total transport costs at 5% at least, see Table A14.6⁸⁶.

⁸³ Identification Fiche of 23 June 2009.

⁸⁴ Cf. Quarterly Report No. 1 of July 2013 by the Board of LAPSET Corridor Development Authority.

⁸⁵ Javier Lopez Gozales and Xavier Cirera, November 2012: “A Review on the impact of transport of costs on trade flows”, Trade Mark.

⁸⁶ In these calculations the benefits are the benefits from all three EU road investment projects on the Northern Corridor included, even though one is still unfinished (The Malaba-Eldoret road project).

Regional integration is a win-win strategy for growth and poverty reduction in East Africa according to the Kenya Economic Update from June 2012: “Kenya has a vibrant service industry and Nairobi is increasingly serving as a hub for global companies seeking to expand into Africa. Kenya is at the same time facing a structural food deficit, while Tanzania and Uganda produce a surplus, especially in maize. However, especially Kenya and Uganda may be over-regulating their trade, especially by a wide range of NTBs. In addition, one might expect that these NTBs might have a clearly negative effect on the overseas trade especially for the landlocked countries.”

Negative impacts are related to Non-Trade Barriers and deteriorating road safety

The 2012 evaluation of the NRCP points at the fact that frequent stops on the NC were encountered due to traffic jams, weigh stations, border crossings and police check points that all continue to cause significant delays along the route (see JC 9.2). All these big or small interferences, which inhibit trade and traffic in an unreasonable way, are not directly tariff related and are examples of the so-called Non-Tariff Barriers (NTBs). The EAC has formulated a time bound program to eliminate these NTBs.⁸⁷ The transport related NTBs include the following: corruption along the corridors (police roadblocks, weighbridge and border gates); police roadblocks along the corridors are estimated at 36 between Mombasa and Kigali; and lack of harmonized import/export documentation procedures.

When considering cargo movements via Mombasa Port, the travel times become substantially longer and the gains in travel time as a result of the improved road conditions can hardly compensate for these delays. A recent diagnostic study of the two main transport corridors in East Africa⁸⁸ has calculated that it takes a container on average about 9 days to pass through the port, and for the interregional truck traffic the border crossing might take 1-2 days extra. A negative side effect of these NTB's is that precision is almost impossible – implying large extra inventory cost on certain routes might double the total transport costs.

In addition, the Northern Corridor according to the 2012 Evaluation of the NCRP and Magolo and Mitullah⁸⁹ has one of the worst road safety records in the world with an annual fatality rate at about 50 per 10,000 vehicles plying the corridor⁹⁰, see I.9.2.3; and it appears that the fatality rate in the evaluation period for the two road sections actually may have increased during the first years of their operation, because of increased speed, contrary to the development at the national level where there was a decline.

Accordingly, a lesson learnt is that optimisation of the performance of the Northern Corridor calls for a broad array of well integrated interventions including major infrastructure investment projects and implementation of important institutional reforms; and these interventions should not be limited to the road sector.

The WB and JICA have carried out ambitious support programs along these lines. Thereby JICA's NC program involves the whole chain of transport infrastructure, connecting the ports of Kenya and Tanzania with landlocked countries. The approach also includes support to border crossing regulations, customs clearance, etc., such as one stop border posts. In

⁸⁷ World Bank, June 2012. Kenya Economic Update. Walking on a Tightrope”.

⁸⁸ Nathan Associates Inc., April 2011: “The Corridor Diagnostic Study of the Northern and Central Corridors of East Africa.” Action plan volume 2: Technical Papers C. Corridor Diagnostic Audit.

⁸⁹ Eric A. Magolo and Winnie V. Mitullah (2007): National Road Safety Conference. The Kenyan Experience”. African Road Safety Conference 5-7 February 2007.

⁹⁰ Grontmij, June 2012: “Evaluation of the Northern Corridor Rehabilitation Programme Phase I & II. Final Report.

addition, Japan is working on harmonising the regulatory framework for axle load regulation⁹¹.

The issue of maximal axle load has throughout the evaluation period been an area of considerable interest by various donors including EU but only with little success, see e.g. the 2012 Evaluation, and the various overload interventions undertaken by GoK, often on the basis of donor advice, have mainly been functioning as NTBs. Other aspects connected to the daily performance of the Northern Corridor appear mainly to have been covered by EU as a part of the policy dialogue.

4.10 EQ10: Governance improvements

To what extent did the EU support contribute to a strengthened NSA influence on governance reform activities and to a more responsive local and national government?

4.10.1 Answer to EQ10

EU support to NSAs and local government authorities contributed to strengthening NSAs' influence on governance reform activities and to a more responsive government. The EU has supported NSAs' institutional, organisational and technical capacity through grants and technical advice, which has strengthened their ability to influence governance reform activities. The EU has, moreover, supported local government authorities with improving their engagement with local communities, which has increased their responsiveness and accountability. Overall, these results have contributed to improved democratic governance in Kenya.

However, EU's support to both NSAs and local government authorities has been too scattered and limited in scope and duration to ensure the achievement of substantive sustainable outcomes and impact. EU's NSA support was insufficient given the limited capacity of NSAs and their high dependence on donor funding, which warrants longer-term capacity building support complemented with sound exit strategies. All of the supported NSAs interviewed claimed that the project duration was so short that it severely hampered the opportunity to realise the outcomes aimed at. EU support failed to exploit the –albeit limited- existing scope to ensure that the results achieved were built upon and sustained over time by using the different budget lines and EDF programmes creatively to follow-up successful projects.

EU's support to local government authorities could have had more lasting impact if a critical mass of supported local authorities had been reached. The support provided to the local authorities was too limited in terms of number of staff supported and duration for achieving a long lasting behavioural change. Since staff turnover has been high and the governments at the local level have experienced many restructurings as a result of the devolution process, results could have been sustained only if they had been firmly embedded at the local level, which given the limited duration and scope of EU's support has been impossible.

Coordination between EU support activities and also with other development partners' activities was limited. A more focused approach to NSA support, either linked to a specific geographical area or to well and narrowly defined thematic areas, would have allowed the EU

⁹¹ OECD, 2012: "Mapping Support for Africa's Infrastructure Investment".

to support individual NSAs more substantially and would have prevented development partners' overlap in activities. It would also have allowed the EU to contribute more sustainably to the achievement of specific results within a geographical area/thematic issue. This would have especially been the case when this area/issue would have benefited from support to both the demand and supply side of good governance. While the EU did focus on supporting both the demand and supply side of government accountability and responsiveness, it failed to fully exploit the scope to link the specific demand and supply side support activities with each other. In other words, EU did not ensure that its -supply side-capacity building support to local governments, concerning the management of certain public funds, was matched -on the demand side- by EU financed NSA support focused on improving communities' involvement in these funds and enhancing their accountability and transparency demands.

NSAs played an important role in supporting and monitoring the implementation of the Agenda of the National Peace Accord. While the EU has tried to support good governance in a very pragmatic way by focusing on the Agenda 4 and constitutional reforms, a clear strategy and analysis underlying its overall support has been lacking. This in turn explains, at least partly, the piecemeal and uncoordinated support provided via the various programmes and projects.

The opportunity was, furthermore, missed to foster NSAs engagement with the national government through supporting the establishment or facilitation of institutionalised mechanisms for dialogue and information exchange between NSAs and the GoK on governance reforms. The lack of EU support to the national government to promote and facilitate effective policy engagement with NSAs has negatively affected the results achieved with EU's governance support programmes. However, it should be noted that EU's support to NSAs was complicated by the fact that the NSA sector is highly divided and the relationship between the GoK and NSAs has, according to various interviewees, been very tense.

In short, while EU support did contribute to a strengthened NSA influence on governance reform activities and to a more responsive local and national government, it seems very likely that if EU's support activities had been better designed, targeted, and coordinated (both internally and with other development partners), more substantive and sustainable results could have been achieved.

