

IN THIS REPORT:

Investments in Kenya	2
Better portfolio implementation	2
Policy advice and analytical services	3
Early results of the country strategy	3

Photo by David Waldorf

Is it just Grace?

The World Bank's \$4.3 billion of investments in Kenya includes funding Grace's work in helping disabled children with HIV/AIDS to become self-reliant. But is her story enough to tell whether the overall portfolio of investments is paying off?

Forging a brighter future

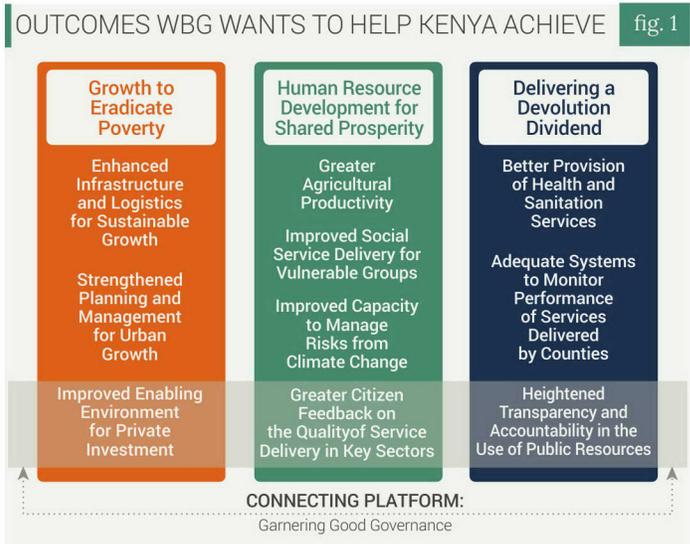
For generations, the pastoralists of Samburu, a county 400 kilometers north of Nairobi, have roamed from place to place in search of water and pasture for their animals. In such nomadic communities, it is common for children born with disabilities and HIV/AIDS who cannot help herd animals in distant fields to be abandoned by their families. "I met a blind boy who was left behind. I had to take him in," says Grace Seneiya, who opened a school in Samburu for disabled children living with HIV/AIDS.

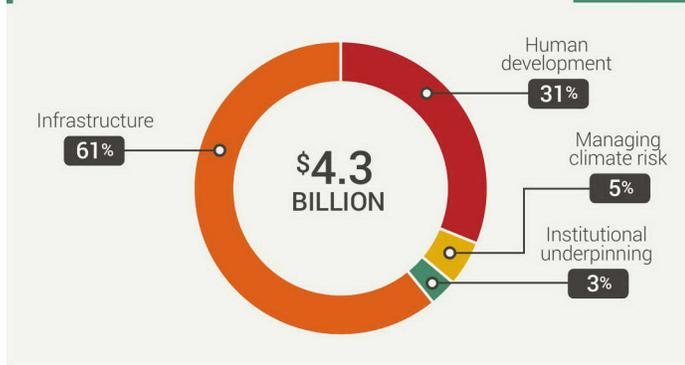
Since then, Grace has helped more than one boy. With the support from the World Bank, her school center has trained health workers to ensure that the 150 disabled children living with HIV/AIDS have access to nutrition, medicine, and home care. In fact, this is one part of a broader project – the Total War against HIV and AIDS (TOWA) – that has counseled over 5 million people for HIV, distributed over 2 million insecticide-treated bed nets and 300 million condoms nationwide, and funded grants to more than 10,000 community-based organizations to raise awareness of HIV/AIDS. As a result, between 2007 and 2012, the HIV prevalence rate across Kenya was reduced from 7.2% to 5.6% and new infections declined by 40%.

Fighting poverty

Grace is doing her part in protecting vulnerable groups and helping them reach their potential, one of the key

focus areas in the World Bank Group (WBG)'s Strategy for Kenya. The WBG is investing \$1 billion or more of new resources each year to support Kenya's ambitious agenda of promoting sustained, inclusive, and accountable growth; lifting millions of families out of poverty and becoming a modern economy. Four out of ten Kenyans are poor and the richest 10% of the population receive 40% of the nation's income. To fight poverty, the WBG support aims to promote growth, protect the vulnerable, and deliver a devolution dividend while garnering good governance, which is the connecting platform that will influence the success of broad efforts in all areas. (Figure 1)



BIG INVESTMENTS IN INFRASTRUCTURE fig. 2

Is one story enough?

