Natural Resource Management Programme
2010-2014

Kenya

Programme Document

Final

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Cover Page

Country: Kenya
Sector: Natural Resources
Title: Natural Resource Management Programme
Implementing Agencies: Office of the Prime Minister (OPM)
Ministry of Environment and Mineral Resources (MEMR)
National Environment Management Authority (NEMA)
Ministry of State for Northern Kenya and Other Arid Lands (MoNK)
Community Development Trust Fund (CDTF)
Microfinance Enterprises Support Programme Trust (MESPT)

Starting Date: 01 January 2010
Duration: Five years
Budget: DKK 375 million (K.Sh 5,357 million)

The Danish-supported Natural Resource Management Programme aims to support Kenya’s Vision 2030 with regard to reducing poverty through sustainable management of natural resources. The programme will be implemented with three components that address the NRM issue: through institutional and management support; in collaboration with other development partners, various initiatives in the arid and semi-arid lands with communities, civil society organisations and the private sector. The components are:

1. Environmental Policy and Management
   Sub-components: Environmental Policy and Coordination (MEMR)
                  Environmental Management (NEMA)
                  Sustainable Development (OPM)

2. Support to Arid Lands Resource Management (MoNK)

3. Civil Society and Private Sector Management of Natural Resources
   Sub-components: Community-Based Environment and NRM (CDTF)
                   Private Sector Participation in NRM (MESPT-ABD)

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<td>Poverty reduction, enhanced food security, reduced livelihood vulnerability, and improved natural resource management systems in drought-prone and marginalised districts and communities</td>
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<td>3. Civil Society and Private Sector Management of Natural Resources</td>
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<td>Sub-component: CDTF</td>
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Date Government of Kenya

Date Government of Denmark
Executive Summary

Background
The Governments of Kenya and Denmark have agreed to jointly formulate and implement the Natural Resource Management (NRM) Programme in the period 01 January 2010 to 31 December 2014. Denmark is currently financing the Environmental Programme Support (EPS) which will end in 2010, and some activities will be phased into the NRM Programme. The EPS will run in parallel with the NRM Programme during 2010. Denmark will also phase out support to the agriculture sector from 2010 and the water sector from 2009. Activities related to both these sectors in regard to land and water management will be included in the NRM Programme.

National Context
Kenya’s huge potential for economic growth is threatened by environmental degradation. The Government of Kenya recognises that environmental management, poverty reduction and economic growth are closely linked, and has designed policies and institutional frameworks to address the situation. Vision 2030 lists environmental management as one of the key sectors to be transformed. The Vision includes strategies for action in the conservation of natural resources, pollution and waste management, high-risk disaster zone management, environmental planning and governance, and climate change adaptation. The key legislative basis is the Environmental Management and Coordination Act 1999. A National Environmental Policy is expected to be completed by the end of 2009.

Natural resource management is multi-sectoral, encompassing many sectors in addition to environmental management. There is, therefore, a necessity for multi-sectoral cooperation, particularly at the decentralised district levels, which are the focal points of service delivery and support to sustainable community management of natural resources. Coordination is managed by the District Development Committees and the District Environmental Committees. At the national level the key institutions are: the Ministry of Environment and Mineral Resources, the National Environment Management Authority, and the Environment and Climate Change Coordination Unit in the Office of the Prime Minister. They will be supported by the NRM Programme, as will the Ministry of State for Development of Northern Kenya and Other Arid Lands.

The Natural Resource Management Programme
The main focus of the NRM Programme is the reduction of poverty through sustainable management of natural resources. The programme will support the demand from community level for technical services from both public and private service providers, and support an appropriate policy and legal framework for the management of natural resources. The overall objective is: Contribute to reduced poverty in the context of Kenya’s Vision 2030 in safeguarding the state of the environment and promoting sustainable management of natural resources. The immediate objectives are:

- Enabling policy and regulatory framework for environmental and natural resource management, including climate change, developed and implemented with a poverty orientation;
• Poverty reduction, enhanced food security, reduced livelihood vulnerability, and improved 
natural resource management systems in drought-prone and marginalised districts and 
communities;
• Civil society organisations – including local communities – and private sector service 
providers are capacitated to support and influence natural resource management, as a 
contribution towards poverty alleviation.

To achieve the immediate objectives, the programme will comprise three components:

1. Environmental Policy Management Component
The component will support the policy, strategy and institutional frameworks at national level 
for natural resource management in three key institutions. Implementation will follow the 
Government Performance Management and Contracting System. There are three sub-
components:
• Environmental Policy and Coordination (MEMR)
• Environmental Management (NEMA)
• Sustainable Development (OPM)

The key outcome indicators are: i) Passing of three policy frameworks for environmental and climate 
management; ii) passing of environmental plans for 28 districts in arid and semi-arid lands; iii) 
implementation of 2-4 strategic environmental assessment guidelines in selected sectors; iv) completion of 
2-3 economic studies of the consequence of climate change conducted for updating of policy document 
“Vision 2030” v) completion of the Government’s budget and account systems before the end of 2014; 
v) the position of the Ministry of Environment on the Government’s performance list will be improved 
by minimum one place per year.

2. Support to Arid Lands Resource Management
The component will support the third phase of the ALRMP, together with the World Bank and 
other donors. Funding and implementation mechanisms will be harmonised with the WB. A 
final component description will be formulated in early 2010 in the form of a Project Appraisal 
Document. Danida is participating fully in the process. The four expected interventions, similar 
to ALRMP 2 are:
• Natural Resource Management: Capacity, systems and implementation of natural resource 
management activities strengthened at community and district levels;
• Drought Management: System of drought management strengthened and institutionalised at 
national, district and community levels;
• Community-Driven Development: Arid and semi-arid land communities empowered to 
manage their own development in a sustainable and socially inclusive manner;
• Support to Local Development: Conducive enabling environment for development created 
in the arid and semi-arid lands through policy alignment and technical service provision and 
investments.

The key outcome indicators are: i) The proportion of people living under the poverty line in programme 
areas is reduced from 74% (2005/06 baseline) to 56% OR at least 2 million people will be moved above the 
poverty line; ii) the proportion of people in need of free food aid will be reduced by 20% OR 1 million people will 
be moved out of dependency of free food aid; iii) the proportion of people with access to reliable water supply in 
rural districts will rise from 40% (2007/08 baseline) to 60%.
3. Civil Society and Private Sector Management of Natural Resources

The third component addresses the civil society and private sector roles in natural resource management, which underpins Government initiatives. It supports community-based environment and natural resource management initiatives as well as private sector participation in providing investment services in, especially, ASAL areas related to renewable energy, water and natural resource management and market chain development. It will be implemented through the Community Development Trust Fund and the Agriculture Business Development component of the Agriculture Sector Programme Support via the Microfinance Enterprises Support Programme Trust. The two sub-components are:

- Civil society and management of natural resources (CDTF);
- Private sector participation in natural resource management (MESPT-ABD).

The key outcome indicators are: i) Direct improvement of living conditions for 180,000 people through 30 poverty oriented and locally based environment projects; ii) indirect improvement of living conditions for 540,000 people through 30 poverty oriented and locally based environment projects; iii) minimum 25,000 families (150,000 people) have started activities in environmentally improving agricultural production and alternative sources of energy before the end of 2014; iv) minimum 40 private productions are established annually in arid and semi-arid areas in environmentally improving agricultural production and alternative sources of energy.

Programme Strategy

The key strategic considerations are:

- Recognising NRM as a multi-sector intervention at national and local levels;
- Recognising natural resources as sources for pro-poor economic development and employment;
- Aligning with Government of Kenya procedures;
- Reducing transaction costs;
- Supporting structures for decentralised management of natural resources;
- Harmonising with other development partners;
- Adjusting to institutional instability;
- Focusing on arid and semi-arid lands;
- Supporting climate change adaptation strategies;
- Promoting renewable energy initiatives;
- Supporting private sector involvement.

Cross-Cutting Issues

The programme and its components will mainstream gender, HIV/AIDS, environment, human rights and good governance in relevant activities. Gender equity will be promoted through a number of interventions related to women’s access to resources, participation and decision-making in natural resource management. Each component will use appropriate strategies for addressing HIV/AIDS while recognising the multiple efforts by the GoK and various development partners. Environmental impact assessments will be carried out for all community, civil society organisations and private sector investments.

Through governance reforms and intensified anti-corruption campaigns, the GoK states its commitment to improve public sector management. By using existing government revenue,
financial and performance management systems, the programme will strengthen GoK efforts towards accountable utilisation of project funds.

By focusing on poverty reduction as a primary objective, the programme recognises the important linkage between poverty and environment. The programme will uphold the rights of both genders in natural resources and environment services that are essential to their livelihoods and well-being. The three components will ensure that stakeholders are consulted and engaged in order to reach the most vulnerable groups.

### Indicative Programme Budget

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<td><strong>100</strong></td>
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</table>

Sub-components MENR and NEMA will be supported up to 01 July 2010 by the ongoing activities of the Environmental Programme Support, with final accounts and audit being completed no later than 31 December 2010. Sub Component 3.1 CDTF activities will start in 2011. Sub component 3.2 MESPT-ABD will start up in 2010 as it phases out from the Agricultural Sector Programme Support (ASPS) and becomes part of the next phase of the Business Sector Programme Support (BSPS) expected to launch in 2011. The initial steps will be to develop NRM-related activities.

Over 70% of the total budget will be used for programmatic activities, and should directly and indirectly benefit the end-users. The rest is allocated to programme management and technical assistance.

### Management

The Programme will be managed by the participating institutions. There will not be a parallel programme management structure. The members of the Programme Steering Committee (PSC) will be the Permanent Secretary, Ministry of Finance, and the Danish Ambassador, who meet once a year or as required. At the component level there will be annual consultations between the Danish Ambassador and the heads of the participating institutions. The meetings of the Programme Steering Committee and the annual component consultations will be timed in March/April each year in order to fit into the Government’s planning cycle for the financial years beginning 01 July. This will enable a timely review of progress and inputs into the next year's work plans. Component Reviews will take place in February/March in order to provide inputs to the planning cycle, the annual consultations and the PSC meetings.

### Technical Assistance

There is provision for long-term international Technical Assistance, environment and climate change advisers, for Component 1 – one for each sub-component for 3-5 years duration.
Short-term international and local TA is also catered for. The other components do not require long-term international inputs, but there is provision for short-term international and local TA. The components will produce framework requirements for short-term needs during the Programme Inception Period.

**Financial Management**

The guiding principle of the NRM Programme regarding financial management and procurement is that the support will be based on the strategic framework and annual work plans and budgets of the implementing institutions. This applies directly to the first two components, which work with Government agencies. It also applies to the civil society and private sector organisation in the third component, with modification to accommodate their local conditions. Annual work plans and budgets will be agreed through the normal GoK budget and planning cycle, including Performance Contracting. Monitoring of the implementation of the annual work plans and budgets will largely be based upon the performance indicators included in the institutional performance management contracts signed by the Permanent Secretaries.

The Government Integrated Financial Management Information System will be utilised for accounting purposes progressively over time. Procurement will follow the provisions of the new Procurement Act and the Joint Procurement Policy, which has been developed with the World Bank. Annual audits will be conducted by the Kenya National Audit Office, which are required to be completed within six months of the end of the financial year. Funds are provided in the overall programme budget for external audits to be commissioned by the Danish Embassy as and when required.

**Monitoring and Evaluation**

In line with the KJAS strategy of harmonisation and alignment, the programme will not create a management unit or develop its own programme monitoring system, since it will be supporting the strategies and annual work plans of participating institutions. Consequently, monitoring will be fully integrated into the established M&E systems and procedures of the various institutions as described in the three components. Key outcome indicators of the three component immediate objectives will be refined by component management during the Inception Period. Overall progress of the programme will be measured by the component key outcome indicators and supplemented by separate case studies and analytical studies during the programme period. Findings of these activities will provide inputs to the Annual NRM Forums and form the platform for policy dialogue.

**Key Assumptions and Risks**

The key assumptions are that Kenya will maintain political stability; maintain commitment to the implemented environmental and NRM policies and goals; that the Government is able to maintain a revenue base, in spite of the current economic crisis, which is sufficient for covering the recurrent costs of the institutions implementing the programme components; and that there is sufficient technical and management capacity for programme implementation.

There are risks related to institutional instability, accountability, government revenue, capacity constraints, civil instability and climate extremes that may cause priorities to shift more to
emergency relief than to development. Mitigation measures are proposed in the document (See Chapter 9).

**Inception and Pre-Implementation Period**

There will be up to six months Inception and Pre-Implementation Period for start-up activities followed by an Inception Review. This Inception and Pre-Implementation Period will focus on support to the relevant ministries and institutions in the work planning and budgeting processes, carrying out a baseline for the programme, and finalising contractual arrangements with private sector providers. This period will enable the management of each component to provide more details for the first annual work plan and budget; details regarding the monitoring system, financial management, procurement and accounting systems; recruitment of technical assistance; and finalising management and implementation procedures not covered by the NRM Programme Document.
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## Abbreviations

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<th>Abbreviation</th>
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<td>ABD</td>
<td>Agriculture Business Development</td>
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<td>ALRMP</td>
<td>Arid Lands Resource Management Project</td>
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<td>Arid and Semi-Arid Lands</td>
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<td>Business Sector Programme Support</td>
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<td>Community-Based Organisation</td>
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<td>Community Development Trust Fund</td>
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<td>Community Environment Facility</td>
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<td>Conference of the Parties</td>
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<td>ECCCCU</td>
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<td>Environmental Management Framework</td>
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<td>ERSWEC/ERS</td>
<td>Economic Recovery Strategy for Wealth and Employment Creation</td>
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<td>EU</td>
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<td>Global Energy Facility</td>
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<td>Government of Kenya</td>
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<td>Ministry of State for the Development of Northern Kenya and Other Arid Lands</td>
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<td>Natural Resource Management</td>
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Programme Document

OPM  Office of the Prime Minister
PEC  Provincial Environment Committee
SoE  State of Environment
SWAp  Sector-Wide Approach
ToR  Terms of Reference
UNDP  United Nations Development Programme
USD  United States Dollar
WB  World Bank

Exchange Rates: DKK 1 = K.Sh 14.285
1. Introduction

The Governments of Kenya and Denmark have agreed to jointly formulate and implement the Natural Resource Management (NRM) Programme 2010-2014. Components to be supported under the programme were identified in September 2008. A Concept Note was presented to, and approved by, the Danish Programme Committee in January 2009. The detailed formulation of the programme and its components took place during the period March to May 2009, and it involved the active engagement of the participating institutions. The programme was appraised in May 2009 and presented to the Danida Board in December 2009. Following the approval of the Danida Board it is expected that the governments of Kenya and Denmark will sign the government-to-government agreement for the programme in December 2009. The programme will start operations in January 2010. It will be implemented over a five year period, January 2010 – December 2014. The Danish grant will be DKK 375 million, corresponding to approximately K.Sh 5.3 billion.

The NRM Programme will contribute to the implementation of the Vision 2030 long-term development strategy for Kenya, and implementation of the Medium-Term Plan (2008-2012) through related sector strategies and sector development plans. The programme is designed in line with Denmark’s commitment to the Kenya Joint Assistance Strategy (KJAS) concerning alignment with Government of Kenya (GoK) systems and harmonisation with activities of other development partners.

Denmark is currently financing the Environmental Programme Support (EPS) which will end in 2010, and some activities will be phased into the NRM Programme. The EPS will run in parallel with the NRM Programme during 2010. Denmark will also phase out support to the agriculture sector from 2010 and the water sector from 2009. Activities related to both these sectors with regard to land and water management will be included in the NRM Programme.
2. National and Sector Context

2.1. The Sector in National Context

The Sector

There is no Natural Resource Management ‘sector’ in Kenya as such. The environment sector is more easily defined through the existence of designated institutions. But NRM also includes agriculture, irrigation, forestry, livestock, water supply and energy, to name the most obvious. The present coalition government has created many new ministries. As a result, there has been a fragmentation of sectoral identity. An example of the number of sectoral-related ministries is the agriculture sector, where the Agricultural Sector Coordination Unit now has to coordinate with 10 different ministries instead of only four in 2007. NRM has an even wider scope. For the purposes of understanding and simplification, this NRM Programme will confine itself to the environmental institutions at the national level, while at the implementation level at the districts there is a multi-sectoral approach. Since 2008, the environment portfolio falls within the newly created Environment Water and Sanitation sector; a shift from the Agriculture and Rural Development sector1.

The Context

Kenya is endowed with a wealth of natural and human resources, and yet it is ranked as one of the low income countries in Africa. Kenya experienced relatively high economic growth in the first two decades after Independence, but since the 1980s the growth deteriorated – resulting in a long period of economic stagnation, largely caused by poor governance and inappropriate policies. Per capita income started to decline from US$ 271 in 1990, reaching a low of US$ 239 in 2002. Population growth outpaced economic growth, and by 2001 more than half of the estimated 32 million citizens were living in absolute poverty. In 2002, about two million people were unemployed.

Following a period of near collapse of social order, deterioration of physical and economic infrastructure, and rampant corruption in the early 2000s, a government made up of a coalition of parties assumed power in 2003 with a programme of change. This created a window of opportunity to break the negative trends in economic and social development. The changes as presented in the Economic Recovery Strategy for Wealth and Employment Creation 2003-07 (ERSWEC) were targeted at accelerating economic growth, reducing poverty on a sustainable basis, and improving governance, in particular, public sector efficiency. The Constitution would also be revised to entrench key strategies such as fighting corruption, mismanagement of public resources, land allocation and use. Although registering a growth in the economy from 0.6% in 2002 to 7% in 2007, and reducing absolute poverty rates from 56% in 2002 to 46% in 2006, poor governance and management of public resources, corruption and political differences remain impediments to sustainable economic and social development. The Constitution revision process stalled with the rejection of the draft in a referendum in 2005. Other threats to progress include natural factors such as droughts and floods – and the current global financial crisis.

Kenya has not experienced violent conflict compared to its neighbours, but political differences brought the country to the brink of chaos in 2007/08. The contested 2007 elections triggered violence, leaving the country divided along ethnic lines, and threatened to reverse the socio-economic gains. This led to the formation of the Grand Coalition government in which a Prime Minister’s position was created. The government’s new development strategy is the Vision 2030, the goal of which is to achieve a growth rate of 10% per annum from 2012 until 2030. The growth, however, will depend on the extent to which good policies are implemented and strong and effective national institutions are built.

In addition to the post-election crisis, the global financial and economic crisis is affecting the Kenyan economy and GoK revenues. In 2008, the economic growth was only 1.7%\(^2\). The Government is not able to finance all its development programmes; nor it is able to fully staff all the new ministries and districts that have been created (in 2002 there were 70 districts; there are now 151, and a further 49 are planned for 2009/10). Drought is again a factor in 2009, with food aid being required for 3.5 to 4.5 million people, according to the United Nations Office for the Coordination of Humanitarian Affairs. Economic slowdown and population growth is worsening the unemployment situation.

