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**Kenya Country Programme  
2016-2020**

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**Thematic Programme for  
Governance**

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**Development Engagement  
Document:**

**Support to the Kenya  
Accountable Devolution  
Programme**

**(World Bank – Multi Donor  
Trust Fund)**

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Dev. Engagement Gov.	Outcome	Outputs
Kenya Accountable Devolution Programme (KADP)	Strengthened devolved governance systems at both national and county level regarding Public Financial Management, Monitoring and Evaluation (M&E) and Planning, Human Resource Management as well as citizen engagement/public participation	<ul style="list-style-type: none"> <li>• Increased capacity to mitigate the fiscal risks of devolution.</li> <li>• Strengthened County Public Financial Management capacity.</li> <li>• Enhanced performance management of counties</li> <li>• Policymaking informed by analysis, evidence and practical experiences of citizen engagement from Kenya and globally.</li> </ul>
<b>Budget</b>	<b>Partner</b>	
The Danish support amounts to DKK 30 million  The overall budget of the Trust Fund, based on current commitments, but including Danish funds, is DKK 81 million.	The World Bank; more particularly the devolution team Other development partners (DPs) contributing to the Multi-Donor Trust Fund are: DFID, EU, Finland, Sweden and USAID.	
<b>Management arrangements</b>		
KADP is funded through a Multi-Donor Trust Fund (MDTF) managed by the World Bank. The KADP governance structure includes a Steering Committee (SC), comprising of the WB and contributing development partners. This committee consists of the heads of the DP agencies in Kenya and the World Bank Country Director. The Government of Kenya can be invited to attend SC meetings but is not a standing member of the SC.		
<b>Description</b>		
The programme provides support to capacity development by providing short and long term Technical Assistance (TA), training as well as it may commission analytical work to and for the stakeholders of devolution, such as the Ministry of Devolution and Planning and the Council of Governors. Parts of the support will be in the shape of Recipient Executed Trust Funds where funds are forwarded to institutions like the Kenya School of Government. The programme include the following components and activities: ‘Analysing and managing the macro fiscal impacts of devolution’ – building understanding of sub-national expenditures for assessing how devolved public expenditure management is affecting county and national fiscal health; ‘Support Public Financial Management, Procurement, and Public Sector Management capacity building’ - development of PFM training modules and operational manuals; ‘Develop performance management systems’ – strengthening M&E and performance management of the counties; ‘Strengthen mechanisms and capacity for engagement of citizens in local service delivery’ - providing analysis and TA for the county governments to set standards and build mechanisms and capacity to manage public participation; and ‘Enhance service delivery in devolved sectors’ – provision of support to conduct analysis, TA, capacity development, and knowledge sharing that should improve the delivery of devolved services, e.g. health, agriculture, water & sanitation and private sector development.		

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## Abbreviations

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CDS	Centre for Devolution Studies
CoG	Council of Governors
CP	Country Programme
Danida	Danish International Development Assistance
DED	Development Engagement Document
DFID	Department for International Development (UK)
DKK	Danish Krone
DP	Development Partner
DSWG	Donor Sector Working Group
EU	European Union
GDP	Gross Domestic Product
GoK	Government of Kenya
IFMIS	Integrated Financial Management Information Systems
KADP	Kenya Accountable Devolution Programme
KES	Kenyan Shillings
KSG	Kenyan School of Government
M&E	Monitoring and Evaluation
MDTF	Multi-Donor Trust Fund
MDKK	Million Danish Kroner
MED	Monitoring and Evaluation Department
MoDP	Ministry of Devolution and Planning
MTR	Mid-Term Review
MUSD	Million US Dollar
NCBF	National Capacity Building Framework
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PFMR	Public Financial Management Reform
RBM	Results Based Management
RETF	Recipient-Executed Trust Fund
SC	Steering Committee
SWG	Sector Working Group
TA	Technical Assistance
USD	United States Dollar
WB	World Bank

## **Internal Development Engagement Document Kenya Accountable Devolution Program**

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### **1. Introduction**

- 1.1 The present development engagement document details the objectives and management arrangements for the development cooperation concerning the support to the Kenya Accountable Devolution Program (KADP).
- 1.2 This document is not a legal document between the parties. It serves as an internal Danida management document. The Danish support is part of the Danida Thematic Governance Programme 2016-20 under the Danish country programme for Kenya.
- 1.3 The cooperation is regulated by the Administration Arrangement (henceforth the “Administration Arrangement”) between the Kingdom of Denmark and the International Bank for Reconstruction and Development and the International Development Association concerning the Kenya Devolution partnership Facility Multi-Donor Trust Fund.
- 1.4 The development engagement document outlines Danish support in the form of core funding to Kenya Devolution partnership Facility Multi-Donor Trust Fund of DKK 30 million for the implementation of Kenya Accountable Devolution Program. The support covers the period January 2016 to June 2020.<sup>1</sup>

### **2. Parties**

- 2.2 The Danish Embassy, Nairobi and International Bank for Reconstruction and Development and the International Association, i.e. the ‘World Bank’ (WB).