4.10.2 Rationale EQ10

The GoK faced an extensive government reform agenda during the period of this evaluation. The Agenda of the National Peace Accord that was agreed upon in 2008, to address the consequences and underlying causes of the post-election violence, encompassed many governance reform activities. NSAs played an important role in supporting and monitoring the implementation of the Agenda of the National Peace Accord, and thus in contributing to reconciliation and improved governance. These reforms were also actively supported by development partners.

EU's support to improving public governance in Kenya has taken place through dialogue with the government and specific support programmes/projects. The EU has been active in various different governance areas and has used several financing instruments and programming modalities to contribute to the governance reforms in Kenya, as presented in the portfolio analysis and reflected in the reconstructed intervention logic (see chapter 3). Good

governance occupies a prominent position in the CSPs – both as a non-focal sector and as a key cross-cutting theme in other sectors. No specific strategy has, however, been underlying the various support activities of the EU to public governance in Kenya.

Given the importance of Kenya’s governance reforms and EU’s support to this, a specific question on the EU contribution to governance reforms is justified. Good governance as a cross-cutting issue is addressed in the previous questions where relevant. The two main groups of EU’s governance support activities focus on strengthening local governance and supporting NSAs to deepen democracy.⁹² It is, therefore, appropriate to focus on these activities. Moreover, given the fact that the devolution process is currently in progress and is becoming one of the key areas where donor support is warranted, it is highly relevant to analyse EU’s contribution to strengthening local governance. The EU has supported NSAs’ capacity mainly through the NSA-NET and BDAG programmes.

The main barriers preventing effective citizen engagement with the Government of Kenya appear to be the weak organisational, institutional, and technical capacity and weak constructive cooperation relationships of/between communities, NSAs and local government institutions.⁹³ The EU has, therefore, provided support to NSAs via grants and technical assistance with the aim to improve their institutional, organisational and technical capacity. In addition, the EU provided capacity building support to local authorities with the aim to improve their accountability and responsiveness to communities.

Answering the evaluation question does not only allow the EU to account for its support, but is especially important from a learning perspective as it allows to distil lessons learnt and to guide future EU governance support.

4.10.3 Main findings EQ10

EU support to NSAs has increased their capacity to effectively engage in local governance and Agenda 4 Constitutional reforms

The NSA-NET programme supported a total of 12 projects of NSAs, implemented by 12 lead NSAs in collaboration with 22 official partner NSAs. According to the final evaluation of the NSA-NET programme, the programme enhanced the institutional and technical capacity of the NSAs through knowledge and skills building in areas like project cycle management, monitoring & evaluation, reporting financial management, advocacy and policy influencing, and leadership. In addition, the mere implementation of grant projects contributed to enhanced communication and horizontal learning among many of the supported NSAs. Some of the projects, furthermore, included specific activities to initiate the establishment of networks and collaborative structures among NSAs. Overall, however, the final evaluation noted that the institutional and technical capacity support component of the programme had relatively limited success due to a weak design of the capacity building component and the short implementation period of the programme. Interviewees, for example, stated that while the project management support has been useful, support to strategic programming and knowledge-building and dissemination has been limited.

⁹² This has become clear from the portfolio analysis, interviews and the analysis of programming documents.

⁹³ This statement is based on the analysis of documents and interviews. See, for example, Endeshaw, Y & Cleary, S (2012), Final Evaluation of the Non-State Actors Support Programme, p. 7 where it is stated that “as revealed by a number of studies in the area, the NSAs sector in Kenya faces serious structural and capacity challenges to adequately engage and play its potential role in policy and development processes of the country.”

The Bridging Divides through Accountable Governance (BDAG) programme supports NSAs through the UNDP basket fund “Amkeni Wakenya”, which provides capacity building support to 22 CSOs/CBOs to enable them to participate more effectively in governance reforms processes, including in the context of the implementation of the Constitution and Agenda 4. A significant difference of Amkeni Wakenya compared to NSA-NET is that the programme mainly works with CBOs. The capacity of supported CBOs has been improved through the various capacity building efforts, including trainings in financial management and M&E. However, the mid-term evaluation indicated that given the enormous needs for capacity building, the budget for this activity was too low, which limited impact.

EU support did positively contribute to the participation of NSAs in devolved funds and in specific policy making processes, but this did not lead to an institutionalised dialogue between NSAs and the GoK on governance reforms.

EU’s support to NSAs via the EDF programmes and thematic budget lines has facilitated and increased the participation of NSAs and citizens in governance structures and policy engagement. The final evaluation of the NSA-NET programme, for example, concludes that the programme “made some progress in improving institutional involvement of NSAs in policy engagement”.⁹⁴ From the interviews and document review it has become clear that the most tangible results have been achieved concerning the participation of NSAs in devolved funds –and especially the CDF- and with respect to the provision of targeted inputs in specific policy making processes, such as the National Peace Policy.

However, the activities do not include the set-up or facilitation of more institutionalized mechanisms for dialogue and information exchange with the Government. The relationship between NSAs and the GoK remains, in general, tense and the fact that many governance reforms oriented towards NSAs are, according to various interviewees, perceived to be donors’ puppets does not foster GoK’s responsiveness to supported NSAs.

EU support has contributed to the increased responsiveness and accountability of government authorities at local level

At the national level no evidence exists indicating a substantial increase in government institutions’ responsiveness and NSAs’ satisfaction with this. The exception was the involvement of the Ministry of Justice, National Cohesion and Constitutional Affairs (MoJNCCA) in the management of the NSA-NET programme, as this gave the supported NSAs additional leverage when interacting with other government institutions and increased institutions’ responsiveness.

At the local level, EU-supported NSAs have sensitized communities about the new Constitution and the devolution process on the one hand, while EU capacity building support to LAs has improved their accountability and responsiveness on the other hand (see for detailed evidence I.10.2.2 and I.10.2.3). Examples are available that show that EU support has improved the capacity of supported local authorities to engage with local communities, enhanced local authorities’ transparency and accountability concerning their finances and service provision, and increased the participation of local communities in the design and monitoring of local authorities’ activities as well as their satisfaction with local authorities responsiveness. However, these results have often proven to be not very sustainable as the

⁹⁴ Endeshaw, Y & Cleary, S (2012), Final Evaluation of the Non-State Actors Support Programme, p. 45.

scope and duration of EU's capacity building support has been too limited to reach the necessary critical mass to ensure sustainable outcomes.

EU's support has resulted in enhanced participation of local communities in the design and monitoring of local authorities' activities

Several evaluations point at evidence of increased awareness in poor communities regarding their rights to receive services from their LAs and increased participation by local communities in the planning of service delivery. However, the degree to which EU's support has enhanced local communities' participation is unclear due to lack of more substantive and quantitative evidence. In addition, while the results achieved are, according to the evaluators and as confirmed by various interviewees, relevant, they are limited in terms of the number of communities reached and the sustainability of achieved results.

5 Conclusions and recommendations

5.1 Conclusions

On the basis of the main findings and especially the answers to the evaluation questions, main conclusions are presented in this chapter. The strategic conclusions are presented in the first subsection and the specific conclusions as regards the sectors (agriculture and rural development, transport infrastructure, and governance) and the macro-economic support in the second subsection.

5.1.1 Strategic conclusions

Conclusion 1

Limited ownership of aid activities by the Government of Kenya and slow progress in policy and institutional reforms have negatively affected the performance of EU support to Kenya

Based on EQ1, EQ2, EQ4, EQ6, EQ7, and EQ8.

Kenya is not a very aid-dependent country, compared to its neighbours, although investments in some sectors such as agriculture in ASAL areas, rural roads, and the social sectors depend to a large extent on donor funding. This might be one explanation for the limited ownership of GoK for some EU (and other donor) funded programmes. Ownership is arguably higher for the sectors that have a high priority in the national policies such as infrastructure, agriculture, and initially also for GBS. Ownership is lower for governance and community development programmes as these have not a very high government priority. Nevertheless, there is good alignment between the EU support and the priorities of the GoK as outlined in the overall development policies such as the ERS and Vision 2030. The CSPs pay considerable attention to the GoK policies and to how the EU support relates to the priorities set by the GoK.