Grace's story shows how one person's efforts can have a transformative impact in the lives of vulnerable children. But what is the bigger picture of how WBG investments are paying off? In fiscal year 2015 alone, some \$1.3 billion of new IDA resources – the Bank's finance at concessional rates – were committed: the largest in Kenya's history. The value of the overall portfolio of 27 projects of about \$4.3 billion as of June 2015 is almost double what it was just five years ago. As figure 2 shows, investments are spread across many key sectors. Those range from hard infrastructure (roads and energy) to human development (health and community development) to managing climate risk (agriculture and coastal management) to strengthening institutions delivering public services (judicial reform).

The World Bank and government teams carefully monitor projects – at least every six months – as summarized in two key indicators: implementation progress (how well actions are being taken and money is being spent) and meeting development objectives (how likely it is that project results will be achieved). As figure 3 shows, as of June 2015, 18 out of 27 projects – covering \$2,850 million in net commitments and in a range of sectors, including energy, water, transport and agriculture – are performing satisfactorily overall. That is about the ratio that is observed in Bank portfolios across the globe – and is a slight improvement on the figure from 2014. But there are 7 projects – for a bit more than \$950 million in net commitments in health, judicial reform and urban infrastructure – that aren't making satisfactory progress and on current observation, may not achieve their objectives. These require some “intensive care” of the kind that will be discussed in the following section.

Implementation is also about using money effectively and on time. In Bank parlance, this is often measured by the “disbursement ratio,” or the amount disbursed as a percentage of the total undisbursed balance at the beginning of a fiscal year (FY, which runs from July 1 to June 30). As figure 4 shows, for fiscal year 2015, Kenya's disbursement ratio is 22% – meeting the global target and the highest ever seen in Kenya's history. In fact, some \$450 million dollars was spent through the year – the highest ever volume in disbursements, almost double what it was 5 years ago.

Better implementation

How can Kenya maintain this position and indeed accelerate disbursements and improve overall implementation? There are several challenges to be addressed.

PROCUREMENT:
Getting up to speed

One way is through better contract management and prompt procurement practices in projects. In some cases, lengthy response times in getting clearances for high-value contracts with complex technical aspects – sometimes taking up to 191 days for Bank-financed urban infrastructure project contracts to be signed – have created a log jam in the project cycle. In other cases, when it has worked well, there have been faster clearances, better procurement planning, higher quality bidding documents, stronger contract management, and proper staffing to generate better results. In transport, for instance, despite many procurement challenges, the Government drew on Bank support and rebuilt core infrastructure as an emergency response to the tragic fire at Jomo Kenyatta International Airport in the summer of 2013. Bank support since 2010 also helped repair 380 km of critical sections of the Northern Corridor road between Mombasa and Nairobi. That has reduced transit time between the two cities by a third, from 11 to 8 hours, and lowered the cost of transport to drive business growth.

HOW ARE KENYA'S PROJECTS DOING?* fig. 3

* 2 projects worth about \$500M not included since they were approved recently and performance will not be evaluated until later.

USING MONEY EFFECTIVELY AND ON TIME fig. 4

COUNTERPART FUNDS: Making it count

Another challenge in implementation is ensuring “counterpart funds” (the Government’s own resources) are available on time alongside Bank financing. Counterpart funds have historically been incorporated into development partner funding models to ensure that national governments sustain and increase their resources to fund programs in key sectors. When this hasn’t happened there have been delays – such as in a transport project which did not have the resources to pay contractors working on roads. In other cases such as in social protection, things have been smoother and the timely combination of Government and Bank finance has scaled up significantly in FY15, to ensure over 530,000 poor households are enrolled for welfare support. However, as the program continues to grow, with 230,000 more poor households expected to be enrolled by 2017, budget for counterpart funds must be made available to provide reliable transfers for the vulnerable.

COORDINATION: It takes two to cha-cha

Ensuring that project implementation units are well coordinated is also key. This ranges from ensuring that funds flow smoothly from the National Treasury to the line ministries and from the line ministries to the project accounts, to making sure there is sequencing of key activities such as land acquisition and resettlement for the relocation of utilities (power, sewer and water lines). For example, in the energy sector, there were delays in the acquisition of land for substations and rights of way for transmission lines out of the Olkaria field, a geothermally active region in the Great Rift Valley in Kenya that the government is harnessing to generate clean electrical power. Proactive Government efforts have now solved these problems. Indeed, with Bank support, there is now 400 MW of geothermal energy production on stream in Olkaria – making it among the world’s largest such new

