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THE MULTILATERAL INVESTMENT GUARANTEE AGENCY

COUNTRY PARTNERSHIP STRATEGY PROGRESS REPORT

FOR

THE REPUBLIC OF KENYA

April 5, 2012

Eastern Africa Country Cluster 2 (AFCE2)
Africa Region

The International Finance Corporation
Sub-Saharan Africa Department

The Multilateral Investment Guarantee Agency

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ABBREVIATIONS AND ACRONYMS

AAA	Analytical and Advisory Activities
AfDB	African Development Bank
AIDS	Acquired Immunodeficiency Syndrome
AusAID	Australian Agency for International Development
CDD	Community Driven Development
CPS	Country Partnership Strategy
CSO	Civil Society Organization
DANIDA	Danish Agency for International Development
DCG	Development Partner Coordination Group
DPL	Development Policy Loan
EAC	East African Community
EACC	Ethics and Anti-Corruption Commission
EMIS	Education Management Information System
ESRP	Energy Sector Recovery Project
EU	European Union
GAC	Governance and Anti-Corruption
GDP	Gross Domestic Product
GEF	Global Environment Facility
HIV	Human Immunodeficiency Virus
IAD	Internal Audit Department
ICC	International Criminal Court
ICT	Information and Communication Technology
IDA	International Development Association
IFC	International Finance Corporation
IFMIS	Integrated Financial Management System
INT	Institutional Integrity Department
IPP	Independent Power Producers
KACC	Kenya Anti-Corruption Commission
KEMS	Kenya Medical Supply Agency
KESSP	Kenya Education Sector Support Project
KJAS	Kenya Joint Assistance Strategy
KPLC	Kenya Power and Lighting Company
MDG	Millennium Development Goals
MIC	Middle Income Country
M&E	Monitoring and Evaluation
MIGA	Multilateral Investment Guarantee Agency
MSMEs	Micro, Small and Medium Enterprises
NCPB	National Cereals and Produce Board
NGO	Non-Governmental Organization
OVC	Orphans and Vulnerable Children
PforR	Program For Results
PFM	Public Finance Management
PPP	Public-Private Partnerships
PRG	Partial Risk Guarantee
SWAp	Sector Wide Approach
TOWA	Total War against HIV and AIDS
USAID	United States Agency for International Development
WBI	World Bank Institute
WBG	World Bank Group
WSP	Water and Sanitation Program

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Executive Summary

i. **This Progress Report shows that the FY10-13 Country Partnership Strategy (CPS) for Kenya remains relevant and that progress has been made in achieving its objectives.** The CPS, dated March 23, 2010, departed from previous strategies in (i) articulating a longer-term (10-20 year) strategic outlook, (ii) attempting to identify national solutions for national development problems, (iii) aiming to shift Bank engagement away from project lending toward a programmatic approach, combining knowledge and financing in core areas such as energy, roads, water and urban development, and (iv) aiming to support Kenya's achievement of Middle Income Country (MIC) status.

ii. **Several key changes have occurred in Kenya since the Board discussed the CPS in April 2010.** A new Constitution was adopted in 2010, introducing the largest governance reforms since independence as well as an ambitious program of devolution. In addition, several structural trends have become more pronounced. These include sustained high growth in East Africa, enabling sustained poverty reduction and a broadening of the middle class, but also shining a spotlight on Nairobi as a regional hub and Mombasa as a natural (but underperforming) transport hub. Kenya is also a good example of the new aid architecture: as Kenya grows, traditional donors are less important, new donors are becoming more important, and a high degree of fragmentation and volatility continues to hinder aid effectiveness.

iii. **While the risks identified in the CPS have grown larger, the opportunities have as well.** Devolution provides an opportunity to rectify the unequal distribution of investments and services across Kenya, but also brings the risk that poor regions with lower capacity will fall further behind. The new Constitution brings unprecedented opportunities to improve governance, including through increased transparency (e.g., the open data portal and public vetting of government officials, including in the judiciary), but also increases the risk of elite capture (e.g., through decentralizing corruption to the new county governments). Finally, elections (due by March 15, 2012) involve the risk of electoral violence, which has sullied many of Kenya's polls in the past, but also provide an opportunity to overcome a legacy of election-related violence, to bring an end to its extra-constitutional coalition government, and to make a fresh political start.

iv. **The World Bank Group (WBG) will continue to help advance governance reforms in Kenya, using its combined strengths as a convener, knowledge provider, and significant financier.** In line with the Bank's Strategy for Africa, it will focus on three key areas: (i) fostering partnerships, (ii) providing knowledge, and (iii) leveraging finance. In terms of partnerships and knowledge, Kenya's high literacy, social vibrancy and emerging middle class provide additional opportunities to expand the Bank's knowledge program and engage actively with a broad range of stakeholders, including through social media. While the current lending program remains heavily focused on investment lending in key growth sectors such as transport, energy, water and urban development, a shift to development policy lending and program-for-results (PforR) financing—in the right circumstances—would provide more natural new instruments to help advance governance reforms and leverage the Bank's limited resources.

I. Introduction

1. **This Country Partnership Strategy Progress Report (CPS PR) assesses the implementation of the World Bank's FY10-13 Country Partnership Strategy (CPS) for Kenya.** The CPS intends to make a catalytic contribution to Kenya's continuing transformation to a middle-income country (MIC). Over the CPS period, the World Bank Group (WBG) aims to contribute to achieving more inclusive growth by supporting activities aiming to (i) unleash Kenya's growth potential; (ii) reduce inequality and social exclusion; and (iii) address resource constraints and environmental challenges. Within these objectives, the CPS is supporting eight outcomes and seven sub-outcomes. This CPS PR describes changes in the country context, progress toward CPS outcomes, and remaining challenges, and it also adjusts the Bank's program and updates the risk framework.

II. Country Context

A. Economic Context

2. **Kenya started the CPS period by rebounding from economic difficulties in 2008-09 and registering strong growth.** In 2010, growth reached 5.6 percent of GDP. This was a large improvement over 1.7 percent in 2008 and 2.5 percent in 2009, when growth was hampered by violence following the December 2007 elections, higher international food and fuel prices, the global financial crisis, and four consecutive rain failures, resulting in widespread drought. Growth in 2010, by contrast, benefited from a strong recovery in agriculture, helped by good rains, and a rebound in the industrial and services sectors.

3. **But the country had to navigate another economic storm in 2011.** Inflation increased substantially, reaching about 19 percent for 2011 (from 3 percent at end-2010). The depreciating shilling reached an all-time low of 107 to the US dollar in October 2011, before recovering to about 85 by year-end, after the central bank sharply tightened monetary policy. High inflation was sparked by higher import prices—initially for food and fuel—which in turn weakened the shilling and put further pressure on prices. Because of the shilling depreciation, import prices continued to rise even after global food and fuel prices had started to retreat. (In Kenya, food prices have been well above global prices—and higher than in other African countries—due to a government policy of maintaining high maize producer prices). Despite these challenges, Kenya still grew at more than 4.0 percent in 2011. This was lower than in 2010, but still higher than during the 2008-09 crisis, and higher than the average growth rate for 2000-2010. This growth was driven primarily by good performance in the services sector and tourism. Agriculture also performed better than expected, despite a severe drought in the middle of the year, and the short rains promised a strong harvest for end-2011 and early 2012.

4. **Recent shocks have provided fresh impetus to fiscal consolidation, which started in FY2011/12**. Initially, the Government planned to reduce the debt-to-GDP ratio from 48.8 percent in 2010/2011 to 46.7 percent by 2013/2014, but recent shocks and the need to reduce domestic demand have called for a more aggressive consolidation, targeting 44.6 percent by 2013/14. This is to be achieved through spending cuts in the medium term and improve the primary deficit from -2.7 percent to -2.2 percent of GDP. If the envisaged consolidation takes place, it will rebuild fiscal policy buffers back to pre-crisis levels. That said, fiscal consolidation

will be more difficult in light of emerging pressures, including the implementation of the new Constitution and the upcoming elections.

5. **Kenya's medium-term growth prospects are mixed and, while Kenya could still be on the cusp of entering a period of sustained growth, there are substantial risks going forward.** For 2012, assuming a favorable external environment, restoration of macroeconomic stability, stabilization in Somalia and a peaceful run-up to the next general elections followed by a peaceful transition of power, Kenya could grow at 5.0 percent. But if these optimistic assumptions are not met, growth could be as low as 3.1 percent. The risks are significant that either (i) national elections bring a period of economic uncertainty or (ii) the economic crisis in the Euro zone deepens. Even on the optimistic scenario, growth would remain substantially lower than the 10 percent rate anticipated under the Kenya's Vision 2030 development strategy. Even so, Kenya could still reach MIC status of US$1,000 GDP per capita by 2020, provided that growth accelerates to an average of 6 percent over the remaining period.

6. **Deep structural problems are the key impediment to growth and continue to call for WBG support over the rest of the CPS period and beyond.** As the Government in 2011 struggled to respond to renewed external pressures, but without the significant fiscal buffer that had existed in 2008-09, the economy became increasingly imbalanced, with the current account deficit in 2011 exceeding 10 percent of GDP. Kenya's overall export performance remains disappointing, due to a number of factors, including inefficiencies at the port of Mombasa, an inadequate and expensive supply of energy, underdeveloped transport networks, limited reform of business regulations, and a lack of decisive action to curb corruption. This makes Kenya too expensive for many international investors, especially in manufacturing, despite lower labor costs than in emerging Asia. While Kenya is globally competitive in a number of sectors—especially tea, tourism and horticulture—it has not sufficiently ventured into new products, such as textiles (beyond the African Growth and Opportunities Act) and chemicals (where some potential exists). In addition, Kenya is struggling to manage a structural shift from a predominantly rural to an increasingly urban economy, and the need to protect cities as growth poles during devolution. A more welcoming business environment, improved infrastructure (including a modernized port as Mombasa), and strong action to curb corruption would help Kenya to re-start its export engine and establish a deeper industrial base. On the positive side, Kenya is already diversifying its export markets away from Europe and towards Asia and Africa: today more than 45 percent of Kenya's trade is with other African countries, and trade with Asia is rising exponentially. This positive development can also be more fully exploited.

B. Political Context

7. **The next year will define the next decade for Kenya, as the country will undergo several changes that provide important opportunities for political renewal**. First, the new Constitution has provided Kenya with a roadmap to a more inclusive and equitable future. It introduces the most far-reaching institutional reforms in Kenya's history, and its impact is already being felt (e.g., in the televised vetting processes used to appoint a new Chief Justice and Deputy Chief Justice, and the large amounts of budgetary and other government data made available online in Kenya's open data initiative). Second, a key test of Kenya's growing maturity will be how the Government and the country manage the next elections, which should take place by March 15, 2013. These elections will be the first since the violent 2007 elections, and they will be unusually complicated, as voters will be voting not only for the president and

members of parliament, but also for senator, county governor, county assembly member, and female representative. Third, these challenges will need to be addressed in a context of growing economic uncertainty. High food and fuel prices, drought in the Horn of Africa, and the euro crisis have weakened Kenya's external position, which was already fragile given its large current account deficit. Going forward, the Government will need to contain macroeconomic pressures by maintaining a tight monetary stance and exercising fiscal prudence. To manage these challenges, Kenya's policy makers will need to display skill and steadfast leadership. Kenyans have high expectations for the next elections and their leaders will need to move forward with high-quality planning and execution to ensure that these expectations are not disappointed.

8. **The approval of the new Constitution was a watershed moment in Kenya's post-independence history.** It was approved in a public referendum by 67 percent of the voters. Key changes that it introduced include subjecting the presidency to more checks and balances; increasing the independence of the judiciary; strengthening parliamentary oversight over the executive; devolving government to 47 elected county governments to create a better center-region balance; and protecting the rights of women, marginalized groups, and the disabled through an ambitious bill of rights. The Government and its international partners are now focusing on the large legislative agenda that must be completed to implement these reforms, and successful implementation of the new Constitution is likely to be the single most critical factor in determining Kenya's development prospects. It may also trigger significant changes in the Bank's engagement in Kenya.

9. **While the new Constitution offers avenues for improving and building credible institutions, vested interests remain strong and impunity continues to pose the biggest governance challenge**. In June 2011, in line with the constitution, the Government established a new Ethics and Anti-Corruption Commission (EACC) to replace the Kenya Anti-Corruption Commission (KACC), which ceased to exist. While the EACC as a constitutional body has a stronger legal foundation than the KACC and so could be more powerful in the long term, there have already been serious attempts to undermine its effectiveness. Also in line with the new Constitution, the Government appointed a new Chief Justice, Attorney General, and Director of Public Prosecution, but there has still been no successful prosecution of any politically-connected individual for corruption or involvement in post-election violence. Issues of fraud and corruption remain daily fare, and much more needs to be done to control them. Improving governance and in particular strengthening fiduciary oversight and integrity mechanisms will therefore continue to be critical challenges for the Government and across the Bank's portfolio.

10. **Kenya's devolution program is one of the most ambitious in the world, transferring a substantial amount of power and resources to an entirely new level of government and carrying the promise of a more equitable model of development.** Rather than giving political autonomy to administrative units that are already in place, Kenya in one go will replace eight provinces and 280+ districts with forty-seven new counties. This devolution is intended to rectify the unequal distribution across the country of investments and services that, historically, has been concentrated spatially to the benefit of some regions at the expense of others. Although the transition into a devolved state can continue for up to three years after the next elections, much analytical and technical work is already underway to understand the implications of devolution for the Government and for the Bank's portfolio.

11. **For devolution to work, several challenges will need to be addressed.** One is ensuring that the devolution of functions from central to local levels will not result in deterioration in service delivery. While the national government will remain responsible for policy, oversight and some service delivery, county governments will be responsible for a range of service delivery functions in the health, agriculture, transport and water sectors. There is a real risk that the poorer and more remote counties that hope to gain the most from devolution will in fact lose the most, at least in the short term, because regions that have been historically left out are precisely the ones least able seamlessly to take over service delivery obligations. Moreover, while the Constitution mandates that at least 15 percent of national revenue be transferred to counties, this is unlikely to be enough to finance all devolved functions. Ensuring appropriate financing—including possibly through conditional block grants—will be critical to avoiding additional fiscal stress and ensuring that service delivery standards are maintained.