Despite good overall alignment, the policy dialogue has been problematic in most sectors with a few positive exceptions during short periods of time. There was no single sector with a good policy dialogue between the GoK and the development partners throughout the whole period 2006-2012. Although new policies were developed including policies for the focal sectors transport infrastructure and agriculture, they were not well translated into operational plans. In combination with the post-election crisis in 2008, this led to a change in the intended EU aid modality mix. After 2008, the planned GBS of the 10th EDF was cancelled, while also no SBS was provided to the focal sectors. Project assistance has become the main aid modality for the EU, which is already the case for most donors since a long period of time. However, in general government ownership tends to be lower for project aid than for budget support. This is another explanation for the limited ownership.

The main debate between the EU – and other donors- and the GoK centred around governance issues, but that has not been a very open and transparent debate between the two parties. There were clear tensions in the relations between the GoK and its development partners that recently have been further aggravated by the ICC case. These tensions are likely to continue for some time.

Different views of the EU and the GoK on governance issues have affected negatively the planning and implementation of EU support. There have been long delays, aid modalities have changed and results at sector level have lagged behind, although also positive results have been achieved, mainly at programme and project level.

Conclusion 2

EU's responsiveness to changes in the Kenyan context and the attention paid to risk analysis and mitigation were initially not adequate, but improved over time especially after the post-election violence in 2008.

Based on EQ1.

There were quite some fundamental changes in the political and economic situation in Kenya during the period under study, with the post-election crisis in 2008 having a major impact.

The planning of the 9th and 10th EDF CSPs in respectively 2003 and 2007 took place in times of relative optimism, economic growth and planned policy and institutional reforms. This is reflected in both CSPs, in which due attention is paid to alignment with GoK priorities but with considerable less attention paid to needs assessments and proper risk analyses. The optimistic planning of the CSPs is strongly reflected in the planned aid modality mix that consisted primarily of budget support, both GBS and SBS. EU's optimism is also illustrated by the fact that the EU was the only donor providing GBS, while other donors decided to abstain from providing GBS. Since the start of the formulation of the PRBS (the GBS programme of the 9th EDF) in 2004, it was clear that the risks were substantial, but the EU did not appear to be sufficiently aware of the risks for quite some time, although various EU Member States pointed frequently at these risks.

The EU – and the other donors – were taken by surprise by the post-election violence early 2008, because nobody had foreseen these events. However, the disbursement of the second tranche of the PRBS two days after the election was very unfortunate and could have been avoided with a more prudent approach.

From 2008 onwards the EU became more risk aware. This is well reflected in the increased attention for governance issues and the change of the aid modality mix under the 10th EDF. The new Budget Support Guidelines of 2012 include also a Risk Management Framework, which implies that the EU has become more risk aware both at the level of the fundamental values (human rights, rule of law and democracy) and the GBS eligibility criteria.

In general, the EU has become quite risk averse, where it is important to make a clear distinction between a risk aware and a risk averse attitude. Good risk awareness may result in deliberate risks being taken with strategies in place to mitigate actual risks. However, risk mitigation strategies are still not very well developed by the EU, despite improved governance analysis and more attention paid to the political dialogue.

Conclusion 3

There was a coherent strategy for the EU agricultural support to ASAL areas, for which the EU had a clear comparative advantage, but this was not combined with a comprehensive strategy for the entire agriculture and rural development focal sector.

Based primarily on EQ1, and also on EQ6, EQ7 and EQ10.

The EU support to this focal sector consisted of three separate components managed by different sections of the DEU with limited or no linkages: (i) support to the ASAL areas with a focus on agricultural research and development of value chains, (ii) community development support delivered via the CDTF, and (iii) support to local governments. However, there was no comprehensive and coherent overall sector strategy. There was only a coherent strategy for the ASAL areas (approximately covering 60% of the expenditures to this focal sector during the period 2006-2012, but increasing gradually over time).

In the ASAL areas the EU has a comparative advantage, as the EU has succeeded to promote a value chain approach based on agricultural research findings, which is starting to show results. The EU is known by the stakeholders for its long-lasting support to ASAL areas and its specific expertise.

The support to community development - with the exception of environmental activities in the ASAL areas - and the support to local governance do not logically fit together with the support to the ASAL areas that is focused on increasing food security. Not only the objectives of the three types of support in this focal sector are different, but also three different sections in the DEU deal with these three parts of the focal sector support. This sector is therefore neither formulated nor managed as one focal sector.

In line with the first conclusion, the performance of the agricultural sector has been negatively affected by the problematic policy and institutional context. There have been frequent policy changes in which problems are well identified but good operational plans were lacking. Despite many efforts, donor coordination was weak and there was no agreement on common approaches to overcome the main barriers towards food security. It is an improvement that only one Ministry is now in charge compared to the 10-12 Ministries in the past, but restructuring is still on-going. It is a considerable challenge for the EU to operate in this project-dominated dispersed landscape with unclear ownership for parts of its support to this focal sector.

It is important that the EU is sufficiently aware of the risks of operating in this complex environment and the need for building partnerships.

Conclusion 4

The focus of the EU on funding transport infrastructure and in particular the construction and rehabilitation of roads has been appropriate given the Kenyan context and EU's proven comparative advantage

Based on EQ1, EQ2, EQ8 and EQ9.

The EU is recognised as one of the main donors in the transport sector and has a comparative advantage based on the long-lasting support of the EU to the construction and rehabilitation of roads and the specific knowledge and expertise especially combined with funding of different types of roads. Furthermore, the EU has been particularly active in the policy dialogue and donor coordination in the roads sub-sector. During the period 2005-2007 a lot of progress was made in the sector and policy and institutional reforms were planned and implemented. This was also the time when the CSP 2008-2013 was prepared, which included again transport infrastructure as one of the focal sectors. The planning was that the EU support to this sector would consist of a balanced package of interventions such as support to the rehabilitation and reconstruction of *all* kinds of roads (trunk, rural, urban and tourist roads) and further support

to capacity building and implementation of institutional reforms. It was even expected that the provision of sector budget support would be possible.

The situation in the sector changed in 2008, partly because of the political crisis, but also because the institutional reforms did not produce the anticipated results. New roads authorities were established to improve road network management and maintenance. However, there is no agreement among the stakeholders to what extent the institutional reforms have led to improved road network management and maintenance. It is clear that road maintenance has improved, but both the actual progress made, and the sustainability of these improvements are source of an intensive debate. It is concluded that improvements in road maintenance have been realised, but the progress is uneven for various road types and sustainability is not guaranteed.

The GoK was mainly interested in EU grant funding of rehabilitation and construction of trunk roads. In practice, during the period 2006-2012, 99% of the total EDF expenditures for this focal sector was spent on trunk roads. When Stabex funding to rural roads is taken into account as well this percentage amounts to 75%. This indicates that the planned balance between different types of interventions was not realised. Furthermore, the policy dialogue became more complicated over time.

An overview of total funding of the main trunk roads shows that trunk roads are now mainly being financed through concessional and commercial loans, while the EU has been by far the most important and almost single grant donor. Total donor commitments to trunk roads in 2009 stood at € 870 million (excluding loans from China) of which € 170 million was planned to be provided as grants (of which 88% provided by the EU). Whilst the grant funding of trunk roads might have been justified at the time when the CPSs were formulated, there is no good reason for grant funding of trunk roads nowadays anymore. Most trunk roads have a high economic rate of return, which justifies funding through loans. Nevertheless, the GoK is still interested in grant funding for trunk roads.