KNOWLEDGE ADDS TO MONEY

Delivering results is not always about money; the Bank’s policy advice and analytical services can also help. A key focus area of the Bank’s strategy is on devolution. The Bank provided a “Devolution without Disruption” report in 2012 and also helped with a major Nairobi conference on subnational fiscal management in 2014. Most recently, a Bank-financed Public Expenditure Review helped frame the policy debate on government spending on devolution and infrastructure. Other policy areas include improving the Integrated Financial Management Information System (an automated system that enhances efficiency in planning, budgeting, procurement, expenditure management, and reporting), making greater use of properly controlled electronic funds transfer, and supporting the capacity of the country’s supreme audit institution (KENAO) to deepen its work, including in performance audits. Getting these financial systems working well is key in ensuring that scarce public resources are spent smartly and are accounted for. This becomes more important than ever as significant fiscal responsibilities get transferred to newly devolved counties.

development. The new power is already reaching millions of homes and the price of electricity has fallen by 30% over the last year. Kenya leads the way in having more than half of all its energy from climate-friendly sources.

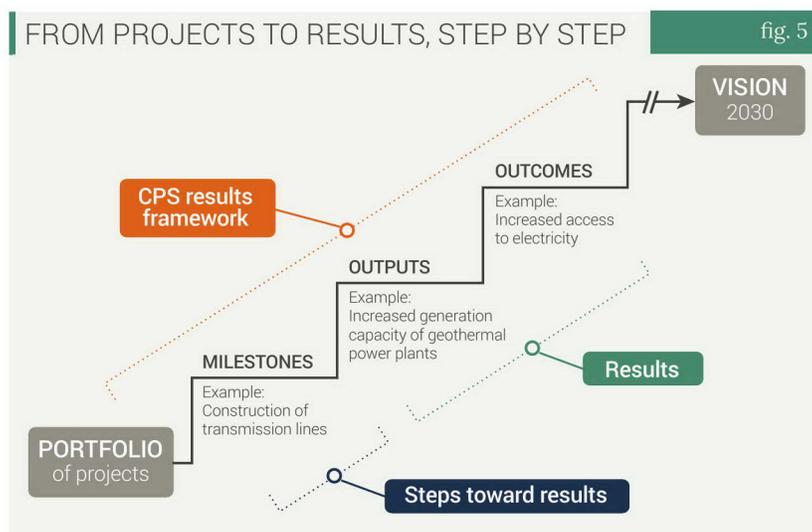
SAFEGUARDS: Do no harm

One more challenge faced in Kenya – as in projects around the world – is in implementing safeguard standards diligently. The Bank’s safeguard standards are to help countries address environmental and social issues in development projects, and to provide an avenue for grievances to be aired. In the Bank-financed Natural Resource Management Project, for example, complaints were made that the Bank had supported evictions from the Embobut forest. The Inspection Panel – the Bank’s independent fact-finding body – found that the Bank was not responsible for that. Yet the Bank pledged to do whatever possible to address concerns of communities and build trust between them and key public agencies. A colloquium in March 2015 brought together more than 300 participants and provided a unique opportunity for the forest-dependent communities to engage constructively with the government and other stakeholders on contentious challenges in the management and sharing of forest resources.

Early results and a platform of progress

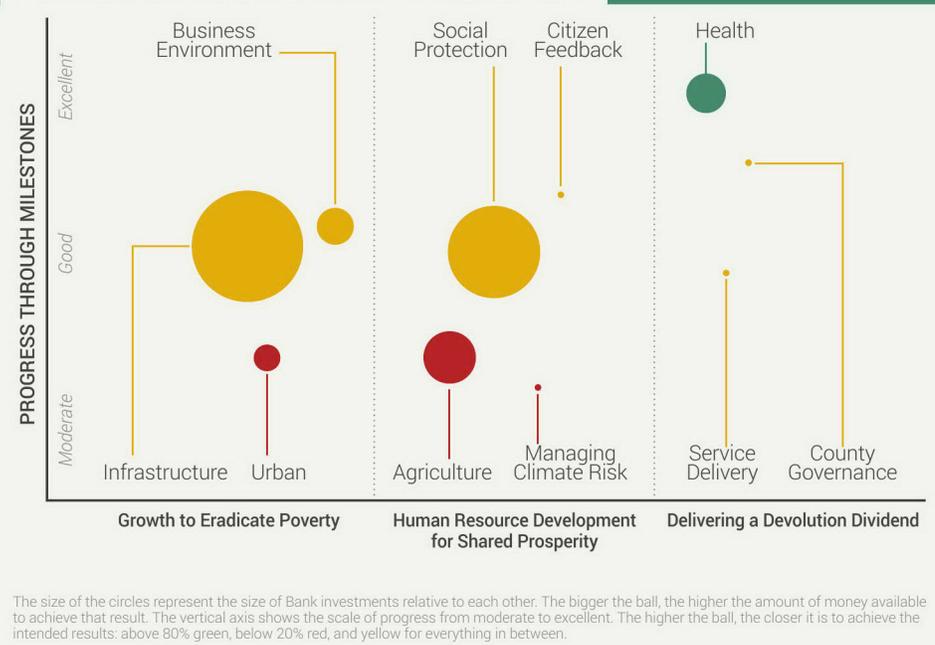
So the portfolio of Bank-supported projects moves forward and tackling some hurdles. But how does it contribute to the country strategy as a whole delivering results? Is it nudging Kenya closer to its aspiration of being a globally competitive and prosperous nation by 2030?