III. Progress toward CPS Outcomes and Emerging Challenges

12. **Kenya's progress toward CPS outcomes has been largely positive, but important challenges remain.** The following section describes how Kenya's new realities affect the Bank's program under each CPS outcome. Table 1 provides an overview of progress on each outcome. A more detailed assessment of progress is provided in Annex 1.

Table 1: Progress on CPS Outcomes

- ↔ CPS outcome 1.1: Improved business environment and competitiveness
- ↑ CPS outcome 1.2: Improved core infrastructure, with deeper regional integration
  - ↔ CPS sub-outcome 1. 2a: Transport
  - ↑ CPS sub-outcome 1.2b: Energy
  - ↑ CPS sub-outcome 1.2c: Water
  - ↑ CPS sub-outcome 1.2d: Information and communication technology
- ↓ CPS outcome 1.3: Enhanced agricultural productivity, with a focus on food security
- ↔ CPS outcome 1.4: Strengthening public sector management and improving sub-national governance, especially in urban areas
- ↔ CPS outcome 2.1: Better access to health care, education, and basic infrastructure services
  - ↑ CPS sub-outcome 2.1a: Better access to health care
  - ↓ CPS sub-outcome 2.1b: Better access to education
  - ↓ CPS sub-outcome 2.1c: Better access to basic infrastructure services
- ↔ CPS outcome 2.2: Establishing comprehensive scalable social protection mechanisms
- ↔ CPS outcome 3.1: Improved management of key natural resources
- ↓ CPS outcome 3.2: Adapting to climate change

A. Progress on CPS Objective 1: Unleashing Kenya's Growth Potential

13. The CPS outcomes under the first objective are: (i) improving Kenya's business environment and competitiveness; (ii) improving core infrastructure, especially in roads, electricity, and water supply, with a view to deepening regional integration; (iii) enhancing agricultural productivity, with a special focus on food security; and (iv) strengthening public sector management and improving sub-national governance, especially in urban areas.

14. **Overall progress on improving Kenya's business environment has been mixed, and challenges remain to improve its competitiveness.** Even though Kenya implemented reforms in areas covered by the *Doing Business* and Global Competitiveness surveys, its *Doing Business* ranking fell over 2009-2011 due to faster progress by other countries. While this CPS outcome takes a narrow focus on the regulatory environment, the Bank's program takes a broader perspective, including particularly on the need to establish more private-public partnerships (PPPs) and increase access to finance. Key challenges going forward include improving the lending environment, improving exports (particularly for manufacturing), and attracting foreign direct investment (which remains below expected levels for Kenya).

15. **Progress in the transport sector has been mixed, and challenges remain to deepen regional integration.** Kenya has an extensive road network, but only 11 percent of roads are in good condition. The time to move a container through the port or to travel from Mombasa to Uganda has improved, but at a slower pace than expected. With strong growth in East Africa, constraints in the port are an increasing impediment to trade and investment; hence increasing the port's capacity and operational efficiency are critically important. The need to attract private investors into transport infrastructure also remains an important objective, and to this end the capacity of the construction industry to deliver and maintain capital projects needs further improvement. While the transport sector has generally succeeded in institutional reform, its capacity to deliver services remains limited and it also needs to adjust to devolution.

16. **There has been good progress in the energy sector, but attracting private investments to meet the country's energy needs remains a challenge.** The number of electricity connections has risen significantly, but transmission and distribution losses remain higher than expected. IDA is anchoring an expansion of geothermal generation at Olkaria, and an innovative combination of IDA, IFC, and MIGA credits and guarantees is supporting Independent Power Producers (IPPs) in thermal, geothermal and wind generation. Even so, Kenya will need more investment in generation capacity to keep pace with its growth, and it will also need to shift generation capacity over time from drought-sensitive hydropower and fuel price-sensitive thermal options to greener technologies. The key challenge going forward is to attract more private investment, and this will require identifying more long-term financing for energy projects in Kenya. In addition, there is a need to understand better the volatility of oil and gas prices, which continue to have a negative impact.

17. **Good progress has also been made on improving access to water, but shifting water service delivery modalities so that they accommodate devolution will be a challenge.** Over the short term, critical legislation, including a draft bill for the National Land Commission, needs to be reviewed to ensure consistency and harmony across laws during the institutional transformation of the water sector. Important analytical work has been done to inform this

process and to identify investment needs to meet current and future demand—for households, industry and agriculture. As with transport and energy, enlarging access to private-sector financing will be critical to satisfying Kenya's growing needs for water production, storage and delivery. Investing in private water infrastructure remains particularly difficult in poorer urban areas, given their high degree of informality.

18. **Good progress was achieved in the information and communications sector, including a fast expansion of access and the deployment of one of the first government open data portals in Africa.** Access to internet services rose dramatically, from 1.3 million subscribers in 2007 to 14.3 million (37 percent of the population) by 2011. In addition, 80 percent of Kenyan adults own a mobile phone and another 10 percent regularly borrow one; and calling rates have dropped sharply, making Kenya's communication costs among the lowest worldwide. In July 2011, Kenya also launched its open data portal, which provides free access to large digital datasets online. The government is now developing a plan to institutionalize the portal through enabling policy reforms (including access to information legislation), expand datasets and usability, and conduct sustained outreach with data users and the public.

19. **Agriculture productivity has declined, and so enhancing productivity and also food security remains a key objective.** Kenya continues to suffer from a structural food deficit. Hence food prices, particularly for maize, are usually high. Reforms, both to improve food productivity and enhance domestic and regional marketing systems, are urgently needed to unleash the sector's potential and to attract private sector investments and participation. The Bank has tried to persuade the government to abandon its high maize price policy, to permit maize imports to enter the country duty free and to reform the National Cereals and Produce Board (which has been prone to corruption) but with limited success. Furthermore, climate variability and change are increasingly affecting agricultural productivity and food security, as evidenced by numerous droughts in recent years: an EU-UN-WBG drought impact assessment completed in January 2012 found that damages and losses to the Kenyan economy resulting from drought over 2008-11 totaled a cumulative US$12 billion, with 72 percent occurring in livestock and 13 percent in agriculture. Thus climate-smart agriculture remains a priority.

20. **Progress towards strengthening public sector management and improving sub-national governance, especially in urban areas, has been slow, though the new Constitution has increased the urgency of this effort.** Among other things, the new Constitution provides the basis to overhaul the institutional and legal framework for public financial management (PFM). As 15 percent of national revenues are to be transferred to the counties, the rest of the CPS period will be dominated by the need to introduce prudent fiscal management practices in county governments, while further strengthening central fiscal management practices. There have generally been improvements over the past two years, including strengthening audit and other oversight capacities, and rolling out Fixed Assets, Cash Management and Accounts Receivable of Integrated Financial Management System (IFMIS) across central ministries. Nevertheless, PFM remains weak and issues remain, such as weak financial reporting, an ineffective internal control framework, and an audit backlog with regard to local authorities.

B. Progress on CPS Objective 2: Addressing Inequality and Social Exclusion

21. CPS outcomes under the second objective are: (i) improving access to health care, education, and basic infrastructure services; and (ii) establishing comprehensive scalable social protection mechanisms.

22. **There has been encouraging progress in the health sector, based on the implementation of enhanced governance mechanisms, which needs to be sustained.** During FY10-11, over 25.3 million people directly benefited from activities under the health SWAp; about one million children were fully immunized in their first year. A joint donor-government fiduciary review suggests that grants and essential medicines are also reaching health facilities as intended. This progress comes after a long period of limited success, due to governance issues, and so the Bank's engagement remains focused on addressing corruption risks. Other forward-looking challenges include strengthening M&E and improving record-keeping at health facilities. Under the constitution, the delivery of health services will be devolved to county governments—a process that needs to be managed carefully to ensure that service delivery is not impeded.

23. **While education indicators have improved, governance issues ended a donor program supporting the government, providing important lessons for future engagement in the sector**. Data from the Ministry of Education showed improvements in key indicators, but due to emerging evidence of corruption (uncovered by the government's Internal Audit Department (IAD) with Bank support), IDA support was effectively ended in July 2009, about 17 months before credit closure. Post-election violence and lack of quality monitoring data also negatively affected implementation. Partly as a result, overall progress in the sector was unsatisfactory and significant risks exist with respect to: (i) achieving the education MDGs; (ii) improving sector capacity, especially for collecting and analyzing data; (iii) increasing access to secondary school; and (iv) improving the school-to-work transition. Among the greatest challenges in the sector now are inadequate oversight and accountability systems.

24. **Overall progress on urban infrastructure development was slow, and devolution will pose a key challenge, as new counties will be in charge of urban service delivery.** While the constitution strengthens claims of citizens for access to basic urban services, including adequate housing and water and sanitation, it also shifts the management of urban revenues and services from stand-alone national bodies to the new counties. A 2011 urban areas and cities act, to become effective after the elections, provides for classification, governance and management of urban areas—but the constitution does not recognize urban governments as such. Instead, the counties will need to create urban governments as their delegated agencies—a process that the Bank is supporting and that will also affect the implementation of Bank projects in ways that are still under assessment.

25. **There has been some progress in providing social protection to vulnerable groups, but a key challenge remains to establish a more integrated social protection system.** The Bank's support to youth employment suffered from weaknesses in the financial management of a public works component originally envisaged to be implemented through six line ministries in eight districts. This complicated implementation mechanism made it difficult to ensure a sufficient span of control over all sub-project activities, and so the component was cancelled. By contrast, there has been good progress in providing cash transfers to orphans and vulnerable

children. The government's overriding challenge now is to defragment social protection and provide a more strategic, holistic and consolidate approach, including for post-disaster relief.

C. Progress on CPS Objective 3: Managing Resource Constraints and Environmental Challenges

26. CPS outcomes under the third objective are: (i) improving management of key natural resources; and (ii) adapting to climate change.

27. **Progress on improving the management of natural resources has been mixed, and further progress will be linked to finding a long-term solution to pressing land-use issues.** Forest areas managed according to approved plans have increased in number, but more slowly than expected. In addition, establishment of a national drought contingency fund and drought management system was stalled due to integrity issues in the Arid Lands Project, which supported these efforts, though the government established a Drought Management Authority in 2011 on its own. Going forward, livelihood investments will be linked to the devolution agenda and the Bank's dialogue on a country-wide program to provide support to marginalized areas. This will help both to leverage support for sustainable natural resource management and to guide and encourage government use of community-driven development (CDD) approaches.

28. **Progress on specific indicators for climate change adaptation has been slow, but climate change as a key issue has been increasingly mainstreamed across the portfolio.** In particular, the Bank is helping to improve forest and water management; to diversify the sources of energy towards renewables; and to improve readiness and response in cases of climate-induced emergencies. For example, IDA in response to the 2011 drought has programmed resources from the Crisis Response Window in agriculture (helping farmers to adopt better crop technologies and pastoralists to diversify livelihoods), health (enhancing surveillance, drug and medical supplies, and treatment of malnutrition), water resources (expanding water supply and storage facilities), social protection (strengthening safety nets), energy (developing generation alternatives to hydropower) and disaster risk reduction. The effort to introduce bus rapid transport and commuter rail, particularly in Nairobi, is also intended to reduce carbon emissions.

D. Progress on Governance

29. **A renewed faith in Kenya's democracy provides Kenyans with unprecedented opportunities and major challenges going forward.** Kenya today features a vibrant multi-party democracy, a very vocal media and high levels of transparency but, paradoxically, low levels of accountability and high levels of corruption. Recent developments, including reconciliation after the 2007 elections as well as the adoption of a new Constitution, are helping to improve openness and increase citizens' voice, strengthen the role of the judiciary, achieve legal reforms, improve service delivery, attain a more equitable distribution of resources, and strengthen political good will. The challenges going forward are therefore to (i) protect the new openness (e.g. sustain the open data initiative, improve data quality and provide whistle blower protection), (ii) manage citizen expectations in a politically-challenging environment (e.g. around the upcoming elections, the war with al Shaabab and the legal processes of the International Criminal Court), (iii) fight impunity and disregard for the rule of law, and (iv) keep devolution from resulting in elite capture (e.g. the decentralization of corruption) while strengthening the capacity for its implementation (e.g. improve public finances and procurement, absorption capacity and transparency and accountability at the local level).

30. **To help the government seize these opportunities and address the challenges, the Bank will continue to focus on governance as a cross-cutting and prime objective of its strategy.** The Africa Region's strategy identifies governance and public sector capacity as its foundation and notes that governance and leadership constitute the main challenges underlying Africa's development. This is especially true in Kenya, and the Bank's strategy will continue to have a strong governance focus. In order to better underline this focus, the Bank identified three key areas that best highlight the Bank's contribution to this important agenda: (i) increased public confidence in the judiciary, (ii) improved openness and accountability, and (iii) meaningful devolution. Future Bank efforts will broadly focus in these areas, which will provide useful building blocks for the next CPS.

31. **During the first half of the CPS period, the Bank addressed serious governance issues in its portfolio, through firm implementation of the GAC agenda**. In September 2009, the government's Internal Audit Department (IAD) concluded a forensic audit of the Kenya Education Sector Support Project (KESSP) and the Western Kenya CDD project, finding substantial questionable spending, and possible fraud and corruption, under each project. Disbursements were immediately suspended and work undertaken to determine what caused the integrity failures, whether systemic issues contributed, and how such systemic issues could best be addressed. Throughout this period, the Bank's Integrity Vice Presidency (INT) conducted and finalized a forensic audit of phase two of the Arid Lands Management Project, presenting its findings to the government in April 2011. In this case, project disbursements were informally suspended in July 2010, based on a verbal communication of INT's initial findings, and work is now underway to understand fully the implications of INT's report. KESSP and Arid Lands both closed in December 2010, as scheduled, without resuming disbursements, but Western Kenya CDD is slowly resuming operations, after a 16-month suspension, with (*inter alia*) a new professionally-recruited project implementation unit.