The Kenyan economy relies heavily on natural resources to support people’s livelihoods and to contribute to national income. With a land area of about 60 million hectares, less than 15% of Kenya’s land is arable, and this supports about 80 per cent of the population; the rest of the land is the fragile arid and semi-arid ecosystem, and land-use is largely pastoral. Of the total population, 80%, live in rural areas and rely predominantly on an ever-degrading environment and scarce natural resources for their livelihoods. Even the urban poor are dependent on natural resources such as charcoal and wood for their fuel sources.

The natural resource base, mainly forests, wetlands, dry-land, aquatic and marine resources, are under stress and stimulated by a variety of forces. Population pressure, deforestation, coastal modification, ongoing degradation of the eco-system, unsustainably use and poor governance of these resources, threaten vulnerable habitats and biodiversity – and, for a large proportion of Kenyans, livelihoods and long-term food security.

Populations searching for land for cultivation, fuel and construction materials, threaten forest ecosystems and landscapes; watershed and catchment functions are not being given due attention; and wetlands, despite being livelihood support systems, are being reclaimed in a way that threatens ecological functions and the buffering capacity of wetlands. Environmental and climate change concerns are thus significant and made worse by the weather-related factors of drought and flooding.

The effects of current climate variability and future climate change, across Kenya, are wreaking havoc not only on human and animal health, but also on agriculture, water supplies, transport, tourism, and hydropower generation. The 2008 Environment, Water and Sanitation Sector Report highlights Kenya’s challenges: environmental degradation caused by poor farming practices and toxicity from agro-chemicals and invasive species; decreasing forest cover; deterioration of water quality and quantity; pollution and waste management; inadequate

adoption of renewable energy sources; and lack of integrated environmental planning towards attaining the sustainable development objective.

In addition to affecting economic growth potential, environmental degradation has a huge economic consequence for the poor\(^3\). The Government of Kenya recognizes that environmental management, poverty reduction and economic growth are all closely linked. Poverty adds additional pressure on natural resources, since these represent the main means of subsistence for the majority of poor households. They do not have secure and permanent access to fertile land and depend basically on the utilization of natural resources and on the selling of their labour power. The poor are therefore largely victims and causes of natural resource depletion and environmental degradation. The 1997 Participatory Poverty Assessment (PPA) cited the main causes of poverty as being directly linked to environment-related factors, such as drought and lack of water for irrigation, crop failure due to climatic unreliability, human-wildlife conflict, floods, water hyacinth infestation, livestock diseases and landlessness.

The arid and semi-arid lands (ASAL) in Kenya comprise the poorest and most food insecure populations\(^4\). They have a history of political marginalisation and economic isolation and, despite national economic growth and reduction in absolute poverty levels, the trends in ASAL areas have been worsening. The absolute poverty levels in the ASAL increased from 65% in 1994 to 74% in 2005/2006\(^5\). The inhabitants of these areas depend on the fragile and limited natural resource base, which make up over 80% of Kenya’s land mass of approximately 370,000km\(^2\). The GoK recognises the development of the ASAL areas as a priority in Vision 2030 and its 2009 Budget Strategy Paper.

Despite official recognition of the importance of natural resource conservation and management, and numerous government commitments to environmental protection dating back to 1965, Kenya's environment continues to deteriorate. Proposed solutions to environmental problems have tended to focus on technical and economical instruments and have paid less attention to the underlying political and institutional factors. In addition to these technical and economic instruments, a focus on environmental governance is necessary to bring about reform in natural resource management in the country.

### 2.2. Policies, Legislation and Planned Reforms

The institutional framework for the management of the environment and natural resources in Kenya is fragmented\(^6\). Consequently, there have been gaps and overlaps of mandates and insufficient legal and institutional frameworks to support/coordinate operations\(^7\). Various aspects of relevant environment policy cut across different institutions, papers and legislation.

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Although the Environment Management and Coordination Act (EMCA) was enacted with the primary objective of improving the coordination and management of the environment, legislation of relevant laws and regulations has not yet been completed. A National Environmental Policy is being drafted and the final draft is expected to be completed and endorsed by the National Environmental Council (NEC) by the end of 2009. A policy for the arid and semi-arid lands has also been drafted but not finally approved.

**Vision 2030**

Kenya's long-term development strategy is presented in the Vision 2030, which aims to transform the country into a newly industrialising 'middle-income country providing a high quality of life to all its citizens by the year 2030.' Three pillars – economic, social and political – underpin the Vision 2030 and build on the successes of the ERSWEC.

The projected growth of 10% per annum in the Kenya Vision 2030 is dependent on agriculture, tourism, manufacturing and the energy sectors, all of which rely on the exploitation of natural resources and the environment. Environmental management is therefore one of the seven key social sectors to be transformed under the social pillar in the quest to be a globally competitive and prosperous nation. The Strategy recognises a number of challenges associated with the growth that will exert pressure on the environment. These include: increase in pollution levels; urbanisation, also expected to occur at a rapid rate, with more than 60% of Kenyans living in cities and towns by 2030. Environmental management is therefore more than ever crucial to ensure sustainable development.

The strategies for action in the environment sector include conservation of natural resources, pollution and waste management, high-risk disaster zone management, environmental planning and governance, and climate change adaptation. Programmes and projects to be implemented in the environment, water and sanitation sectors within the period of the first Medium-Term Plan (2008-2012) are identified in sector-specific plans. The final draft of the Environment Water and Sanitation Sector Plan is expected to be completed by mid 2009. The NRM Programme will thus contribute towards the realisation of the Vision 2030 Strategy.

**Environmental Management and Coordination Act (1999)**

The Environmental Management and Coordination Act (EMCA) of 1999 is the overarching legal framework for addressing environmental concerns in Kenya. The EMCA, together with development of several thematic action plans and guidelines, represents the government’s commitment to addressing sustainable development. However, as at 2009, statutes are yet to be aligned with the EMCA, indicating a hesitation by various institutions which will require strong political leadership to overcome. In addition, climate change adaptation and mitigation issues are not adequately addressed. The EMCA institutionalises a committee which has the responsibility of producing a five-year National Environmental Action Plan (NEAP).

**National Climate Change Response Strategy**

The MEMR is about to finalize a participatory National Climate Change Response Strategy (NCCRS) that will mainstream climate change throughout economic sectors and ensure coordinated implementation of climate change mitigation and adaptation activities. The

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8 The other six are: 1) education and training; 2) health; 3) water and sanitation; 4) housing and urbanisation; 5) gender, youth, sports and culture; 6) equity and poverty eradication
NCCRS will be launched early December 2009 prior to the Copenhagen Conference of the Parties – COP 15 – meeting on climate change. The NCCRS includes a costed Plan of Action, an institutional framework, and a Resource Mobilization Plan.

**Decentralisation**
The Government of Kenya states its commitment to the decentralisation and devolution of power as one of the means to ensure that services are effectively and efficiently delivered to communities. A revised Constitution in 2005 could have established a more consistent legal framework for a decentralised government. However, following the public rejection of the proposed Constitution, the process of establishing the necessary legal framework stalled. There are on-going discussions which may create a more effective decentralised system in the future, as provided in the Harmonised Draft Constitution document\(^9\).

In the ASAL areas, the Arid Lands Resource Management Project (ALRMP) has established a planning mechanism that incorporates the first three of the above channels. Planning, approval and coordination of all district and community level interventions is carried out by the District Steering Group (DSG) which is regarded as a sub-committee of the DDC – though the relationship has not yet been legitimised.

**Financial Management Reforms**
Currently, the Government of Kenya is in the process of implementing a significant number of quite sophisticated reforms in public financial management. The Integrated Financial Management Information System (IFMIS) has been rolled out to most ministries, although only three modules (General Ledger, Accounts Payable and Purchasing) are complete. Budgeting and cash management are not yet implemented. Programme-based budgeting is in its infancy, although budget submissions to parliament and financial controls are likely to remain by administrative and economic classification for some time. Proposed legislative and regulatory changes are ongoing. Actual implementation of new procurement rules is still relatively new. At the budget formulation and preparation stage, links between medium-term plans, medium-term expenditure frameworks, strategic plans, annual work plans and appropriated budgets, although significantly improved, are still weak, which is a reflection of the institutional and political dimensions of budget reform. During budget execution there is reported to be a significant improvement in predictability of disbursements to ministries, but onward distribution to departments and districts is still reported to be weak.

2.3. **Key Sector Institutions and Stakeholders**
Natural Resource Management is multi-sectoral. It covers environmental management, agriculture, forestry, land management, national parks, water resources management, water supply, livestock, energy and transport, and it is implemented through the Government’s administrative system of Provincial and District Commissioners and the Ministry of Local Government. There are Government ministries and agencies managing all of the sectors. The most significant are the Ministry of Agriculture, Ministry of Forestry and Wildlife, Ministry of Livestock Development, Ministry of Water and Irrigation, Ministry of Fisheries Development,

\(^9\) Chapter 14 of the Harmonised Draft Constitution of Kenya published on 17 November 2009 by the Committee of Experts on Constitutional Review
Ministry of Energy, Ministry of Lands, and the Ministry of State for the Development of Northern Kenya and Other Arid Lands (MoNK). Coordination of policy at the national level is managed by the Ministry of Environment and Mineral Resources (MENR). Coordination of development activities at the district level is through the District Development Committees (DDCs) and District Environment Committees (DECs).

The key institutions involved in the NRM Programme are the MEMR, the National Environment Management Authority (NEMA), the National Environmental Council (NEC), and the National Environment Action Plan Committee (NEAPC). Other institutions relevant for the NRM programme are the Office of the Prime Minister (OPM) and the MoNK.

Ministry of Environment and Mineral Resources (MEMR)
The mandate of MEMR is to ensure the protection, conservation and management of the environment, minerals and other natural resources in the country. The ministry has developed a draft strategic plan for 2008-2012 with five strategic objectives that include: improvement in the policy, institutional regulatory and legal framework for a sustainable environment; mainstreaming environment, climate and mineral concerns into national planning; raising awareness among political leaders on environmental matters; and raising public awareness. However, the strategic plan does not adequately address climate change issues. In recognition of that oversight, a consultancy has been commissioned to develop a National Climate Change Strategy.

National Environmental Management Authority (NEMA)
NEMA is the implementation arm of MEMR, exercising general supervision and coordination over all matters relating to the environment. NEMA was established in 2002 under the EMCA Act No. 8, following the merger of three departments: National Environment Secretariat (NES), Department of Resource Surveys and Remote Sensing (DRS&SR) and the Permanent Presidential Commission on Soil Conservation and Afforestation. However, following a government restructuring in March 2003, DRS&SR reverted back to its departmental status within the then Ministry of Environment and Natural Resources. NEMA consists of: a) a Management Board b) NEMA headquarters with about 200 professional staff c) Provincial Directors of the Environment, and d) District Environmental Officers (DEOs). NEMA’s overall role is to interact with other government institutions and civil society organisations to ensure EMCA implementation and promotion of sustainable resource use.

Instituted under EMCA, Provincial and District Environmental Committees (PECs and DECs) are appointed and staffed by environment officers. PECs and DECs are the multi-sectoral local bodies that spearhead environmental management through development of province and district-level environmental actions, state of the environment reports (SoEs), appraisals of environmental impact assessments and environmental audits.

NEMA is in the process of drafting a strategic plan (2008-2012). In the draft of January 2008, six strategic objectives are specified that will contribute to the achievement of its mission. They include: a) public environmental education and awareness b) coordination in environmental management c) enforcement of EMCA regulations, standards and guidelines d) strengthening of its capacity e) generating information for sustainable environment planning and management, and f) conducting research and disseminating findings.
**National Environmental Council (NEC)**

The NEC was established under the Environmental Management and Coordination Act 1999 to be responsible for policy formulation, setting national goals and objectives, and determining policies and priorities for the protection of the environment. It is a high-level inter-ministerial and inter-sectoral body. The policies and priorities should promote cooperation among the various stakeholders and institutions engaged in environmental protection programmes. These include: public departments, local authorities, the private sector, non-governmental organisations. The Council should meet at least four times a year, but this has not been the case.\(^1\)

**National Environmental Action Plan Committee**

The NEAP Committee is established under the EMCA with the responsibility for preparing every five years a National Environment Action Plan for consideration and adoption by the National Assembly. The first NEAP was produced in 1994; the second NEAP 2009-2013 has recently been finalized and was endorsed in March 2009.

**Climate Change Institutions**

A Climate Change Coordination Unit (CCCU) as part of the Sustainability Unit has been established at the Prime Ministers Office (PMO) with an initial support from the Embassy of Denmark. In line with the supervisory function of the PMO, the aim of the Unit is to provide high level political support to climate change activities in Kenya through support to the Ministry of Environment and Mineral Resources. In addition to leveraging financial support to the Climate Change arena, the Unit is to assist in harmonizing on-going and future activities in order to assist in the integration of climate change into other government departments and sectors.

The MEMR has a Department of Multilateral Environmental Conventions within the Directorate of Environment. The Department is directly in charge of UNFCCC, and the overall goal is also to provide directions to conventions such as Biological Diversity and Combating Desertification. There are plans to form a Climate Change Office within the Conventions Department, which will coordinate all issues and institutions pertaining to climate change, and a position of an Environment Secretary in charge climate change is also considered.

Currently, NEMA hosts the Designated National Authority (DNA) responsible for approving climate change mitigation (CDM) projects under the Kyoto protocol.

An Inter-Ministerial Committee on Environment (IMCE), commonly referred to as the National Climate Change Activities Coordination Committee (NCCACC), comprises a cross-departmental and sector committee including key ministries, academic and research institutes, NGOs and the private sector. The NCCACC is poorly coordinated and managed, as such it lacks focus (See Annex 3).

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Ministry of State for Development of Northern Kenya and Other Arid Lands (MoNK)
The Ministry of State for Development of Northern Kenya and Other Arid Lands, under the Office of the Prime Minister, was created in April 2008 and based on the recognition that development in northern Kenya and other arid lands was lagging behind the rest of the country. A consequence is that, while absolute poverty levels have reduced in the rest of the country, they continue to rise in northern Kenya. MoNK is therefore mandated to address the multiple and interrelated challenges facing the region.

In pursuit of its mission ‘to provide policy direction and leadership in planning, implementation and coordination of development in northern Kenya and other arid lands’ the ministry has four broad objectives:

   a) Accelerate economic development in the region by creating an enabling environment for sustainable growth;
   b) Enhance equity and poverty reduction to improve the welfare of the people of the region;
   c) Improve the quality of governance in order to build and sustain peace and to enhance the efficiency and effectiveness of public service delivery;
   d) Increase mutual understanding between the citizens of northern Kenya and those in the rest of the country.

A Strategic Plan for the period 2008-2012 was launched in April 2009. It takes into account some key project and programmes highlighted in the Vision 2030 and the MTEF 2008-2012. It is envisaged that an allocation of the 10% of the annual budget per year over the next ten years will enable the ministry to achieve its objectives.

As the main coordinator of development activities in the ASAL, the MoNK is responsible for the implementation of the programmes in ASAL areas, such as the World Bank-funded Arid Lands Resource Management Programme (ALRMP). Since 1997, the ALRMP has spearheaded development in ASAL areas, including coordination of other development partners. It has been successful in developing a highly decentralised system of implementation that involves district level government institutions as well as the targeted communities. The NRM programme will be supporting the third phase of ALRMP to further its development objective in the ASAL areas.

2.4. Sector Funding

Although each sector identifies its priorities and prepares budget proposals on recurrent and development expenditures, there are ministerial ceilings set out in the Budget Strategy Paper (BSP). The BSP specifies recurrent and development expenditure which includes project-based loans and grants that have been confirmed by development partners. In its Medium-Term Expenditure Framework 2008-2012, the Environment, Water and Sanitation Sector indicates a resource requirement of Kshs 48.3 billion for 2009/10, with recurrent expenditures of Ksh 12.7 billion and development expenditures of Ksh 35.6 billion. The ceiling is set at Kshs. 33.3 billion (4.6% of total expenditure) – a recurrent expenditure of Kshs Kshs. 6.4 billion and development expenditure of Kshs. 26.8 billion. The ceiling for environment is substantially lower compared to water and irrigation, 0.3% and 4.3% respectively. MEMR had received very
low allocations in the productive sector where the ministry had previously belonged. The implication is a limit in the level of activities and investments that can be made despite the increased attention given to environmental and climate change issues.

NEMA receives a separate allocation as a semi-autonomous government agency. This recurrent allocation has increased since 2003 and is the major source of income for NEMA since its formation. However, its parastatal status allows it to raise its own funds either through user fees or licences.