### **3. Documentation**

- 3.1 The Administration Agreement “Annex 1 Kenya Devolution Partnership Facility Trust Fund Description”, outlines the objectives and the components of the program.
- 3.2 The KADP Programme Document dated 16 December 2014<sup>2</sup>. The content of the Programme Document can change from time to time to reflect the most current operating environment of the KADP, using the procedures described in Section B2 of the Programme Document.

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<sup>1</sup> The KADP Trust Fund end date is December 31, 2019

<sup>2</sup> The PD will be updated in December 2015 as part of an overall process factoring in new commitments.

#### **4. Brief description of the World Bank Kenya Accountable Devolution Program**

KADP is fully integrated in WB structures. KADP implementation is embedded in the World Bank Country Partnership Strategy for 2014-2018, as an integral part of the overall Kenya program on devolution and devolved service delivery. The devolution team coordinates and works closely with and across other WB networks. The team consists of 4 full time staff, and 10 staff who devotes part of their time to the devolution team.<sup>3</sup>

The current phase of KADP is funded through a Multi-Donor Trust Fund (MDTF) and is active as of end 2014 until end 2019. The Multi-Donor Trust Fund is managed locally. This makes it easier to adjust locally, better reflect Kenyan devolution priorities, makes it easier to take on board additional funding and DPs, and to adjust activities, expected results and budgets.

The WB devolution team works closely with the Government actors that are key, not only to the devolution process as such, but also the other areas of the Kenya Country Programme. This includes the Kenya School of Government (KSG) and its Centre for Devolution Studies (CDS) where the support shall contribute to a recipient-executed Trust Fund (RETF) managed and implemented by the KSG to roll out the county PFM modules and Public Expenditure and Financial Accountability (PEFA) Academy. It also includes the Council of Governors (CoG) and the Monitoring and Evaluation Department in the MoDP (MED) for developing county performance management systems and County M&E Guidelines. The MED is the capacity building arm of the national government in M&E, and it is best placed to provide overall guidance and support on M&E to the counties while ensuring it is in line with national standards. Furthermore the KADP will provide support to actors within the devolved sectors to conduct analysis, develop capacity and knowledge should the improve delivery of devolved services, e.g. health, agriculture and private sector development

#### **5. Background and Theory of Change**

##### **5.1 Context**

In 2010, Kenya enacted a new Constitution that created 47 county governments. The onset of devolved government in Kenya has resulted in sweeping changes in public sector operations countrywide. In March 2013, 47 new county governments were established, with elected governors and assemblies. Devolution represents a major transformation of Kenya's governance and institutional arrangements, as it attempts to address decade old inequalities and disparities between regions by transferring both additional resources (and discretion over the resources) and decision making power to the decentralized levels. The Constitution also envisages a more inclusive role of citizens through social accountability mechanisms at all stages of the county planning/budget processes. The National Government is accountable under the Constitution (6<sup>th</sup> Schedule) to facilitate the devolution of power and assist county governments in building their capacity to govern effectively.

Kenya is faced with the challenge of changing the devolution of functions while at the same time building basic institutional capacity at local government level for planning, PFM, Human Resource Management, and other core government functions. At the same time, there are high expectations about the capacity of the new Counties to engage with citizens.

Devolution remains work in progress. For instance are there functions that remain to be devolved and transferred, including resources that follow the functions. Furthermore funds disbursement is delayed which hampers service delivery to the citizens. The needs for civic education, capacity development and an increase of public participation in governance and the budget making have been highlighted.<sup>4</sup> Staff

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<sup>3</sup> As per May, 2015.

<sup>4</sup> Joint Communiqué, Second Annual Devolution Conference, April 2015, Council of Governors & Ministry of Devolution.

recruitment is still in progress and capacity development in order to function more effectively will be required across most line ministries. The Ministry of Devolution and Planning has developed a National Capacity Building Framework through which development partners are expected to coordinate and channel their support for capacity development. In November 2013, the National Government released a National Capacity Building Framework (NCBF) in response to an “uncoordinated and fragmented approach to capacity building”. The NCBF is currently being reviewed. This indicated that devolution is an evolving process that requires flexibility when providing support to it.