The EU focus on rural and urban roads has been very appropriate in view of the needs, which are becoming even more urgent. That focus is also in line with the policies of the GoK (notwithstanding its specific interest in grant funding for trunk roads). The EU's comparative advantage in combination with the attention for continued policy and institutional reforms is clear in this area, which also provides ample opportunities for synergies.

Conclusion 5

In a context of fragmented project aid and relatively weak donor coordination, the EU has adopted a pragmatic approach through better coordination between the EU and its Member States.

Based on EQ1 and EQ2.

There are donor coordination mechanisms in place, but lack of trust between development partners and the government as well as limited leadership on the part of the government have contributed to weak coordination. KJAS played an important role in creating platforms for coordination between the government and donors, but the existing platforms tended to serve the purpose of information exchange rather than being mechanisms for effective coordination and harmonisation.

Before 2008, at sector level there was some momentum in sector donor coordination especially for roads and PFM. That momentum disappeared with the post-election violence. After 2008, consultations between the Government and the donors on aid effectiveness were less frequent than consultations among the donors only. Donors frequently met in own sector working groups. However, these groups were mainly focussed on exchanging information, while no effective coordination and harmonisation took place. Moreover, the absence of agreement on division of labour further limited coordination within some sectors. Project aid is not only the dominant aid modality of the EU since 2008, but also of all other donors since quite some time, which caused additional challenges for effective donor coordination.

In this problematic context, the EU policies and strategies could not be well harmonised with those of other donors. Over time, the DEU succeeded to improve donor coordination among the EU and its Member States. The EU Development Councillors meeting became the forum where main contextual issues were discussed and where also an initiative was taken to develop a joint EU programming. This joint EU programming exercise involves only a limited number of donors i.e. the EU and its Member States, whilst the role of the GoK is not clear. This can be considered as a pragmatic, but not ideal way forward in a situation where donor coordination is still not up to standard.

Conclusion 6

The attention of the EU was too narrowly focused on financial issues and outputs, rather than on achieving the development objectives.

Based on EQ3 and EQ1.

In principle, the main requirements for a results oriented approach were in place. The CSPs had intervention logics and result chains based on overall objectives, although the result chains were not so well defined and often no clear targets were set. Furthermore, there was a system of annual reviews (EAMRs, JAORs) and MTRs and ETRs of the CSP, which should have allowed to manage the implementation focussed on results.

In practice, the CSP intervention logics were not used as ‘living documents’. The review reports focused mainly on the analysis of changes in the context and reported on the progress of activities (inputs) and on outputs to some extent. However, these reports hardly contained information on results at outcome or impact level. Given the reallocation of the GBS envelope of the 10th EDF, there was considerable pressure to plan new activities in the focal and non-focal sectors. This was not an easy matter, as plans for sector budget support appeared not to be feasible and thus new projects had to be formulated. This was quite time-consuming and increased even more the input-orientation of the EU support.

When analysing the system in more detail, there appear to be weak components and clear missing linkages at all levels. First of all the project design was often quite weak and no clear targets at outcome or impact level were set and no baseline data surveys or needs assessments have been carried out. Furthermore, most projects and programmes did not have an adequate monitoring and evaluation (M&E) system. Projects did report on inputs, expenditures and outputs, but not on outcomes and impact. Both at programme and project level as well as at national and DEU level there is a lack of specialised in-depth M&E knowledge and experience.

In view of the basic lack of data as highlighted in the previous paragraph, external M&E activities such as ROM and project evaluations had relatively little added value. Furthermore,

timing problems of ROM and weak evaluation designs limited the usefulness of external M&E processes and reports.

It is concluded that no consistent results focus could be found in the planning and implementation of EU support, which is due to internal factors such as a high work burden and many different reporting needs in combination with a lack of incentives, as well as external factors such as overall weak M&E systems at sector and national level in Kenya.

Conclusion 7

Internal and external coherence was weak and synergies have therefore remained limited to some specific areas such as the support to ASAL areas and the cooperation between EEAS and DEVCO around the elections.

Based on EQ1 and EQ2.

Within the focal sectors of support there were attempts to create internal synergies. This was especially the case for the transport sector where a balanced package of interventions was planned – but not implemented according to planning- and for the agricultural support to ASAL areas. For transport, support to various types of roads (trunk roads, rural roads, urban roads and tourist roads) was to be combined with capacity building support and support to the policy and institutional reforms aimed at improving road management and maintenance. In practice, especially since 2008, the support to trunk roads became dominant while the intended synergies were not yet realised.

There are two more positive examples of internal coherence and synergies. The available evidence indicates that there are clear signs of increasing synergies between agricultural research, food security and drought management activities in ASAL and to a more limited extent with environmental management and ECHO support. There is also some evidence of synergies between the development cooperation interventions mentioned above and other actions managed by EEAS (previously Relex), especially around the handling of the post-election crisis together with other DPs and around the preparations of the 2013 elections.

However, in general, there was a lack of internal coherence both within and among sectors, which limited the value added of the EU. While there was some internal coherence of the various activities of the ASAL support, there was no coherent strategy as such for the entire agriculture and rural development focal sector including the governance and rural development interventions that are managed by three different sections in the DEU.

There was also no comprehensive strategy for the non-focal governance sector, which has led to a series of scattered interventions. Furthermore, there is hardly any evidence of synergies among the various sectors, whilst there were also very limited synergies between the RSP and CSP interventions.

It is not surprising that the limited internal coherence was accompanied by limited external coherence as well. There are some practical positive examples where agreement was reached on funding of different road trajectories by different donors, but that did not always lead to synergies.

5.1.2 Conclusions macro-economic support

Conclusion 8

The EU was the only donor providing General Budget Support to Kenya in the period 2006-2012, which not only limited the effectiveness of this support but also led to strained relations with the GoK and disputes with some EU Member States.

Based primarily on EQ4, and to a lesser extent on EQ1.

The discussions about the GBS from 2008 onwards – long delay of the disbursement of the last tranche of the PRBS (the GBS of the 9th EDF), cancellation of the 10th EDF GBS and reallocation of these funds to other sectors - have put the aid relationship between the EU and the GoK under strain, because the objectives of the two parties as regards GBS did not coincide. The GoK strongly regretted the above mentioned long delay and cancellation. The GoK considered itself eligible for macroeconomic support and had the impression that donors applied the GBS eligibility criteria to Kenya not in the same way as in case of other countries. The GoK was aiming for a quick disbursement of – if possible – 100% of the last PRBS tranche and maintaining the GBS envelope of the 10th EDF, while the EU adopted a more careful approach regarding GBS and formulated a new GBS policy in which governance criteria play a more important role.

The two budget support issues mentioned above have also put the EU in a somewhat difficult position when it concluded in 2012 that the (old) GBS eligibility criteria were met, which made disbursement of the third PRBS tranche possible, while at the same time it had to explain that Kenya was not eligible for GBS (a Good Governance and Development Contract) on the basis of the new budget support guidelines of the EU. Although, the explanations and justifications were valid and justified, they were not always understood and/or appreciated by the GoK and other parties interested in the subject. Nevertheless, in the course of 2012 the GoK came to the conclusion that GBS had become a too unpredictable source of funding the government budget.

Despite intentions of other donors to also provide GBS when the EU started its GBS in 2004/2005, no other donor provided GBS to Kenya during the evaluation period (2006-2012). The absence of other donors providing GBS and the non-existence of a real GBS policy dialogue with the GoK meant that the PRBS was lacking one of the main GBS components (tools), and could thus not be very effective in terms of contributing to and influencing the formulation and implementation of the development policies of the GoK.

The appropriateness of the way the EU has employed the GBS modality in Kenya has to be assessed in the light of the prevailing GBS policy of the EU at the time the GBS was provided. Although the design and approval of the PRBS were reasonably well justified in 2003/2004 in view of the policy and economic context in Kenya and the EU's GBS policy at that time, the overall results of the PRBS were not really satisfactory. The EU's GBS strategy has now been modified (see 2012 Budget Support Guidelines). The new strategy puts more emphasis on the importance of good governance criteria and is now more in line with the thinking of the more vocal and critical EU Member States.

