Monitoring profile – October 2016

KENYA

Global Partnership for Effective Development Co-operation
http://effectivecooperation.org

1. Country Context

Strategically placed, Kenya has gained importance in Africa as a result of achievements in political stability and economic strengths. It has embarked on an ambitious path to long-term sustainable development. Kenya is an uncontested African technological hub and its economy is among the largest in sub-Saharan Africa, rated as Africa's ninth largest economy. It has also made substantial development progress, including in MDG implementation and especially in universal primary education, maternal health, reducing child mortality and combating HIV/AIDs. Kenya's performance remains dismal in the eradication of poverty due to high income disparity, which hampers growth and anti-poverty efforts. The private sector's ability to identify and exploit new niches and geographical advantages has contributed to the economic growth. Despite its economic growth, the country is still vulnerable to internal and external shocks, such as post-election violence, political and economic instability, natural disasters, sharp rises in food and fuel prices, and global financial crises. In response to specific disasters and crises, such as the influx of refugees from neighboring countries and recurrent droughts, the country has received significant financial support over the years. External assistance, coupled with private sector investments, has played a major role in the Kenya's rapid economic growth. Kenya has been receiving development assistance since independence and the average annual ODA inflows as a percentage of GDP increased from 5.8% in 1970s to 9.9% in the 1980s, to a peak of 10.7% in the 1990s before declining to around 4% in the 2000s. In 2005/2006, ODA as a percentage of total government budget was 16%, which dropped to 12% in 2009/2010 but peaked again to 16% in 2013/2014. In 2014, Kenya received US$2,665 million in ODA, 4.4% of its GNI. Kenya's largest development partners are the United States, the World Bank, the African Development Bank, China, the United Kingdom, Japan, the EU, Germany, the Global Fund, France and Sweden.

Quick Facts

Surface area
580,370 km^2

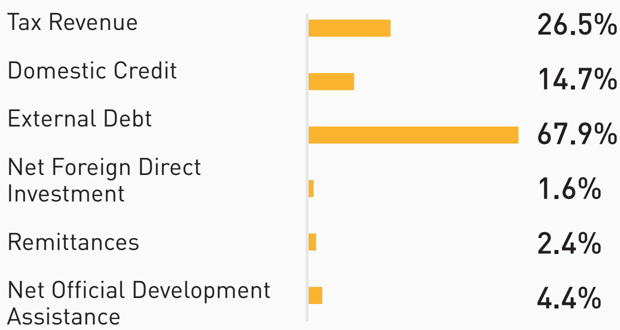
Population
46 million

GDP Growth 5.57% (2015)
GDP Per Capita US$1,340 (2015)

Income level category
Lower middle-income country

Inflows (% Gross Domestic Product)

LATEST YEAR AVAILABLE



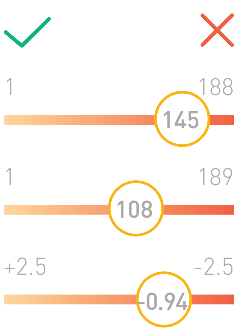
Key Development Indices:

National Poverty Index 45.9% of pop. (2005)

GINI Index 48.5 (2005)

Official Development Assistance/Capital Formation 20.46% (2014)

ODA per Capita US$59.40 (2014)



Human Development Index (2014)
(Best rank: Position 1)

Doing Business Rank (2015)
(Best rank: Position 1)

Anti-corruption Index: -0.94 (2014)
(Highest anti-corruption: +2.5)

Key Development Challenges

Kenya has an educated and skilled populace and abundant natural resources. Kenya is likely to strengthen its economy owing to the recent discovery of oil, gas and minerals and improved trading conditions within the East African region. The potential presented by the extractives sector, if effectively governed, could support the expansion of livelihood opportunities for communities, youth and women. Kenya faces many challenges, including high unemployment and extreme poverty. Kenya is highly vulnerable to natural disasters, particularly drought and floods. Ecosystems are overall under immense pressure from the increasing population and the associated demand for natural resources. The overarching challenge Kenya is facing today is to generate economic growth that is more inclusive in order to more effectively reduce poverty across the country.

2. *Efforts to Implement the Effectiveness Principles*

A. Policies and Tools for Partners' Alignment

The Kenya Vision 2030 is the country's long-term development blueprint that aims to transform Kenya into a newly industrializing, middle-income country. The Kenya Vision 2030 is implemented in five-year successive medium-term plans (MTPs), currently the second MTP, 2013-2017. The Vision is based on three 'pillars': economic, social and political. These pillars are financed also through external assistance that is mostly aligned with the Vision and the second MTP. But effort still needs to be done to ensure alignment in development co-operation, especially of off-budget financing. To ensure that Kenya achieves its development agenda, all development resources will need to be aligned to the Vision 2030 and the second MTP. With the expiry of the Kenya Joint Assistance Strategy in 2012, the government and development partners agreed on integration of the aid effectiveness principles into the second MTP instead of developing another assistance strategy. The MDGs are firmly entrenched, as ministries, departments and agencies mainstreamed the MDGs into their policy, planning and budgeting processes. Kenya is reviewing the second medium-term plan to align to SDGs; meanwhile at the county levels, the review of county-integrated development plans will mainstream SDGs into the 47 county plans.