### NEMA Actual Income 2003/04–2006/07

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Recurrent Grant</th>
<th>Development Grant</th>
<th>Internally Generated Funds (AiA)</th>
<th>Donor Grants</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003/04</td>
<td>220,078,148</td>
<td>7,413,420</td>
<td>11,434,778</td>
<td>2,883,056</td>
<td>241,809,402</td>
</tr>
<tr>
<td>2004/05</td>
<td>287,127,627</td>
<td>9,060,000</td>
<td>45,259,393</td>
<td>17,686,501</td>
<td>359,133,521</td>
</tr>
<tr>
<td>2005/06</td>
<td>273,657,305</td>
<td>15,056,615</td>
<td>78,521,861</td>
<td>14,622,590</td>
<td>381,858,371</td>
</tr>
<tr>
<td>2006/07</td>
<td>266,616,475</td>
<td>4,194,096</td>
<td>106,702,992</td>
<td>11,532,082</td>
<td>389,045,645</td>
</tr>
</tbody>
</table>

*Source: Bird and Kirira (2009: 18)*

The MoNK, which falls under the Special Programmes Sector, is classified as priority sector in the 2009 BSP11. Its allocation is 0.6% of the national budget. The resource requirements for the year 2009/10 as per the Special Programmes MTEF were Kshs.11.5 billion with a recurrent expenditure of Kshs.468 million and development expenditure of Kshs.11 billion. However, there is substantial variance in the resource requirements compared to the allocated ceilings, as shown in the table below:

### NRM Sector Budget Allocations

<table>
<thead>
<tr>
<th>Sector/Sub-sector/Institution</th>
<th>Estimate Ceilings</th>
<th>2009/10</th>
<th>2010/11</th>
<th>2011/12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water and Irrigation</td>
<td></td>
<td>29,174.00</td>
<td>21,975.00</td>
<td>24,172.00</td>
</tr>
<tr>
<td>Recurrent Expenditure</td>
<td>4,479.00</td>
<td>4,683.00</td>
<td>5,151.00</td>
<td></td>
</tr>
<tr>
<td>Development Expenditure</td>
<td>24,695.00</td>
<td>17,292.00</td>
<td>19,021.00</td>
<td></td>
</tr>
<tr>
<td>MEMR</td>
<td>4,086.00</td>
<td>3,411.00</td>
<td>3,536.00</td>
<td></td>
</tr>
<tr>
<td>Recurrent Expenditure</td>
<td>1,955.00</td>
<td>2,067.00</td>
<td>2,058.00</td>
<td></td>
</tr>
<tr>
<td>Development Expenditure</td>
<td>2,131.00</td>
<td>1,344.00</td>
<td>1,478.00</td>
<td></td>
</tr>
<tr>
<td>Total Environment, Water and Sanitation Sector</td>
<td>33,260.00</td>
<td>25,386.00</td>
<td>27,708.00</td>
<td></td>
</tr>
<tr>
<td>Recurrent Expenditure</td>
<td>6,434.00</td>
<td>6,750.00</td>
<td>7,209.00</td>
<td></td>
</tr>
<tr>
<td>Development Expenditure</td>
<td>26,826.00</td>
<td>18,636.00</td>
<td>20,499.00</td>
<td></td>
</tr>
<tr>
<td>NEMA</td>
<td>559.00</td>
<td>559.00</td>
<td>559.00</td>
<td></td>
</tr>
<tr>
<td>OPM</td>
<td>1,898.00</td>
<td>2,021.00</td>
<td>2,185.00</td>
<td></td>
</tr>
<tr>
<td>Recurrent Expenditure</td>
<td>1,275.00</td>
<td>1,264.00</td>
<td>1,390.00</td>
<td></td>
</tr>
<tr>
<td>Development Expenditure</td>
<td>623.00</td>
<td>757.00</td>
<td>795.00</td>
<td></td>
</tr>
<tr>
<td>Northern Kenya and Other Arid Lands</td>
<td>4,330.00</td>
<td>3,771.00</td>
<td>4,194.00</td>
<td></td>
</tr>
<tr>
<td>Recurrent expenditure</td>
<td>316.00</td>
<td>379.00</td>
<td>463.00</td>
<td></td>
</tr>
<tr>
<td>Development expenditure</td>
<td>4,014.00</td>
<td>3,392.00</td>
<td>3,731.00</td>
<td></td>
</tr>
</tbody>
</table>

Total National Budget: Kshs. 772.4 billion

*Source: Medium Term Budget Strategy Paper 2009*

Donor support given as revenue grants and loans is provided in the budget, using Treasury systems. Support provided as Appropriations in Aid (AiA), both as grants and loans, is

11 Other priority sectors are: health, basic and tertiary education, agriculture and livestock, tourism, roads, energy, water and irrigation, ICT, internal security, rule of law and democracy, judiciary, youth
disbursed by donors using other payment systems. A higher proportion of the 2009/10 development budget for the environment, water and sanitation sector and MoNK is from loans and grants, as the following table shows. However, compared to other sectors, the total amount is small. In the subsequent three-year period, government contributions reduce, except for the OPM and MoNK. There are few donor commitments in the environment sector for 2010-2012:

### NRM Sector GoK Development Budget

<table>
<thead>
<tr>
<th>Development Sector</th>
<th>Ceiling 2009/10</th>
<th>Projections 2010/11</th>
<th>2011/12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water and Irrigation</td>
<td>24,695.00</td>
<td>17,202.00</td>
<td>19,021.00</td>
</tr>
<tr>
<td>GoK</td>
<td>8,735.00</td>
<td>6,849.00</td>
<td>7,534.00</td>
</tr>
<tr>
<td>Loans and Grants</td>
<td>15,941.00</td>
<td>10,353.00</td>
<td>11,486.00</td>
</tr>
<tr>
<td>MEMR</td>
<td>2,131.00</td>
<td>1,344.00</td>
<td>1,478.00</td>
</tr>
<tr>
<td>GoK</td>
<td>863.00</td>
<td>698.00</td>
<td>768.00</td>
</tr>
<tr>
<td>Loans and Grants</td>
<td>1,268.00</td>
<td>645.00</td>
<td>710.00</td>
</tr>
<tr>
<td>Total Environment, Water and Sanitation Sector</td>
<td>26,826.00</td>
<td>18,636.00</td>
<td>20,499.00</td>
</tr>
<tr>
<td>GoK</td>
<td>9,598.00</td>
<td>7,547.00</td>
<td>8,802.00</td>
</tr>
<tr>
<td>Loans and Grants</td>
<td>17,228.00</td>
<td>11,156.00</td>
<td>12,197.00</td>
</tr>
<tr>
<td>OPM</td>
<td>623.00</td>
<td>757.00</td>
<td>795.00</td>
</tr>
<tr>
<td>GoK</td>
<td>378.00</td>
<td>378.00</td>
<td>378.00</td>
</tr>
<tr>
<td>Loans and Grants</td>
<td>245.00</td>
<td>379.00</td>
<td>417.00</td>
</tr>
<tr>
<td>Northern Kenya and Other Arid Lands</td>
<td>4,014.00</td>
<td>3,392.00</td>
<td>3,751.00</td>
</tr>
<tr>
<td>GoK</td>
<td>1,287.00</td>
<td>1,500.00</td>
<td>1,650.00</td>
</tr>
<tr>
<td>Loans and Grants</td>
<td>2,724.00</td>
<td>1,891.00</td>
<td>2,081.00</td>
</tr>
<tr>
<td>Total GoK Development Budget: Kshs</td>
<td>269,469.00</td>
<td>216,165.00</td>
<td>248,790.00</td>
</tr>
<tr>
<td>GoK Contribution</td>
<td>150,765.00</td>
<td>137,882.00</td>
<td>134,680.00</td>
</tr>
<tr>
<td>Appropriation in AID</td>
<td>4,347.00</td>
<td>4,206.00</td>
<td>5,021.00</td>
</tr>
<tr>
<td>Loans and Grants</td>
<td>104,357.00</td>
<td>94,077.00</td>
<td>109,089.00</td>
</tr>
</tbody>
</table>

Source: Medium Term Budget Strategy Paper 2009

Donor contributions, on and off budget, represent approximately 15% of the budget for environmental interventions, and approximately 25% of the budget for the arid and semi-arid lands. Most of the support is from bilateral donors and channelled through projects.

### 2.5. Development Partners in NRM

Seventeen donors, including Denmark, are providing support to the environmental sector; their involvement has increased from seven in 2002 to 10 in 2007. The KJAS guides donor harmonisation, alignment and coordination through adherence to the national development planning framework and the objective of poverty reduction. This has contributed to the development of a strong interactive process with the GoK, with the aim of reducing overlap and duplication. The Harmonisation, Alignment and Coordination (HAC) group, a sub-group of the Donor Coordination Group, has 13 thematic groups. Two of the sub-groups are the Environment Donor Coordination Group and the Climate Change Coordination Group, both of which are chaired by GoK and co-chaired by Denmark. The NRM Programme will be coordinated through these groups.

The World Bank has been a key player in implementing NRM and climate change projects countrywide that focus on empowering communities and sustainable livelihoods creation activities. The World Bank-funded ALRMP has been in operation since 1997 and has registered commendable progress in ASAL areas. The NRM Programme will provide support to ASAL.

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12 Bird and Kirira (2009) ibid pp.9
areas through the established mechanisms of the ALRMP in its third phase. A new World Bank-funded programme, the Kenya Adaptation to Climate Change in Arid and Semi-Arid Lands (KACCAL) Project is underway. SIDA is funding projects in water and agriculture development; Finland is taking a lead in the forestry sector, and JICA is funding social forestry, NRM technology research and infrastructure development. It funds the Community Agricultural Development Project in Semi-Arid Lands 2007-2011. In the area of climate change, Finland and UNDP are involved in capacity building as far as compliance mitigation activities are concerned – in line with the Kyoto Protocol. Under the 2009-2013 United Nations Development Assistance Framework, the United Nations Country Team (UNCT) is promoting good governance, sustainable livelihoods and enhanced environmental management and response to climate change.

The European Union (EU) is funding the formation of a National Drought Contingency Fund, a key output of the Special Programme Sector through the MoNK. The EU also funds the Community Environment Facility (CEF) of the Community Development Trust Fund (CDTF) to promote community-based initiatives for environmental management. The NRM Programme will support this facility. The Department for International Development (DFID) is funding a ten-year Hunger Safety Net Programme (HSNP) for an estimated GBP 122.6 million to support the establishment of a government-led social protection system delivering long-term, guaranteed cash transfers to the poorest and most vulnerable households.

The International Fund for Agricultural Development (IFAD) is in the process of setting up a Rural Finance Sector Development Programme (RFSDP) targeting the rural poor in ASAL areas to enhance their productivity and incomes from agriculture, livestock, and other rural enterprises. The programme, which is estimated at USD 37.1 million, will support the development of an enabling rural finance policy, strengthening of rural financial institutions and provision of innovative financial products that are accessible to the rural poor and which can provide value-chain financing and medium-term agricultural lending. Other organisations that include private sector participation in NRM and renewable energy in Kenya are Agence Française de Développement (AFD), International Finance Cooperation (IFC) and Dutch Development Organisation (SNV). A number of private sector institutions are involved in NRM and climate change activities as a corporate social responsibility. Some key players are: Bamburi Cement, KenGen, Safaricom and East African Breweries Ltd.

### 2.6. Links with Danish Development Programmes

Linkages with ongoing Danish Development Programmes have been identified and taken up in the development of the NRM Programme. The Environmental Programme Support (EPS), activities will be taken up in the NRM Programme at it phases out in 2010. The EPS provides institutional and capacity building support to MEMR and NEMA and supports community-based environmental management projects as well as advocacy projects though the Community Development Trust Fund (CDTF).

The Agricultural Sector Programme Support (ASPS) will phase out in 2010 and activities regarding private sector participation in NRM taken up in the Business Sector Programme Support (BSPS) through the Agricultural Business Development (ABD), which is currently a component of the ASPS. The ABD provides funding for lending to farmers and small
businesses in seven ASAL districts of the Coast and Eastern provinces. Funding is provided via the Microfinance Enterprises Support Programme Trust (MESPT) for micro-finance institutions and farmers’ associations. MESPT is an autonomous Kenyan organisation whose founders are the GoK and the EU; it is the institutional host for the ABD component.

The Water and Sanitation Programme Support will phase out in 2009 and some water resource related activities continued through the NRM Programme. Activities of the Health Sector Programme Support (HSPS) and Good Governance and Human Rights Programme will help in addressing HIV/AIDS and good governance in the programme components.
3. Agreed Assistance

The NRM Programme will commence on 01 January 2010 and close on 31 December 2014.

3.1. Programme Objectives

The main focus of the NRM Programme is the reduction of poverty through the sustainable management of natural resources. The programme will support the demand from community level for technical services from both public and private service providers, and support an appropriate policy and legal framework for the management of natural resources. It will support the harnessing of opportunities from sustainable use of natural resources, while also safeguarding against the risks to livelihoods from environmental degradation and climate change. It will strengthen local governance capacities in the natural resource sectors.

The programme will have a direct positive impact on Kenya achieving a number of MDGs: especially MDG 1 (Reducing Extreme Poverty and Hunger) by contributing to economic growth and creation of wealth and protection of the environment. It will also have a positive impact on cross-cutting issues such as MDG no 3 (Promoting Gender Equality and Empowering Women) through the targeted implementation strategies and in capacitating civil society and NGOs advocacy abilities. MDG 7 (Ensuring Environmental Sustainability) will be supported through the promotion of sound natural resource management and awareness of effective environmental management. Indicators that can be related to the MDGs are found in the Component Descriptions.

The programme’s Development Objective is:

“Contribute to reduced poverty in the context of Kenya’s Vision 2030 in safeguarding the state of the environment and promoting sustainable management of natural resources.”

The Immediate Objectives are the objectives of the three components: 1. Environmental Policy Management; 2. Support to Arid Lands Resource Management; 3. Civil Society and Private Sector Management of Natural Resources:

1. Enabling policy and regulatory framework for environmental and natural resource management, including climate change, developed and implemented with a poverty orientation.

2. Poverty reduction, enhanced food security, reduced livelihood vulnerability, and improved natural resource management systems in drought-prone and marginalised districts and communities.

3. Civil society organisations – including local communities – and private sector service providers are capacitated to support and influence natural resource management, as a contribution towards poverty alleviation.

See the figure on the next page which illustrates the programme, component and sub-component objectives.
Beneficiaries and Impact

The direct beneficiaries of NRM programme will be communities and individual such as nomadic groups, vulnerable male and females, landless, un- and under- employed and the youth, in particular, those in ASAL areas, whose livelihoods depend on the utilisation of natural resources. In a broader and longer-term perspective, future generations of Kenyans will all benefit from improved natural resource management. Other principal targets include: GoK planning and management agencies related to natural resources, and private sector organisations engaged in livelihood and conservation aspects of natural resource management.

The direct impact of the NRM programme will be: (i) reduced poverty and improved livelihoods through sustainable natural resource management projects implemented by...
3.2. Programme Strategy

The programme will be based on the following strategic considerations:

**Recognising NRM as a multi-sector intervention at national and local levels**
In line with the KJAS, the NRM Programme represents a sector concentration of Danish assistance. Assistance to the water sector will be phased out in 2009, and to the agriculture and environment sectors in 2010. NRM support will include water and agriculture activities at field level, and will continue institutional support in the environment sector institutions. Recognising that farmers and pastoralists see their livelihood strategies in an integrated manner, the programme will focus on a multi-sectoral approach for implementation of development initiatives.

**Recognising natural resources as a source for economic development and employment**
The programme will support the public and private sectors in natural resource management to add value to productive resources and adapt to climate change in order to create employment and improve livelihoods.

**Aligning with Government of Kenya procedures**
The programme will support and work through the GoK planning, budgeting, reporting and Integrated Financial Management Systems (IFMIS). The financing modalities will be in the form of earmarked support through the GoK revenue system. The GoK Results-Based Management procedures of Performance Contracting and Reporting, introduced in 2005/06, are being extended to performance-based budgeting. These procedures will be utilised in GoK implementation of the NRM Programme components, and will be the basis for annual consultations between GoK and Denmark on the performance of the programme. Audits will be conducted by the Auditor-General, but external audits can be commissioned if required.

**Reducing transaction costs**
By aligning with GoK procedures and working with the established institutions of government and the Community Development Trust Fund, the programme will ensure that there are minimal extra transaction costs involved in programme management and implementation. Parallel programme management and implementation structures will not be established.

**Supporting structures for decentralised management of natural resources**
The programme will support and strengthen local governance structures, local communities and the private sector, in developing capacity to manage natural resources in a sustainable manner. Development support will be aligned with existing implementation structures so that additional transaction costs of the programme will be kept to a minimum.

**Harmonising with other development partners and ongoing initiatives**
The programme will work closely with other donors implementing similar programmes, and will coordinate through the Environmental Donor Coordination Group and the Climate
Change Coordination Group, both of which are co-chaired by GoK and Denmark. These groups are two of the 13 sector groups under the KJAS.

The main cooperating development partners in programme implementation will be the World Bank in Component 2, with the Bank and Danida participating in a harmonised funding of the ALRMP; cooperative arrangements will be established with the EU in Components 2 and 3, where the EU is, respectively, supporting the Drought Management Initiative and the Community Environment Facility under the Community Development Trust Fund.

Also, it should be noted that in Sub-Component 3.2 relations will be established with the Agriculture Business Development, currently a project-based organisation supported by the Danida-funded Agriculture Sector Programme Support (ASPS). It is the intention that, as the ASPS ends in July 2010, ABD will be incorporated in the next phase of the Danida-funded Business Sector Programme Support (BSPS) in 2011. Specific NRM-related activities will be formulated for, and integrated in, the ABD component. Possibilities of institutional integration between the MESPT and ABD will be assessed during contract negotiations. MESPT has been the institutional host and acted as fund manager for ABD.

**Flexibility**

The political uncertainty arising from the December 2007 elections resulted in the creation of more ministries and ministries of state in order to satisfy power-sharing agreements. It is expected that the present global economic crisis situation will place restrictions on GoK revenues and make it difficult for all the new institutions to utilise their expected capacity. The institutional and political uncertainty is expected to continue until and after the next elections, to be held at the latest in 2012, with the risk that the election will result in further ministerial restructuring. While there is a potential for institutional stability that may persist through much of the life of the NRM Programme, it will take on a flexible approach that can adapt to possible future institutional changes.

This will make it possible for the PSC to shift funds between components based on performance. That is, where a component is under-spending, the PSC has the discretion to move the related funds, in line with the Danida Programme Management Guidelines, to other components that are registering good performance and can justify the need for additional allocations.

**Focusing on arid and semi arid lands**

The geographical focus of the programme is mainly, but not exclusively, on the arid and semi-arid areas of Kenya, which comprise about 80% of the total land area inhabited by about 25% of the total population. Vulnerability to climate change is extensive in these areas. Climate extremes of drought and flooding are becoming more frequent. Development potential is relatively low, but the areas are also an agricultural frontier with potential for production and employment based on sustainable management of natural resources.

**Supporting climate change adaptation strategies**

Climate change adaptation and mitigation are addressed as a policy and institutional support issue as well as in the promotion of implementation measures at district and community levels. Pastoral lifestyles have evolved to cope with marginal climatic conditions, but they can also be environmentally destructive when faced with more extreme changes and an increasing population. Emergency response mechanisms have been developed and need to be
supplemented with household coping strategies for sustainable agriculture and livestock practices and energy sources.

**Promoting renewable energy initiatives**

The programme will not engage with the large-scale energy sector, but will promote renewable energy technologies and initiatives at the local level, particularly in the arid areas. Dryland energy resources include solar, wind and biomass/wood-fuels. Charcoal production for domestic use and as a source of revenues is a traditional coping strategy that is now an environmental threat due to reduced biomass and increasing population. The programme will promote piloting initiatives and financial support to alternative energy sources and to sustainable management of charcoal production.

**Supporting private sector involvement**

Neither government programmes nor private sector investments are necessarily sustainable, as each can be subject to financial constraints. However, there is a potential for sustainable private sector investments in natural resource based activities, climate change adaptation and renewable energy measures – given appropriate support measures and profit incentives. The programme will encourage/support private sector involvement, particularly in the arid and semi-arid lands, through subsidies for feasibility studies, research and pilot schemes, through support to accessing credit and promoting innovative credit facilities. Private sector/community partnerships will be encouraged in, for example, the promotion of local agro-processing that supports the use of renewable energy.

**Sustainability**

The NRM Programme will enhance the national ownership by MEMR, NEMA, the Prime Minister’s Office and MoNK to take the full responsibility for programme implementation and coordination of activities and relevant stakeholders. Sustainability of outputs will be strengthened by ensuring that NRM Programme funding is an enhancement of normal GoK funding, and does not finance donor-driven activities that are not GoK priorities and/or part of GoK’s normal operational budget. All funding will be reflected in the GoK printed estimates and in the respective institutions’ budgets and performance contracts. The GoK-supported components will ensure further sustainability by gradually transferring programme operational funds into GoK revenue budget lines.

Local ownership and sustainability will be strengthened through participatory planning and capacity development in district and community committees, and civil society organisations, through CDTF funding and separate CSO funds.