32. **Over FY11-12, the Bank incorporated key lessons from IAD audits and INT investigations and issued new guidance on projects with decentralized expenditures**. Of the entire Bank portfolio of about US$2.2 billion, US$2 billion involve centralized expenditures (where the Bank directly supervises procurement, financial management, compliance, and value-for-money, dealing mostly with large-scale contracts). For such projects, anti-corruption efforts have focused on improving procurement, including by eliminating pre-qualification (to reduce opportunities for cartel behavior) and by undertaking independent reviews of procurement processes in parallel to government processes to ensure that there is compliance with all requirements. These and other measures appear to have resulted in some success, as bids for road contracts (for example) now number seven to nine per contract (as opposed to two or three previously), include companies of many nationalities and regions (as opposed to one region or nationality in some cases), and result in some bids below engineers' estimates (as opposed to bids five or more percent above). More recently, the Bank's anti-corruption efforts have focused on the US$200 million in portfolio activities involving decentralized expenditures (namely, small expenditures at local level involving myriad spending agencies), where the Bank relies on intermediaries to supervise procurement, financial management, compliance and value-for-money. In response to these risks, the Bank is enhancing project design and implementation support in ways further detailed below (see paragraph 40).

E. Progress on Gender

33. **Another cross-cutting issue is gender, and the Bank continues to support the integration of gender concerns in design, implementation, and M&E across its portfolio.** *Inter alia*, the Bank has helped the government to establish gender-related targets in government Performance Contracts; to gather gender-disaggregated data on water and sanitation, household energy, and climate management through surveying 4,100 men and women under a Bank-supported agriculture project; and to remove gender-related obstacles to access to safe water (e.g., by eliminating the need to supply a title deed as collateral for a water connection, reducing connection fees, and amortizing meter repayment). Based on survey and other work, Gender Policy Notes are now being developed at the sectoral level, aiming to expand women's access to water, sanitation services, modern energy, and opportunities in agriculture. IDA has also facilitated South-South exchanges to strengthen Kenya's capacity to diagnose policy options and challenges for gender mainstreaming.

IV. Adjustments to the CPS and Lessons Learned in Implementation

34. **The overall objectives of the CPS remain valid and relevant.** The following section provides a brief reflection on the lessons learned in implementation thus far, outlines some adjustments to the Bank's program in light of the new realities on the ground, and introduces a few changes to the results framework to improve its realism. Any changes to the original CPS reflect a deepening of the Bank's strategic directions rather than a new course direction.

A. Lessons Learned

35. **Lessons have been in four areas, prompting some program adjustments.** These include: (i) the devolution agenda, (ii) the use of new Bank lending instruments, (iii) knowledge, partnerships and leveraging of finance (in line with the World Bank strategy for Africa), and (iv) governance. Regarding devolution, it is now clear that it will affect a range of sectors, including water (where new institutional arrangements could lead to inefficiencies in the use of scarce resources), agriculture (where it offers the chance for better service delivery and enhanced productivity), health (where it will require building capacity at the county level to manage the transition and sustain the focus on the health MDGs), and urban (where the management of urban revenues and services will shift from standalone entities to the new counties). Regarding instruments, experience shows that an exclusive use of sector investment loans is limiting the Bank's ability to support government efforts to achieve specified reforms. In particular, the consolidation of social protection efforts could best be supported through the new PforR instrument, and various government-wide PFM and private sector development (PSD) efforts could best be supported by development policy lending. In this context, the opportunity to use these instruments will continue to be explored during the remaining CPS period. Regarding leveraging of financing, facilitation of public-private partnerships (PPP) beyond the relatively well-covered energy sector is increasingly important to support private investments, and partnerships with civil society and the media need to be strengthened to close the gap between transparency and accountability. Regarding governance, it will continue to pose the biggest challenge for the Bank's program in Kenya. The focus going forward will be to support the strengthening of key national and county institutions to deal with governance challenges and to address GAC challenges within the Bank's portfolio, through strengthening reporting and monitoring systems and an enhanced emphasis on social accountability. In addition to these adjustments, as Kenya starts to reach MIC status and its dependency on aid falls further (from a

current 10% of the budget), the Bank will have to step up its efforts as a knowledge provider even more.

B. CPS Program Adjustments

36. **While the exact form of devolution will be determined after the elections, the Bank is already adjusting to its potential impact.** With AusAID support, the Bank has been running a large analytical and technical program to provide policy and institutional reform advice to the government to help manage the complex transition from its current centralized to a more decentralized structure. The four aspects of devolution that will impact development programming in Kenya are (i) functional assignments, (ii) inter-governmental fiscal relations, (iii) civil servant assignments, and (iv) accountability mechanisms. The decentralization of some currently centralized functions will impact a number of Bank operations, including particularly urban development projects, which will have to reorient activities selectively from national to local (county-level) structures. To accommodate these changes, project preparation or implementation already involves close attention to the possibility of institutional transition, with a view to ensuring that appropriate capacity is built into whatever local structures finally emerge. With at least 15 percent of national revenues to be transferred to the new county governments, the Bank is also working hard to ensure that devolved functions are appropriately financed, that intergovernmental fiscal relations are appropriate (and in particular that devolved functions are adequately financed, possibly with conditional grants), and that new structures do not create distortions. In addition, the Bank's social development and PFM teams are refocusing their activities to enable them to provide hands-on support to introduce appropriate accountability measures in county governments.

37. **Given Kenya's far-reaching governance reforms, the Bank will explore the use of instruments that are better suited to support this agenda.** The current Bank portfolio entirely involves sector investment lending. A planned PforR operation in social protection will introduce a focus on results-based lending, and help to reduce fragmentation within the sector. To this end, IDA has helped to articulate a social protection policy on the national level and is now working towards consolidating existing programs onto a single registry, using biometric identification, a private payment provider, and consolidated management information and M&E systems, so that the government is better able to provide support to vulnerable populations, even at times of emergency. Despite government achievement of most prior actions related to a planned development policy loan (DPL)—which the Bank saw as the most effective vehicle for supporting key PFM and private sector development reforms—issues unrelated to the project have stalled presentation of the loan (see below). Even so, a properly-structured DPL series remains the best way to achieve development effectiveness, for the following reasons:

- ***Support to governance reforms***. A DPL is ideally suited to helping to implement the constitution, which involves the most sustained governance reform in Kenya's history.
- ***Leverage***. As aid remains relatively flat and Kenya's budget continues to grow, a DPL series would help to focus donors and the relevant parts of government on an articulated multi-year policy and institutional reform program, particularly in complex areas requiring multi-agency/ministry cooperation over a sustained multi-year period.
- ***Lower fiduciary risks***. Kenya's CPIA rating of 3.8 is better than the rating for most countries receiving budget support, and a commitment to open data provides new opportunities to reduce leakage and improve service delivery.

- ***Complementary IMF program***. Since 2011, the IMF has supported a substantial and successful policy-based operation, which includes governance reforms (such as the introduction of a Treasury single account); a complementary IDA program, focused on social and structural reforms, would enhance the transformative impact of that program.

38. **In line with the World Bank strategy for Africa, the Bank's strategy for Kenya will enhance its focus in three key areas: (i) knowledge, (ii) partnerships and (iii) leveraging of finance.** Given that Kenya aims to reach MIC status by 2020 and that it is becoming less and less an aid-dependant country, the Bank's enhanced focus on being a knowledge provider rather than a traditional project financier will increasingly take center-stage. The highly-successful launch (in 2009) of the bi-annual Kenya Economic Updates, which have helped the Bank to frame debate on Kenya's economic reform agenda, will provide a model for disseminating upcoming poverty work and flagship sectoral work (most recently, in water, education and social protection). As IDA (and more generally donor) financing continues to become a smaller part of Kenya's overall development financing, and Kenya seeks to learn the lessons of experience from developing countries that are slightly ahead of it, the focus on applying global development experience to local development problems will grow. Partnerships will also be crucial for the Bank to remain relevant in Kenya. This includes: partnerships with other donors to achieve scale; partnerships with the private sector to leverage more private sector financing, especially for infrastructure; and partnerships with the media and civil society to continue to improve governance and accountability. Leveraging additional sources of finance will also be of importance in the WBG's work, as Kenya's financing needs, as a MIC, will be far beyond the ability of the WBG, even in conjunction with other donor partners, to finance. Recent successes point a way forward: for example, the combination of IFC investments and IDA and MIGA guarantees is enabling Independent Power Projects to achieve financial closure on investments that will bring up to 600MW of new power to the grid. But challenges remain, as shown by the failure of a six-year WBG effort to support a private consortium to solve Nairobi's downtown traffic congestion (in that case the WBG withdrew in January 2010 due to integrity concerns about one of the private investors). Even so, the WBG and the government recognize that public private partnerships (PPPs)—in energy, transport and water as well as other sectors—will be needed to achieve Kenya's development goals, and the Bank remains committed to helping to identify "bankable" deals.

39. **Partnerships with other development partners remain important to the WBG in Kenya.** The Development Partner Coordination Group (DCG) involves a monthly meeting of heads of mission and agencies and is currently chaired jointly by the World Bank Country Director and the Swedish Ambassador. Regular attendees include all of the traditional bilateral agencies, as well as the Bank, the IMF, AfDB, the EU, and the UN; non-traditional donors (Brazil, China, and India) have also been invited, but attend irregularly. DCG discussions focus on high-level issues, including (over the past few years) Kenya's economic prospects as well as its political challenges, which will receive more attention in the run-up to the next elections. The Aid Effectiveness Group (AEG) is the key mechanism for donor-government coordination at the technical level: it is co-chaired by the Ministry of Finance, and typically involves deputy heads of mission. Starting in June 2009, the Bank also tried to establish a regularly-scheduled Development Partnership Forum (DPF) that would bring together government leaders as well as ambassadors and heads of development agencies to discuss the overall government program as

well as key priorities for joint donor-government implementation in the coming 6-12 months. The DPF met in November 2009, June and November 2010, and in a technical "pre"-DPF meeting in June 2011, but the Government cancelled the November 2011 meeting for internal reasons. The next meeting is now expected to take place in May or June 2012.

40. **Implementation of the GAC agenda will have to be further enhanced, building on lessons learned (both negative and positive).** Integrity issues in some of the Bank's projects have pushed the Bank to develop new approaches to project design and implementation support. Given that corruption risks appear currently to be concentrated on the small portion of the portfolio with decentralized expenditures, a Kenya Governance and Anti-Corruption (GAC) committee has been established within the Bank team to monitor ongoing and planned operations for effective anti-corruption measures. In light particularly of the IDA findings on KESSP and the Western Kenya CDD project and the INT findings on Arid Lands, IDA projects with decentralized expenditures are now placing enhanced attention on: (i) improved project record-keeping; (ii) improved management information systems and reporting; (iii) enhanced supervision, including randomized site visits and geo-mapping; (iv) continual third-party monitoring, involving qualified fiduciary agencies in selective cases; (v) stronger social accountability, with more effective information disclosure as well as complaints and grievance handling mechanisms; (vi) reduction or elimination of expenditure categories that are highly prone to abuse; and (vii) recruitment of project staff, where needed, through professional agencies that will control for inappropriate associations. Even though these efforts will undoubtedly help to guard the Bank's monies, the ultimate objective remains to strengthen country governance systems and make sure corruption risks are reduced with respect to government's own expenditures. To that end, the government's Internal Audit Department (with INT support) will conduct from April an expanded forensic audit of the Arid Lands project, though coverage may not be complete due to the high levels of insecurity in north-eastern Kenya resulting from clan-fighting, Somali refugee movements, and the presence of al Shabaab. In addition, at the Treasury's request, IDA is working with MoF to devise a new government policy on decentralized expenditures, incorporating lessons from experience with the Bank portfolio.

C. Implementation Progress

41. **As planned, implementation of the CPS brought a new way of doing business to the Bank's engagement in Kenya.** Over the last three years, average project size increased from about US$50 million to US$115 million, excluding regional projects, and it is still increasing. In addition, average disbursements increased from about US$65 million per year over FY02-07 to US$241 million in FY11. A strong effort has also been made to take a more programmatic and longer-term approach. Recognizing that Kenya's key development challenges will take decades of concerted effort to address fully, lending and financing are now focusing increasingly on identifying, initiating and implementing programs on a national transformative scale, to be implemented over 10 or more years. To this end, projects are being prepared in key sectors (energy, transport, water, urban and social protection) in parallel, with earlier projects supporting the preparatory work (e.g., analysis, feasibility studies, design work) needed to enable later projects to get a quick start. As of June 2011, the indicative IDA16 envelope for Kenya is SDR1,144 million, including a final FY12 allocation of SDR397.6 million. Subsequently, an additional $90 million of Crisis Response Window funding was approved, indicatively, to support drought-mitigation activities in light of the Horn of Africa drought in 2011.

42. **While a few planned IDA projects were cancelled, most are on track, albeit with some delays.** Planned projects that were not delivered include the third phase of Arid Lands and a second phase of the Education Sector Support Project: in both cases, these successor projects were cancelled due to integrity issues in their predecessors. In addition, an FY11 effort to prepare a DPL was only partially successful: while the prior actions were mostly completed, some donors expressed unwillingness to support the DPL until they were satisfied that the ICC prosecutions, implementation of the Constitution, and free, fair and peaceful elections were on track or, in the case elections, completed. Annex 3 shows the planned and the actual lending program, as well as the proposed lending program for the remainder of the CPS period.

43. **A further consolidation of the current program is underway, both for knowledge and for lending.** Program selectivity will take into account lessons learned thus far in CPS implementation, with a strong focus on: (i) achieving development solutions in areas where knowledge or lending will take place; (ii) engaging with relevant issues where the Bank has the capacity to provide value; (iii) responding to Government demand and commitment; (iv) achieving complementarity to other aspects of the program; and (v) enhancing partnerships with other development partners, civil society, and private sector.