Frankly, with just one year since the country strategy (2014–2018) was approved, that question cannot be answered with a simple yes or no. But some light can be shed in following a discipline of monitoring the “results chain.” (Figure 5) Take the energy sector as an example, where the first step is on track – namely the project investments, including in geothermal energy production



HOW IS KENYA DOING WITH MILESTONES?

fig. 6



Data is also missing for 50% of the strategy's outcomes – the “destination” of the strategy by 2018. (Figure 7) That must be addressed in the coming period, including redoubling efforts in developing integrated strategic urban development plans, enhancing agricultural productivity, and managing climate risk to ensure Kenya is on track to deliver results. Such a pattern with weaknesses in the data is not uncommon in complex country programs, but these tend to be resolved as the portfolio matures and progress is made with project activities.

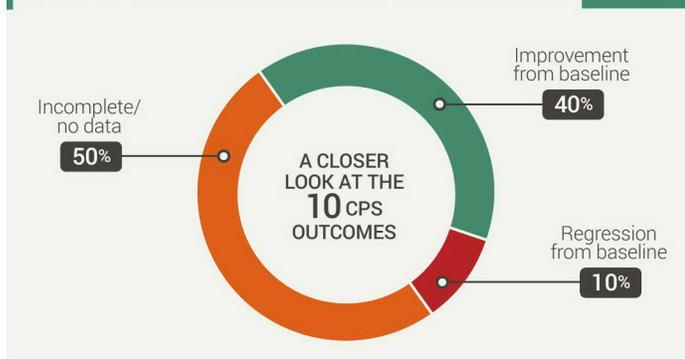
So this scorecard for the first twelve months highlights some good progress, spotlights weaknesses, and conveys movement which is broadly on track. The bumps on the road perhaps echo some that Grace dealt with – including how to turn

resources into effective services to ordinary people. That is an especially exciting challenge at a time when more and more responsibilities and resources are being devolved to Kenya's new 47 counties. This reform has teething problems, but commands nationwide attention. As Grace explains, “Devolution is a blessing for this county. People are getting better services in the hospitals because the people providing these services are from here. So services are being brought closer to people.”

So it's fair to maintain a scrutiny of the collective development efforts in Kenya, including those that have World Bank support. Many will hope that a year from now, there will be renewed evidence and more stories of Kenyans on their way to fulfilling their aspirations of a better life for their families in a truly modern economy. ■

HOW IS KENYA DOING WITH OUTCOMES?

fig. 7



and modernizing power lines (the principal inputs), are performing satisfactorily. Next, this should lead to milestones – specifically, commencing construction of 330 km of transmission lines and substations to connect Kenya's grid with Ethiopia.

Data shows progress. And such milestones should unlock the output of 4000 MW of generation capacity being installed and systems losses reduced to 16% by 2018. As of mid-2015, generation capacity has risen to 400 MW and the loss ratio is estimated at around 18%. Meeting these milestones and outputs will help Kenya achieve a more reliable and efficient energy supply for households (outcome).

What does the broader picture look like beyond this example of energy? Across the strategy, there are milestones that correspond to 10 outcomes. Kenya has made good progress in 70% of them so far. (Figure 6) Examples include securing public-private partnerships for ambulatory services, a signed agreement for pooled procurement of essential medicine, among others. But that still leaves several milestones either not making progress or data simply not available.



Photo by Original Images.

This report was prepared by Thomas O'Brien and Hannah Kim in July 2015.