Major Development Partners of this Round (by Reported Disbursements)

United States	World Bank	United Kingdom	Global Fund	Japan
27%	22%	8%	5%	5%

Yes

Participation in 2014 Monitoring

Yes

Existence of a National Co-operation Policy

B. Governance and Management of Development Finance and Co-operation

The Government of Kenya and its development partners formed the Aid Effectiveness Group (AEG), which in turn established an aid coordination structure. The structure includes: a) a development partnership forum (DPF) that engages in policy dialogue on development priorities and on how development co-operation can effectively contribute towards the attainment of these priorities; b) a government coordination group (GCG), a high-level forum with focus on harmonization, alignment and coordination; c) a development partners group (DPG), which is a partners-only group that focuses on political and economic issues of mutual interest; d) an aid effectiveness group (AEG) at the technical level that aims to reduce transaction costs to the Government of Kenya and to development partners by streamlining systems of delivering official development finance, standardizing procedures, eliminating duplication, managing for development results and upholding mutual accountability; and e) an aid effectiveness secretariat (AES) to support the AEG. An electronic project management information system (e-ProMIS) has been developed to manage development programmes/projects data. The e-ProMIS is accessible online and has the ultimate objective of improving transparency, accountability and effective monitoring of programmes. Kenya is a member of the Open Aid Platform, although it has not yet signed up for IATI membership. Kenya participates in South-South and triangular co-operation and has established a South-South Centre.

3. *Country Ownership*

Indicator 1: Partners' Alignment and Use of Country-Led Results Frameworks

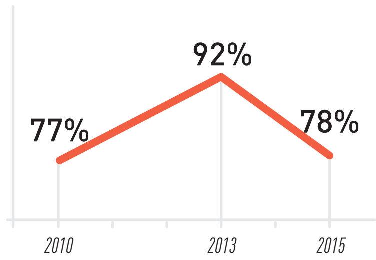
Kenya has a country results framework, as evidenced by its participation in the African Community of Practice (AfCoP) on managing for development results. Kenya's community of practice on managing for development results is established as the national chapter of the AfCoP. Kenya implements programme-based budgeting; medium-term budgeting; fiscal discipline and credibility; information dissemination budgetary controls; and public sector hearings on budgeting. The national integrated monitoring and evaluation system (NIMES) is used in monitoring of programmes and project implementation by ministries and other stakeholders. The monitoring and evaluation directorate monitors the implementation of the medium-term plans.

Alignment in Objectives	70%
Alignment in Results	57%
Use of Government Data	44%
Joint Evaluations	82%

Indicator 6. Development Co-operation is on Budget (Subject to Parliamentary Scrutiny)

Seventy-eight percent (2015) of official development finance is recorded in government's annual budget. Two thirds of all reported foreign official development finance is featured on the national budget. However, this rate is in contrast to earlier years, when development co-operation on budget was 92% in 2013 and 77% in 2010. An important part of foreign official development finance is still 'off-budget'. Kenyan authorities have adopted a series of public financial management reforms and strengthened their audit institutions that should in future increase the rate of on-budget official development finance.

Percentage on Budget



Indicators 9 and 10. Use of Country Systems

There is moderate use of Kenya's procurement systems in delivering official development finance. Sixty-four percent (2015) of official development finance makes use of the country's procurement and financial management systems (58% in 2010, 66% in 2013). The comprehensive public sector reforms introduced results-based management and transparency into public services. The reforms were geared towards accelerating transparency and accountability for improved service delivery. The country currently scores relatively well on regulatory quality, public administration and budget management. To deliver further official development finance via country systems, Kenya will require adequate institutional capacity, responsive leadership at all levels and effective accountability. The goal of the second PFM Strategy 2013-2017 is to ensure "a public finance system that promotes transparency, accountability, equity, fiscal discipline and efficiency in the management and use of public resources for improved service delivery and economic development".

	Budget (ideal: 100%)	Financial Reporting (ideal: 100%)	Auditing (ideal: 100%)	Procurement (ideal: 100%)	CPIA* (maximum: 6)	Untying (ideal: 100%)
INDICATOR 9B.	45% ▼	85% ▲	78% ▲	50% ▲		
INDICATORS 9A & 10.					3.5 ►	89% ▲