Conclusion 9

The EU made a modest positive contribution to PFM reforms, although the PFM Reform Programme supported by the EU was not very successful.

Based primarily on EQ5, and to a lesser extent on EQ4 and EQ2.

The PFM Reform Programme (the SRPFM: Strategy to Revitalise PFM) implemented by the GoK and supported by various donors was not very well designed, but provided nevertheless a workable framework for donor support. However, the implementation of the SRPFM was weak due to insufficient high level political support, a weak PFM Reform Secretariat, a complicated set-up of the donor support and absence of a monitoring system and a real PFM policy dialogue during most of the time. Due to these weaknesses and insufficiencies, the SRPFM was not very successful in terms of coordinating, guiding and promoting PFM reform. That applies also to the support the EU has provided to the SRPFM, consisting of about € 2 million and a contribution to the PFM policy dialogue. It is acknowledged that the EU has been an active member of the donor support group and chaired it for some time.

Despite the problems with the SRPFM, relevant PFM reforms have been implemented and continue to be implemented, thanks to drivers of change within a number of institutions responsible for PFM. Kenya's PFM system has gradually been strengthened during the period 2006-2012, although the results vary from one PFM component to another, while the findings of the various studies are also not always identical and/or consistent. All studies list a number of clear improvements and achievements, while at the same mentioning challenges and areas where insufficient progress has been made so far. The most remarkable results have been registered in the area of revenue collection, public procurement and internal and external auditing.

The EU made a modest contribution to PFM improvements, via the provision of € 2 million to the SRPFM, participating in the PFM policy dialogue for some time (at times when there was such a dialogue, namely in 2004-2006 and more recently since 2011), and through the PFM related preconditions for signing the PRBS Financing Agreement and disbursing the first fixed tranche in 2005. However, in later years the linkages between GBS disbursement criteria and PFM improvements became unclear due to the long time lag (several years) between the time de criteria were established and the evaluation of the criteria.

5.1.3 Conclusions agriculture and rural development

Conclusion 10

The EU contributed to improved agricultural practices that might lead to improved food security in ASAL areas

Based primarily on EQ6, and to a lesser extent on EQ1 and EQ2.

There is no solid evidence to show that overall food security has increased in the ASAL areas as a result of the EU support. Food security in some parts of the ASAL areas has somewhat improved in 2012 but this was largely due to improved rain fall conditions, which have had a direct effect on livestock productivity. Progress made towards increasing the incomes of the rural households due to the EU supported programs, with direct positive effects on the households' food security situation, has been slow but steady with potential for growth.

Important inroads have been made by the programmes to help overcome some of the main barriers hampering improvements in agricultural and livestock production in the ASAL areas such as: i) the introduction and adaption of improved food crop, grass and fodder crop varieties by farm households, ii) the lowering of the livestock mortality rate and improving the quality of the livestock, and iii) improving the livestock marketing infrastructure and reducing marketing cost by using the value chain approach. Notwithstanding these positive

developments, the scope of the programmes has been limited in terms of number of beneficiaries compared with the total number of vulnerable households in the ASAL areas.

There are some clear indications of increased crop and livestock production in parts of the ASAL areas, due to the use of value chain approaches, the introduction of fodder crop schemes, animal vaccination programmes and improved livestock market infrastructure. Indications of crop production increases mainly relate to the increased production of sorghum for the industrial market by small scale farm households in the semi-arid areas, albeit at a still very modest scale (5,000 MT involving some 10,000 farm households), but with good prospects for further growth using better farm practices. The same applies to the production of fodder crops by farm households in the arid areas (600 ha under irrigation, volumes unknown, involving some 2,000 households), which certainly had and has an effect on the quality of the livestock (beef and dairy) in parts of the arid areas.

The vaccination programmes have without doubt an important effect on the productivity of the livestock sector with the reduction of the animal mortality rate, and the quality of the animals being less afflicted by diseases (400,000 animals). With a reduction in the animal mortality rate, the sales of animals on the livestock markets and the supply of animals for the meat processing sector have increased significantly. The reported increase of 50% in cattle prices in some markets could be due to the animals being more healthy and in a better condition (also because of the provision of fodder), and due to better livestock market facilities and market information. Another innovative EU supported programme concerns an index based livestock insurance programme.

The indications of improvements apply specifically to semi-arid areas but less to arid areas. However, the scope appears to be still rather small and improvements are limited to some pockets of the ASAL areas.

Conclusion 11

The EU contributed to better access to rural (social) infrastructure, but new sustainability challenges have emerged

Based primarily on EQ7, and also on EQ10 and EQ1.

Community development has not been a clear GoK priority. Although rural development is referred to in general policy documents and in the agricultural sector strategy, there is no overall rural development policy. The community development support of the EU, as part of the agricultural and rural development focal sector, is focused on the support to the CDTF that was established in 1996 as an agency of the Ministry of Planning with no government funding till today. This support is provided with limited linkages to GoK policies, while the linkages to the EU agricultural support are also not so clear. Therefore, the CDTF operates in relative isolation with limited policy linkages and is still fully dependent on donor funding.

The trademark of the CDTF is a demand-oriented approach with open calls for proposals for which clear procedures are defined while there is no geographical priority. The demand for support is enormous, but given the limitations of the budget, only 2-5% of the applications are actually selected for funding. The majority of the projects was related to education (>60%). CDTF has supported only very few economic infrastructure projects such as rural access roads and bridges. The majority of the projects is situated in the Western and Central provinces, while it is estimated that a third of the projects is located in the relatively poorer ASAL areas. The coverage of CDTF interventions since its start is quite limited because only

about 2% of all rural households (4 million; see annex 12, 7.1.5) have benefited from CDTF support.

It is clear that the EU support to the CDTF over the years has increased the access of communities to rural infrastructure, in particular schools. It is assumed that this has empowered the communities, but there is no concrete evidence as no good monitoring system has been set up.

The CDTF approach has proved its value in the past, but new challenges emerge. Recently new devolved funds have been established that appear to be better linked to the new devolved governance context in which counties are responsible for community development. Also NSAs play an important role. Therefore, institutional linkages need to be strengthened both at local and national level to ensure sustainability. Furthermore, CDTF is facing serious challenges regarding its grant management that needs to be improved urgently.

5.1.4 Conclusions transport infrastructure

Conclusion 12

EU's contribution to sector reforms in transport infrastructure has led to mixed results and despite some improvements of road maintenance, sustainability remains an important issue of concern

Based primarily on EQ8, and also EQ1.

Conclusions 1 and 4 are already referring to stagnating institutional reforms from 2008 onwards. The new independent roads authorities, which were supposed to focus especially on maintenance of roads, were established in 2008 next to the already existing Kenya Roads Board that was responsible for the management of the Roads Maintenance Levy Fund (RMLF). The share of GDP spent on road maintenance has grown gradually from about 0.7% in 2003 to about 0.85% in 2011. There are contradictory opinions whether the funding provided by the KRB actually covers the current maintenance needs or not. Stakeholders do however agree that there is too little focus on elementary maintenance and too much focus on expensive rehabilitation. Statistical data provided by the KRB indicate that the share of rehabilitation might indeed be as high as 40%-50%, implying that the maintenance funds are presently used in an inefficient way.

There are also indications that road maintenance improved during the period 2000-2009 especially maintenance of rural roads and the international trunk road network, but this does not apply to the same extent to the Northern Corridor. The fact that no reliable data on road maintenance for all categories of roads could be found for the period after 2009 is quite indicative for the insufficient attention paid to road maintenance. Despite some evidence of improved maintenance of some road categories, more efforts should be made to realise sustainable improvements of the roads network.

Conclusion 13

The majority of the EU funded trunk roads have a high economic rate of return that may even become higher when Non Trade Barriers are removed

Based primarily on EQ9, and also on EQ1.