44. **The current IDA portfolio has 21 projects with net commitments of US$2.4 billion and seven regional projects with net commitments of US$386 million.** The undisbursed balance as of March 2012 was about US$1.67 billion. Key sectors include: transport (33 percent), energy (21 percent), water and urban (15 percent), and health (13 percent). There are two problem projects. Kenya's portfolio performance is reasonable, with key performance indicators above AFR and Bank-wide averages, though lagging disbursements are an issue. With new commitments averaging US$540 million per year, the portfolio grew by U$1.1 billion over FY10-11, with large new investments in the energy, roads, and urban sectors. There are 64 active Trust Funds (TF), with a total commitment of about US$81 million. This is a relatively small TF portfolio for a country the size of Kenya, but further analysis is required to reduce fragmentation in Bank-executed TFs and to ensure that recipient-executed TFs are aligned with CPS objectives. The average TF disbursement rate is about 50 percent. The current IDA, regional and TF portfolios are presented in more detail in Annex 5, 6 and 7.

45. **In FY11, IFC committed US$172 million, up from US$60 million the previous year.** New commitments in FY12 are expected to increase substantially to more than US$400 million, mainly in finance and infrastructure. This includes, as noted above, the first of the jointly supported IPPs plus IFC support alongside IDA to KPLC, the power distribution company, a restructuring of the Rift Valley Railways, bringing in a new operator and new capital, and support to Kenya Airways in their route and fleet expansion. In the financial sector IFC supported a number of banks, including $100 million to Equity Bank, oriented primarily to low-income consumers and micro/small businesses. The IFC Kenya portfolio is presented in more detail in Annex 9.

46. **The World Bank Institute (WBI) maintains a large and robust program in the region and much of that work focuses on efforts in Kenya supporting capacity development and governance.** As the program in the region develops, WBI is building on synergies with the IDA program to support Open Budget Data, improved transparency in PFM, Mapping for

Results, and increased social accountability through programs with the media, civil society and parliaments. Given the large lending effort, WBI work also complements ongoing activities in support of climate change, urban development, public private partnerships and improvements in health sector delivery.

D. Changes to the Results Framework

47. **While the CPS results framework remains robust, a few changes are being introduced to improve its realism.** (i) Three (out of 30) CPS outcome indicators are being replaced with new indicators that better capture the Bank's contribution to CPS outcomes. This does not constitute a major change, especially since most new indicators are derived from the same projects as the previous indicators. (ii) CPS pillar 2, reducing inequality and social exclusion, is being merged with pillar 3, managing resource constraints and environmental challenges. Together they now comprise a new CPS pillar 2, reducing inequality and strengthening resilience. This change improves the alignment of the CPS with the Africa Region's strategy, which was finalized one year after the CPS. Specifically, it improves alignment of the new pillar 2 of the CPS with pillar 2 of the Africa Strategy, vulnerability and resilience, which addresses macroeconomic and idiosyncratic shocks such as natural disasters, disease, food shortages, conflict, political violence, and climate change. (iii) Another "change" includes the addition of a governance "pillar" to the results framework. Governance was already identified as a cross-cutting objective in the CPS, but it was felt that highlighting it within the results framework would enhance its prominence. (iv) A specific CPS outcome on climate change was dropped, as it was mainly associated with a project (Arid Lands) that was delayed due to corruption issues in the predecessor operation. That said, climate-sensitive indicators have instead been added across the results framework to better capture its multi-sectoral nature. Annex 2 describes changes to the CPS results framework in more detail.

V. Risks

48. **While the risks already identified in the CPS remain relevant, the manifestation of those risks and therefore their impact on the Bank's program have changed.** For example, while the CPS identified the risks to global economic shocks, Kenya has shown more vulnerability than anticipated and in 2011 the Bank's policy dialogue had unexpectedly to focus on the basic need to maintain macroeconomic stability. Another external shock already identified in the CPS was the country's vulnerability to droughts. A recent drought impact assessment found that drought-related damages and losses cost the economy a cumulative US$12 billion over 2008-11. The Bank embraced those findings while working on drought management measures through various sector projects and within its policy dialogue. While the CPS also emphasized security issues, the Kenyan army's incursion into Somalia in 2011 and its pending merger with the African Union Mission in Somalia (AMISOM) further impacts Bank engagement in areas infiltrated by al Shaabab. The CPS also acknowledged that the program will be subject to fiduciary risks, and this continues to be the case. The program is now able to build on INT and IAD findings to implement anti-corruption measures across the portfolio, which should help to mitigate those risks.

49. **The upcoming elections pose the potential risk of violence, though the Kenyan political system has matured significantly since the violent aftermath of the December 2007 elections**. The ICC prosecution of four high-level government officials charged with committing

crimes against humanity during the post-election violence of 2007-08 has sent a strong message that the incitation of violence will attract repercussions. The Government has also passed new hate speech laws and prosecuted violators of that law. Moreover, the August 2010 referendum on the new Constitution, conducted by a newly-constituted independent electoral commission, was conducted peacefully and professionally. At the same time, security forces have been retrained, and stakeholders in Kenya are making concerted efforts to thwart incipient activity that could lead to widespread violence. Even so, the possibility that such violence will occur at the time of the elections remains high, as most elections in Kenya in the era of multiparty democracy have involved some violence. If violence occurs, it is likely negatively to affect project implementation, as in 2007-08, when various Bank-supported activities had to come to a halt in the violence-affected areas.

50. **The change in government that must occur through the next elections also brings some risk of policy reversals**. Although Kenya's largest political parties and likely presidential frontrunners agree on the broad development agenda, as set out in Vision 2030 and supported by the CPS, the risk of policy reversal remains. In particular, fiscal pressure and weak economic growth could strengthen the political clout of parliamentarians and other stakeholders who have continued to lobby for distortionary policy measures, such as introducing price controls on fuel, maize and other basic commodities, or capping the interest rates charged by banks. If such measures were to be enacted by parliament (as has happened even in the current administration), and the executive did not continue to demonstrate the policy restraint that has served Kenya so well over the last decade, macroeconomic management and subsequently growth could decline sharply, erasing many of the gains of the past. The same is true for areas in which the country made unexpected recent progress, such as the open data initiative and strengthened audit capacity: recent gains have been dramatic, but are not yet deeply entrenched and so could be relatively easily reversed. To mitigate these risks, the Bank will continue to work closely with like-minded officials in the central bank and the Ministry of Finance and also continue to focus analytical work (including just-in-time pieces as well as the biannual Kenya Economic Update) highlighting positive and negative developments as well as key emerging risks.

Annex 1: Updated Results Framework for the Kenya CPS FY10-FY13

Vision 2030 Objectives and Key Indicators	CPS Progress Report Status	CPS Milestones and Status	WBG Program
CPS Pillar 1: Unleashing Kenya's Growth Potential			
<u>Private Sector Development</u> **MTP Objective: A vibrant and globally competitive financial sector driving high levels of savings and Kenya's investment need** • Drive increases in efficiency and depth through selected reforms • Broaden access to financial services, including formalizing informal finance and extend access to microfinance • Deepen capital markets by raising institutional capital and expanding bond and equity markets • Improve the business environment in critical areas, such as licensing and security • Implement efficiency-enhancing reforms in the sector.	**CPS Outcome: Improved business environment and competitiveness** • *Kenya's Doing Business ranking improves. Baseline (2009): 95, Target (2013) 78. Source: Doing Business.* **Off Track.** [109 (June 2011)] • *Access to finance increases* Baseline (2009): 40.5%, Target (2013) 55%. Source: Biennial FinAccess surveys. **Some Progress.** [FinAccess survey will be updated in FY13. Proxy indicators that show progress are: Number of deposit accounts has increased from 2.55m in 2005 to 14.7 million at end of August 2011 (including deposit taking MFIs); branch network increased from 534 in 2005 to 1,113 end of August 2011, with sharper increase in rural areas (152%); 7,828 agents approved as of end August 2010.]	• *Time to issue and register construction permits falls.* Baseline (2009): 120 days, Target (2013): 90 days in pilot municipalities. Source: *DB* surveys. **No Progress.** [125 days (June 2011)] • *Time to register property drops*. Baseline (2009): 64 days, Target (2013): 45 days. Source: *DB* surveys. **No Progress.** [64 (June 2011)] • *Outstanding issues in corporate bond market increase*. Baseline (2009): <1% of GDP, target (2013): 3% of GDP. Source: Capital Markets Authority data. **Good Progress.** [2.8% in 2012] • *Volume of Bank support: institutional development–microfinance rises* (amount). Baseline (June 2009): US$491,319, target (June 2012): US$5,750,000. Source: MSME Project data. **Good Progress.** [US$3.9 million] • *Increased formalization of financial sector institutions* Baseline (2008): SACCOs licensed: none; Deposit Taking Microfinance (DTMs) Institutions: none; **Good Progress.** SACCOs: [83 licensed issued] DTMs [6 licensed] • *Credit Information Bureaux licensed and operational for banks and extended to MTDs and SACCOs*; positive information collected. **Good Progress** [2 bureaux licensed; 950,000 credit reports accessed -only negative information and for banks. Focus on positive information and extending coverage to SACCOs and MTDs included in Finance Bill 2012, pending implementation]	**Ongoing:** FLSTAP (closes March 2013), MSME (closes June 2012), Kenya Investment Climate Program (Regulatory Reform, Special Economic Zone, Sub-national Doing Business), AMSME, Municipal Program, WIN and ESMID. **Pipeline:** Nairobi Metro Services Project (FY12), Kenya Infrastructure Finance/PPP APL (FY13), Kenya Subnational Investment Climate Program, IFC investment and advisory services for financial intermediaries and MFIs, Credit Reference Bureau Program (FY10-13), Regional DPO on regional integration (trade), Growth Poles Project (FY14) **AAA:** Kenya Economic Update (FY10-14), PER (1st done in FY10, 2nd for FY12), Governance ESW, Growth Diagnostic Notes, FSAP update 2010, Post-FSAP update (mortgage market, spreads analysis; access to finance, FY10-12), Tourism: Polishing the jewel (FY10), FPD Policy notes (FY10–11), Insolvency and Creditor Rights ROSC (FY12), Doing Business Report (FY11–14), Integrated Growth Poles/competitive partnership initiative (FY11), Manufacturing exports analytics (FY11), Subnational Doing Business (1st done in FY10, 2nd for FY12), Kenya Investment Climate Program (FY10-13), Investment Climate Assessment (FY13). **Regional:** Regional Tourism ESW (FY11), Regional Study on SME Financing (FY13).

Vision 2030 Objectives and Key Indicators	CPS Progress Report Status	CPS Milestones and Status	WBG Program
<u>Infrastructure</u> **MTP Objective: Deploying world class infrastructure facilities and services**	**CPS Outcome: Improved core infrastructure, with deeper regional integration**		
Transport: • Strengthen the institutional and regulatory framework for infrastructure development • Raise efficiency and quality of transport infrastructure and services • Enhance private sector participation in the provision of infrastructure facilities and services.	***Transport:*** • *Northern Corridor road in Kenya in fair or good condition rises (percentage).* Baseline (2009): 54%, target (2013): 80%. Source: University of Nairobi Enterprises and Services data. **Good Progress.** [70% (December 2010)] • *Average time to travel by road from the port of Mombasa to Malaba (border of Uganda) falls.* Baseline (2009): annual average 18 hours, target (2013) 12 hours. Source: University of Nairobi Enterprises and Services data, reported in NCTIP reports. **Good Progress/Achieved.** [9 hours Mombasa-Timboroa (750km of about 920 km) (June 2011)] • *Annual freight carried by Kenya-Uganda railway rises*. Baseline (2009): 1.56 million tons, target (2013) more than 2.3 million tons. Source: Kenya Railway Corporation/Rift Valley Railways. **Currently n/a.** [Team will need to provide data update.] • *Time of cross-border trade declines* (baseline (2009): 27 days to export a container, 25 days to import a container Target (2013): 21 days to export a container, 20 days to import a container. Source: Doing Business surveys). **Some Progress.** [26 days for export; 24 days for import (June 2011)]	***Transport:*** • *Roads rehabilitated and constructed* (km). **Good Progress.** [Over 200 km rehabilitated and in use as of June 2011 (Northern Corridor Project).] • *Security arrangements at the port of Mombasa put into place and the one-stop-shop operational*. Source: East Africa Trade and Transport Facilitation Project reports. **Good Progress. [**Implementation of integrated security system at port of Mombasa ongoing, including training of all staff on security matters.] • *Direct flights between Nairobi and the United States in operation*. Source: data on airlines schedules available on the internet. **Slow Progress.** [Jomo Kenyatta International Airport cleared by US Transportation Security Administration for direct flights from US to Kenya, but wider security risks continue to prohibit actual flights.] • *National Construction Authority established and functional*. Source: Northern Corridor project reports. **Achieved.** [Bill passed by Parliament and signed into law by the President.] • *Kenya-Uganda railway concession functioning* Source: East African Trade and Transport Facilitation Project reports. **Some Progress.** [Concession restructured, with efforts underway to recapitalize railway and professionalize management.]	**Ongoing:** Transport Sector Support Project (FY11), Northern Corridor Transport Improvement Project (FY04, FY09), East Africa Trade and Transport Facilitation Project (Regional FY06), Kenya Investment Climate Program (Trade Facilitation), Rift Valley Railways (IFC Portfolio). **Pipeline:** National Urban Transport Improvement (FY13), East Africa Regional Transport Links Project (Regional FY13); IFC support for Kenya Airways (FY12) **Proposed new AAA:** Construction Industry Study (FY13), Port Development Study (FY13), Impact of Devolution on Road Development (FY14)