**3.3. Coherence of the Programme**

While recognising that natural resource management is not a coherent sector as such, there are certain synergies in the programme which are reflected in the choice of components. Component 1 deals with policy, institutional and management support at three national level institutions: the Office of the Prime Minister, the Ministry of Environment and Mineral Resources, and the National Environment Management Authority. Component 2 supports district and community-level interventions in the arid and semi-arid lands to cope with climate
change and unsustainable exploitation of natural resources in a fragile environment. Component 3 supports civil society involvement and the Community Development Trust Fund promoting environment and NRM – as well as private sector participation through the MESPT-ABD.

The components, while representing a modest input in a large ‘sector’, address the roles of the main stakeholders and are involved in supporting the main areas of implementation at the field level. It is the intention that this mixture of interventions will provide lessons learned that can be used in work planning and policy dialogue throughout the programme period and in a wider-scale promotion of successful innovative activities, such as renewable energy. In addition, it is expected that field level implementation lessons learned will provide feedback into national policy and planning. Annual component reviews will provide inputs to annual component consultations, which will synthesise lessons learned and propose follow-up actions in subsequent planning cycles. An Annual Forum of stakeholders in the sector will discuss pressing NRM issues, including the feedback of lessons learned and case and action research studies into policies and NRM reforms.

Support to the ALRMP in Component 2 and the CDTF and MESPT-ABD in Component 3 may be similar in their community development approaches. Potential overlaps will be prevented at the local level through the annual planning cycles and budget allocations. At the district level the components will help to promote district level cooperative arrangements concerning NRM through supporting the evolution of decentralised structures, and through addressing issues of climate change adaptation, gender, capacity enhancement and renewable energy. In ALRMP, planning, approval and coordination of district and community level interventions is carried out by the District Steering Groups (DSGs) – sub-committees of the DDCs, chaired by the District Commissioners and composed of both line ministry staff, NGOs working in the areas and community representatives.

3.4. Cross-Cutting Issues

Gender
Women and men have different roles in managing and using natural resources. In Kenya, over 80% of all women live in rural areas and are the lead natural resource users. Consequently, climate change and degradation of natural resources are leading to an increase in their domestic burden, which includes food production, water and firewood collection. As the main users, therefore, women in Kenya have an important role to play in the management of these resources, especially at the local level. But access to land, credit and extension services is limited for women, thus restricting their involvement in addressing natural resource concerns. Recognising the different gender roles in the management and utilisation of natural resources, a gender perspective is necessary in natural resource management. Such considerations will provide a clear understanding on constraints in participation, and effective ways of involvement and enhancing results on investments made.

The Government of Kenya’s policy on gender and development is described in Sessional Paper No.1, 2004. The policy’s objective is to facilitate mainstreaming concerns of men, women, girls and boys, in all sectors of development. It asserts the need to focus on empowerment strategies
that build on an understanding of the reproductive and productive roles of women and men, and remove disparities between them. However, there is a lack of firm directives regarding gender issues in NRM.

At the core of Danish Sector Programme Support is gender equality, which stresses the need to establish special measures, if required, to improve equality between men and women with regard to their rights, access and control of resources, and voice in decision-making processes. The strategy for mainstreaming gender in the NRM Programme will focus on issues that clearly define, document and address gender inequality. It will promote specific interventions related to women’s access to resources, participation and decision-making in natural resource management. Some interventions include (See Annex 2 for prioritised gender entry points for each component):

- Developing a gender mainstreaming policy/strategy and action plan by MEMR;
- Strengthening the capacity of institutions within the programme to coordinate NRM and climate change issues from a gender perspective;
- Supporting implementation of gender needs assessments of proposed projects and policies;
- Developing gender disaggregated indicators for monitoring;
- Documenting best practices in projects;
- Supporting gender-related interventions on key NRM thematic priorities.
- Supporting women’s participation in business-related activities, including access to credit.

**HIV/AIDS**

HIV/AIDS remains a development challenge in Kenya and could affect Kenya’s progress towards economic recovery and poverty reduction. According to the 2007 Kenya AIDS Indicator Survey (KAIS), more than 1.4 million Kenyans are living with HIV/AIDS. Up to 7.8% of the adult population aged 15-49 is infected with HIV. While this is an increase from 2003, where the prevalence was 6.7% among the same age group, it is lower than rates in the 1990s that ranged to 10%. The survey shows that a higher proportion of women continue to be infected compared to men (nearly double that of men). Regional variation is significant, with highest infections found in urban rather than rural areas (See figure 1). The effect on poor households is that they are pushed deeper into poverty. For smallholder farmers and other natural resources users, HIV/AIDS poses a significant challenge as a result of reduced productivity.

The GoK strategy for HIV/AIDS is encompassed in the National Health Sector Strategic Plan II (2005-2010) (NHSSP II) and, specifically, through the Kenya National AIDS
Programme Document

Strategic Plan (KNASP 2005-2010). The implementation is a joint effort, bringing together donors involved in the sector and not-for-profit organisations.

Since 2000, there has been an increase in the number of stakeholders and partners who are involved in fighting HIV/AIDS in Kenya together with the GoK\textsuperscript{13}. This has led to an increase in the flow of resources into the country’s national HIV/AIDS programmes. As a key actor, Denmark is supporting the Government’s efforts through bilateral and multilateral interventions. The Danish strategy for HIV/AIDS\textsuperscript{14} targets increasing support to HIV/AIDS interventions by: i) supporting national leadership and coordination ii) participating in multi-sectoral approaches to HIV/AIDS iii) strengthening health systems, and iv) supporting specific interventions. Through the Health Sector Programme Support Phase II (HSPS II) 2007-2011, Denmark has been assisting the GoK’s efforts to combat HIV/AIDS in line with the National Health Sector Strategic Plan (2005-2010). HSPS II is providing human resources to allow expended care for HIV/AIDS and other related diseases in primary health services\textsuperscript{15}.

The NRM Programme will support GoK initiatives to combat HIV/AIDS, but taking into account the active involvement of other key actors in the programme areas such as the ASAL. The various components will tackle HIV/AIDS using different ways, as presented below:

**Component 1:**
- Link up to the GoK’s multi-sectoral approach on HIV/AIDS prevention and mitigation;
- Ensure that participating institutions utilise HIV/AIDS information in the approach for environmental management;
- Utilise existing HIV/AIDS information in relevant activities supported through the programme;
- Ensure HIV/AIDS issues are mainstreamed in the place of work in the implementing partner institutions.

**Component 2:**
- Owing to the ongoing HIV/AIDS-related interventions by the GoK and NGOs in the ASAL areas, and ALRMP’s own activities, the component will not have additional activities for HIV/AIDS.

**Component 3**
- Existing HIV/AIDS information will be utilised in the approach for environmental management. In Sub-Component 3.1. CDTF will provide information to communities organisations participating in programme activities on how HIV/AIDS affects the management of natural resources; In Sub-Component 3.2. MESPT-ABD will provide related HIV/AIDs information to participating private sector organisations.

\textsuperscript{13} Ministry of Health (2005) AIDS in Kenya: Trends, Interventions, Impact, National AIDS and STI Control Programme (NASCOP)

\textsuperscript{14} Ministry of Foreign Affairs (2005) Strategy for Denmark’s Support to the International Fight against HIV/AIDS

\textsuperscript{15} Denmark is providing a total of 1,120 staff that will work in 17 districts as follows: Coast Province (3); Eastern Province (3); North Eastern Province (2); Nyanza Province (9) (HSPS II Component 3)
Programme Document

**Environment**
Promotion of environmentally, socially and economically sustainable development is a central goal of Danish Development Policy; globally, it is a prerequisite for achieving many of the Millennium Development Goals. The impact on environment within the programme can be assessed at different levels: a) at community level where projects have the potential to have impact both negatively and positively on the environment and b) at policy level where the programme emphasis is to strengthen the capacity of MEMR and OPM to guide the policy process and make sure that environmental concerns are taken into account in sectoral policies. Capacity building for NEMA will involve activities aimed at strengthening decentralised management of natural resources with active involvement of communities at district levels.

All community and private sector projects supported through ALRMP, CDTF and MESPT-ABD, and other major investments supported through the NRM Programme, will be subject to environmental impact assessments as per national legislation. ALRMP has an environmental management framework (EMF) that is used to mainstream environmental concerns in project design, appraisal, implementation and monitoring. This framework takes into account Kenya’s environmental codes and legislation and the World Bank’s environmental and social safeguard policies.

**Good Governance**
In order to achieve its vision of sustainable development and equity in accessing the benefits of a clean environment, the GoK has committed itself to improving public sector management and intensifying the anti-corruption efforts. Thus, continuation in governance reforms is one of the foundations for the Kenya Vision 2030 economic, social and political pillars. The GoK is committed to building the capacity of institutions involved in environmental planning and improving environmental governance. Specifically, it will harmonise environmental laws and policies, strengthen linkages between related institutions, enforce environmental standards, integrate climate change into development planning, promote adaptation activities in disaster-prone areas, and promote innovation in conservation.

Through its various components the NRM Programme will promote transparency and accountability, including safeguard mechanisms against any type of corruption in programme implementation. It will assist the GoK in these efforts by:

- Supporting policy and legal reform related to environment and NRM;
- Using its revenue system for the management of programme funds to MEMR, NEMA and the ECCCU, ALRMP, CDTF and MESPT-ABD;
- Supporting MEMR, NEMA, and ECCCU in establishing transparent financing and management mechanisms;
- Utilising existing Danida-funded programmes (for example, the Danida-funded Public Financial Management Programme) for capacity development in financial management, control and reporting, including procurement;
- Taking specific initiatives for holding GoK and other stakeholders accountable for open and transparent processes in environmental and NRM policy development and management;
- Promoting engagement between GoK, civil society and the private sector.
**Human Rights and Democracy**

The programme will support the development of a framework for environmental policy and decentralized environmental management structures. It will also uphold the right of both genders to natural resources and environmental services essential to their livelihoods and wellbeing. In all three components, provision will be made for broad-based stakeholder consultations. This will include strategies for reaching the most vulnerable populations. Issues of concern to poor and marginalised men, women and youth, in terms of their right to equal access of resources will receive due attention in these processes. Over 50% of the programme resources will be directed to ASAL districts of Kenya that suffer from extreme poverty and marginalisation.

In Kenya, environmental degradation is a causal factor in explaining the presence and persistence of widespread poverty and mismanagement of natural resources. Thus poverty reduction is a primary goal in all the components. The development of the NRM Programme has taken into account the following principles of a human rights-based approach to poverty reduction:

- Empowerment of poor people through targeting the arid and semi-arid areas;
- Empowerment of communities/user groups through decentralisation of funds that are allocated and controlled in accordance with their own priorities;
- Upholding of national and international human rights, norms and standards;
- Accountability of duty bearers at the national and local levels;
- Participation of all stakeholders, particularly the poor, the marginalised and the vulnerable.
4. Summary Description of Components

4.1. Environmental Policy and Management

Component Objective
The objective of the first component is: Enabling policy and regulatory framework for environmental and natural resource management, including climate change, developed and implemented with a poverty orientation.

Component Strategy
The framework is aligned to the national planning framework, including Vision 2030 and the first Medium-Term Plan, and the strategic plans of the participating institutions. Specific support within this framework will be based on the annual plans and budgets of the respective institutions and the performance contracts signed between the head of the institutions and the Head of Public Service, countersigned by the Ministers and endorsed by the Prime Minister.

The general principle for implementation of the component is that normal government procedures will be followed. Annual work plans, in line with the overall strategic plan, will be the principal means by which detailed activities to be carried out are identified. The senior management teams within the respective institutions will be responsible for all progress reporting and for the maintenance of the monitoring and management information system. They will ensure that the component is implemented, outputs are achieved, and funds are managed efficiently and effectively.

The support to be provided will be subject to annual consultations between the Danish Ambassador and the heads of the institutions – the accounting officers. This framework will enhance the principle that the assistance provided through the NRM Programme should be demand-driven, flexible and supporting national policies and strategies. The annual consultations will ensure that the support is performance-based and maximise the capacities available for promoting the implementation of the GoK’s environmental policies, coordination and management.

The Component has three sub-components:

1.1. Environmental Policy and Co-ordination, with the objective that the institutional framework for addressing environmental policy, planning and coordination is strengthened. The sub-component has three outputs:
   Output 1.1.1: Policy framework for environment, as well as climate change issues, developed and mainstreamed/incorporated in selected sector plans and strategies;
   Output 1.1.2: Awareness strategies and programmes on environmental as well as on climate change issues developed and implemented addressing all levels of society;
   Output 1.1.3: MEMR capacity strengthened to formulate and implement policies, regulations and strategies on environment as well as on climate change.

1.2. Environmental Management, with the objective that sustainable environmental management is advanced and consolidated. The sub-component has three outputs:
   Output 1.2.1: Enhanced understanding of environmental issues and of the need to develop in a sustainable manner;
Output 1.2.2: Enhanced coordination by NEMA of environmental management activities of other lead agencies;

Output 1.2.3: A capacitated NEMA, at the national, provincial and district levels, effectively and efficiently fulfilling its mandate.

1.3. Sustainable Development, with the objective that overall policy coordination of natural resource management is strengthened. The sub-component has one output:

Output 1.3.1: A lean, effective, strong and fully functional Environment and Climate Change Unit is established within the Policy Coordination Department in the Office of the Prime Minister.

### Budget

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</table>

### Component Management

The management of the Environmental Policy and Management Component will be done directly by the heads of the participating institutions – the Permanent Secretaries in respect of MEMR and of OPM, and the Director General in respect of NEMA – and the Danish Ambassador, based on memoranda of understanding covering the three component elements. The memoranda of understanding will be in the form of the signed Component Document, which outlines the management responsibilities of the partners, including management structures and implementation procedures, planning, budgeting, reporting, financial management, accounting and procurement. Annual consultations will determine the NRM commitment to the annual work plans and budgets of the institutions, in line with the component framework – the NRM work planning will follow the Government’s system of three-year rolling planning.
The annual consultations will also assess performance against the indicators in the performance contracts and specific NRM indicators, as may be agreed upon during implementation. As part of the preparations for the annual consultations, the Danish Embassy may decide to field special technical reviews in addition to the joint annual reviews.

The general principle for implementation of the component is that normal Government procedures will be followed. The managements of the participating institutions, i.e. the senior management teams of MEMR and OPM, and the NEMA Board, have the responsibility of overseeing the implementation of the support provided under the NRM Programme as stipulated in the memoranda of understanding, including support to the realising of targets in the performance contracts at all levels in the organisation, implementation of activities, adherence to financial management and procurement procedures, planning and reporting.

The managements of the institutions will appoint an NRM focal point who will be responsible for the day-to-day management of the NRM support to the institution and for reporting to the management, i.e. the senior management teams of MEMR and OPM, and the NEMA Board.

Funds will be channelled to the respective institutions through the Government’s Revenue System, as an initial step towards exploring the possibility of providing sector and general budget support. Support will be available to strengthen the Government’s financial management and procurement systems and to closely monitor implementation.

**Monitoring and Reviews**

The component will be supporting strategies and annual work plans of the participating institutions; hence the monitoring system will be fully integrated with the monitoring systems and procedures of the institutions. However, support will be available to upgrade and capacitate this important function in MEMR, NEMA and OPM. The aim of the monitoring system should be to document achievements of the institutions – their policies, strategies and plans – to allow the management to take remedial action if needed.

Annual reviews will be undertaken jointly by the Governments of Kenya and Denmark. The annual reviews will normally take place in February/March in order to be synchronised with the Government’s planning and reporting cycle. They will assess progress in implementation and make recommendations for improvements and adjustments in the component design. In addition, technical reviews may be undertaken to assess progress in specific areas including the use of the GoK Revenue System.

**Assumptions and Risks**

The main assumptions and risks behind the design of the component are:

1) Kenya maintains a stable political situation;
2) The Government of Kenya continues to recognise and address the close linkage between environment and poverty and, in particular, that the need for information and coordination in this area will be recognized by policy-makers and sectoral ministries;
3) That unforeseen changes to the structure of GoK institutions and ministries will not negatively affect the implementation of the NRM Programme;
4) MEMR, NEMA and OPM obtain sufficient annual funding to conduct tasks described in their strategic plans and annual work plans; and
5) The Danish Embassy is able to effectively engage in the annual consultations with MEMR, NEMA and OPM.

Mitigating measures to address the risks include: 1) Documenting the sectoral, institutional and individual stakeholder benefits from addressing environmental issues; 2) Engaging line agencies through overall coordination bodies (e.g. National Environmental Council and ministries); 3) Linking cross-sectoral collaboration to existing, proven to be effective, mechanisms for collaboration; 4) Engaging and involving stakeholders from the very beginning and ensuring broad ownership; and 5) Consulting with resource persons in and outside the Government on best possible mitigation measures.

4.2. Support to Arid Lands Resource Management

Component Objective
The objective of the second component is: Poverty reduction, enhanced food security, reduced livelihood vulnerability, and improved natural resource management systems in drought-prone and marginalised districts and communities.

Component Strategy
In terms of alignment with government mechanisms, the component will respond to the MoNK’s request for a sector-wide approach to Phase 3 of ALRMP. The component will be integrated into existing management mechanisms without requiring separate planning, budgeting, reporting and accounting procedures. ALRMP and the World Bank have already established satisfactory procedures. The additional transaction costs of the component will thus be minimal.

The component design will allow for flexibility in terms of room for adjustment of management structures and budget allocations in order to cope with the present institutional uncertainty in GoK structures. A World Bank appraisal mission, together with other donor partners, will take place in January 2010 and determine the final modalities of the programme. It is foreseen that there will be changes related to decentralisation and devolution of powers under the proposed new Constitution and the management of new smaller districts in the target area.

Innovative approaches to natural resource management in arid areas will be encouraged in relation to climate change adaptation and renewable energy. Experimental and pilot activities can be funded. Owing to the climate change and variability that aggravate poverty reduction and economic growth of ASAL areas, a mix of climate risk management strategies will be developed and implemented. Through MESPT-ABD, private sector organisations will be supported to promote innovative approaches in conservation agriculture and rangeland management, which are considered appropriate for improving land productivity and climate resilience. In agriculture, on-farm storage, value-addition and marketing will be improved in order to reduce losses. In arid areas, this will involve the promotion of pastoral production; while in semi-arid areas, interventions will integrate small-scale agriculture and livestock/pastoral production.
Support to community-driven development (CDD) has effectively been implemented in the most vulnerable districts in arid lands, and is expected to be expanded to semi-arid districts. Through the CDD, community micro-projects will be funded on the basis of community action plans giving emphasis to NRM and renewable energy and gender. Attention will be given to increasing the participation of women and other vulnerable groups. Emphasis will be put on strengthening the policy environment and local institutions for improved service delivery. Mechanisms will be sought to increase coordination of the existing community and district-based structures to access devolved and donor funding.

A sustainability and exit strategy will be designed during ALRMP 3. Sustainability of the investments and inputs at community and district levels will be assured through appropriate design and robust maintenance strategies. Sustainability of ALRMP’s implementation mechanisms, which are now bearing most development activities in the affected districts, will be addressed through embedding the mechanisms in the permanent decentralised government structures.