The two main finished road projects of the Northern Corridor supported by the EU have a high economic rate of return with a calculated EIRR of at least 40%, despite considerable cost increases and delays during the design phases that were partially compensated through efficient implementation. The third EU funded Northern Corridor project that is still on-going is expected to have a similar high rate of return. For the EU funded section of the road to Ethiopia the calculations are less positive, but this road is considered to be of strategic regional importance and the full potential benefit is difficult to calculate.

There are important gains being made through the reduction of travel time, but the gains in terms of reduced travel costs are less obvious. This can be explained by the fact that Non-Trade Barriers such as police road blocks, custom procedures, etc. have so far hardly been reduced and negatively affect the gains being made by the rehabilitated roads. Despite these hindrances, the available evidence indicates that the improvement of the three road sections of the Northern Corridor supported by the EU have indeed had a significant impact on the overseas trade of Uganda and also on the trade between Kenya and Uganda. With the planned further improvements of the trunk road network and with adequate maintenance, the impact is expected to increase in the near future in view of Kenya's position as a regional hub.

5.1.5 Conclusions governance

Conclusion 14

The EU contributed to a more responsive government, but sustainability and impact are not guaranteed

Based primarily on EQ10.

The EU tried to support good governance in a very pragmatic way by focusing on the Agenda 4 and constitutional reforms. Over time the envelope for this sector was increased, but no comprehensive strategy for this non-focal sector was designed. The EU support to strengthening democratic governance consisted of many different activities including support to local governments and support to NSAs. As the projects were relatively small in size, and given the diversity of the civil society in Kenya and the tensions between the GoK and NSAs, there were important internal and external coordination challenges for the EU.

The focus on both the demand and supply side of governance was appropriate in order to effectively foster government's accountability and responsiveness. The EU managed to contribute positively to an increased influence of NSAs on local and national government activities. The EU contributed also positively to the capacity of local governments to engage with communities. EU's experience with supporting local governments' capacity is of great value in the context of the current devolution process. Tangible results have been achieved concerning the participation of NSAs in devolved funds – especially the CDF- and with respect to the provision of targeted inputs in specific policy making processes, such as the National Peace Policy.

Nevertheless, better internal and external coordination could have enhanced the impact of EU support. If the demand side activities had been more linked with the supply side activities, synergies could have been exploited. EU's support to both NSAs and local government authorities has, in addition, been too scattered and limited in scope and duration to ensure the achievement of substantive sustainable outcomes and impact.

Furthermore, while NSAs played an important role in supporting and monitoring the implementation of the Agenda of the National Peace Accord, which was supported by the EU, and while due to EU's support government's accountability and responsiveness had improved, this all did not lead to a better overall dialogue between the civil society and the government at the national level. The relationship between NSAs and the GoK remains, in general, tense. The EU did not further facilitate institutionalized dialogue and information exchange between NSAs and the national government, which could have contributed to increased government accountability and responsiveness. Given the sensitive Kenyan context, in which NSAs are, according to various interviewees, often been perceived to be donor-puppets it is, however, the question to what extent the EU as a donor could have really facilitated that dialogue.

5.2 Recommendations

In line with the presentation of the conclusions, general recommendations are formulated both at the strategic level and sector-specific level. No recommendations for macro-economic support have been formulated, as probably no macro-economic support will be provided under the 11th EDF. General lessons regarding macro-economic support have been included in the conclusions (see 5.1.2).

The programming for the 11th EDF is on-going. Given the retrospective character of this evaluation, not all preparations and decisions regarding programming for the 11th EDF could be taken into account. It has been decided that there won't be CSPs for the 11th EDF anymore, but only NIPs (National Indicative Programmes). NIPs will respond to national owned strategies and plans (in particular Kenya Vision 2030 MTP II). Furthermore, the ongoing EU Joint Programming process envisages further plans and documents that will be relevant for planning and programming. An EU development and cooperation results framework is also under preparation.

5.2.1 Strategic recommendations

Recommendation 1

Give more attention to the political and policy dialogue with the GoK together with other donors, in particular the EU Member States

Based on conclusions 1, 2 and 5.

Given the context of increasing politicisation of aid and the on-going difficult debate and strained relations between the GoK and western donors, due attention should be paid to the political and policy dialogue between these actors.

The joint approach adopted by the donors in reaction to the post-election violence including a mediation panel of Eminent African Personalities led by Kofi Annan and the active dialogue

prior to the 2013 elections show that development cooperation and external relations go hand in hand. **The creation of the EEAS provides ample opportunities to further enhance synergies between development cooperation and the EU's broader external agenda especially in the politicised Kenyan context.**

Furthermore, **the EU is in a unique position to play a key role in the political dialogue given its regular consultations with its Member States and the effort to come to a joint EU programming, based on a better division of labour among the EU and its member states.**

Although the focus is on the political and policy dialogue between the EU and the GoK, **civil society should also be consulted and should participate in the dialogue.** This dialogue should be primarily led by the DEU, in close collaboration of course with HQ in Brussels, as the DEU has frequent contact with the actors on the ground. This is in line with current practice and deserves to be further encouraged. It is important that civil society is not only involved in the development dialogue, but also in the political dialogue. It is equally important that development staff does not completely refrain from political issues in their consultations and dialogue. There are no clear recipes for the right level and type of dialogue, because the intensity and frequency of the dialogue depends on emerging issues. Of course, the formulation of a new National Indicative Programme (NIP) provides ample opportunities for having intensive dialogues both on past and future collaboration.

Recommendation 2

The choice of focal sectors for the 11th EDF NIP should be based on GoK priorities, sector performance, EU's comparative advantage,, needs analysis, potential synergies and the division of labour among donors

Based on conclusions 2, 3, and 4.

The preparation of the 11th EDF is already well advanced and sector choices were already discussed at the time the field work was carried out. The choice of focal and non-focal sectors is largely a political choice, but the evaluation team can provide its insights from a developmental and technical perspective. Various criteria relevant for the sector choice have been analysed. The following overview does not pretend to be exhaustive:

- **GoK priorities:** For the GoK the continued funding of the roads sector by the EU is a clear priority including grant funding. Agriculture/ASAL is also a priority. The GoK is of the opinion that the governance sector is overcrowded with donor agencies and does not see this as a priority for EU support. Other priority sectors can be derived from Vision 2030;
- **Comparative advantage:** The EU has a comparative advantage for providing support to the ASAL areas and the transport sector. For both (sub)sectors the comparative advantage is based on EU's experience with supporting those sectors in the past and EU's knowledge of the sectors;
- **Needs analysis:** Relatively good needs assessments are available for the ASAL areas, but baseline data are missing and there is no agreement on a common approach, which makes it a risky undertaking. For roads there is no agreement on funding needs and modalities. Given the availability of concessional and commercial loans for funding the construction of trunk roads and the fact that the GoK was able to contract more loans for trunk roads, in combination with the high Economic Rate of Return of investments in trunk roads, there is no need for grant funding of trunk roads according to the evaluation team. However, there are clear needs for funding other types of roads in rural and urban areas;

- **Potential synergies:** given the importance of increasing the synergies between EU supported activities it would be good to select complementary sectors. If the support to ASAL areas would be continued, it would also be useful to support the development of road networks to open up arid lands for economic development (mainly agriculture and livestock based and private sector driven) and also to provide support to the devolution process in ASAL areas;
- **Division of labour:** Agriculture and transport are not sectors overcrowded by donors. This is not clear in the case of the governance sector, because the GoK argues that this sector is overcrowded while donors do not have the same opinion.