Vision 2030 Objectives and Key Indicators	CPS Progress Report Status	CPS Milestones and Status	WBG Program
Energy: • Rural electrification • Energy access scale-up.	***Energy:*** • *Number of electricity connections rises.* Baseline (June 2009): 1,267,198 connections, target (June 2013): additional 30,000 (Electricity Expansion Project) and 250,000 (Energy Sector Recovery Project). Source: KPLC Reports/Project data. **Good Progress** [350,000 households under the ESRP September 2011] • *Transmission and distribution losses decline.* Baseline (June 2009): 16.3% of energy purchased, target (2013): 15.2%. Source: KPLC Reports. **Slow Progress.** [16.2% in September 2011] • *Five new Independent Power Projects (IPP)-at least two of which are wind/geothermal-reached financial closure.* [New Indicator]	***Energy:*** • *Transmission lines constructed or rehabilitated under the Electricity Expansion Project*. Baseline (2010): 0, target (2013): 40 km. Source: Project reports. **Some Progress.** [Bidding documents for transmission lines prepared, supervisory consultant hired, construction expected to begin Feb 2012.] • *Distribution lines (66kV, 33 kV, 11kV) constructed or rehabilitated under the Energy Sector Recovery Project and Electricity Expansion Project*. Baseline (Dec. 31, 2009): 515, target (2013): 1,775 km. Source: Projects' reports. **Good Progress.** [1,200km in September 2011]	**Ongoing:** Electricity Expansion Project (FY10), Energy Sector Recovery Project (FY05, FY09), Lighting Africa (TA) (FY09), IFC Tsavo Power Portfolio Project, IPPS MEGA. **Pipeline:** Private Sector Power Generation PRG (FY12), Lake Turkana Wind Project (FY12), Kenya Ethiopia Interconnector (FY12), IFC Investment in KPLC and IPPs (FY12-13), Scaling-up Renewable Energy Project (FY13), IPPs MEGA. **New:** Power Development (FY15) **Ongoing AAA:**TA portfolio to strengthen the capacity of sector entities for improved sector regulation, planning, and operation; **Proposed new AAA:** Oil and Gas Study (FY13)
Water and sanitation: • Upgrade water supply systems in all urban areas and augment/expand rural water supplies • Expand sewage coverage.	***Water:*** • *Number of people in project area with access to improved water sources* (baseline (June 2009): 8 million, target (2012) 9.5 million. Source: Water Regulation Information System, with data reported in the WaSSIP reports). **Good Progress**. [However, project ISR tracks percentage of people with access rather than number of people. Percentage increased from 27% to 50% in 2007-2011.] • *Percentage of people in project area with access to adequate sewerage services or safe sanitation rises* (baseline (2007): 10%, target (2012): 30%. Source: with data reported in the WaSSIP reports). **Good Progress.** [20% in March 2011]	• *Transfer of water and sanitation assets from ministry and local authorities to the water services boards completed.* Source: WaSSIP reports. **Some Progress.** [Technical work completed] • *Number of new piped household water connections that are resulting from the project intervention* (baseline (2010): 0, Target (mid-2013): 42,300. Source: Water and Sanitation Project data. **Good Progress.** [36,388 new piped household connections that are resulting from the project interventions in 2011.] • *Amount of market finance accessed to expand water supply services in urban and rural areas.* Baseline (2012) US$ 1.3 million. Target (2013) US$ 6 million. [New Indicator.]	**Ongoing:** IDA: Water and Sanitation Services Improvement Project (WaSSIP; FY08), WSP Global Partnership on Output-Based Aid (GPOBA): Kenya Microfinance for Water Project **Pipeline:** IDA: WaSSIP AF (FY12), WSP/GPOBA: Nairobi Sanitation (FY12), Water Development and Climate Resilience Project (FY13); WSP, IFC, IDA: Embu and Malindi water services providers gain access to commercial finance for expanded supply (FY12), WSP finance facility for urban water service providers (FY13); Nairobi Urban Sanitation project (FY13) **AAA:** Enhancing Women's Participation in Water Governance structures; TA for Commercial Finance Facility for Urban Water Supply (WSP, FY12)

Vision 2030 Objectives and Key Indicators	CPS Progress Report Status	CPS Milestones and Status	WBG Program
Information and Communication Technology • Lay under-sea fiber optic cable • Offer government services online.	***ICT*** • *Access to Internet services rises (*number of subscribers*)*. Baseline (2007): 1.25 million, target: 3 million. Source: Communications Commission of Kenya data. **Achieved.** [14.3 million subscribers; 36.7% of the population with Internet access (December 2010)]	• *Undersea cable completed.* Target: June 2010. **Good Progress/ Achieved.** [Three cables completed.]	**Ongoing:** Regional Communications Infrastructure Project/KTCIP; IFC KMIP (IFC Special Economic Zone Project); EASSy Cable (IFC Portfolio project). **Pipeline:** KTCIP AF (FY12)
<u>Agriculture</u> **MTP Objective: Innovative, commercially-oriented, competitive, and modern agricultural sector** • Increase productivity • ASAL development.	**CPS Outcome: Enhanced agricultural productivity, with a focus on food security** • *Average yields of selected agricultural products in smallholder farming systems in project area rise*. Baseline (2009): maize yields increase by annual average of 3%; target (2013): 5%. Source: KAPAP-specific surveys carried out at mid-term and end of project). **No update available. [**KAPAP Impact Assessment and Baseline survey ongoing, June results expected.] • *Earnings from small holder agricultural activities in project area rise.* Baseline (2009): net annual income: male Ksh 128,270, female Ksh 98,748, target (2013): male 20% increase, female: 25% increase. Source: KAPAP-specific surveys. **No update available.** [KAPAP Impact Assessment and Baseline survey ongoing, June results expected.]	• *Harmonized agricultural sector development strategy and implementation framework completed and strategy being implemented.* Source: KAPAP reports. **Good Progress/Achieved.** [ASDS approved by sector ministries and Cabinet in Nov 2010; implementation begun.] • *Farmers' access to loans from IFC-supported financial institutions rises* (number of farmers), (baseline (2009): 0. Source: IFC project reports). **Some Progress.** [In advanced negotiations with KCB and early negotiations with Equity Bank for $200 million of financing (in aggregate).] • *Agribusinesses access to loans from IFC-supported projects (three) or through wholesale funding facility rises.* Baseline (2009): 0. IFC project reports). **Some Progress.** [Launched an advisory services project to support coffee farmers improve yields and coffee husbandry through a partnership with ECOM a global commodities trading company. Target is to reach 15,000 farmers in 3 years.]	**Ongoing:** KAPAP (FY09); WKCDD; GEF Kenya adaptation to climate change in the Arid Lands NRMP (FY07), East Africa Agricultural Productivity (Regional FY09); IFC Project, GEF-Western Indian Ocean Marine Highway Dev and Coastal and Marine Contamination Prevention. **Pipeline:** Agriculture Drought Recovery (FY13), Regional Pastoral Project (FY13), IFC investment in horticulture and tea sector and advisory services for the coffee sector (FY11-13) **AAA:** Land TA (FY08–10), Agriculture Policy Review, ESW-Rural gender methodology and baseline data (co-financed by the Gender Action Plan), Western Indian Ocean Fisheries TA.

Vision 2030 Objectives and Key Indicators	CPS Progress Report Status	CPS Milestones and Status	WBG Program
CPS Pillar 2: Reducing Inequality and Strengthening Resilience			
<u>Social and Infrastructure Services</u>	**CPS Outcome: Better access to health care, education, and basic infrastructure services**		
<u>Health</u> **Vision 2030 Objective: Equitable and affordable healthcare system of the highest possible quality** • Provide a functional, efficient and sustainable health infrastructure network • Reduce health inequalities and reverse downward trends.	**Health** • *People with access to a basic package of health, nutrition, or population services rises*. Baseline (2009): 0, target (2013): (18,300,000). Source: Health SWAp reports. **Good Progress.** [During FY10-11, over 25.3 million individuals directly benefited from the project and over half of them (14.2 million) were females.] • *Eligible children under-one year fully immunized nationwide* (totals). Baseline (2010): 1.2 million, Target (2013): 13 million. Source: Health SWAp data. **Good Progress.** [5.8 million in 2011.] • *HSSF facilities meeting core financial management requirements rise. (percent)* Baseline (2010): 0%, Target (2013): 50%. Source: Health Sector Services Fund. **Good Progress.** [20% in 2011.] • *Proportion of youth aged 15-24 reporting condom use in the last sexual encounter with a non-regular partner (of those reporting sexual intercourse with a nonregular partner in the last 12 months).* Baseline (2003): F=24%, M=47%, Target (2013) F=55%, M=75%. Sources: TOWA project data. Good Progress [New Indicator; F=39.5%, M=64.6% in 2009.]	• *Facilities (level 2–3) receiving drugs and medical supplies on time (%).* Target (2013) 20% increase from baseline. Source: Health SWAp data. **Good Progress. [**Procurement, social accountability pilots and supervision visits underway.] • *Health personnel receiving training in financial management and procurement (number).* Baseline (2010): 0, target (2013): 2,000. Source: Health SWAp data. **Good Progress/Achieved.** [4,648 staff in 265 districts and 664 health centers received training in planning and financial management of Health Sector Services Fund. Training for dispensary staff almost completed in 4 provinces and ongoing in 4 others.] • *Number of people benefiting from health services from 30 IFC-supported private healthcare companies rises.* Baseline (2009): 0. Source: IFC project reports. **Some Progress.** [Limited information, but preliminary survey underway; strategy to be developed to measure progress over next year. Through two healthcare private equity vehicles (EVHA and IFHA), IFC has financed two healthcare companies in Kenya, namely Nairobi Women's Hospital and AAR. Another three institutions are at various stages of the due diligence process and financing should be in place in the coming months.]	**Ongoing:** Health Swap (FY10) and Additional Financing (FY12); East Africa Public Health Laboratory Networking Project (FY10); Total War Against HIV/AIDS (FY07); JSDF grant for traditional medicine, IFC Health in Africa Initiative. **Pipeline:** **New:** Medicine Regulatory Harmonization (FY12), Additional Financing for disease control programs to meet Global Fund shortfalls (FY13) **AAA:** Health PER (FY11), Health Financing (FY12) (IFC) **Proposed new AAA:** Devolution Access to Service Delivery (FY13/14), Health Service Delivery Indicators (FY13), Human Resources in Health Study (FY13), Multi-sector Nutrition Assessment (FY12)

Vision 2030 Objectives and Key Indicators	CPS Progress Report Status	CPS Milestones and Status	WBG Program
<u>Education</u> **MTP Objective: Improve access and equity to education at all levels** • Raise enrollment and transition rates • Improve quality of education at all levels.	**Education** • *Primary completion rate rises* (percent). Baseline (2008): 79.5%, target (2012): 85%; and in Northeastern, baseline 36.5%, target, 45%. Source: Ministry of Education. **Good Progress.** [83% in 2009; Northeast n/a] • *Primary to secondary education transition rate rises* (percent). Baseline (2008) 60%, target (2012), 75%. Source: Ministry of Education. **Good Progress.** [66.9% in 2009] • *University education gross enrollment rate rises* (percent). Baseline (2008): 3%, target (2012): 5% (reaching Sub-Saharan Africa average). Source: Ministry of Education. **Good Progress** [4% in 2009.].	• *Net enrollment rate in primary education rises* (disaggregated by gender). Baseline (2006): 83% 2006, target: 95%. Source: Ministry of Education. **Good Progress.** [92.9% in 2009] • *TIVET Authority functioning*. Source: KESSP reports. **Good Progress.** **[**Interim Authority functioning, Bill with Cabinet pending final approval.] • *Sector governance and management strengthened*. Source: KESSP Governance and Anti-Corruption and Risk Policy Management Action Plan. **Slow/No Progress. [**Process underway but very difficult dialogue due to findings of fraud and corruption in sector.]	**Pipeline:** Global Partnership for Education (TF) **New:** Education SWAp, including ECD follow-up (FY13/14) **AAA:** Education PER (FY10), Education PETS and Service Delivery Indicators (FY12), System Assessment Benchmarking for Results (SABER): Early Childhood (FY12), School Health and Nutrition (FY12); Teacher Performance and Student Learning (FY12), Realizing the Youth Dividend (FY12), Innovative Financing for Higher Education (FY12) **Proposed New AAA:** Measuring Skills and Knowledge for Greater Growth and Competitiveness (FY13), Integrated Education Data Management (FY13), Teachers (FY13).
<u>Slum Upgrading</u> **MTP Objective: Adequate and decent housing in a sustainable environment** • Facilitate the development and access to affordable and adequate housing	**Slum upgrading** • *Urban slum residents who gain access to improved infrastructure services under the Informal Settlements Improvement Project* (number beneficiaries, disaggregated by gender). Baseline: 0, Target: 100,000. Source: project surveys. **Data not available.** [Project effective since June 2011.]	• *Citywide slum upgrading initiatives commence in five cities*. Source: Kenya Informal Settlement Improvement Project reports. **Data not available.** [Project effective since June 30, 2011.]	**Ongoing:** Slum Upgrading/Informal Settlements Improvement (FY11); Pro-poor component of WASSIP, FIRST Shelter Afrique, ESMID, FLSTAP. **Pipeline:** Nairobi Metropolitan Services Project (FY12). **AAA:** FPD Dialogue, FSAP update/part 2 – housing finance (FY11/12). **Proposed new AAA:** Demography of Urban Slums
<u>Vulnerable Groups</u> **MTP Objective: Gender equity in power and resource distribution, improved livelihoods for vulnerable groups, and a responsible, globally competitive and prosperous youth** • Increase opportunity	**CPS Outcome: Establishing comprehensive scalable social protection mechanisms** • *Interns employed or self-employed immediately after internship, and a year after internship completion rises* (percent, to be disaggregated by gender). Baseline (2010): 0, Target: 35% (2013). Source: Project-specific surveys. **Some Progress.** [The first internship cycle is still in progress	• *Integrated social protection policy approved by cabinet and related action plan under implementation*. Source: OVC Cash Transfer Project reports. **Good Progress.** [Cabinet Memorandum signed by the Minister. Revised draft strategy to be sent to Cabinet in March.] • *Establishment of a single registry to cover key cash transfer programs.* [New	**Ongoing:** Orphans and Vulnerable Children Cash Transfer Project (FY09), Youth Empowerment (FY10). **Pipeline:** Integrated Social Protection Program (FY13) **AAA:** Social Protection Sector Review (FY12), Building Social Protection Systems in Kenya (RSR grant for advisory activities)