## 5.2 Justification including lessons learnt

The Strategy for Denmark's development cooperation “The Right to a Better Life” emphasises the importance of democratic institutions, and increased capacity and decentralisation in the public sector. The KADP DED is relevant in relation to the Strategy; its human rights based approach and its four fundamental principles of Non-discrimination; Participation and inclusion; Transparency; and Accountability. This DE complements the Public Financial Management Reform DE with support to the development of necessary capacity at the county level. As for transparency and accountability access to information is an integral element in the human rights-based approach. The DE shall strengthen capacity of the Counties to ensure that decision makers and the administration can be held to account including promoting access to information as a means. Transparency and accountability are enabling factors for participation and inclusion of citizens in public decision-making and administration. The KADP has a strong focus on citizens’ participation in planning, budgeting and implementation. The Strategy for Denmark's development cooperation sees the fight against corruption as part of promoting good governance and the development of democratic institutions. The devolution of functions, powers and finances imply the devolution of fiduciary risks. Although not an explicit objective or intervention area of the KADP the strong emphasis on transparency and accountability coupled with the support to increased capacity in county public financial management and county performance, can be seen as anti-corruption measures. The program also shows ambitions to have gender equality aspects reflected in both results and their indicators.

Danida strives to make use of funding baskets and delegated partnerships with like-minded development partners. In addition Danida aims to work with a limited number of engagement partners. Working with KADP not only ensures donor coordination, but allows the Danish Embassy to work with multiple Ministries, Department and Agencies including both levels of government, through one partner. This helps Danida to reduce the number of stakeholders to coordinate and manage, while still being effective in providing support to the key interlocutors of change in the country.

There are other major development partner supported development interventions in support of Kenya’s devolution endeavours<sup>5</sup>. Some development partners (such as DFID, Sweden and the EU)

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<sup>5</sup> The other big multilateral devolution intervention is the UNDP program Making Devolution Work that should help the national and county governments to have i) the capacity to strengthen the legal and institutional framework for a coordinated and effective transition to the devolved system of government and; ii) appropriate regulatory framework to enable the implementation of responsive, accessible, participatory, equitable, transparent, and accountable service delivery systems (Making Devolution Work: An integrated UNDP Support Program to the Devolution Process in Kenya Project Document, 2014-2018). The four year program (2014-2018) has a budget of 35 MUSD, whereof 7.6 MUSD are currently committed. The USAID programme AHADI is a five year devolution program aimed at improving service delivery and increase civic engagement in the devolution process. It is a cross sectorial program addressing both national and county level structures. Subject to the availability of funds the programme budget is 50 MUSD over five years (2014-2019). The EU Instrument for Devolution Advice and Support (IDEAS) has for specific objective “to support central and county capacities in the responsible transfer and use of resources for the achievement of local economic development at the county level”. The four year program (2015- 2019) has a budget of 28.6 Million Euro (whereof a share is channelled through the KADP MDTF).

have chosen to provide their support to more than one initiative, both providing support to a UNDP managed intervention and KADP. In line with the Danida aim to reduce the number of direct partners the Embassy opted for the KADP as it was seen as the most relevant, efficient and effective way to support Kenya's devolution process. In terms of expected efficiency the assessment is that choosing the WB as implementing partner reduces fiduciary risks as well as it is an up and running program that builds on the previous phase. KADP also leverages support across the WB's portfolio as KADP supports sector lending operations. In terms of relevance with a bearing on the overall CP, the KADP has a stronger focus on the core areas of interest to Danida, e.g. PFM and M&E. In addition, KADP is regarded very favourably by government, where many development partner engagements have not been successfully adopted. This means that alignment with government priorities is high. In addition to the consultations with national level government, the outlined program priorities/activities have also been informed by extensive dialogue with counties, both individual counties and the Council of Governors, throughout the implementation of KADP.

With the augmentation of Donor funding the scope and reach of KADP will increase. The Danida financial contribution will in itself make a significant difference<sup>6</sup>. Other than make program bigger and augment the likelihood of more results the role of Danida is to ensure that the program potential of a Human Rights Based Approach and the principles of transparency and accountability is realised.

The Embassy has hitherto not provided support to the devolution process on a larger scale. This means that the Embassy cannot build on first-hand achievements and experience from a devolution program per se. However, the current support to the PFM reform accommodates the changes brought about by devolution as does the Health Sector support. Management of the health sector under a devolved system has resulted in new institutional and management arrangements responsible for planning, coordinating and managing the delivery of primary health care mandate and services at the county level. This begs fully functional management systems and institutional frameworks for the implementation of devolved primary health care services. The lesson-learnt from these programs is that there is need to help accelerate the implementation of Kenya's devolution process and hence the choice to complement the Public Sector Management portfolio.