Based on this overview the following sector choices would be logical:

- **Agriculture, in particular support to ASAL;**
- **Infrastructure for the poor, including rural roads in ASAL areas; possibly with other types of infrastructure still to be determined;**
- **Democratic governance, including support to implementation of the devolution policy (in particular in ASAL areas), support to NSAs and election support.**

For each sector a comprehensive sector response strategy with adequate intervention logics should be developed. It would also be wise to develop and integrate already exit strategies in the design and planning of sector strategies to enhance sustainability. The absorption capacities of the Kenyan government and non-government actors to plan, implement, monitor and evaluate development projects should also be taken into account, as project aid is likely to be the main aid modality. However, also programme-based approaches should be considered, while budget support remains an option to be considered in the future together with other development partners. Risk mitigation strategies should be an integral part of the sector strategies.

Recommendation 3

Develop comprehensive, results-oriented sector strategies for each focal and non-focal sector including specific risk analysis and risk mitigation strategies for each sector

Based on conclusions 2, 3, 4 and 6.

In principle, the NIPs should include comprehensive response strategies for the focal sectors, but in practice that has not always been the case, which affect the performance negatively especially in the complex Kenyan context. A clear strategy should underpin EU's overall support, which should effectively guide the design, implementation and monitoring of the different activities, facilitate a coordinated approach both with other development partners' activities (externally) and between EU's support programmes/projects (internally), and which should include measures to ensure the sustainability of outcomes and results achieved (including sound exit strategies).

In these sector strategies the following issues should be taken into account:

- **Alignment with GoK priorities and governance analysis:** Alignment has always received a lot of attention in previous CSPs and cannot be considered to be a weakness so far. Those documents contained also a policy and institutional context analysis per sector. However, the analyses of the governance and political economy analyses underpinning the sector strategies need to be improved, because the previous CSPs tended to be too optimistic on the basis of insufficient in-depth governance analyses;
- **Clear needs analyses:** Needs analyses have mainly been based on general analyses presented in policy documents, which are often not detailed enough. Therefore, needs

analyses require more thorough attention, especially in view of the limited baseline data available in Kenya. The needs analyses in sector strategy documents could be complemented with further baseline studies for specific programmes;

- **Division of labour:** This issue has not received much attention in the past, but it should get more attention, particularly in view of the fragmentation of project aid. Harmonisation of the Joint EU Programming process and the NIP planning process is a first step to be taken as in the Joint EU Programming the division of labour is a central issue;
- **Clear sector definition:** In previous CSPs, some sector definitions were not very clear as different programmes had to be integrated in one sector. This has led in practice to an unclear sector focus in some cases and the impossibility to formulate and implement comprehensive and consistent sector strategies. Therefore, a clear and logic sector definition is a precondition for a good sector response strategy, although rigidity should be avoided;
- **Attention to synergies within and between sectors:** Promoting synergies should be part and parcel of the planning process for each sector individually, but also among the sectors. The focus on ASAL for various sectors would facilitate creating synergies within the EU support programme – both within focal sectors of support as among various sectors of support- as well as among the EU support and support provided by other donors;
- **Intervention logic:** Each NIP should include an overall intervention logic and specific intervention logics for the selected sectors. This requirement has been fulfilled in the past, but the intervention logics were not used as living reference documents used for further planning and implementation of the sector response strategies. They appear to have been considered as theoretical exercises. Therefore, it is recommended that the staff responsible for the selected sectors jointly develop intervention logics including underlying assumptions and agree on how the intervention logic will be used during planning and implementation;
- **Elaboration of the aid modality mix:** The elaboration of the aid modality mix is part and parcel of the NIP planning process. However given the delays in implementation, premature choices for specific modalities at an early stage should be avoided. Therefore, on the basis of the needs analysis and the analysis of the policy and institutional context, different scenarios for the aid modality mix per sector could be developed;
- **Risk analysis plus risk mitigation strategies:** A necessary and logical element of sector response strategies is a risk analysis and related risk mitigation strategies;
- **Adequate M&E strategies:** For each sector a clear M&E strategy should be elaborated with clear linkages between M&E at project and programme level and M&E at sector level (see Recommendation 5);
- **Sound exit strategies:** Exit strategies have not been formulated so far, while these are essential for anchoring the sustainability of the results achieved.

Recommendation 4

Implement and manage the EU support in a more results-oriented way based on holistic approaches towards M&E on the one hand and by developing a pilot approach on the other hand

Based on conclusions 6, 10, 11, 12, 13 and 14.

In line with the previous recommendations focussed at sector level, it is recommended to **develop and implement an innovative results-oriented approach for the 11th EDF NIP**. The NIP Kenya could possibly serve as (one of the) pilot(s) to manage the NIP in a more results-oriented way. The sector response strategies with good intervention logics and clear targets would form the basis and would allow to improve ownership a sector level not only for

the definition of targets, but also for its monitoring and evaluation. Therefore, the EU will seek to develop together with other donors (EU Member States or other donors) and the GoK holistic approaches towards M&E at sector level based on programme-based approaches to the extent possible. Preferably, **the DEU would be leading** on such an innovative results-oriented approach in order to enhance ownership and to establish the necessary linkages with national, programme and project level M&E. EU HQ should provide the necessary technical support and closely monitor implementation in order to draw lessons that can also be applied elsewhere. Additional professional M&E capacity would be needed at the DEU to facilitate the development and implementation of such an approach.

On the basis of these comprehensive results-focused sector strategies, an immediate start should be made with baseline surveys and related end-term impact assessments during implementation and at the end of the project or programme. Not each project or programme should necessarily be based on a detailed baseline survey, but it is absolutely essential that **each programme and project should have a tailor-made appropriate M&E system from the start onwards**. Some projects will have quite lean systems with limited baseline data, while for other projects more elaborated M&E systems should be set up. Therefore, in each selected focal sector it is recommended to **select one pilot project where a baseline survey is carried out** and a related adequate M&E system is being developed and implemented. These pilots should not be developed in isolation, but linkages should be made to the national and county level in order to stimulate learning and improve information exchange. Other projects and other development partners should be able to learn lessons from these pilots to improve their own M&E systems, with a clear focus on lean and cost-effective systems. In this way the holistic approaches are linked to specific pilot projects for M&E improvement and these approaches would mutually reinforce each other. Furthermore, attention should be given to capacity building in M&E at all levels.

For the pilot projects baseline data with indicators at activity, output, outcome and impact level will constitute the input for tailor-made M&E systems for each project and programme. It is important that stakeholders are closely involved in the design of these tailor-made M&E systems and that needs of the various users are being addressed. Preferably local capacity that will be further built will be used in the elaboration of these systems. With adequate M&E systems that are linked to information collection systems at county and national level a basis will be developed for proper impact evaluations.

The gradual improvements in the results orientation of the NIP and the projects and programmes should also result in better outcome oriented reporting in the EAMRs, JAORs, MTR and ETR.

Recommendation 5 **Enhance internal and external coherence through pragmatic and more effective coordination mechanisms**

Based on conclusions 5 and 7.

In the complex Kenyan context of the past years, it is not surprising that there was low internal and external coherence with limited synergies. The return to fragmented project aid and little effective donor coordination and harmonisation are other limiting factors.

The evaluation team recommends **a continuation of the present pragmatic approach**, aiming for the development of programme and if possible sector-wide approaches for specific

sectors together with the GoK, donors and civil society. In that context, the aid modality mix can be reconsidered and the options for budget support can be explored once the conditions have improved.

5.2.2 Recommendations for the agriculture and rural development sector

Recommendation 6

Continue the focus on the value chain approach in the ASAL areas

Based on conclusions 3 and 10.

The EU support to the agricultural sector should continue to focus on the value chain approach in the ASAL areas as there is much merit in the approach in terms of improving productive operations, generating income and employment for small farm households and contributing to overall economic growth.