Vision 2030 Objectives and Key Indicators	CPS Progress Report Status	CPS Milestones and Status	WBG Program
• Provide financial support to all vulnerable groups.	(October 2011).] • *Beneficiary households receiving predictable cash transfers rises under the Cash Transfer for OVC* (number). Baseline (2009): 0, target (end- 2013): 50,000. Source: OVC Project specific surveys. **Good Progress.** [149,260 (April 2011)]	milestone.]	FY11-13).
<u>Environment</u> **MTP Objective: Enhancing access to clean, secure, and sustainable environment, water and sanitation** • Increase fresh water availability and establish a monitoring program for water • Improve water storage capacity • Conserve strategic natural resources in a sustainable manner without compromising economic growth • Map ASAL and high risk disaster zones.	**CPS Outcome: Improved management of key natural resources** • *Area of forests managed according to approved plans rises*. Baseline (end 2009): 21,000 hectares, target (2013): 300,000 hectares. Source: NRM Project surveys. **Good Progress.** [141,000 has in 2011]	• National Drought Contingency Fund established and disbursing funding to address emergencies. Source: Arid Lands 2 project reports. **Not achieved.** [Project was cancelled due to corruption charges in predecessor project.] • Drought management system in place and functioning at the district and national level. Source: Arid Lands 2 project reports. **Not achieved.** [Project was cancelled due to corruption charges in predecessor project.] • Early flood warning system established and functioning in Western Kenya [New Indicator] • *Draft Basin-wide water and fisheries management agreement prepared.* Baseline (2009): 0, target (2013): 100. Source: Lake Victoria Environment Management 2 Project surveys. **No/Slow Progress.** [no progress, but some activities underway]	**Ongoing:** GEF Adaptation to Climate Change in Arid Lands, WKCDD (FY07), Natural Resources Management Project (FY07), Lake Victoria Environmental Management Phase II (Regional FY09); Coastal Development Project (FY11). **Pipeline:** Water Development and Climate Resilience Project (FY13); IFC engagement with Lake Naivasha watershed stakeholders (FY12-13) **Proposed new AAA:** Land Access, Tenure and Conflict (gender disaggregated data included) (FY14).
CPS Governance Pillar (Cross-Cutting)			
New CPS Governance Outcomes			
<u>Public Sector Governance</u> **MTP Objective: A citizen-focused and results-oriented institution** • Promote transparency,	**CPS Outcome: Improved Transparency and Accountability** • *Financial statements prepared on time in accordance with acceptable accounting standards through IFMIS (central government) and LAIFOMS (local government*). Central baseline	• *Annual procurement audits indicate improvement in compliance with procurement regulations.* Baseline (2005): procurement not covered as a focus area for internal audit, target (end 2013): internal audit on procurement	**Ongoing:** Institutional Reform and Capacity Building project (FY06); Municipal Program (FY10), Transparency Communications Infrastructure Project (KTCIP) (FY08), FLSTAP (closes March 2013), GPF (TF), STATCAP

Vision 2030 Objectives and Key Indicators	CPS Progress Report Status	CPS Milestones and Status	WBG Program
accountability, participation, and the rule of law.	(2005): 0. Source: Institutional Reform Capacity Building Project reports. Municipal baseline (2009): 0 Target (2013): 6. Source: Municipal Program reports). **Central: Not Achieved.** [Purchasing, Accounts Payable and General Ledger financial reporting not yet undertaken using IFMIS. Other modules of IFMIS have not been operationalized.]; Municipal: **Data not available.** • *PEFA scores of A/B rise.* Baseline (2008): 12 of 28, target (2013): 15 of 28. Source: Biennial PEFA surveys). **Data not available. [**There was no PEFA in 2010.] • *External audit reports prepared and published in a timely fashion in accordance with Public Audit Act 2003.* **Partially Achieved.** [Audit is being carried out and in compliance with the Kenya National Audit Office (KNAO) Act, 2003. Audit Committees established, but not all functioning and local government authorities audit reports are in arrears.]	carried out in 90% of ministries. Source: Inst. Reform Capacity Building Project reports). **Partially Achieved.** [Guidelines for annual procurement audits developed and regulations in place, but implementation and compliance are weak.] • *Municipalities have prioritized capital investment plans linked to strategic plans*. Baseline: 0, target: 6. Source: Municipal Program reports. **Data not available.**	**Pipeline:** Nairobi Metropolitan Services Project (FY12), KTCIP AF (FY12) **New:** Governance Partnerships Facility (TF) support to supply-side (PFM and PSR) and demand-side (information dissemination and accountability system) reforms **Ongoing AAA:** Country Procurement Assessment Review, Insolvency and Creditor Rights ROSC (FY12), Policy Notes (M&E Assessment, Social Accountability); PEFA (FY12/13) **Proposed new AAA:** Governance Assessment, Portfolio Review of Decentralization, Access to Information and Data, FM related TA and AAA, Accounting and Auditing, Sector FM assessments, Procurement reforms, Enhanced Capacity for CSOs and Media

Annex 2: Updated and Revised CPS Outcomes

Original CPS Indicators	Updated and Revised Indicators/Outcomes
CPS Outcome: Improved core infrastructure, with deeper regional integration.	
Energy • Five new Independent Power Projects (IPP), at least two of which are green, reached financial closure.	• **New Indicator.** Indicator captures new operations and focus on IPPs, including climate-change sensitivity.
Water • *Area under irrigation in project area rises*. Baseline (2007): 270 ha. Target (mid-2013): 3,500 ha	• **Replaced.** Indicator is not aligned with main sector focus. Under the NRM project, there has been good progress under this indicator, with works contracts for two major irrigation investments in advanced stages.
• *Amount of market finance accessed to expand water supply services in urban and rural areas.* Baseline (2012) US$1.3 million. Target (2013) US$6 million.	• **New Indicator.** This milestone directly supports the increased access outcome indicator, as the money is for infrastructure investments.
CPS Outcome: Better access to health care, education, and basic infrastructure	
Health • *Health facilities (level 2–3) without tracer drugs for more than two weeks declines* (%). Baseline: 23%. Target (2013): 5%. Source: KEMSA Navison data, presented in the Health SWAp Reports.	• **Replaced**. Indicator does not reflect well the Bank's program. In addition, supply of essential drugs under the project has not yet started.
• *Proportion of youth aged 15-24 reporting condom use in last sexual encounter with a non-regular partner (of those reporting sexual intercourse with a nonregular partner in last 12 months).* Baseline (2003): F=24%, M=47%. Target (2013) F=55%, M=75%. Sources: TOWA project data. Good Progress	• **New Indicator**. To reflect part of program focus.
CPS Outcome: Improved management of key natural resources	
• *Cumulative percentage reduction in untreated effluent disposed by targeted municipalities into three hotspots of Lake Victoria (%).* Baseline (2009): 0%. Target (2013): 10%. Source: Lake Victoria Environment Management 2 Project surveys.	• **Replaced.** No to slow Progress. Indicator was replaced by indicator that allows for better measurement of progress.
• *Regional standards for industrial and effluent discharges into Lake Victoria ready for adoption.* Baseline (2009): n/a. Target: standards adopted.	• **New Indicator.** Better indicator to capture project progress.
CPS Outcome: Adapting to climate change.	
• CPS outcome indicator not measured.	• **CPS outcome dropped.** Climate-sensitive indicators continue to be measured (and have been added) across results framework to better capture multi-sectorality.
CPS Governance Pillar (Cross-Cutting)	
The CPS identified governance as a cross-cutting area. The CPS Progress Report suggests adding governance as a cross-cutting pillar to the CPS results frameworks. The CPS outcome on strengthening public sector management (previous under the CPS pillar 1: Unleashing Kenya's Growth Potential) is being changed into Improved Transparency and Accountability.	
• CPS outcome on strengthening public sector management and improving sub-national governance	• **Reformulated CPS Outcome:** Improved Transparency and Accountability.

Annex 3: Ongoing and Proposed Knowledge Program

CPS Pillar 1: Unleashing Kenya's Growth Potential
Continued/Ongoing • Kenya Economic Updates (FY10-14) • PER (FY12) • Post-FSAP update (FY10-12) • Insolvency and Creditor Risks ROSC (FY12) • Subnational Doing Business (FY12) • Investment Climate Program (FY10-14) and Assessment (FY13) • TA energy sector (capacity strengthening) FY10-14 **New** • Port Development Study (FY13) • Oil and Gas Study (FY13)
CPS Pillar 2: Reducing Inequality and Strengthening Resilience
Continued/Ongoing • IFC health financing TA (FY12) • Multi-sector nutrition assessment (FY12) • Education PETS and Service Delivery Indicators (FY12) • School Health and Nutrition (FY12) • Realizing the Youth Dividend (FY12) • Innovative Financing for Higher Education (FY12) • Social Protection Sector Review (FY12) • Building Social Protection Systems in Kenya (RSR grant for advisory activities) FY11-13 **New** • Poverty Updates (FY13/14) • Devolution Access to Service Delivery (FY13/14) • Health Service Delivery Indicators (FY13) • Human Resources in Health Study (FY13) • Measuring Skills and Knowledge for Greater Growth and Competitiveness (FY13) • Integrated Education Data Management (FY13) • Teacher Performance and Student Learning (FY13)
CPS Governance "Pillar"
Continued/Ongoing • Decentralization Report • Procurement Assessment Review (FY12) • Public Expenditure and Financial Accountability (PEFA; FY12/13) **New** • Access to Information and Data (FY13/14) • County Systems Assessment (FY13) • Judicial Performance (F13/14)

Annex 4: Planned versus Actual Lending Program and Pipeline

Current status of CPS IDA pipeline (as described in CPS Annex 2)						
FY delivered	CPS Program	Planned (US$)	Planned year	Comment	Amount (US$m)	
					IDA	CRW*
2010	Electricity Expansion	330.0	FY10	Amount lowered by $20m	330.0	-
	Municipal Program	100.0	FY10	Delivered as planned	100.0	-
	Youth Empowerment	60.0	FY10	Delivered as planned	60.0	-
	Health SWAp	100.0	FY11+	Advanced to FY10	157.0	-
	Subtotal	**610.0**			**647.0**	**-**
2011	Coastal Development	35.0	FY10	Delivered FY11	35.0	-
	Nairobi Urban Toll Road (NUTR)	180.0	FY11+	Toll road cancelled, due to integrity issues concerning concessionaire, but other components supported in substituted **Transport Sector Support project**	300.0	-
	Slum Upgrading	100.0	FY11+	**Renamed** Informal Settlements Improvement; delivered as planned	100.0	-
	TOWA additional financing	*n/a*	*FY07*	*AF to fill GFATM gap*	55.0	-
	Subtotal	**315.0**			**490.0**	**-**
2012	*Health SWAp AF*	*n/a*	*n/a*	*AF to address drought emergency*	-	*57.0*
	Private Sector Power Generation (PRG)	40.0	FY12	Partial risk guarantees	41.5	-
	Subtotal				**41.5**	**57.0**
Note: Status of pipeline projects appearing in Annex 2 of April 2010 CPS but not yet delivered						
2012+	Nairobi Metropolitan Services	100.0	FY11+	On track for 12 delivery	300.0	-
	PPP Infrastructure Finance	100.0	FY11+	On track for FY13 delivery	100.0	-
	Water Resources Development	100.0	FY11+	On track for FY13 delivery; renamed Water Security and Climate Resilience	400.0	-
	Development Policy Operation	100.0	FY11+	Prior actions completed, but project not presented due to country circumstances	-	-
	Arid Lands Resource Management 3	100.0	FY11+	Cancelled, due to corruption findings in predecessor project	-	-
	KESSP2	100.0	FY11+	Cancelled, due to corruption findings in predecessor project	-	-

Proposed pipeline for remainder of CPS period						
FY delivered	CPS Program	Planned amount	Planned year	Comment	Proposed amount	
					IDA	CRW
2012	*Water and Sanitation Improvement AF*	300.0	FY12	Includes response to 2011 drought	280.0	20.0
	Nairobi Metropolitan Services	300.0	FY12	Third project in urban series	300.0	-
	KCTIP AF	39.0	FY12	Includes $14m IDA realllocation	55.0	-
	Northern Corridor Transport AF	43.0	FY12	IDA reallocation of cancelled funds	43.0	-
	Ethiopia-Kenya Interconnector (regional project)	131.0	FY12/13		153.0	-
	Subtotal (including approved and regional projects)				**872.5**	77.0
2013+	Water Security and Climate Resilience	250.0	FY13	On track	250.0	-
	Pastoral Livelihoods Recovery and Resilience (regional project)	25.0	FY13	Part of regional response to 2011 Horn of Africa drought	25.0	-
	PPP Infrastructure Finance	100.0	FY13+	Subject to PPP pipeline development	100.0	-
	Judicial Performance Improvement	100.0	FY13+	Revives project postponed in FY09	100.0	-
	Integrated Social Protection Program	200.0	FY13+	Will incorporate CT-OVC project	200.0	-
	Scaling-up Renewable Energy	130.0	FY13+	Supported by $50m SREP TF resources	130.0	-
	Lake Turkana Wind Project (PRG)	20.0	FY13	Partial risk guarantee	20.0	-
	Nairobi Urban Transport APL	200.0	FY12/13	Will address issues not addressed when NUTR was cancelled	200.0	-
	Subtotal				**1,025.0**	**-**

* IDA Crisis Response Window

Annex 5: Selected Indicators of Portfolio Performance and Management

As Of Date 3/20/2012

Indicator	2009	2010	2011	2012
Portfolio Assessment				
Number of Projects Under Implementation [a]	16	19	21	20
Average Implementation Period (years) [b]	3.3	3.3	3.5	3.8
Percent of Problem Projects by Number [a, c]	6.3	10.5	4.8	10.0
Percent of Problem Projects by Amount [a, c]	5.6	8.2	3.7	6.1
Percent of Projects at Risk by Number [a, d]	25.0	15.8	9.5	20.0
Percent of Projects at Risk by Amount [a, d]	10.1	11.6	6.6	9.8
Disbursement Ratio (%) [e]	20.0	18.9	11.9	9.0

Memorandum Item	Since FY 80	Last Five FYs
Proj Eval by OED by Number	105	3
Proj Eval by OED by Amt (US$ millions)	3,628.8	90.1
% of OED Projects Rated U or HU by Number	58.1	33.3
% of OED Projects Rated U or HU by Amt	52.1	39.9

a. As shown in the Annual Report on Portfolio Performance (except for current FY).
b. Average age of projects in the Bank's country portfolio.
c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP
d. As defined under the Portfolio Improvement Program.
e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only.

* All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.