The previous phase of KADP has contributed to a number of results. Key outputs include: Analysis of the costs of devolved functions versus available revenues across the counties; Development of model county revenue laws; County PFM training modules (budgeting, accounting, procurement, auditing) developed under the NCBF in collaboration with National Treasury and KSG; On-demand TA provided to requesting counties to develop 2014/2015 county budgets and build citizen participation in budget preparation; Review of requirements for citizen participation in planning, budgeting, monitoring, policy making, based on Kenya's legal framework – conducted and disseminated. Options on provisions for transparency and participation included in draft PFM regulations; Social accountability measures in local health facilities strengthened within Kenya Health Sector Support Project; and MoDP and Council of Governors supported to develop county performance system and open data platforms to provide information on county priorities and county performance.

The achievements so far have together with the lessons learnt from the previous KADP phase informed the current design. The lessons-learnt include: 1) A considerable investment in outreach is needed to build client engagement, particularly during a time of major policy and institutional reform; 2) The most efficient and effective coordination is reached through using existing coordination mechanisms, such as the DSWG; 3) Bank-executed TA has greater impact where it is closely linked to larger Government-executed development programs (including ongoing and new IDA lending operations) that have the resources, scale, and mandate to operationalize TA and analytical findings; 4)

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<sup>6</sup> In December 2014 total commitments stood at 11.4 MUSD. A Danida contribution of 30 MDKK (approx. 4.5 MUSD) is thus an increase with about 40%. Since then other donors have indicated likely increases in their support.



KADP-supported analysis and TA linked to ongoing WB-financed projects in community development, health, and agriculture had relatively good uptake. 4) Flexibility and re-prioritization during implementation are critical.

There are mutual synergies with other Kenya CP DEs, most directly with the support to the Public Financial Management Reform (PFMR) reform. Although the entry point here is at the national level, many of the national institutions involved in the PFMR interact with the county level. The DE "Support to Human Rights, Access to Justice and Equality" contributes to three strategic human rights concerns; access to justice, gender equality, non-discrimination and rights protection. The Ministry of Devolution and Planning is one of the partners involved in implementation. The DE "Support to Civil Society" should i.e. result in increased capacities for civil society organisations to engage with county level government in decision making processes regarding planning, budgeting & oversight. The KADP should also contribute to the Thematic Health Program. There is need to continue supporting the strengthening of PFM structures as well as the planning capacity.

### 5.3 Narrative for Theory of Change

The KADP is about improving knowledge and capacity of national and county level stakeholders to implement a successful devolution process, and to help build the accountability relationship between the new county governments and Kenyan citizens for improved efficiency and development results. The central concept behind KADP is that the performance of subnational government in Kenya can be improved at this time when a new level of government has been created. As the new Counties are being staffed and equipped, there is the opportunity to install systems and to provide skills and knowledge that allow the Counties to provide services efficiently, effectively and with accountability to all citizens, including the poor. The basic theory of change underlying KADP is therefore that providing inputs, including gender analysis and focus on marginalized and vulnerable groups, into the process of building systems and capacity at County level will lead to better services for citizens and improved conditions for economic development and poverty reduction.

The expected impact of KADP is "improved wellbeing for citizens in Kenya, including reduced poverty and increased shared prosperity" and the expected outcome, beyond the KADP intervention itself, is "improved county performance". The KADP intermediate outcome statement is "Strengthened core<sup>7</sup> devolved governance systems at both national and county level"<sup>8</sup>. Contributing towards these effect level results are outputs delivered within six components, whereof the first five are of particular interest to this Danida DE<sup>9</sup>.

- *Analysing and managing the macro fiscal impacts of devolution.*

About 20 percent of public spending is now by counties which, based on early findings, are struggling with planning, budgeting and executing budgets. Analysis has been constrained by data gaps. Understanding the fiscal situation of counties gives an overall picture of the counties' overall and individual financial health and helps to analyse problems. Understanding of sub-national expenditures is critical for assessing how devolved public expenditure management is affecting county and national fiscal health, as well as how county expenditure management is contributing (or not) to county and national development goals.

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<sup>7</sup> This denotes Public Financial Management, Monitoring and Evaluation (M&E) and Planning, Human Resource Management as well as citizen engagement/public participation

<sup>8</sup> The WB Results Based Management (RBM) model means that the KADP contributes to the intermediate outcome, but the outputs of the KADP are not alone sufficient to achieve it.