Danish support to ALRMP will start at a slow pace in 2010. During the first six months – the pre-implementation and inception stage – will be used to provide support in the development of workplans and budgets, donor alignment and harmonization and appraisal/ funding of the World Bank project. The World Bank-supported ALRMP 2 will close in mid-2010. Phase 3 may start a few months later. It is envisaged that the same four main interventions of ALRMP 2 will be continued in the third phase. They are:

- Natural Resource Management – Capacity, systems and implementation of natural resource management activities strengthened at community and district levels;
- Drought Management – System of drought management strengthened and institutionalised at national, district and community levels;
- Community-Driven Development – Arid and semi-arid land communities empowered to manage their own development in a sustainable and socially inclusive manner;
- Support to Local Development – Conducive enabling environment for development created in the arid and semi-arid lands through policy alignment and technical service provision and investments.

### Budget

<table>
<thead>
<tr>
<th>Component 2 elements</th>
<th>DKK</th>
<th>K.Sh millions</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
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<tr>
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<tr>
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<td><strong>140.05</strong></td>
<td><strong>2000.6</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
The budget for Component 2 and allocations between the outputs is tentative, as the design of ALRMP 3 is still under discussion. These might change in the actual Phase 3 after the formulation, which will end in Jan/Feb 2010, and following consultations between the GoK, the World Bank and the Danish Embassy.

**Component Management**

The support will be governed by a MoU with the MoNK. Annual consultations will be held between the Permanent Secretary and the Danish Ambassador to review progress and agree on adjustments. The annual work plan will be reviewed based on performance assessment.

Implementation procedures, including financial management, procurement, planning, budgeting and reporting, will be common for all donors supporting the harmonised funding mechanism. There will be a MoU between the MoNK and the participating donors, which will govern the management procedures. The World Bank will take the initiative in the drafting of the MoU.

At the district level, the District Steering Group, chaired by the District Commissioner, will be the governing body. Implementation will be managed by a District Coordination Unit.

There will be a common set of procedures for planning, budgeting, accounting, auditing and quarterly progress and financial reports. External audits can be required by the donors.

**Monitoring and Reviews**

The current M&E system of ALRMP will be utilised and improved. The present system will be revised during the detailed design of ALRMP 3 by the World Bank and the MoNK. It is expected that the component will assist in capacity building of the M&E system through the budget line Inception/Core Support. The M&E system will provide data on:

- Monitoring of activity implementation according to plans and budgets and achievement of outputs;
- Monitoring of the component outcomes and impact with regard to poverty reduction, and reduction of natural resource-related conflicts;
- Monitoring of key assumptions and risks.

In accordance with the present procedures for ALRMP 2, there will be yearly multi-donor supervision missions with Danish participation. Denmark will provide an external consultant as part of programme TA support to participate in the missions over the five-year period and advise the Danish Embassy on implementation issues and monitoring of the component outcomes, assumptions and risks. The supervision mission reports will feed into the annual reviews conducted by Denmark for the whole NRM Programme.

**Assumptions and Risks**

The key assumption regarding the outputs is that the severity of the effects of climate change in the arid areas will be on a scale that can be managed through the ALRMP interventions in drought management and climate adaptation. This means that the interventions will have a positive effect on livelihoods in spite of the natural effects of climate change.
The major risks associated with component implementation are as follows:

- The current economic crisis may place restrictions on government revenues and capacity to provide services.
- The present political situation of coalition government in Kenya has created many new ministries, including the MoNK. The next election to be held latest in 2012 might result in further institutional changes that could affect the implementation effectiveness of the component.
- There are on-going exercises to define a new Constitution, including possible decentralisation of government. If these are agreed upon and implemented it will require adjustments in the component institutional set-up.
- It is possible that new and alternative sustainable livelihood strategies will not be accepted and taken up in the arid areas.
- There might be continued and increasing conflicts in the arid areas due to competition for resources, banditry and spill-over from neighbouring states.
- Emergency responses to recurrent droughts and other disasters might divert attention from long-term planning and implementation of sustainable investments.

Mitigation measures to address these risks include:

1) Adjusting budgets to reflect lower GoK contributions;
2) Building on the commitment of support to arid areas and the ability of ALRMP to make adjustments; thus offering a potential for stability vis-à-vis the changing GoK institutions;
3) Continuing to operate with structures used in previous ALRMP phases;
4) Remaining flexible so that adjustments can be made in the light of constitutional changes;
5) Following robustly the already established and proven ALRMP procedures for procurement, accounting, audit and reporting;
6) Promoting public-private-community partnerships;
7) Continuing with conflict resolution as part of ALRMP implementation practices;
8) Strengthening and/or utilising already developed capacity at district and community levels.

4.3. Civil Society and Private Sector Management of Natural Resources

Component Objective
The objective of the third component is: Civil society organisations – including local communities – and private sector service providers are capacitated to support and influence natural resource management, as a contribution towards poverty alleviation.

Component Strategy
This strategic intervention is to support NGOs, CBOs and the private sector in implementing sustainable NRM initiatives and to enhance their capacity and outreach as relevant development partners for local communities, government at local and central levels, and external funding agencies. The involvement of the private sector will address demands in ASAL areas for NRM investments and services such as installation of solar panels in households, wind mills for pumping water for drip irrigation, sand dam water harvesting, tree planting for soil
conservation, vegetation and pest management, and the marketing and value chain of products from the ASAL.

The two sub-components are:
3.1. Community-based environment and natural resource management;
3.2. Private sector participation in natural resource management.

Sub-Component 3.1: Community-Based Environment and NRM
The component includes support to the Community Development Trust Fund (CDTF) for the further development and expansion of the Community Environment Facility (CEF), which will be undertaken jointly with the EC under its Community Development Programme Phase IV. The support is a continuation of the Environmental Programme Support to CDTF/CEF, which was also undertaken jointly with the EC. The emphasis will be on support to community-based organisations and NGOs for local level development activities within environment and pro-poor natural resources management. Support will be provided for CDTF/CEF to develop thematic topics for interventions, such as climate adaptation, renewable energy and gender.

The sub-component intermediate objective is: ‘Support pro-poor development by capacitating local communities to take charge of their own development through sustainable management of natural resources’

Sub-Component 3.1 has two main outputs:
**Output 3.1.1:** Local capacity strengthened towards improved governance, environmental conservation initiatives, sustainable management of natural resources, and enhanced adaptation and mitigation of climate change impacts on vulnerable groups; and

**Output 3.1.2:** Community-driven initiatives supported that reduce threats and conflicts related to the use of natural resources and contribute to poverty reduction while promoting sustainable environmental management.

### Budget

<table>
<thead>
<tr>
<th>Sub-Component 3.1 elements</th>
<th>DKK</th>
<th>K.Sh Millions</th>
<th>%</th>
</tr>
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<tr>
<td>Output 3.1.2 Community Driven Initiatives</td>
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<td><strong>85.0</strong></td>
<td><strong>1213.8</strong></td>
<td><strong>100%</strong></td>
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</tbody>
</table>

Sub-Component Management
The support to be provided to institutions under the component will be governed by MoUs in the form of signing the Component Document. The guiding principles for the management are that they should adhere to the requirements for programme management as stipulated in the Danish Aid Management Guidelines and be demand-driven, flexible, simple, and decentralised with the aim of being efficient, effective and with low transaction costs. Annual work plans and
budgets supported by the NRM Programme will be decided upon by the respective heads of the participating institutions – CDTF and the Danish Embassy.

The Community-Based Environment and NRM sub-component will be implemented through the CEF of the CDTF. Overall management will be done by the CDTF Board of Trustees with the CEF Manager being responsible for day-to-day management.

Monitoring and Reviews
The aim of the monitoring system will be to document component achievements so that component and programme management can take remedial action if needed. The CDTF will develop a common monitoring framework for the Danish and EC support in order to enable a more comprehensive monitoring and assessment of outcomes/impacts of the projects at an overall scale as well as reduce overhead costs of CDTF. The sub-component monitoring system will encompass:

- Monitoring of activity implementation according to plans and budgets and achievement of outputs;
- Monitoring of the component outcomes and impact with regard to environment and poverty reduction;
- Monitoring of key assumptions and assessed risks for successful implementation.

Annual reviews will be undertaken jointly by the Government of Kenya, the EC Delegation, and the Danish Embassy. Should other development partners channel funds through CDTF for similar purposes, they will also be invited to join the annual reviews.

Assumptions and Risks
It is assumed that peace and stability will prevail in the country at all times and that communities, civil society and non-government organisations will uphold project management principles. Inappropriate political interference in the management of implementation might affect objectivity in project selection and implementation.

Sub-Component 3.2: Private Sector Participation in NRM
The role of the private sector in the provision of services for rural development and investments, e.g. for renewable energy, water management, and market chain development, has been identified as an implementation opportunity in the NRM programme for components 2 (ALRMP) and sub-component 3.1 (CDTF). The NRM programme addresses a demand side where the market opportunities are created for the end-users. The supply side, i.e. the availability and capacity of micro and small enterprises (MSE) to deliver services within renewable energy, water management and other natural resources, has not been directly addressed.

The private sector involvement with the NRM activities has a pro-poor focus because the density of poverty in Kenya is in the ASAL and access to natural resources provides opportunities for those with few assets. Local development and income generation is increasing the resilience among the poor against drought (climate variability) and other disasters resulting in food insecurity and migration. Support to micro and small enterprises provides employment opportunities for the poor and reduces their incentive for urban migration; the local multiplier
Effect from generating income through private sector services increases the viability for new investments and secondary services and retail.

Guidance for Danida support is provided by the recommendations of the Africa Commission to engage with the private sector as a stakeholder for development in Africa and to create employment. The Danida Country Programme for Kenya includes a Business Sector Programme Support and a linkage with the NRM programme will improve the private sector involvement with relevant NRM related services. The NRM programme builds on some of the experiences from the Water and Agriculture Sector Programme Support. Of particular relevance for the NRM programme is the ABD component, which is institutionally linked to the MESPT (thus MESPT-ABD). Danida will phase out the support to these programmes but continue with similar topics in the NRM programme. MESPT-ABD is going to be integrated in the BSPS by 2011. Further integration between MESPT and ABD will be explored. Whereas the BSPS will emphasise the urban manufacturing sector, the MESPT-ABD and NRM programme will emphasise the rural informal private sector.

Sub-Component Strategy
The selected option is to seek linkages with the MESPT-ABD component and the NRM programme. This means a strengthening through synergies among the programmes supported by Danida in Kenya. The strategic scope of the MESPT-ABD with NRM and renewable energy solutions are:

- Further emphasis on a pro-poor development in the NRM Programme with MESPT-ABD support where the target groups are farmers who are, for example, living in marginal areas influenced by variations in precipitation, but also creating alternative employment opportunities in SMEs.
- Providing access to services and opportunities, which are driven by available market incentives and entrepreneurship outside the public sector domain – support to tangible outcomes that provides local employment and income.
- Options to build on experiences and lessons from a large pool of experiences and other lessons from pilots and other stand-alone activities dealing with renewable energy and business opportunities from natural resources.
- Building on the scope for a ‘green economy’ development in Kenya with sustainable economic growth and job creation.

Sub-Component Objective
The intermediate objective of the sub-component is: ‘A viable private sector provides pro-poor oriented services for investments in small-scale management of water resources, renewable energy and the NRM related market chain’.

The objective of the sub-component is aligned with the future design of the MESPT-ABD. Further adjustments and detailed descriptions may follow during the formulation of the ABD component of the BSPS.

Sub-Component Outputs and Activities
The proposed outputs and related activities are:
Output 3.2.1: Business opportunities, value chains and lending instruments developed for water resources, renewable energy, integrated pest management (IPM) and other NRM services.
Activities include:
3.2.1.1. Development of NRM and renewable energy packages and value chains for business and lending for MSEs and market/value for NRM including certification, and
3.2.1.2. Innovative finance including climate finance and ecosystem services.

Output 3.2.2: Micro and Small Enterprises are operational to support implementation of NRM investments and service provisions.
Activities include:
3.2.2.1. Contracting of MSEs for NRM and renewable energy service provisions in ASAL, and
3.2.2.2. Support packages to MSEs with NRM services and renewable energy focus.

Output 3.2.3: Incentive structures based on innovative fiscal and financial instruments to promote renewable energy and other NRM business opportunities are identified/developed and forwarded to relevant GoK agencies.
Activities include:
3.2.3.1. Feed-back from MSEs on optional business constraints with NRM and renewable energy,
3.2.3.2. Advocacy for improved business opportunities addressing NRM and rural energy, and
3.2.3.3. Design of incentive schemes, e.g. climate finance.

Sub-Component Budget
The budget from the NRM programme for sub-component 3.2 is DKK 35.3 million (K.Sh 504.3 million) over five years. The funding will be for the development of financial products and organisational development of MSEs. A limited budget is available for feasibility assessments that have direct relevance for improving the achievement of the sub-component outputs and objectives.

<table>
<thead>
<tr>
<th>Sub-Component 3.2 elements</th>
<th>DKK</th>
<th>K.Sh</th>
<th>%</th>
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<tbody>
<tr>
<td></td>
<td>Millions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Output 3.2.1 Business Opportunities</td>
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<td>Output 3.2.2 Micro and SME</td>
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<td><strong>35.3</strong></td>
<td><strong>504.3</strong></td>
<td><strong>100%</strong></td>
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</tbody>
</table>

Sub-Component Management
MESPT is at present governed by an Advisory Board. It is for consideration whether this structure could be used under the new ABD component, or whether the Board becomes part of a steering committee. The sub-component will be an integrated part of the MESPT-ABD
management in the expected future ABD component of BSPS. MESPT, which has been providing the institutional funding mechanism for ABD in ASPS, has been identified as a possible counterpart organisation for the ABD component to act as the intermediary organisation as well as the institutional host for the ABD management. However, modalities on further integration between MESPT and ABD will be determined during contract negotiations during the inception phase of the Programme.

**Monitoring and Reviews**

The monitoring of the sub-component will be an integrated part of the MESPT-ABD component. A mechanism will be prepared in order to address the MESPT-ABD component, both as part of the BSPS annual programme reviews and well as the NRM programme annual programme review. The Embassy of Denmark will ensure an optimal coordination.

The **outcome** (performance) indicator linking the supply of services with the local demand is:
- At least an additional 5,000 households have been reached annually who have received/purchased NRM related services.

The **output** indicators are:
- At least 10 different private sector packages for NRM business opportunities are developed and operational;
- At least an additional new 40 MSEs/SMEs established annually that are operational in the ASAL on renewable energy, water resource management and other NRM related topics;
- At least 20 fiscal/finance instruments identified and described for improving competitiveness of NRM and renewable energy business opportunities.

**Assumption and Risks**

The assumptions for achieving the **outputs** of the sub-component are:
- The new organisation of MESPT-ABD within BSPS can address wider NRM issues and renewable energy as well as adaptation to climate change;
- The business potential for renewable energy and NRM is attractive to potential entrepreneurs;
- There is a functional market place mechanism where end-users can get connected with potential service providers.

The assumptions for achieving the **outcome** of the sub-component are:
- Market development obstacles, adverse subsidies and similar are removed and replaced by incentives that promotes the NRM market potential;
- Infrastructure is in place which promotes trade in rural areas;
- Continued economic and political stability.

The **risks** of the sub-component are:
- The high transaction costs of business activities are too high in the ASAL due to low population density and small-scale due to poverty;
- Enterprises are supported that cannot be sustained once the support is removed;
- The demand for private sector services is based on favouritism and inflated costs and transfer pricing rather than competitive market transactions;
• The institutional merger of ABD into the MESPT becomes an obstacle for developing NRM business services due to, for example, a lesser emphasis on the retail activities of ABD.

**The Inception and Pre-Implementation Stage**

A Memorandum of Understanding or similar is to be prepared with the MESPT-ABD management for implementation during 2010. From 2011 the MESPT-ABD will be a component of the BSPS. During the pre-implementation phase of the NRM programme and before MESPT-ABD is merged into the BSPS the following topics are expected to be addressed:

• Clearly defining the added outputs and activities supported via the NRM programme and ensuring that these are integrated into the ABD component design.
• A functional structure for funding modalities, programme reviews, reporting and coordination that can link the NRM programme and BSPS;
• A plan for the organisational development of MESPT-ABD towards an independent structure within an existing or a new institution (currently ABD is a ‘project based’ organisation);
• Specifically identifying where the private sector support through MESPT-ABD can add value to the NRM components, i.e. by meeting the market opportunities that are being created for MSEs through component 2 and 3 of the NRM Programme;
• Outlining the additional responses towards climate change that the NRM-supported activities can provide within MESPT-ABD specifically regarding adaptation (e.g. efficient use of water resources), low-carbon and mitigation (e.g. renewable energy solutions), risk reduction and transfers (e.g. early warning), and possibly carbon financing opportunities.
5. Inputs and Budget

NRM Programme Budget
The budget for the NRM programme over five years is DKK 375 million (K.Sh 5.3 billion). Over 70% of the total budget will be used for programmatic activities, and should directly and indirectly benefit the end-users. The rest is allocated to programme management and technical assistance. The table below shows the indicative cash flow over the five-year period. The annual amounts will be subject to revision/updating during the annual planning process for each component and sub-component. The budget provides the framework for preparation of detailed annual budgets to be prepared by the respective components and to be approved by the Programme Steering Committee in conjunction with the preparation of annual work plans. Annual budget revisions will also allow unspent funds to be reallocated annually instead of at the end of the programme. In line with Danida practice, contingencies are included in the budget for each component.

Danish development policy does not include support to salaries, top-ups and other allowances for GoK and other staff. The implementing institutions will cover these expenses. The sub-components MENR and NEMA will be supported up to 01 July 2010 by the ongoing activities of the EPS, which will terminate at the end 2010. Sub-component 3.1 activities will start in 2011. Sub-component 3.2 will start in 2010 as it phases out from the ASPS and becomes part of the next phase of the BSPS expected to launch in 2011.