Annex 6: IDA Operations Portfolio

Operations Portfolio (IBRD/IDA and Grants)

As Of Date 3/20/2012

Closed Projects **134**

IBRD/IDA *

Total Disbursed (Active)	733.91
of which has been repaid	0.00
Total Disbursed (Closed)	539.83
of which has been repaid	686.60
Total Disbursed (Active + Closed)	1,273.74
of which has been repaid	686.60
Total Undisbursed (Active)	1,650.24
Total Undisbursed (Closed)	1.25
Total Undisbursed (Active + Closed)	1,651.49

Active Projects

Project ID	Project Name	Last PSR Supervision Rating: Development Objectives	Last PSR Supervision Rating: Implementation Progress	Fiscal Year	IDA	GRANT	Undisb.	Difference Between Expected and Actual Disbursements [a/]: Orig.	Difference Between Expected and Actual Disbursements [a/]: Frm Rev'd
P083250	Financial & Legal Sec TA	S	S	2005	18		11.7	10.9	0.6
P091979	KE- Adaptation Climate Change (KACCAL)	#	#	2010		45.5			
P111545	KE-Cash Transfer for OVC (FY09)	S	S	2009	50		24.2	(3.0)	
P094692	KE-Coastal CD SIL (FY08)	S	S	2011	35		35.0		
P103037	KE-Electricity SIL (2010)	S	S	2010	330		323.8	24.5	
P083131	KE-Energy Sec Recovery Prj (FY05)	S	S	2005	160		61.2	(25.7)	5.8
P108845	KE-FMSCEDP (Coastal CD) GEF (FISH)	S	S	2011		5.0	4.6		
P088600	KE-GEF Ag prd & Sust. Land Mgmt(KAPSLMP)	MS	MS	2011		10.0	8.1		
P074091	KE-Health SWAP (FY10)	S	S	2010	156.8		125.7	(7.4)	
P113542	KE-Informal Settlements Improvement Proj	S	S	2011	100		103.6		
P066488	KE-Municipal Program (FY10)	MS	MS	2010	100		93.8	11.9	
P085414	KE-Natl STATCAP Dev	S	S	2007	20.5		12.1	10.7	
P082615	KE-Northern Corridor Trnsprt SIL (FY04)	S	MS	2004	460		263.0	(12.3)	153.7
P095050	KE-NRM SIL (FY07)	MS	MS	2007	68.5		38.0	15.8	27.4
P081712	KE-Tot War Against HIV/AIDS-TOWA (FY07	S	S	2007	135		43.0	18.6	
P074106	KE-W Kenya CDD/Flood Mitigation (FY07)	MU	MS	2007	86		71.4	27.4	
P096367	KE-Water & Sanitation Srv Impr (FY08)	S	S	2008	150		37.3	31.5	
P111546	KE-Youth Empowerment Project (FY10)	MU	MU	2010	60		46.9	12.4	
P124109	KE:Transport Sector Support Project	S	S	2011	300		292.1		
P109683	Kenya Agric Productivity & Agribusiness	MS	MS	2009	82		60.7	22.2	
P085007	MSME Competitiveness	MS	MS	2005	22		6.4	5.1	4.7
Overall Result					**2333.8**	**60.5**	**1,662.9**	**133.2**	**192.2**

Annex 7: Kenya Regional Portfolio

Proj ID.	Project Name	Resp CC	TTL	Date, Approval	Date, Signing	Date, Effectv	MTR Date	Rev Closing Date	Latest DO	Latest IP	Age yrs	Net Comm Amt	Tot Disb	Disb in FY	Tot Undisb Bal
P112688	Eastern Africa Agricultural Productivity	AFTAR	LEGESSE	6/11/2009	7/22/2009	2/16/2010	#	2/27/2015	MS	MS	2.4	30.0	9.0	0.1	23.0
P072202	3A-GEF SWIO Fisheries SIL (FY07)	AFTEN	VINCENT	6/28/2007	10/9/2007	10/9/2007	3/17/2011	11/30/2011	MS	MS	4.3	12.0	10.0	5.7	1.9
P100406	3A-Lake Victoria Phase II APL 1 (FY09)	AFTEN	BRAGA	3/3/2009	5/8/2009	7/30/2009	#	6/30/2013	MS	MU	2.7	30.0	6.0	1.0	24.0
P112456	Regional Trade Facilitation Project II	AFTFW	VIS	6/14/2011	#	#	#	4/30/2017	#	#	0.4	25.0	25.4	0	5.5
P111556	3A-East Afr Publ Hlth Laborat Net (FY10)	AFTHE	SCHNEIDMAN	5/25/2010	6/22/2010	9/7/2010	#	3/30/2016	S	S	1.4	23.5	4.5	2.0	20.0
P079734	3A-E Afr Trade & Transp Facil (FY06)	AFTTR	WAITHAKA	1/24/2006	3/6/2006	6/5/2006	12/8/2008	9/30/2014	MS	MS	5.8	150.6	72.8	1.6	59.0
P094103	3A-Telecommunications APL (FY07)	TWICT	NETO	3/29/2007	5/22/2007	8/21/2007	1/10/2011	12/31/2013	MS	MS	4.6	114.4	48.9	0.0	71.9
												385.5	**176.6**	**10.4**	**205.3**
											Grand Total	**2,779.8**	**885.7**	**140.6**	**1,903.8**

Annex 8: Kenya Trust Fund Portfolio

Trust Fund #	Trust Fund Name	Project Number	Net Grant Amount	FY Disb.	Funds Disb. to Date	Avail. Balance
TF09821	IDF Grant for Building Capacity of Diaspora Affairs Directorate in the Ministry of Foreign Affairs	P121227	500.00	200.00	200.00	300.00
TF01135	Capacity Building for Agricultural Carbon Project Development	P121368	120.00	0.00	0.00	30.00
TF09561	Gender Action Plan (GAP) 2009	P109683	150.00	108.69	149.92	0.08
TF09569	EUFCRRF Kenya	P109683	189.96	58.57	192.76	1.15
TF09880	Readiness mechanisms for climate smart agriculture	P129610	970.00	77.50	87.05	214.25
TF09161	GEF FSP-KENYA:AGRICULTURAL PRODUCTIVITY AND SUSTAINABLE LAND MANAGEMENT	P088600	10,000.00	1,870.04	1,870.04	8,129.96
TF09646	Enhancing Agricultural Productivity Project	P109683	24,226.23	5,251.23	25,407.32	236.47
TF09857	W1-The Empirics of Governance	P124003	820.00	85.80	99.65	5.61
TF01091	KENYA: Assessment of Geothermal Development Company (GDC) for Enhanced Access to	P129204	46.75	2.75	2.75	44.00
TF09670	GPOBA (W1): Kenya Electricity Expansion	P121332	181.00	31.91	145.75	35.25
TF09887	Kenya SREP investment plan preparation	P125539	164.35	63.01	159.91	0.32
TF09916	GPOBA (W3 Prep): Kenya Electricity Expansion Project	P125388	183.77	-6.46	0.00	183.77
TF09666	KE- Rural Biodiesel project	P120038	135.74	39.69	107.55	28.19
TF09352	Support to Community Based Farm Forestry Enterprises in Semi-Arid Areas in Kenya (Bank-	P095050	56.50	5.50	10.49	46.01
TF09308	GEF MSP: KENYA: GRANT FOR WILDLIFE CONSERVATION LEASING DEMONSTRATION	P083172	727.27	124.15	588.49	138.78
TF09352	Support to Community Based Farm Forestry Enterprises in Semi-Arid Areas in Kenya	P095050	1,936.38	292.81	886.38	1,049.99
TF09757	Kenya Coastal Development Project	P108845	5,000.00	258.54	258.54	4,741.46
TF09950	PPIAF Kenya Infrastructure Finance/PPP project	P121019	124.24	7.38	7.38	86.86
TF01006	Kenya: #10160 Strengthening Accounting & Auditing Legal Framework	P126674	106.25	0.00	0.00	71.25
TF09041	CAPACITY BUILDING OF RURAL TRADITIONAL HERBALISTS- BANK-EXECUTED	P074091	59.88	10.66	50.68	6.70
TF09840	Pro-Poor Healthcare Supply Chains in Kenya	P074091	50.00	31.73	44.26	0.79
TF09884	Kenya HRBF K&L Grant	P074091	125.00	11.01	29.88	4.02
TF09049	CAPACITY BUILDING OF RURAL TRADITIONAL HERBALISTS	P074091	1,218.88	167.51	617.87	601.01
TF01126	BNPP-Growth & Equity: Welfare and Services Monitoring via Mobile Phone Surveys	P118865	675.00	0.00	0.00	350.00
TF09729	Kenya PER Gender Project	P096288	50.00	17.00	50.00	0.00
TF09482	W2-STRENGTHENING GOVERNANCE, TRANSPARENCY, AND ACCOUNTABILITY IN KENYA	P117536	350.00	39.01	285.42	1.62
TF09653	Support to the Government of Kenya for Social Protection Programming - Preparation and	P121504	145.00	53.88	128.15	3.05
TF09727	CT-OVC Program Enhanced Supervision	P111545	100.80	14.53	97.62	3.18
TF09727	CT-OVC Program Program Management	P111545	43.08	8.13	8.13	34.95
TF09727	CT-OVC Program Trust Fund Administration	P111545	64.61	0.00	0.00	64.61
TF09730	Support to the Government of Kenya for Social Protection Programming	P121594	1,150.00	147.27	287.76	806.12
TF09702	Support to the Kenya Youth Empowerment Project	P111546	1,000.00	0.00	400.00	600.00
TF09727	Cash Transfer for Orphans and Vulnerable Children	P111545	9,424.75	3,180.02	9,381.79	42.96
TF09730	Republic of Kenya: Support to the Kenya Youth Empowerment Project	P111546	500.00	95.62	448.02	51.98
TF01095	Kenya Urban Knowledge and Implementation Program	P113542	1,401.27	66.96	66.96	877.46
TF07161	Kenya Municipal Project	P066488	0.00	0.00	0.00	4,840.15
TF09934	Cities Alliance - Kenya Baseline State of the City Surveys	P125526	400.00	0.00	0.00	60.00
TF09874	Kenya - Water Resources Assessment	P118665	123.60	1.05	82.69	26.68
TF09916	PPIAF: PPP Options for the Management and Development of Irrigation Infrastructure	P125826	113.50	52.97	52.97	10.78
TF09039	TTR - CGAP/GATES TECH PROGRAM EQUITY BANK	P102064	1,340.00	340.00	1,000.00	340.00
TF09415	KCP II - KENYA-YOUTH FRIENDLY SVCS ON VOL.COUNSELLING AND TESTING	P116605	100.00	8.90	73.21	26.79
TF05757	Kenya Olkaria II Geothermal Expansion Project	P103458	6,137.50	0.00	253.43	22.50
TF01072	Kenya Climate Innovation Center	P128680	487.90	147.03	147.03	291.36
TF09834	Mobile Apps thru Social Networking in Africa - Kenya	P122163	35.00	0.00	20.00	15.00
TF09670	GPOBA (W1): Kenya Energy Expansion	P121330	226.00	4.30	42.72	183.28
TF09859	Sharing results from GAP-funded activities on gender and agriculture in Kenya	P121024	82.75	62.71	66.39	7.51
TF01092	StAR - Kenya Country Engagement	P128633	100.00	0.00	0.00	100.00
	WSP TRUST FUNDS					
TF01009	GPOBA (W3 SPN): Microfinance for Small Piped Water Schemes - Kenya	P104075	37.51	0.00	0.00	37.51
TF01009	GPOBA (W3 SPN): Micro-finance for Small Piped Water Schemes - Kenya	P104075	44.77	0.00	0.00	44.77
TF01009	GPOBA (W3 SPN): Micro-finance for Small Piped Water Schemes - Kenya	P104075	28.81	0.00	0.00	28.81
TF09579	GPOBA W3 - EU Cont - Kenya Comm. Water Supervision	P104075	112.97	0.00	0.00	112.97
TF09782	GPOBA (W1): Kenya OBA Finance Facility	P123640	240.10	172.83	207.08	11.12
TF05761	GPOBA KENYA COMMUNITY WATER	P104075	383.77	30.83	284.65	99.12
TF05761	GPOBA KENYA COMMUNITY WATER	P104075	383.77	77.03	329.85	53.92
TF09339	GPOBA W3 - EU Grant to Kenya Community Water	P104075	1,773.64	135.56	135.56	709.84
Total			**74,148.30**	**13,347.65**	**44,766.10**	**25,813.96**

Annex 9: Kenya IFC Portfolio

Committed and Disbursed Outstanding Investment Portfolio
As of 2/29/2012
(In USD Millions)

		Committed					Disbursed Outstanding				
FY Approval	Company	Loan	Equity	**Quasi Equity	*GT/RM	Partici pant	Loan	Equity	**Quasi Equity	*GT/RM	Partici pant
2006	Abe-kenya	6	0.48	0	0	0	0	0.48	0	0	0
0	Boa - kenya	0	0	8	0	0	0	0	8	0	0
2004	Bp kenya	0	5	0	0	0	0	3.58	0	0	0
2010	Braeburn	4	0	0	0	0	2	0	0	0	0
0	Cfc stanbic	0	0	10	0	0	0	0	10	0	0
7/8/1982	Dtb kenya	30	4.45	15	0	0	30	4.45	15	0	0
2010	Ecobank kenya	0	0	12.5	0	0	0	0	12.5	0	0
0	Ips(k)-allpack	0	0.36	0	0	0	0	0.36	0	0	0
0	Ips(k)-frigoken	0	0.06	0	0	0	0	0.06	0	0	0
0	Ips(k)-prem food	0	0.11	0	0	0	0	0.11	0	0	0
1996/99/09	K-rep bank	0	3.65	0	0	0	0	1.4	0	0	0
2011	Kcb	100	0	0	0	0	100	0	0	0	0
2006	Kingdom hotel	9	0	0	0	0	9	0	0	0	0
2005	Kongoni	0.34	0	0	0	0	0.34	0	0	0	0
2005	Magadi soda co.	0	0	0	0.57	0	0	0	0	0.57	0
0	Premier gas	0	2	0	0	0	0	0	0	0	0
2007	Rvr	22	0	17.46	0	0	6.59	0	17.46	0	0
2000	Tsavo power	1.37	0.83	0.13	0	2.14	1.37	0.83	0.13	0	2.14
Total Portfolio:		**172.71**	**16.94**	**63.09**	**0.57**	**2.14**	**149.3**	**11.27**	**63.09**	**0.57**	**2.14**

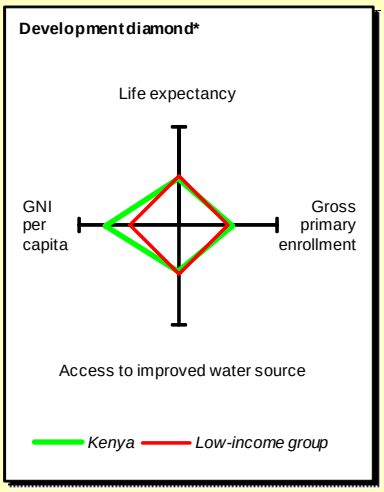
* Denotes Guarantee and Risk Management Products.
** Quasi Equity includes both loan and equity types.