Within this support the following more operational recommendations could be taken into account:

- In the arid areas the specific focus should be on **further developing the livestock value chain**, which is to include fodder crop production, pasture management, development of livestock market infrastructure and market information;
- EU support to **further improve access to veterinary services and good quality and affordable animal vaccines and drugs** should continue as an important segment of the livestock value chain approach, because improved animal health care proved to have a noticeable impact on lowering animal mortality and improving the quality of livestock (see section 4.6.3). This in turn contributes to improving the income of livestock producers in the arid areas;
- The **specific focus of the value chain approach in the semi-arid areas should be on food crops for the agro-industry** such as sorghum for the breweries (see section 4.6.3), including the multiplication of improved, more drought resistant grass and fodder crops seeds to be used in the arid areas by the livestock sector;
- The EU support should be furthermore focussed on **improving access of vulnerable farm households to (low) cost seeds and fertilizers** in view of the high production gains which can be achieved (double/triple yields recorded by international and national agricultural research stations active in Africa). The combination of improved crop varieties and the application of fertilizer should be maintained as little or no gain can be expected from the introduction of improved crop varieties alone without the use of appropriate good quality fertilizer;
- The EU should consider **providing grants for crops and livestock research specifically for the ASAL areas**, which are based on outcome performance and competitive bidding. This would stimulate and fast track the research on improving agricultural and livestock production and productivity. Furthermore, that research would become more result oriented and it would be possible to increase the scope. This could possibly be introduced under the KRDP programme;
- **The index based livestock insurance programme, carried out by ILRI, should be further supported under the KRDP** as it provides income security for livestock producers in the ASAL areas in case of loss of livestock due to drought. Conditional to continuing this support is that adequate safeguards are built in to prevent possible abuse of the insurance programme by livestock producers (strict monitoring and enforcement of the

rules) and that producers are stimulated to invest in animal health care (vaccinations) and additional feed (procurement of fodder crops);

- The EU should consider assisting the **development of a land and water use master plan with a focus on income generation, improvements of livelihood and overall economic growth** on a much larger scale than currently is the case. This could potentially increase the scope of interventions of EU support in the arid ASAL areas. In view of the recent discoveries of large aquifers in Northern Kenya - which if properly managed could give an enormous boost to agricultural and livestock production in those areas to the benefit of a large part of the population – the development of a master plan appears appropriate. A main element of this plan would be the development of large scale irrigation schemes using water efficient pivot and/or sprinkler irrigation technologies (90% more efficient than furrow irrigation systems). NEMA could take the lead in the development of the land and water use master plan.

Recommendation 7

Initiate and facilitate a strategic reorientation of the community development support via CDTF in order to address its weaknesses and to link it with the devolution process

Based on conclusions 3 and 11.

A strategic reorientation of the EU support to the CDTF is strongly recommended taking into account the on-going devolution process and the continued dependence of the CDTF on donor funding which is 100% at present. As the position of community development in the focal sector agriculture and rural development is not clear, the focal sector linkages should be elaborated. An obvious option is to link community development support, which should have a clear county focus in the near future, to the support to democratic governance, in particular to the support to the devolution process if that would be a new focal sector of EU support (see recommendation 9).

Furthermore, in this recommended strategic reorientation the following should also be considered:

- Weaknesses such as **poor grant management**, especially at the project level with better audits (and not just at the central level of CDTF), **and the lack of a monitoring system should be urgently addressed**;
- **Scenarios for working very closely together with the counties should be developed.** These scenarios might include (i) the provision of grants by the counties to the communities with CDTF in an advisory role, (ii) continuation of the present practice, (iii) exit scenario, etc.;
- **Reduction of the management burden related to open calls for proposals** through a focus on specific geographic areas (on the basis of needs analysis and a mapping of other devolved funds);
- Setting a ceiling for the total amount of money to be spent on education projects or changing the criteria for calls for proposals through indicating specific infrastructure.

5.2.3 Recommendations for the transport infrastructure sector

Recommendation 8

Continue the EU support to roads, but with a new broader focus on providing infrastructure to the poor, addressing clear priority needs and enhancing synergies

Based on conclusions 4, 12 and 13.

The EU has a clear comparative advantage of supporting the roads sector, which is a good argument for continuing that support albeit in a different way. It has been concluded that there is no need for grant funding of trunk roads in the future, despite the understandable interest of the GoK in that type of funding. The EU is said to have a good track record with funding rural roads under the Roads 2000 programme prior to the present evaluation period when innovative cost-effective techniques were used. During the evaluation period only limited attention was given to improvements of rural roads, compared to trunk roads. The challenges regarding sustainable improvements in road maintenance should continue to be addressed in the future support strategy. The devolution process, which will make counties responsible for road maintenance, offers new opportunities for the funding of rural roads with a perspective to achieve sustainable results. As it is quite likely that the EU will continue its support to ASAL areas, while support to the implementation of the devolution process is also a good option, the evaluation team is of the opinion that support to rural roads would provide good opportunities to enhance internal coherence and to create synergies between various sector level activities supported by the EU. Furthermore, an important lesson that deserves to be repeated is -that a broad array of well integrated interventions- needs to be planned hand in hand with implementation of important institutional reforms, for which a good policy dialogue is needed. These interventions should not be limited to the roads sector alone, but should be linked with interventions in other sectors to realise synergies.

5.2.4 Recommendations for the governance sector

Recommendation 9

Develop a comprehensive strategy for support to democratic governance, in particular support to the devolution process including proving PFM support to local governments and support to strengthening civil society for a longer period of time

During the interviews both government and civil society actors indicated the need for support to the devolution process. Given EU's experience with supporting the demand and supply side of local governance, it is in a good position to facilitate this process. It is recommended that the EU concentrates its activities on specific geographical areas or thematic issues, in close coordination with other development partners in order to ensure that resources are not scattered and to realise the necessary critical mass to effectively support devolution.

The evaluation team advises the EU, furthermore, to support both the county government actors (supply side) and the NSAs (demand side). It is important that the engagement of civil society is in line with the New Constitution. The EU support to the supply and demand side should, in addition, be centered around the same issues and closely coordinated, to allow for these to strengthen each other. EU's support could, for example, focus on devolved funds, which would also allow the EU to effectively build upon its past experience. More specifically, the EU could not only continue its efforts to improve the management but also support a review of these devolved funds. Many devolved funds exist in Kenya, which have contributed to a lack of financial transparency and parallel financial systems. An independent review of all these funds would be useful to assess their added-value and alignment with the constitution.

Another area that the EU could explore for future support is that of intergovernmental relations. Supporting effective intergovernmental relations between the county and national

government level is a key issue in the devolution process that might be overlooked by the donor community, while it is essential that these relations are well organized. Providing technical support in this area –to for example the Intergovernmental Budget and Economic Council- is very much needed. Another related area where the EU has a comparative advantage is in bringing its PFM knowledge and expertise to the intergovernmental relations. The DEU has already started with some PFM activities related to the devolution process and this focus can be further developed.

Finally, some interviewees expressed their concern that as a consequence of the devolution process, many development partners might now turn directly to the counties with their support, and thus bypass the national government, with the risk that if these flows of funds are not managed in a transparent manner, allocations to counties may become very skewed and (accountability) relations between the national and county level governments may deteriorate. The EU could play an important –leading- role in fostering transparency of development partners’ support at the county level.

The existing possibilities to strategically target NSAs via EU’s various financing instruments should be exploited to the extent possible, while at the same time ensuring a good internal coordination. In addition, mechanisms should be put in place ensuring that new programmes/projects effectively build upon previous results. In cases where EU’s internal procedures impede the effective targeting of specific actors and support activities, it is recommended that the EU actively explores opportunities to cooperate with like-minded development partners to foster continuity in the support received by beneficiaries and the sustainability of results. In addition, the EU is advised, when designing a governance support programme, to always carefully analyse what the most effective intervention level would be given the specific governance aims to be achieved, the activities to be undertaken, and the strengths and limitations of EU’s support modalities in terms of its scope and duration and opportunities for strategic targeting. This may well lead to the conclusion that, in some instances, it would be best for the EU to direct its support activities to the meso/macro-level instead of to individual actors; for example, when these individual actors would require long-term support, which the EU may not be able to provide due to internal regulations.