<table>
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<td>7.4</td>
<td>7.2</td>
<td>5.7</td>
<td>28.0</td>
<td>400.0</td>
<td>7.5%</td>
<td></td>
</tr>
<tr>
<td>Sustainable Development (OPM)</td>
<td></td>
<td>2.5</td>
<td>6.2</td>
<td>6.2</td>
<td>6.2</td>
<td>3.7</td>
<td>24.8</td>
<td>354.3</td>
<td>6.6%</td>
<td></td>
</tr>
<tr>
<td>Component 2: Support to Arid Lands Resource Management (ALRMP)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>11.0</td>
<td>32.3</td>
<td>35.25</td>
<td>33.25</td>
<td>28.25</td>
<td>140.1</td>
<td>2,000.6</td>
<td>37.3%</td>
<td></td>
</tr>
<tr>
<td>Component 3. Civil Society and Private Sector Management of Natural Resources</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>3.1 Community-Based Environment and NRM (CDTF)</td>
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<td>11.2</td>
<td>26.6</td>
<td>26.9</td>
<td>30.3</td>
<td>25.3</td>
<td>120.3</td>
<td>1,718.1</td>
<td>32.1%</td>
<td></td>
</tr>
<tr>
<td>3.2 Private Sector in NRM (MESPT-ABD)</td>
<td></td>
<td>-</td>
<td>7.7</td>
<td>19.4</td>
<td>19.2</td>
<td>22.15</td>
<td>85.0</td>
<td>1,213.8</td>
<td>22.7%</td>
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</tr>
<tr>
<td>Programme Management</td>
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<td>3.5</td>
<td>7.2</td>
<td>7.7</td>
<td>8.1</td>
<td>8.8</td>
<td>35.3</td>
<td>504.3</td>
<td>9.4%</td>
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</tr>
<tr>
<td>Unallocated</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>10.0</td>
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<td>20.0</td>
<td>285.7</td>
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<tr>
<td>NRM Total Budget</td>
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<td></td>
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<td></td>
<td></td>
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<td></td>
<td></td>
<td>26.2</td>
<td>82.4</td>
<td>87.8</td>
<td>98.0</td>
<td>80.6</td>
<td>375.0</td>
<td>5,357.2</td>
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<td></td>
</tr>
</tbody>
</table>

16 Exchange Rates: DKK 1 = K.Sh 14.285
Programme Management Budget Line

The budget for programme management will be administered by the Danish Embassy in Nairobi.

### Programme Management Budget (RDE)

<table>
<thead>
<tr>
<th>Item</th>
<th>Year</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>DKK million</th>
<th>K.Sh million</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inception Review</td>
<td></td>
<td>0.3</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.3</td>
<td>4.3</td>
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<tr>
<td>Annual Component Reviews</td>
<td></td>
<td>-</td>
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<td>0.8</td>
<td>0.8</td>
<td>0.8</td>
<td>3.2</td>
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<td>Mid-Term Review and Completion (LL)</td>
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<td>-</td>
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<td>-</td>
<td>-</td>
<td>1</td>
<td>2</td>
<td>28.57</td>
<td>13%</td>
</tr>
<tr>
<td>External Audits</td>
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<td>-</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>1.2</td>
<td>17.1</td>
<td>8%</td>
</tr>
<tr>
<td>Annual Forums and Surveys</td>
<td></td>
<td>-</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>1.2</td>
<td>17.1</td>
<td>8%</td>
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<tr>
<td>Short Term TA for Studies and Analysis</td>
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<td>0.9</td>
<td>1.5</td>
<td>1.5</td>
<td>1.5</td>
<td>-</td>
<td>5.4</td>
<td>77.1</td>
<td>35%</td>
</tr>
<tr>
<td>Sub-total</td>
<td></td>
<td>1.2</td>
<td>2.9</td>
<td>3.9</td>
<td>2.9</td>
<td>2.4</td>
<td>13.30</td>
<td>190.0</td>
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<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>2.25</td>
<td>32.1</td>
<td>14%</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>1.5</td>
<td>3.4</td>
<td>4.4</td>
<td>3.4</td>
<td>2.9</td>
<td>15.6</td>
<td>222.1</td>
<td>100%</td>
</tr>
</tbody>
</table>

The programme management budget covers costs for annual component and mid-term review, external audits, an annual forum, analytical studies and short term TA inputs as follows:

- Inception review in September 2010: Covering the cost of consultants hired by the Danish Embassy.
- Annual reviews for each component: Carried out jointly by the Embassy and GoK, including other relevant donors supporting the same institutions. For component 2 and 3, the World Bank and the EU will be involved respectively. The funds will cover the cost of consultants to participate in these reviews, as identified by the Danish Embassy.
- Mid-term review: Carried out once in the life of the programme.
- External audits: Commissioned when deemed necessary by the Danish Embassy.
- Annual NRM Forum (described in Section 6.1): Covering human and material costs of hosting such an event in a central location. It will draw on participants from each component at the national and district levels. Other costs will include communication related to the programme, facilitators, presenters, etc.
- Short-term international technical assistance: As requested in Components 1, 2 and 3 for inputs such as refining indicators and monitoring systems, development of work plans involvement of private sector, policy formulation. This will also cover identified programme technical assistance needs and knowledge research in issues related to decentralisation of NRM in Kenya, climate change adaptation, renewable energy and gender; monitoring the effectiveness of the programme strategy; identifying, documenting and communicating lessons learnt and best practices at national, local, community-level, Annual NRN Forum and private sector management of natural resources.

**Danish Contribution**

The Danish contribution to the programme will cover funds for:

- Training and capacity development;
- Support to ALRMP;
- Monitoring and evaluations;
- Engagement of international and national technical assistance;
- CDTF and MESPT-ABD;
• Human resource development and research; and
• Workshops, training, study tours and other expenses associated with the implementation of the programme and its components, exclusive of taxable allowances.

**Government of Kenya Contribution**
The GoK contribution will cover:
• Recurrent personnel costs such as salaries and other emoluments—excluding any customary taxable allowances—of GoK staff working with the programme to plan and implement programme activities;
• Office facilities and running costs;
• Duties and taxes on imported equipment and vehicles and tax relief for international personnel and their imported personal belongings;
• VAT incurred on purchase of equipment or services procured;
• Co-financing of activities specified in the component documents.

**Use of Unallocated Funds**
Given the desire for flexibility in the programme, an amount of the total budget has been reserved as a fund to be allocated during the course of the five-year programme. The Programme Steering Committee (PSC) is authorised to approve the allocation of these funds on the basis of proposals submitted. The Unallocated Funds may not be spent for purposes that do not coincide with the development and immediate objectives of the NRM programme. In other words, the funds can be used to ‘expand’ current activities or add new activities, but not add new objectives or components.

Some thematic areas into which the programme might expand are:
• Testing and piloting implementation of specific policies and strategies;
• Public/private/community partnerships in NRM, drought management, renewable energy and climate change adaptation technologies;
• Analytical work, communication, education and media productions for spreading awareness and knowledge of new technologies, natural resource management practices, and opportunities for investments;
• Micro-finance opportunities in NRM.

**Use of Contingency Funds**
The use of contingency funds specified in the budget will be guided by DANIDA Programme Management Guidelines.
6. Management and Organisation

The Danish-supported NRM Programme will be governed by a Government agreement signed by the Permanent Secretary, Ministry of Finance, on behalf of the Government of Kenya – and by the Danish Ambassador on behalf of the Government of Denmark. The guiding principles for the management of the NRM Programme and its components are that it should adhere to the requirements for programme management as stipulated in the Danish Aid Management Guidelines\(^\text{17}\) – being flexible, simple and decentralised and with minimal transaction costs.

Each component and/or sub-component will be governed by an agreement signed by the Danish Ambassador and the relevant head, normally the Permanent Secretary, of the cooperating institution. The component/sub-component documents will provide the basic text of the agreement.

6.1. NRM Programme Steering Committee

There will be a NRM Programme Steering Committee (PSC) that will be composed of the Permanent Secretary of the Ministry of Finance and the Danish Ambassador, as the two signatories to the NRM Government Agreement. It will meet at least once a year in March.

The PSC will guide the overall implementation of the programme, review overall progress and may decide upon adjustments to immediate objectives and outputs. The PSC may also reallocate funds within and between components based on performance and requirements, and decide on the use of the Unallocated Funds. The PSC will initiate the process of the annual NRM thematic forum. If the programme requires a re-design during the implementation period due to GoK policy and institutional changes, the PSC will direct the re-design and approve the final documents.

Annual NRM Forum

The PSC will facilitate a national Annual NRM Forum with the participation of all key stakeholders, including programme partners, GoK institutions, institutions of higher learning, research institutions, the civil society, non-governmental organisations, the private sector and the media.

The PSC will identify a theme for the Annual NRM Forum that is relevant to the development agenda in Kenya and discuss it from the perspective of the NRM Programme. Analytical work and lessons learned from programme implementation that are of relevance to policy formulation and for replication can be regular features of the Forum. The Annual Forum will be organised by MEMR with the assistance of the National Environmental Council. Funding will be provided through the programme management budget line administered by the Danish Embassy. MEMR will contract or partner with a qualified institution (university, civil society or consultancy organisation, etc.) to conduct, the Annual NRM Forum. MENR, under

\(^{17}\) The Danish Aid Management Guidelines can be downloaded from: http://www.um.dk/en/menu/DevelopmentPolicy/AidManagementGuidelines/
Component 1, will be responsible for follow-up actions that may be required by the Annual Forum.

See Annex 1 for a ToR of the Programme Steering Committee.

6.2. Management of Components

There will not be any committees established to oversee component management and implementation, but each component may establish working groups as required. As in normal GoK procedures, management responsibility will be invested in the heads of the participating institutions as shown below:

Component 1: Environmental Policy and Management
Sub-component: Environmental Policy and Coordination – Permanent Secretary, Ministry of Environment and Mineral Resources.
Sub-component: Environmental Management – Director-General, National Environment Management Authority.
Sub-component: Sustainable Development – Permanent Secretary, Office of the Prime Minister.

Component 2: Support to Arid Lands Resource Management – Permanent Secretary, Ministry of State for Development of Northern Kenya and Other Arid Lands.

Component 3: Civil Society and Private Sector Management of Natural Resources
Sub-component: Community-Based Environment of Natural Resources – Manager, Community Environment Facility, under the Community Development Trust Fund Board of Trustees.
Sub-component: Private Sector Participation in NRM – Manager, Microfinance Enterprise Support Programme Trust/Agriculture Business Development.

See the component descriptions for further details at the component/sub-component level.

Annual Component Consultations

After the annual component reviews (see below) there will be an annual consultation between the Danish Ambassador and the head of each component/sub-component. These consultations will remove the need for creating a formal component committee, but the actual meetings will include the relevant officials from both sides on a needs basis. They will consider the review report, assess progress and make adjustments to activities as required. The draft annual work plans will be reviewed and approved. These work plans will be NRMP specific extracts from the institution's normal work plan. If considered necessary, the Embassy and Component Management will hold half-yearly progress reporting meetings. Adjustments to intermediate objectives and outputs will be referred to the PSC for approval.

18 Half-yearly progress reports will be submitted to the Embassy after every six months
6.3. Annual Planning Cycle and Annual Reviews

Annual Planning Cycle
Since the financial year 2005/06, GoK has implemented a performance based management system in the form of Performance Contracting for ministries and parastatals which guides the annual planning, budgeting and reporting cycle. The contracts are signed between the Permanent Secretaries and the Head of Public Service, countersigned by the Ministers and endorsed by the Prime Minister. Annual targets are prepared by 01 April for negotiation, and the contracts signed at the beginning of June. Performance Indicators give the direction and extent of the plans, and Performance Targets detail the actual goals. Annual reports are submitted by 31 July for inclusion in an overall Evaluation Report presented to Parliament by 7 October. The GoK planning framework into which the NRM Programme will be integrated is illustrated below:

The NRM Programme activities are thereby embedded within the institutional work plans of Components 1 and 2. In Component 3, the CDTF and MESPT-ABD are not included in the GoK Performance Contracting System and will design its own work plan relating to the component document that can be linked up to the other components.

Annual Reviews
The NRM Programme components and sub-components in government institutions will be included in the Performance Contracting system and fit into the annual planning cycle described above. In order to fit into the system, there will be Annual Reviews of the components in February/March each year. The reviews will be joint Embassy/GoK reviews, including other relevant donors supporting the same institutions. For instance, there will be an annual multi-donor Supervision Mission of the ALRMP (Component 2) managed by the World Bank, and annual joint reviews of CDTF (Component 3.1) with the EU and Denmark. Denmark will take the initiative in organising reviews of the sub-components in Component 1, sub-component 3.2 (MESPT-ABD), including other donors where relevant.
The reviews will have received the NRM Programme specific extracts of the annual and semi-annual progress reports of the implementing institutions. The reviews will assess performance and make recommendations for changes to the outputs, budgets and work plans on the basis of the progress reports.

Thereafter, the review reports and recommendations will go forward for consideration by the Annual Component Consultations between the Danish Ambassador and the component heads. The annual review reports and recommendations, and the response from the Annual Component Consultations, will be considered by the PSC, which will pay special attention to overall programme-related issues.

The annual review reports will be available as inputs to the planning of the Performance Contracts for the following financial year.

**Inception Review**
The Danish Embassy will hold an inception review in September 2010 to assess progress and propose adjustments to work plans for the second half of F/Y 2010-2011.

**Mid-Term Programme Review**
There will be a joint GoK/Denmark mid-term review of the programme as a whole. The review will be organised by the Danish Embassy.

### 6.4. Role of Danish Embassy

The Danish Embassy will have responsibility for the following aspects of programme management:

- Take the initiative in scheduling and preparing the Annual Component Consultations, the Programme Steering Committee meetings, the annual component reviews, the inception review and the mid-term review.
- Monitor the follow-up of review report recommendations and agreements of the consultations and PSC meetings.
- Manage the budget line ‘Programme Management’ in the programme budget.
- When found necessary, on the basis of financial and technical reports, commission external financial and technical audits to be conducted by reputable accounting companies with international standards.
- Manage the recruitment of international long-term TA as specified in the component descriptions.
- Manage the international tendering of consultancy company contracts as specified in the component descriptions.
- Manage the recruitment of short-term international TA as requested by Components 1 and 3 from the ‘Programme Management’ budget line.
- Manage the identification and contracting of analytical studies needed at the programme level for programme monitoring, evaluation and development of further initiatives to promote NRM in Kenya.
6.5. Procedures for Adjustments to the Programme

Discussion and approval of progress reports and annual work plans takes place at the Component Consultations and PSC. The PSC is the final authority for approving changes in the programme structure and outputs of the components. This could involve closing or re-designing components if required by political, institutional, security or natural resources extreme situations. Such decisions will be taken on the basis of component progress reports and on assessments by the PSC of the NRM situation and needs in Kenya. The Danish Embassy can initiate analytical studies to facilitate decision-making and preparation of new activities. Decisions with regard to programme restructuring will be taken in relation to GoK and Danish procedures for aid management.

The changes described above are not related to the use of the Unallocated Funds, which are for expanding or adding new activities within the immediate objectives of the existing components.

In addition, the PSC will approve annual increases or decreases in the component budgets based on performance. Performance will be measured as follows:

- Annual work plan targets achieved 100% and below budget by at least 10% – the next year’s budget increased by up to 20%.
- Annual work plan targets achieved less than 80% – the next year’s budget reduced by 20%.
- Annual work plan targets achieved 80-100% and budget used 100% – possibility of increases in the next year’s budget if funds available from other components.

The increase or decrease of component budgets are measured in relation to the five year annual budgets in the component descriptions.

Component 2 (ALRMP) will follow the planning and adjustment procedures described in the final World Bank Project Appraisal Document.

6.6. Technical Assistance

Kenya has highly qualified technical and professional staff. The technical assistance provided through the NRM Programme is therefore focused on areas where international and local consultancy experience can complement the skills and experiences of national partners. Implementing institutions will have sole responsibility for the programme implementation. Technical advisors and consultants will give input and guidance as requested.

International technical assistance has been requested and will be required as shown below. Modalities for providing technical assistance to the relevant components will be determined during the pre-implementation period with a view to reducing lengthy contract procedures and ensuring minimal transaction costs. The possibility of merging long-term and short-term TA inputs within a consultancy contract is under considerations. Budget lines for these inputs are provided in the component/sub-component budgets.
Component 1:
*Ministry of Environment and Mineral Resources*
- International Senior Environmental Adviser – 5 years.
*Office of the Prime Minister*
- International Environment and Climate Change Adviser – 3 years.
*National Environment Management Authority*
International company contract for a Technical Assistance Team including:
- Senior Adviser – 5 years.
- Short-term inputs on environmental monitoring and reporting; climate change; environmental information, education and communication, etc.

Component 2:
Short-term international inputs will be partly on a company contract and partly on an ad hoc basis, as outlined in a framework package to be detailed in the first six months inception period. Examples are climate change adaptation and disaster risk reduction techniques, renewable energy technologies, private sector promotion, and support in arid areas.

Component 3:
No international TA required.

There will be a limited programme budget line administered by the Danish Embassy for additional international short-term needs for, primarily, Component 1 and Component 3. Component 2 has a budget line for this that will be coordinated by the component.

Local short-term technical assistance will be utilised through the component/sub-component budget lines as outlined in the annual budgeting processes.
7. Financial Management and Procurement

The guiding principle for the NRM programme regarding financial management and procurement is that the support will be based on the strategic framework and annual work plans and budget of the implementing institutions. This applies directly to the first two components, which work with government agencies. It also applies to the civil society organisations in the third component, as modified to fit into their procedures.

From a programme perspective, there is a need to be realistic about the pace of financial reforms. In particular, there is a need to be pragmatic about the ability of IFMIS to meet all reporting requirements and improvements in internal controls. From a financial management perspective, a programme based on sector budget support would be premature.

The programme will use the GoK donor (revenue) system for Components 1 and 2. Use of this system will enable Component 1 funds to be on budget, on plan, and adhere to GoK accounting, procurement and auditing procedures. This will provide an opportunity to support the improvement of government procurement, auditing, accounting and financial reporting systems at the sector level.

Annual work plans and budgets will be agreed through the normal GoK budget and planning cycle of the Performance Contracting. Monitoring of implementation will largely be based upon the performance indicators included in the institutional performance management contracts signed by the Permanent Secretaries, and by the monitoring and evaluations systems of the participating institutions.

The agencies in Component 1 are MEMR, NEMA and the Environment and Climate Change Coordination Unit (ECCCU) in OPM, and in Component 2 it is the Ministry of State for Development of Northern Kenya and Other Arid Lands. All these agencies have developed draft strategic plans. The strategies generally contain well defined and budgeted targets.

Support to Component 2 is harmonised with other donors, primarily the World Bank. Funds are earmarked only in relation to the outputs of the ALRMP. However, each donor’s funds are coded, and tracing of the use of the funds is possible.

An assessment was also done of the IFMIS (Integrated Financial Management Information System) in general and, in particular, the coding and traceability facilities built into the system. Based on the assessments it has been agreed to mainly provide earmarked support to the three institutions in Component 1, using the GoK revenue system. In the initial stages of the NRM support, while capacities and experiences are being built, funds will be earmarked against the annual work plans. NRM Programme funds will be traced using the coding facilities available in the IFMIS and in the NEMA financial management system in Navision.

A number of preconditions relating to applying earmarked support to Component 1 have been identified: 1) the quality, timeliness and robustness of the financial management and procurement systems; 2) transparency and timeliness in financial reporting; and 3) the quality, timeliness and robustness of auditing of accounts. These preconditions have been discussed
and assessed jointly by the Danish Embassy, the External Resources Department (ERD) of the Ministry of Finance, and the institutions during the formulation process.

Financial management for Sub-Component 3.1 will be done in compliance with a joint collaboration agreement between the EC and the Danish Embassy. Danida’s Aid Management Guidelines will be used if such a joint collaboration is not realised. The NRM support to sub-component 3.1 will be reflected in the GoK budgets and channelled to CDTF as Appropriation-in-Aid. Funds provided to CDTF may be pooled with the EC funds but, if this does not happen, the NRM funds will be managed separately using established accounting and auditing procedures. Details of these procedures will be developed during the Inception Period with the support of technical assistance from the Danish Embassy.