* Country Policy and Institutional Assessment

4. Inclusive Partnerships for Development

Indicators 2 and 3. Fostering Inclusive Partnerships for Development

Kenya has a vibrant civil society and space to operate. There is a framework of CSO engagement with government. CSO representatives attend the monthly aid effectiveness group meetings convened by government. The consultation of CSOs in the design, implementation and monitoring of national development policy is a constitutional requirement that recognizes participation as a key component of governance. Consultations are varied at different levels of governance. There are better opportunities of consultations at the national level than at the county level (devolved level). But feedback mechanisms are yet to be put in place to demonstrate inputs uptake from civil society. CSOs have developed standardized guidelines for accountability mainly to government and development partners. CSOs have formed networks and coalitions to facilitate and consolidate their voices around key policy issues and programmes. Currently, there are initiatives such as VIWANGO that seek to set a benchmark against which CSOs can measure their own performance and compare with other organizations and act as a catalyst for continuous improvement. Feedback mechanisms between development partners and CSOs are yet to be instituted in the consultation mechanisms. Development partners have policies for engaging with CSOs. With regards to private sector, the Kenya Private Sector Alliance (KEPSA) holds two to three roundtable discussions annually with the president on issues affecting private sector growth. A KEPSA representative participates in the aid effectiveness group meetings. The private sector under the umbrella and coordination of KEPSA has been proactive in engaging the government. KEPSA is the legitimate champion of the private sector in Kenya, formed by, for and with unison among the private sector members themselves. In less than 10 years, KEPSA has led the formation of over 10 public-private dialogue platforms that now enable the private sector to correspondingly lobby issues of interest to them with the government. Non-state agencies are very much involved in the development processes, with Parliament being the most active.

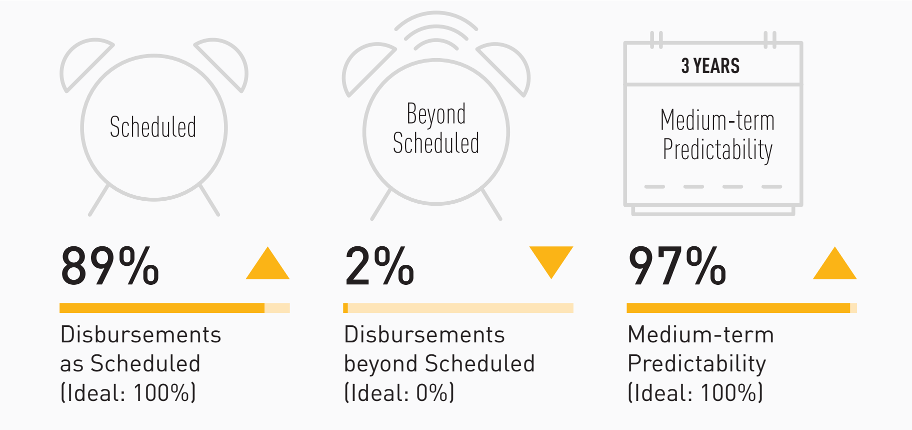
Indicator 8. Gender Empowerment

There is a system in place for tracking allocations for gender equality and women's empowerment. Allocations for gender equality and women's empowerment are systematically tracked and there is leadership and oversight of the tracking system by the central government unit in charge of public expenditures. Gender-equality-focused budget information is publicly available. Gender-specific indicators and sex-disaggregated data are used to inform budget allocation decisions at the sectoral and local levels.

5. *Transparency and Accountability*

Indicator 5. Development Co-operation is More Predictable

The annual predictability rate is 89% (2016) of finance disbursed as planned; this is an improvement from 67% in 2010 and 75% in 2013. Kenya has significantly improved its MTEF budgeting processes over the last years due to PFM reforms in the same period. Most partners disburse 100% of what was scheduled for disbursement. In Kenya, the medium-term predictability rate is 97% (2016).



Indicator 7. Mutual Accountability

Policy on official development finance defines the country's development co-operation priorities. The government and its development partners developed the Kenya Joint Assistance Strategy 2007-2012, focusing on improving aid effectiveness. The current document is Kenya External Resources Policy (KERP), which provides the accountability framework for guiding the management of ODA in Kenya. The document was developed following thorough consultations among relevant stakeholders. A mutual accountability framework is in place. Also, annual mutual assessments of progress are conducted. Busan outcomes are domesticated in the mutual accountability framework. Country-level targets are set and are jointly reviewed and assessed. Partners and government undertake joint reviews of progress and results of development actions. Effective development co-operation between Kenya and its partners is monitored through aid effectiveness principles, which are captured in the second medium-term plan (2013-2017). CSOs and other private stakeholders have been actively involved in such reviews, but the results of these exercises have not been promptly publicized.

National Priorities Going Forward

"The Government of Kenya will continue to build on its consultative platforms with all stakeholders to ensure effective coordination and harmonization of the development agenda in the country. The government will continue to prioritize implementation of the effective development co-operation principles and ensure alignment of all co-operation to the Kenya Vision 2030. Use of country results frameworks, use of country PFM systems, inclusive partnerships and transparency and accountability will be prioritized if we are to achieve the SDGs. Mainstreaming the SDGs into the third medium-term plan will also be important if Kenya is to realize inclusive growth and poverty reduction. Off-budget financing remains a challenge that needs to be addressed and will require commitment by all stakeholders involved. The monitoring results indicate that most development partners disbursed 100% of what was scheduled for disbursement, yet absorptive capacity at the country level is low due to many challenges. This will require effective dialogue and strengthening of country systems, building trust so that development partners can use our systems. All stakeholders need to exercise mutual accountability in the implementation of the EDC principles and also in the development agenda of recipient countries."

Jackson Kinyanjui & Monica Asuna, National Coordinators
National Treasury, Government of Kenya