Annex 10: Kenya at a Glance

Kenya at a glance

2/25/11

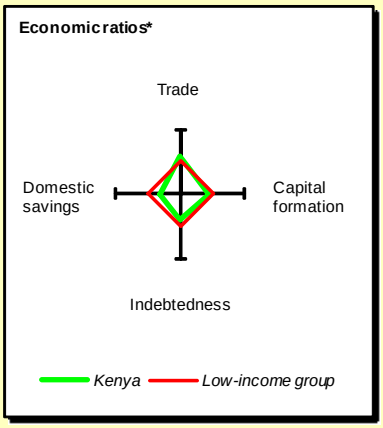
POVERTY and SOCIAL	Kenya	Sub-Saharan Africa	Low-income
2009			
Population, mid-year *(millions)*	39.8	840	846
GNI per capita *(Atlas method, US$)*	760	1,126	512
GNI *(Atlas method, US$ billions)*	30.3	946	433
Average annual growth, 2003-09			
Population *(%)*	2.6	2.5	2.2
Labor force *(%)*	2.8	2.9	2.6
Most recent estimate (latest year available, 2003-09)			
Poverty *(% of population below national poverty line)*	47	..	..
Urban population *(% of total population)*	22	37	29
Life expectancy at birth *(years)*	54	52	57
Infant mortality *(per 1,000 live births)*	55	81	76
Child malnutrition *(% of children under 5)*	17	25	28
Access to an improved water source *(% of population)*	59	60	64
Literacy *(% of population age 15+)*	87	62	66
Gross primary enrollment *(% of school-age population)*	112	100	104
Male	113	105	107
Female	110	95	100



KEY ECONOMIC RATIOS and LONG-TERM TRENDS

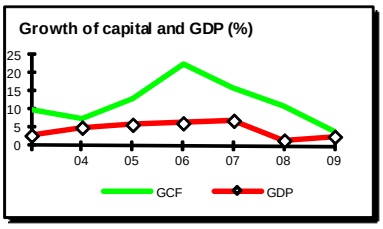
	1989	1999	2008	2009
GDP *(US$ billions)*	8.3	12.9	30.0	29.4
Gross capital formation/GDP	24.9	15.5	20.3	20.9
Exports of goods and services/GDP	23.0	20.8	27.6	25.2
Gross domestic savings/GDP	17.8	9.0	6.1	7.8
Gross national savings/GDP	18.0	12.0	13.9	15.4
Current account balance/GDP	-6.8	-3.5	-4.4	-5.5
Interest payments/GDP	3.4	1.3	0.4	0.4
Total debt/GDP	71.2	50.2	24.7	27.2
Total debt service/exports	36.9	25.5	5.1	4.4
Present value of debt/GDP	..	..	..	19.4
Present value of debt/exports	..	..	..	65.4

	1989-99	1999-09	2008	2009	2009-13
(average annual growth)					
GDP	2.2	4.1	1.6	2.6	4.9
GDP per capita	-0.9	1.4	-1.1	-0.1	..
Exports of goods and services	2.3	6.3	7.5	-7.0	5.9

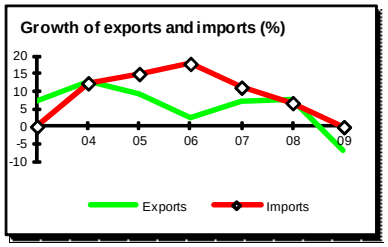


STRUCTURE of the ECONOMY

	1989	1999	2008	2009
(% of GDP)				
Agriculture	30.2	32.4	21.0	22.6
Industry	19.0	16.8	15.1	15.3
Manufacturing	11.7	11.4	8.9	8.7
Services	50.8	50.8	63.9	62.1
Household final consumption expenditure	64.2	75.3	77.2	75.9
General gov't final consumption expenditure	18.1	15.8	16.7	16.3
Imports of goods and services	30.1	27.4	41.8	38.3



	1989-99	1999-09	2008	2009
(average annual growth)				
Agriculture	1.5	2.3	-4.3	-2.4
Industry	1.6	4.5	4.6	3.6
Manufacturing	1.9	3.9	3.5	2.0
Services	3.4	4.1	2.7	4.2
Household final consumption expenditure	3.4	4.3	-0.7	3.7
General gov't final consumption expenditure	8.1	2.1	2.3	5.5
Gross capital formation	4.2	8.4	11.1	3.8
Imports of goods and services	9.6	7.7	6.6	-0.2



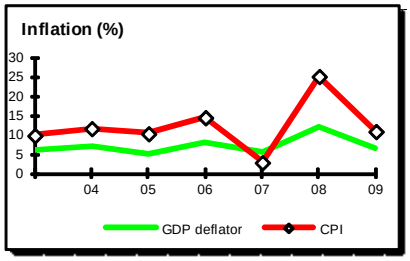
Note: 2009 data are preliminary estimates.

This table was produced from the Development Economics LDB database.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

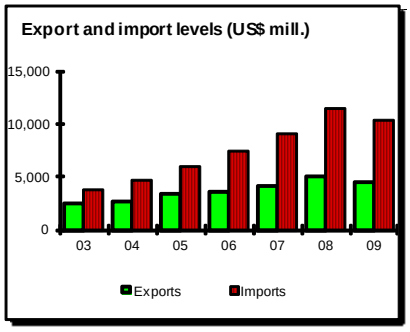
PRICES and GOVERNMENT FINANCE

	1989	1999	2008	2009
Domestic prices				
(% change)				
Consumer prices	13.8	5.7	25.1	10.9
Implicit GDP deflator	9.8	4.2	11.9	6.7
Government finance				
(% of GDP, includes current grants)				
Current revenue	25.6	21.7	22.8	23.9
Current budget balance	2.5	3.9	-0.4	1.0
Overall surplus/deficit	-3.6	13.4	-5.0	-8.4



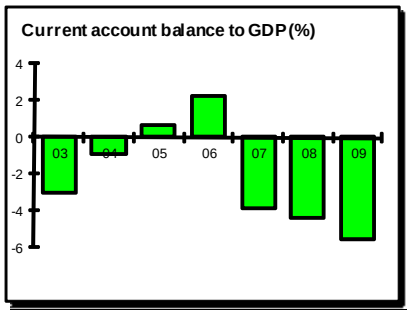
TRADE

	1989	1999	2008	2009
(US$ millions)				
Total exports (fob)	913	1,755	5,040	4,502
Petroleum	42	138	117	95
Coffee	153	172	155	202
Manufactures	194	420	625	526
Total imports (cif)	1,780	2,895	11,497	10,297
Food	51	156	617	567
Fuel and energy	343	527	2,987	2,006
Capital goods	593	680	3,063	3,065
Export price index *(2000=100)*	25	93	166	178
Import price index *(2000=100)*	27	90	181	182
Terms of trade *(2000=100)*	94	103	92	98



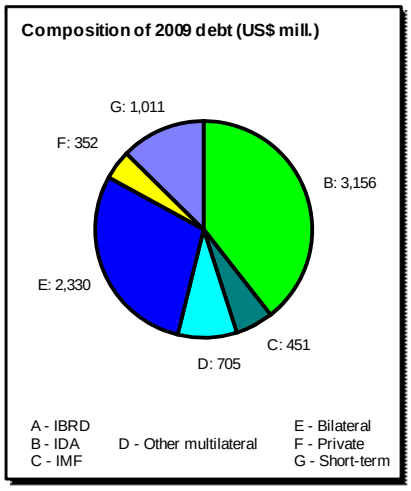
BALANCE of PAYMENTS

	1989	1999	2008	2009
(US$ millions)				
Exports of goods and services	1,905	2,687	8,291	7,413
Imports of goods and services	2,492	3,528	12,563	11,253
Resource balance	-586	-842	-4,272	-3,840
Net income	-244	-173	-46	-65
Net current transfers	267	564	2,995	2,297
Current account balance	-563	-450	-1,323	-1,608
Financing items (net)	623	518	844	2,072
Changes in net reserves	-60	-68	479	-464
Memo:				
Reserves including gold *(US$ millions)*	341	791	2,928	3,127
Conversion rate *(DEC, local/US$)*	20.6	70.3	69.2	77.4



EXTERNAL DEBT and RESOURCE FLOWS

	1989	1999	2008	2009
(US$ millions)				
Total debt outstanding and disbursed	5,889	6,475	7,427	8,005
IBRD	889	91	0	0
IDA	893	2,220	3,050	3,156
Total debt service	709	693	408	382
IBRD	150	70	0	0
IDA	8	39	99	104
Composition of net resource flows				
Official grants	379	196	1,099	1,270
Official creditors	385	-126	48	203
Private creditors	161	-68	-8	24
Foreign direct investment (net inflows)	62	52	96	141
Portfolio equity (net inflows)	0	2	5	3
World Bank program				
Commitments	392	0	150	525
Disbursements	244	78	178	164
Principal repayments	79	82	75	81
Net flows	165	-3	104	83
Interest payments	79	28	24	22
Net transfers	86	-31	79	61



Note: This table was produced from the Development Economics LDB database.

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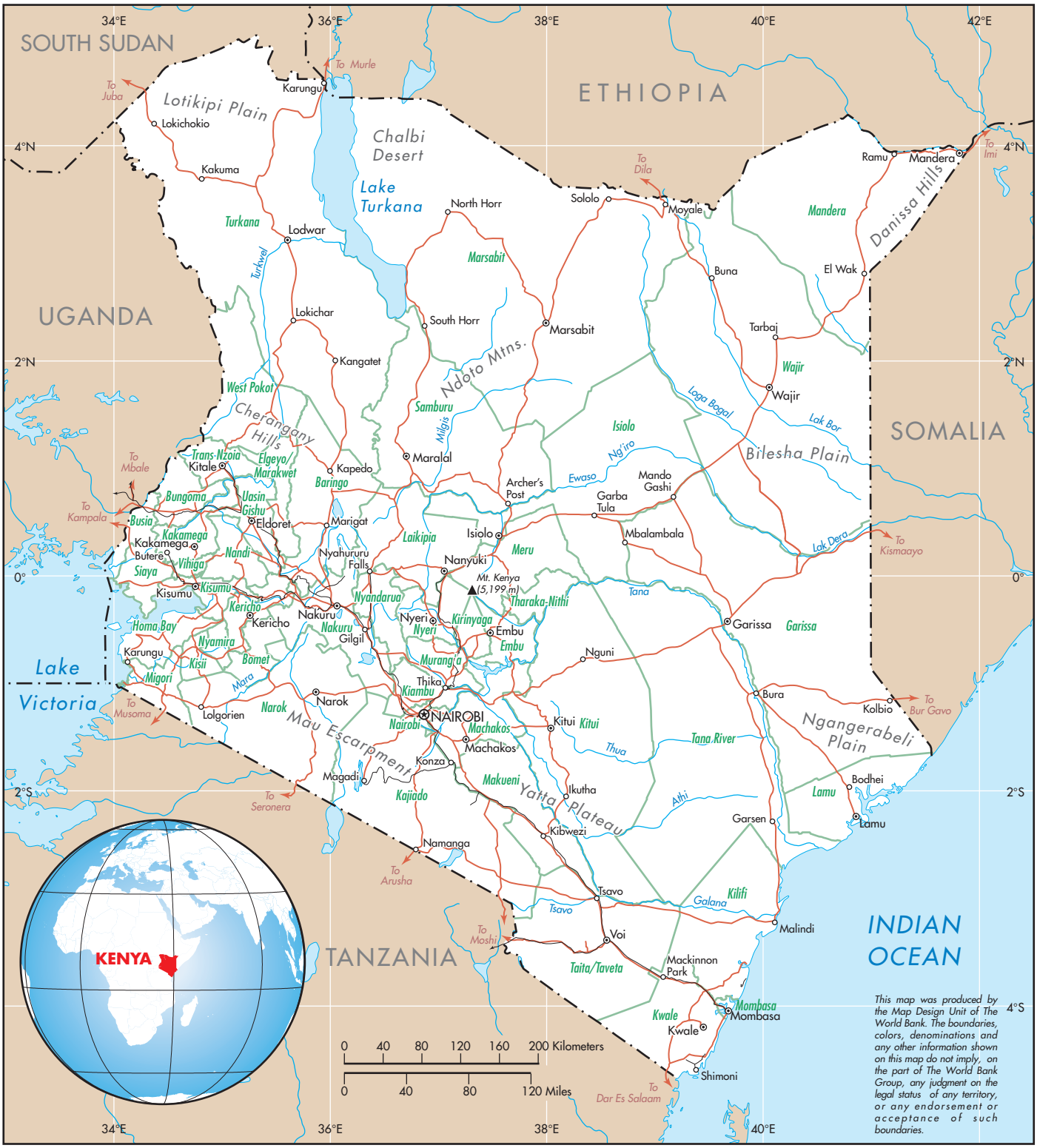
IBRD 33426R2

KENYA

CITIES AND TOWNS
DISTRICT CAPITALS*
NATIONAL CAPITAL
RIVERS
MAIN ROADS
RAILROADS
DISTRICT BOUNDARIES
INTERNATIONAL BOUNDARIES

*not all District Capitals are shown.



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JULY 2011