The CEF manager will be responsible for consolidating annual work plans, half yearly reports, and presenting them to the CDTF Board of Trustees and the Danish Embassy. In case of a lack of accountability, action taken will be in accordance to GoK procedures and Danida Guidelines; further funding to the institution may be put on hold until the issue is solved.

Until the phasing out of the current ABD component in ASPS at the end of 2010, the MESPT-ABD management will be responsible for financial reporting for Sub-Component 3.2. Modalities for financial reporting of the sub-component from 2011-2014 will be decided during the design of the new ABD component under the BSPS.

Financial reports will be required to contain a breakdown of expenditures, sufficiently detailed to monitor expenditure in relation to output at the same level as in the component description. There will be a complete coherence between the annual work plan, budget and financial report.

The report will contain, but not be limited to, the following information:
- Details of the original grant;
- Funds spent in the previous financial year;
- Funds spent so far in the current financial year;
- Funds committed until reporting date;
- Expected additional expenditures until the anticipated completion of the component;
- Balance on the current year’s budget as per reporting date;
- Remaining balance on the grant for future financial years as per the reporting date;
- Explanations of variations between the current year’s budget and actual expenditures in relation to the planned and achieved activities.

**Flow of Funds**
Funds will flow from the Danish Embassy to Special Accounts in the Ministry of Finance, and from there to Special Accounts in commercial banks for each of the participating agencies. Detailed flow of accounts descriptions are given in the component documents.

**Accounting**
The accounting officers and signatories are specified in each of the component documents. Financial management and reporting will follow established procedures based on current

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19 The future legal status of CDTF is yet to be established. If CDTF is established as a trust deed, then funds will continue to be channelled as Appropriation-in-Aid.
Government Financial Regulations and Practices, which are formulated in accordance with the Kenya Accounting Standards (KAS), the International Accounting Standards (IAS), and the World Bank guidelines on financial management and disbursements. Accounting and financial reporting will utilise the new and still developing Integrated Financial Management Information System (IFMIS).

**Procurement**

Procurement will follow the provisions of the new Procurement Act and the Joint Procurement Policy, which has been developed with the World Bank. Any fiduciary concerns over the GoK’s procurement system can be mitigated through procurement audits carried out through the Public Procurement Oversight Authority (PPOA).

In Component 2, the Ministry of Northern Kenya, supporting the Arid Lands Resource Management Project, follows World Bank procurement procedures if they differ from the new Kenyan procurement provisions.

**Auditing**

NRM funds will follow the GoK system of annual audits by the Kenya National Audit Office, which are required to be completed within six months of the end of the financial year. The auditor’s performance, though slow, has been satisfactory and acceptable to the GoK and World Bank. The capacity of the Office of the Auditor General is being strengthened to adopt value-for-money audits, internal control and compliance systems. Agreement could be made with the Kenya National Audit Office (KENAO) to audit cash flow movements as part of a risk-based audit.

With regard to Component 3, accounts must be audited at least once a year by an international reputed audit firm, according to either International Standards of Accounting (ISA) or audit standards issued by International Organisation of Supreme Audit Institutions (INTOSAI).

The annual audit will include – but not be limited to – inspection of accounting records including examination of supporting documentation of transactions, confirmation of cash and bank holdings, bank reconciliations, direct confirmation of accounts receivable, and verification of physical inventories and fixed assets. The audit will include a test of compliance with the accounting manual, and an audit of the procurement function. A value-for-money audit could be included.

The RDE will approve the appointment of the auditors in consultation with the Steering Committee.

Funds are provided in the overall programme budget for external technical and financial audits to be commissioned by the Danish Embassy as and when required. All the component audit reports, including a financial statement for the financial period audited will be forwarded to the RDE no later than five months following the end of the accounting period.

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20 [www.intosai.org](http://www.intosai.org)
Interest
Interest accrued from bank holdings shall be returned to the Danish Embassy on an annual basis, immediately following the end of the foregoing fiscal period, for onwards transmission to the Danish Ministry of Finance.

Documentation
The accounting documents and records will be kept for five years after the completion of the programme. The documents shall be available for control purposes to the Danish Auditor General and/or to the Ministry of Foreign Affairs or their representatives, upon request.
8. Monitoring and Evaluation

In line with the strategy of harmonization and alignment, the programme will not create a management unit or develop its own monitoring system, since it will be supporting the strategies and annual work plans of participating institutions. Each institution will be responsible for implementing activities according to its approved detailed work plans and budgets. Consequently, monitoring will be fully integrated into the established M&E systems and procedures of the various institutions as described in the three components. Monitoring will take place at the component level. Where monitoring systems have been found to not function effectively, support will be available under each component for improvement either through upgrading, technical assistance or capacity building.

Monitoring within the components is expected to provide data on:

- Implementation of activities according to plans and budgets and achievement of outputs;
- Key assumptions and assessed risks for successful implementation of the programme;
- Impact of the programme with regard to natural resource management, climate change adaptation and poverty reduction.

The management and departments/units responsible for M&E functions will be responsible for routine monitoring of progress and achievements. The management of each institution will also take responsibility for undertaking remedial action if work plans are not being implemented as planned or funds are not being utilised accordingly. These will be documented in quarterly and annual reports as per the reporting requirements of each institution. Impact monitoring will be done at component level.

Monitoring indicators – outcome and progress – will be drawn from the detailed work plans and monitored at component level. The monitoring of impact of the NRM programme will be based on the key impact indicators specified in the various components. These should be in line with the national objectives and development strategies. Baseline data and means of verifying impact indicators will be drawn from government surveys, such as the Kenya Integrated Household Budget Survey (KIHBS) and State of Environment Report. These will be supplemented by additional studies carried out by individual institutions or commissioned through the programme.

**Key outcome indicators** of the three component immediate objectives are shown below. These indicators will be refined and expanded with others, if necessary, by component management during the inception period.

All indicators are based on data, accounts (statements) and documents developed by the programme partners. The Government of Kenya’s indicators, which can be seen in the action plans for “Vision 2030”, are largely based on an annual growth rate of 10 per cent. This must be considered very ambitious for the time being. Also, a substantial number of the GoK’s underlying indicators have been developed using different calculation methods and raw data. This can further affect the validity and the grounds for comparison. The results of a country-wide census are expected to be made public in 2010, whereby the official statistic baseline will
be improved. The table below presents indicators that will, in the meantime, follow the present official indicators and will be explained to the extent needed:

<table>
<thead>
<tr>
<th>Natural Resource Management Programme in Kenya (2010-2014)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Development objective</strong></td>
</tr>
</tbody>
</table>
| **Indicator** | • Population share living under the poverty line will be reduced from 46% (2005/06 baseline) to 28%;  
• Increased water storage and harvesting capacity from 8 M3 per capita in 2007/08 to 17 M3 per capita in 2013. |
| **Verification** | “Kenya Integrated Household Budget Survey” |
| **Comments** | The indicator for the development objective is based on the government’s national objectives in “Vision 2030” and builds upon an annual economic growth rate of 10%. At present time the growth rate has been less than 3% in the latest years due to, among other things, the global economic and financial crisis, extensive drought and the post election rallies in 2007. The growth rate is expected to increase in the mid-term perspective but it will not likely be able to meet the overall objective. The water storage capacity is used at the indicator capture the state of natural resource management. This indicator may be updated at a later stage related to capture climate changes. |

**Component 1: Environmental Policy and Management**

<table>
<thead>
<tr>
<th>Immediate Objectives</th>
<th>Enabling policy and regulatory framework for environmental and natural resource management, including climate change, developed and implemented with a poverty orientation.</th>
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</thead>
</table>
| **Indicators** | • Passing of three policy frameworks for environmental and climate management;  
• Passing of environmental plans for 28 districts in arid and semi-arid lands;  
• Implementation of 2-4 strategic environmental assessment guidelines in selected sectors;  
• Completion of 2-3 economic studies of the consequence of climate change conducted for updating of policy document “Vision 2030”;  
• Completion of the GoK’s budget and account systems before the end of 2014;  
• Position of MEMR on the GoK’s performance list will be improved by a minimum one place per year. |
| **Verification** | The institutions’ annual budget and performance reports and the Government’s annual review for institutions quality and service delivery. |
| **Comments** | The above indicators can measure direct progress in the institutions and are publicly accessible. |

**Component 2: Support to Arid Lands Resource Management**

<table>
<thead>
<tr>
<th>Immediate Objectives</th>
<th>Poverty reduction, enhanced food security, reduced livelihood vulnerability, and improved natural resource management systems in drought-prone and marginalised districts and communities.</th>
</tr>
</thead>
</table>
| **Indicators** | • Proportion of people living under the poverty line in programme areas is reduced from 74% (2005/06 baseline) to 56% OR at least 2 million people will be moved above the poverty line;  
• Proportion of people in need of free food aid will be reduced by 20% OR 1 million people will be moved out of dependency on free food aid; |
• Rise in the proportion of people with access to reliable water supply in rural districts from 40% (2007/08 baseline) to 60%.

**Verification**

“Kenya Integrated Household Budget Survey”, the Government’s monitoring system for food aid, independent consumer reviews and the annual budget and work plans.

**Comments**

The expected indicator results are based on MoNK’s own indicators and are supplemented by the World Bank’s objectives. The World Bank’s numbers for the current performance show that a total investment of USD 120 million over a seven year period has financed public services for 5.1 million people, supported productive objectives for 9.9 million people, and delivery of social services to 1.1 million people. Concrete results will be documented in an extensive evaluation which is expected to be terminated at the beginning of 2010. Combined with a baseline study in 2009, future measurements will be conducted on a stronger basis. It is a reasonable assumption that the indicators are within reach, since the total investments per capita is growing compared to the previous period. This tendency will be further supported by the activities under component 3. The element of uncertainty revolves around the climate changes and social conflict aspects (e.g. tribal conflicts over the district borders, refugee migration and other boundary disputes) and the general political and socio-economic development.

<table>
<thead>
<tr>
<th>Component 3: Civil Society and Private Sector Management of Natural Resources</th>
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<tbody>
<tr>
<td><strong>Immediate Objectives</strong></td>
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<tr>
<td>Civil society organisations – including local communities – and private sector service providers are capacitated to support and influence natural resource management, as a contribution towards poverty alleviation.</td>
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<table>
<thead>
<tr>
<th><strong>Indicator</strong></th>
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<tbody>
<tr>
<td>• Direct improvement of living conditions for 180,000 people through 30 poverty-oriented and locally-based environment projects;</td>
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<tr>
<td>• Indirect improvement of living conditions for 540,000 people through 30 poverty-oriented and locally-based environment projects;</td>
</tr>
<tr>
<td>• Minimum of 25,000 families (150,000 people) have started activities in environmentally improving agricultural production and alternative sources of energy before the end of 2014;</td>
</tr>
<tr>
<td>• Minimum of 40 private productions are established annually in arid and semi-arid areas in environmentally improving agricultural production and alternative sources of energy.</td>
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</table>

<table>
<thead>
<tr>
<th><strong>Verification</strong></th>
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</thead>
<tbody>
<tr>
<td>“Kenya Integrated Household Budget Survey”, annual budgets and progress reports, completion of conclusions/recommendations from annual programme consultations.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Comment</strong></th>
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<tbody>
<tr>
<td>The above indicators are based on results achieved through the former support to these institutions and are therefore believed to be realistic on the basis of the financial, administrative and managerial procedures that have been developed and tested in practice. As for other indicator results, it is evident that the political and socio-economic context can affect the results in a negative direction. Especially with regard to the parliamentary election in 2012.</td>
</tr>
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</table>
9. Assumptions and Risks

Assumptions and risks relevant to each component are found in the component descriptions. The assumptions and risks that are common to all components, and thus to the programme as a whole, are as shown below:

Assumptions

Political Stability. Kenya remains stable with no political disruptions that affect programme implementation. This assumption is expected to remain valid at least until the time around the elections in 2012.

Policy Implementation. GoK remains committed to addressing the link between environment and poverty, to pursuing the aim of Vision 2030, and to achieve this aim through Medium-Term Development Plans that continue to include environmental sustainability as a cross-cutting issue in all sectors.

The programme is based on a number of policies which are still in draft, including the Environment Policy and the Arid and Semi-Arid Lands Policy. The assumption is that the finalised policies will not differ from the draft policies in ways that affect programme design and implementation.

Financial Capacity. GoK is able to continuously provide sufficient funds for recurrent staff costs for the government agencies implementing the NRM Programme components, in spite of the current global economic crisis that is affecting GoK revenues.

The global economic crisis is negatively affecting the growth rate in Kenya; cuts have already been made in the recurrent and development budgets and the achievement of Vision 2030, which is based on an annual growth rate of 10%, has been compromised. There is, thus, a considerable risk element in this assumption.

Technical and Management Capacity. The implementing agencies have sufficient capacity to absorb and effectively utilise the NRM component/sub-component budgets in the agreed time frames of the annual work plans.

Technical capacity is considerable in the institutions cooperating with the programme, but revenue restrictions may hinder the recruitment of sufficient staff. GoK is currently in the process of implementing sophisticated reforms in public financial management, in particular the Integrated Financial Management Information System (IFMIS). These are not yet fully embedded in all ministries and it will take time to develop experience in their use.

Risks

The risks are listed below with ratings of H-high, M-medium and L-low which relate to two aspects: P-probability of occurrence, and S-significance in relation to programme implementation.
### Risk

#### Institutional Instability
The present coalition government has created many new ministries, with some overlapping roles in the environment sector. Coordination is a challenge. An election to be held latest 2012 may result in further institutional restructuring of government, which may disrupt implementation of the programme. The lack of stability and permanence may affect staff performance and programme implementation.

<table>
<thead>
<tr>
<th>P</th>
<th>S</th>
<th>Mitigation Measures</th>
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<tbody>
<tr>
<td>M</td>
<td>L</td>
<td>Most of the institutions the programme is working with are not new, so they will continue to function as normal but sometimes in different institutional structures. The probability of institutional changes significantly affecting the programme is low. The programme design is flexible and can be adjusted to changed institutional situations.</td>
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</table>

#### Accountability
Lack of adherence to accountability standards can lead to loss of programme funds and poor implementation.

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<thead>
<tr>
<th>P</th>
<th>S</th>
<th>Mitigation Measures</th>
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</thead>
<tbody>
<tr>
<td>M</td>
<td>M</td>
<td>Robust accounting, reporting, reviews and auditing procedures will be maintained through the established GoK systems, but new procedures may not be fully implemented. External technical and financial audits will be conducted by the Danish Embassy as a back-up mechanism. Reduction or closure of components by the PSC is a possibility as a consequence of lack of accountability.</td>
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</table>

#### Government Revenue
Financial constraints due to decreased GoK revenues may affect recurrent budgets financed by GoK in the programme and prevent GoK taking on increased shares of programme financing.

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<thead>
<tr>
<th>P</th>
<th>S</th>
<th>Mitigation Measures</th>
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</thead>
<tbody>
<tr>
<td>M</td>
<td>H</td>
<td>The PSC can reduce the activities in affected components if the recurrent GoK budgets are not sufficient. Danish funds should not be used to cover lack of GoK financing.</td>
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</tbody>
</table>

#### Capacity Constraints
Technical and management capacity constraints may reduce the effectiveness of programme implementation.

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<th>P</th>
<th>S</th>
<th>Mitigation Measures</th>
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</thead>
<tbody>
<tr>
<td>M</td>
<td>H</td>
<td>The PSC can reduce the scope and activities of the programme if capacity constraints are severe.</td>
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</table>

#### Civil Instability
Lawlessness and violence is becoming more widespread in Kenya, and in the arid areas there is increasing banditry and threat of conflict spill-over from neighbouring states. This may affect the security of field implementation measures.

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<tr>
<th>P</th>
<th>S</th>
<th>Mitigation Measures</th>
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<tbody>
<tr>
<td>M</td>
<td>H</td>
<td>Conflict prevention and resolution activities are included in Component 2, which may help to reduce this risk.</td>
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</table>

#### Natural Disasters
Climate change appears to already have led to more frequent severe events such as droughts and floods. If frequency and severity increase there is a risk that development orientated interventions may be given less priority than emergency relief measures.

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<tr>
<th>P</th>
<th>S</th>
<th>Mitigation Measures</th>
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<tr>
<td>M</td>
<td>M</td>
<td>Programme interventions include support to disaster risk reduction, early warning systems and drought management initiatives, which should help to mitigate severe effects.</td>
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</tbody>
</table>
10. Implementation Plan

The programme will become operational on 1 January 2010. The period of 2010 will involve negotiations and contracting of technical assistance, developing financial conditions and agreements with MESPT-ABD, supporting ministries and related departments in their FY work plans and budgets, participating in the World Bank appraisal mission for ALRMP 3 and conducting a baseline for arid and semi-arid lands.

Each Component Description contains a list of activities that should be undertaken during that period, as well as preparatory activities that should take place before 2010. The Inception Phase will enable the management of each component to provide more details for the first annual work plan and the budget: details regarding the monitoring system, financial management, procurement and accounting systems, recruitment of technical assistance; and finalising management and implementation procedures not covered by the NRM Programme Document.

Activities that are common to all three components that should take place in the Inception Period include:

- Establishing and integrating work planning, budgeting, financial management, monitoring and reporting routines into the implementing agencies’ procedures.

<table>
<thead>
<tr>
<th>Main Activity</th>
<th>Pre Start-up Preparation</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
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<tbody>
<tr>
<td>Preparatory work</td>
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<tr>
<td>Sign Government-to-Government agreement</td>
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<tr>
<td>Sign MoUs for the three components</td>
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<tr>
<td>Inception and Pre-Implementation Phase</td>
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<tr>
<td>Phasing out EPS and ARPS</td>
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<tr>
<td>Detailed inception work plan</td>
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<tr>
<td>Prepare work plans for FY 2010/2011 and 3-year rolling plans</td>
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<td>Review of M&amp;E system</td>
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<td>Prepare short term TA framework needs</td>
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<tr>
<td>Technical and financial studies on focal areas</td>
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<td>Inception reports</td>
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<td>Inception review</td>
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<td>Component Implementation</td>
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<tr>
<td>Details are contained in component descriptions</td>
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<tr>
<td>Environment Policy and Management</td>
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<td>Support to Arid Lands Resource Management</td>
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<tr>
<td>Civil Society and Private Sector Management of Natural Resources</td>
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<td>Management</td>
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<td>Programme monitoring</td>
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<td>Annual consultation</td>
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<td>Short term TA inputs</td>
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<td>Programme Steering Committee meeting</td>
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<td>Reporting and work planning</td>
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<td>Annual workplans and budgets</td>
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<tr>
<td>Half-yearly progress reports</td>
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<tr>
<td>Possible technical and financial reviews</td>
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<td>Supervision missions</td>
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<td>Joint Annual Reviews</td>
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</table>
• Refining and expanding the impact and performance indicators and the means of verification.
• Preparing work plans for FY 2010/2011, and indicative rolling plans for the three year programme period in accordance with the GoK planning cycle.
• Preparing a framework plan for Technical Assistance.

The implementing institutions will prepare Inception Reports by 1 August 2010. An inception review will be fielded in May-June 2010. The Inception Reports will be the basis for a Joint Inception Review that will assess work plans and budgets and provide recommendations for their implementation. The result of the Joint Inception Review will be a Review Aide Memoire. This will be presented to the Programme Steering Committee for comments.
Annex 1: Draft Terms of Reference for NRM Programme Steering Committee

Introduction and Background
The Governments of Kenya and Denmark have agreed to implement the Natural Resource Management (NRM) Programme in the period 1st January 2010 to 31st December 2014. The main focus of the programme is reduction of poverty through sustainable management of natural resources. The programme will support the demand from community level for technical services from both public and private service providers, and support an appropriate policy and legal framework for management of natural resources.

The overall objective is: ‘Contribute to reduced poverty in the context of Kenya’s Vision 2030 in safeguarding the state of the environment and promoting sustainable management of natural resources.’

The immediate objectives are: i) an enabling environment and regulatory framework for environmental and natural resource management, including climate change, developed and implemented with a poverty orientation; ii) poverty reduction and enhanced food security, reduced livelihood vulnerability and improved natural resource management systems in drought prone and marginalized districts and communities; iii) civil society organisations – including local communities – and private sector service providers are capacitated to support and influence natural resource management, as a contribution towards poverty alleviation.

To achieve the immediate objectives the programme will support three components:

- Environmental Policy Management Component – MEMR, NEMA, OPM
- Support to Arid Lands Resource Management – ALRMP
- Civil Society and Private Sector Management of Natural Resources – CDTF, MESPT-ABD

The first component will support the policy, strategy and institutional frameworks at national level with the goal of building institutional capacity in environmental planning and governance. The second component will support the Arid Lands Resource Management Project (ALRMP), which will be moving into a third phase of support from the World Bank in 2010 with the aim of improving livelihoods in the ASAL areas. The third component will strengthen the capacity of community-based organisations, NGOs and private sector service providers as relevant development partners to support natural resource management at central and local levels. Activities in the third component will be an expansion of the Community Environment Facility (CEF), which will be undertaken jointly with the EC; they will also involve private sector initiatives through the Microfinance Enterprise Programme Support Trust/Agriculture Business Development (MESPT-ABD), currently a component of the Agriculture Sector Programme Support (ASPS). The programme will build on experience obtained from the Environmental Programme Support (EPS), which provided support for similar activities through the Community Development Trust Fund (CDTF).

The budget for the programme is DKK 375 million for the five-year period.
While the three components will be managed by the participating institutions, it has been agreed to establish a lean Programme Steering Committee (PSC) to guide the overall implementation of the programme.

The Programme Steering Committee will meet at least once a year in March, in order to fit into the GoK annual planning cycle.

2. Mandate and Scope
The NRM PSC will be the formal mechanism for joint decision-making between Government of Kenya and the Danish Representation in Kenya on NRM.

The NRM PSC will ensure that the programme is implemented, outputs achieved and funds managed efficiently and effectively, in accordance with the programme document, the Government Agreement, and other legal documents. Where deviations from the Programme Document are considered necessary, the NRM PSC will make the decision. Programme and component objectives will not be altered by the NRM PSC.

The mandate of the NRM PSC will include: approval of work plans and budgets, overall monitoring of programme activities and outputs, and monitoring of auditing procedures and results. The NRM PSC will also guide component management committees and will ensure that the implementation of the three components within the programme is coordinated internally as well as externally and that synergy between the programme elements is optimised.

3. Composition
Members of the PSC will be:

1. Permanent Secretary, Ministry of Finance
2. Danish Ambassador to Kenya

The heads of the component management committees may be invited to meeting of the PSC, as and when need arises.

4. Special Tasks of the PSC
The special task of the PSC vis-à-vis the overall development and implementation of the NRM includes, but not limited to:

- On the basis of the annual component reviews and progress reports, and assessments of the NRM situation in Kenya, review the structure of the programme and decide upon adjustments to component outputs, and on possible redesign of the programme including the closure and creation of new components. Such decisions will be taken in relation to GoK and Danish procedures for aid management.
- Review and comment on annual progress reports, and where necessary reallocate funds between components based on annual performance and requirements.
- Decide on the use of the budget line for civil society interventions in environmental governance as proposed by the KGSP.
- Decide on the use of the Unallocated Funds as proposed by programme stakeholders.
- Facilitate and determine the theme for an annual national NRM Forum with the participation of all key stakeholders including programme partners, Government institutions, institutions of higher learning, research institutions, the civil society, non-governmental organisations, the private sector and the media.
- Make strategic decisions to ensure the continued coherence between the programme support and sector development.
- Make decisions concerning deviations from the programme document.
- Endorse review Aide Memoires and ensure follow up, including decisions concerning proposed reallocations among components.
- Approve timing and ToR of reviews.
- Approve annual work plans and budgets, revised semi-annual plans, budgets, and requests for funds\(^2\) presented by programme management.
- Monitor overall progress of the programme with a special focus on delays, problems and bottlenecks, including approving progress and financial reports and making decisions on follow-up activities presented by programme management.
- Oversee the implementation of cross-cutting issues as identified in the programme document.
- Oversee audits including approval of the ToR for the annual audit; oversee follow-up on recommendations in the annual audit report presented by programme management.
- Approve revised job descriptions for technical assistance.
- Approve ToR for short-term consultants, if relevant.
- Make decisions on procedure for local procurement issues.

5. Working Procedures
- The PSC meetings will be co-chaired by the Permanent Secretary, Ministry of Finance and the Danish Ambassador to Kenya.
- The Danish Embassy will, for an interim period, act at the secretariat for the PSC.
- The PSC decisions will be made jointly, by consensus.
- The PSC will meet annually or according to needs but extraordinary meetings may be call at the request of any member.
- The secretariat will announce the meetings with at least two weeks’ notice. All documentation for the meetings (work plans, budgets, reports, proposals for adjustments, etc) will be distributed to the members at least one week in advance together with a draft agenda.
- The secretariat will be responsible for drafting the minutes of the PSC meetings and distributing these to all participants within a week after the meeting. The PSC will approve the minutes at the next meeting.

\(^2\) These and other documents must be presented by the programme management in a brief, concise and executive form to facilitate strategic decision-making by the PSC.
Annex 2: Addressing Gender Equality in the NRM Programme

Entry Points for further consideration during the annual work planning session

Natural resources underpin the national and subsistence economies in Kenya, yet their contribution to wealth creation and poverty reduction remains under-developed. The ongoing degradation and unsustainable use of the existing natural resources threatens vulnerable habitats and biodiversity as well as livelihoods and long-term food and income security for a large proportion of Kenya’s population.

Gender equality is an integral component of Danish Programme Support. It is in this regard that the Danida NRM programme in its overall objective ‘Contribute to reduced poverty in the context of Kenya’s Vision 2030 in safeguarding the state of the environment and promoting sustainable management of natural resources’ intends to contribute towards gender equality in the management of natural resources for sustainable development in Kenya.

Gender equality, i.e. equality between men and women, herein refers to equal rights, control of and access to natural resources, as well as equal opportunities to achieve political and economic influence over natural resources for both women and men.

In Kenya, women are still largely absent at all levels of policy formulation and decision-making in natural resource management. This is evidently seen right from the local/village to national levels.

It is important to note that gender equality within the environment sector in Kenya can only be considered by strengthening the institutions, human capacity and communities in understanding the concepts and modes of operationalising mainstreaming. To achieve gender equality in the NRM programme, a two-pronged methodological approach will be utilised:

i. Gender related issues will be mainstreamed at all levels of interventions within the programme. This therefore implies that at all levels women and men’s rights, access, decision making and opportunities will be considered as part of intervention efforts.

ii. Special interventions addressing gender related concerns in NRM will be created in support of fundamental structural changes in related institutions, policies, legislation, as well as to promote women’s role, access, participation and decision making processes in management and sustainable use of natural resource.

Recommendations for prioritisation of entry points for gender mainstreaming within the NRM Programme

The NRM programme will have provisions to support the implementation of gender equality activities in each component. Special interventions will be made as deemed necessary in each component so as to strengthen opportunities of improving gender equality in the programme. The following outputs and activities in order of priority are key entry points that should be considered both during the inception phase and at each annual work planning sessions:
Strengthened capacities of key institutions within the programme for enhanced gender data collection, dissemination and information coverage and application, in support of planning, monitoring and evaluation of gender activities. Proposed activities to be considered are as follows:

- Technical assistance in support of gender mainstreaming of institutional policies, strategies, plans and programmes, e.g. Engendering the MEMR, NEMA & OPM strategic and action plans, MTEP and MTEF, i.e. inclusion of gender-related indicators.
- Technical assistance in developing gender-related guidelines: i) in support of annual work planning; ii) calls for proposals for CDTF; iii) training in developing gender responsive budgets – across the board in all key institutions.
- Developing gender-responsive communication strategies/action plans/related materials, e.g. developing gender-related materials as part of raising awareness in the Environmental Education and Awareness Initiative of MEMR & NEMA, use of print and electronic media in highlighting gender concerns on various environmental issues, e.g. support in engendering CDTF communication strategy and materials.
- Provisions for setting up systems for the collection and analysis of sex-disaggregated data in all institutions that are supported in the programme.
- Development of gender-sensitive databases, information and monitoring systems.
- Establishing strategies and mechanisms to increase the proportion of women in decision making within national levels of natural resource management.
- Developing early warning indicators and pilot projects addressing the effects of climate change on communities, especially women and children around depleted resources.
- Proposed interventions promoting women’s and children’s participation in climate change adaptation measures, so as to ensure that the national climate change policy and local community grassroots interventions respond to community needs and knowledge, e.g. increasing women’s knowledge and access to new technologies on adaptation.

Note: MEMR has officially requested UNEP to support them in developing a gender capacity building strategy. Discussions on further collaboration with UNEP in support of gender activities for MEMR will be followed closely.

Gender equality issues effectively and efficiently addressed as part of support to arid lands resource management. Proposed activities to be considered are as follows:

- Establishing strategies and mechanisms to increase the proportion of women in decision making within decentralised and local levels of natural resource management, e.g. to develop and support forums and committees in which women can participate.
- Documenting gender issues in environmental education, public participation and awareness strategies, e.g. NEMA environmental education and awareness initiative materials.
- Addressing gender issues in local level public consultation processes of EIAs, e.g. NEMA enforcement and compliance responsibilities.
- Tailor-made training programmes of staff and committees at decentralised levels on gender mainstreaming, e.g. provincial and district level environment coordination committees, ALRMP and CDTF staff and programme implementation committees.
- Development of gender guidelines and criteria assessment tools for programme design and implementation – CDTF calls of proposals, project implementation assessments.
Proposed interventions promoting women’s and children’s participation in climate change adaptation measures so as to ensure that the national climate change policy and local community grassroots interventions respond to community needs and knowledge, e.g. increasing women’s knowledge and access to new technologies on adaptation.

Proposed interventions promoting women’s and children’s participation in undertaking renewable energy measures so as to ensure that local community grassroots interventions respond to community needs and knowledge, e.g. increasing women’s knowledge and access to new technologies on renewable energy.

Providing skills in project and business management of nature-based enterprises for rural communities, especially women and youth.

Note: The World Bank has supported the development of a gender strategy for the ALRMP, which this programme will also support, in addition to promoting the abovementioned proposed additional activities. The EC is also keen about addressing gender issues in CDTF. Further harmonisation of actual gender related activities will be undertaken once their Programme Document is completed.

- Enhanced support to civil society groups in addressing gender equality and advocacy initiatives for the inclusion of gender in environmental policies, management and related natural resources development initiatives. As part of support to civil society, the programme will provide further skills in undertaking advocacy on gender-related issues in key environmental areas of concern.
Annex 3: Climate Change Policies and Strategies in Kenya

Across Kenya, the effects of current climate variability and future climate change are wreaking havoc not only on human and animal health, but also on agriculture, water supplies, transport, tourism, and hydropower generation. A consensus has emerged that there is a linkage between the warming of the Earth’s atmosphere and the multiple impacts. The vulnerability to climate change is also depending on the sensitivity to climate change. Climate change becomes a risk amplifier for existing development challenges such as poverty, HIV/AIDS, deforestation and lack of land management, governance problems and population growth.

Climate Change Institutions

A Climate Change Coordination Unit (CCCU) as part of Sustainability Unit has been established at the Prime Ministers Office (PMO) with an initial support from the Embassy of Denmark. In line with the supervisory function of the PMO, the aim of the Unit is to provide high level political support to climate change activities in Kenya through support to the Ministry of Environment and Mineral Resources. In addition to leveraging financial support to the Climate Change arena, the Unit is to assist in harmonizing on going and future activities in order to assist in the integration of climate change into other Government Departments and sectors.

Ministry of Environment and Mineral Resources MEMR has a Department of Multilateral Environmental Conventions within the Directorate of Environment. The Department of Conventions is directly in charge of UNFCCC and the overall goal is also to provide directions to among other conventions including Biological Diversity, and Combating Desertification. There are plans to form a Climate Change Office within the Conventions Department, which will coordinate all issues and institutions pertaining to climate change, and a position of an Environment Secretary in charge climate change is also considered.

Currently the National Environmental Management Authority (NEMA), under the Ministry of Environment and Mineral Resources (MEMR), hosts the Designated National Authority (DNA) responsible for approving Climate change mitigation (CDM) projects under the Kyoto protocol.

There is also an Inter-Ministerial Committee on Environment (IMCE), commonly referred to as the National Climate Change Activities Coordination Committee (NCCACC), which comprises of a cross-departmental and sector committee including key Ministries, academic and research institutes, NGOs and the private sector. NCCACC is poorly coordinated and managed, as such it lacks focus.

National Climate Change Response Strategy

To address impact of climate change, the ministry of environment is about to finalize a participatory National Climate Change Response Strategy (NCCRS) that will mainstream climate change throughout economic sectors and ensure coordinated implementation of climate change mitigation and adaptation activities. The NCCRS will be launched early December 2009 prior to Copenhagen COP 15 meeting. The NCCRS includes a costed Plan of
Action, an institutional framework (see organisational chart below), and a Resource Mobilization Plan.

Kenya will develop and implement a climate change policy because of two main reasons:

1. In a number of articles, the UNFCCC obligates Kenya to develop a climate change policy. Article 3(3) of the UNFCCC obligates parties to, among other things, develop policies to deal with climate change that are cost-effective so as to ensure global benefits at the lowest possible cost. Article 3(4) also obligates parties to the UNFCCC to develop policies and measures to protect the climate system against human-induced change and goes further to state that such policies should be appropriate for the specific conditions of each country and should be integrated with national development programs. Further, Article 4(2) (a) and (b) obligates parties to adopt national policies and corresponding measures to mitigate climate change by limiting anthropogenic emissions of greenhouse gasses. On the other hand, Article 4(2) (e) enjoins parties to identify or periodically review their policies and practices which lead to greater levels of emission of greenhouse gasses. As a signatory to UNFCCC, Kenya is legally obligated to have and implement a policy on climate change.

2. A review of Kenya’s policies discloses that Kenya has a number of environment-related policies (governing various environment sectors) such as the Wildlife Policy (Sessional Paper No. 3 of 1975) and the Food Policy (Sessional Paper No. 3 of 1993). However, the sectoral policies do not recognize climate change as a risk. Kenya came closest to making a comprehensive environmental policy when it created Sessional Paper No. 6 of 1999 on Environment and Development, but an analysis of the policy reveals that it does not adequately recognize or address climate change (mainly because it was not identified as an issue one decade ago). Climate change does not appear among the key environmental subjects of the policy; neither is climate change adaptation and mitigation addressed as an issue in the policy. Needless to state, many of the climate change mitigation and adaptation actions that Kenya agreed to, especially in Article 4 of the UNFCCC remain outside of any environmental or other policies in Kenya. Therefore, there is no proper policy framework to address climate change in Kenya.

The NCCRS proposes the establishment of a Climate Change Commission that will coordinate all climate change activities including mainstreaming of adaptation and mitigation in all the sectors of the economy. The Climate Change Commission to be based at the Ministry of Environment and Mineral Resources will be entrenched in the constitution and will be headed by a chief commissioner who will have convening powers. An alternative option is to place the Climate Change Commission in the PMO.

Such a body should be disciplinary and divided into sections dealing with various climate change matters, with a supervisory board or committee. For example, the Meteorological Department, which is already under the Ministry, could form part of the commission/division and focus on matters of scientific research and analysis. Other sections could be created, for example, one of them could be in charge of emissions trading and carbon financing. The commission/division cannot work in isolation. It could work with such existing bodies as NEMA and designate responsibilities or collaborate as necessary. For example, NEMA already has an environment education and training division. It could be allocated some of the work involving education, training and public awareness on climate change, if its capacity allows, with supervision by the climate change commission/division of the ministry.
Current and planned organization of ‘climate change’ in the Government of Kenya (2009)

**Adaptation, Mitigation and low-carbon development**

The implementation of direct action to address and reduce the impacts of climate change is addressed through several avenues. On the **adaptation to climate change** the effort concerns the immediate vulnerability to climate variability. The immediate vulnerability reflects an **adaptation deficit** and provides a likely scenario that current vulnerability to climate impacts is likely to persist and be amplified with future climate change. Issues related to management of water resources and land as well as food security and all means of reducing or transferring climate change risks are relevant. There is a close linkage with the **disaster risk reduction** and **food security** agendas.

On the **mitigation of climate change** Kenya is moving towards efforts to secure a low-carbon economic development including elements of a ‘green economy’. There are also efforts to address **Reduced Emissions for Deforestation and Degradation** (REDD) aiming at securing the carbon pool in the forests. REDD is an innovative financing mechanism. Kenya has also made some progress with other carbon finance mechanism including the clean development mechanism (CDM) and more widely voluntary agreements for reduced emissions.
Climate change screening of development programmes

Denmark carried out a **climate change screening** of the development cooperation with Kenya in October 2007. It was a direct follow-up from the recommendations of the climate change screening:

- To support the development of a national action plan for responding to climate change (the support to the establishment of the CCCU and to the preparation of the NCCRS is a direct follow up).
- To support an assessment together with DfID of the economic consequences of climate change in Kenya. This work is currently ongoing and will be launched in December 2009 together with the NCCRS.

DfID initiated a climate change screening for Kenya from October 2007 to August 2008 that includes downscaled climate change scenarios for Kenya. The assessment of DFID’s existing overall portfolio was that there is a low risk from climate change, because:

- **Time scales**: significant climate change is not expected before 2020, whereas most existing DFID programmes are due to end within ten years. Climate change therefore poses limited additional risk to the programmes beyond the risk of current climate variability.
- **Nature of investment**: DFID does not typically fund infrastructure projects. Many DFID activities (for example, policy development, training and dissemination) are inherently less exposed to climate risk.