<sup>9</sup> The last (Knowledge and learning, communication, and monitoring and evaluation, and program management) is mainly focused on managing the KADP Trust Fund as such.

- *Support PFM, Procurement, and Public Sector Management capacity building at county level*

A sound PFM system is a fundamental foundation for an efficient provision of public services. The devolution of responsibilities to county governments increased four-fold the share of resources to be managed outside of the central administration. The intervention area includes the development of a long-term programmatic approach to institutional capacity development for county governments through the development of further PFM training modules and operational manuals. This component includes support for the Centre for Devolution Studies, a program of the Kenya School of Government, to develop its capacity to deliver PFM training and TA to individual counties. The component will also see a simple adaptation of the PEFA framework to provide a basis for measuring the performance of county PFM systems (including appropriate measures of procurement and social accountability systems).

- *Develop performance management system across and within county governments.*

Strengthened M&E and performance management systems will allow counties to manage more effectively for development results and respond more effectively to demand for better value-for-money in county programs and projects. It will also allow the counties to implement their CIDPs more effectively. Firstly, building on demand from MoDP/MED and KSG the KADP will help update the training materials on M&E/performance management for the courses in the NCBF that are delivered by the KSG and in-county support by the MED capacity development team. Secondly, the KADP will support the roll-out of the designed county performance system to additional selected counties. Lastly, in cooperation with the Council of Governors and the Kenya Bureau of Statistics, the KADP will continue the engagement on data curation support to the county open data initiative, including gender data and further development of citizen outreach.

- *Strengthen mechanisms and capacity for engagement of citizens in local service delivery*

Kenya's Constitution and legal framework place a strong emphasis on public participation and transparency. Under KADP, the WB is providing analysis and TA focused primarily on helping national and county governments set standards and build mechanisms and capacity to manage participation in core county development processes – such as planning, budgeting, expenditure management, procurement, and monitoring and evaluation. This includes: Capacity building support to help government conduct effective public participation, civic education to build awareness of government and citizens on new roles and responsibilities, and; Encouraging civil society to coordinate devolution support and monitoring around priorities that reflect the voice of key Kenya constituencies (including marginalized and vulnerable groups).

- *Enhance service delivery in devolved sectors*

This program area will provide additional support to conduct analysis, TA, capacity development, and knowledge sharing that should improve the delivery of devolved services, e.g. health, agriculture, water & sanitation and private sector development. Activities include: Identifying and addressing disconnects between devolved sector responsibilities and funds; Support devolved sectors to identify and address key bottlenecks to devolved service delivery; Policy and legal framework; Support for refining the national and county legal and policy framework for sectors; and Support to sectors to develop conditional grants frameworks for transfers from national to county governments, including those related to donor programs.

Assumptions include the following. 1) There is continued political ownership of devolution and will to build on the momentum created by the Constitution 2) There is continued commitment by both the national and county governments to maintain Public Finance Management (PFM) reform with a view to increase transparency and accountability in the use of public funds: 3): Donor disbursements are made in time and are sustained.

## 6. Development Engagement Objectives

The overall vision for the partnership is to support the Government and people of Kenya in implementing their *Vision 2030* to create ‘a globally competitive and prosperous country with a high quality of life by 2030’.

The Thematic Governance Programme Objective is: Implementation of the Constitution and consolidation of an accountable, inclusive, and participatory democracy based on increased stability.

The objective is seen as having three major intervention areas: Public sector effectiveness; Democratic practices; and Peace, security and stability. This DED primarily responds to the first two areas.

### 6.1 Outcome

The expected outcome of this Development Engagement is: Strengthened devolved governance systems at both national and county level regarding Public Financial Management, Monitoring and Evaluation (M&E) and Planning, Human Resource Management as well as citizen engagement/public participation.<sup>10</sup>

### 6.2 Outputs:<sup>11</sup>

**Output 1:** Increased capacity to mitigate the fiscal risks of devolution.<sup>12</sup>

**Output 2:** Strengthened County Public Financial Management capacity.<sup>13</sup>

**Output 3:** Enhanced performance management of counties<sup>14</sup>

**Output 4:** Strengthened capacity of counties to engage citizens.

## 7 Results Framework

**7.1** The WB devolution team is responsible for monitoring and reporting on the progress and performance of the KADP using its own results framework and M&E system as detailed in Section 12 below. The Danish Embassy will use the following results framework matrix with a limited number of outcomes, outputs and indicators for the purpose of reporting on progress and performance to the Danish constituency. The selection is based on Danida priorities and the availability of adequate and appropriate indicators. Data to inform the reporting will be based on the KADP M&E system.

**7.2** Progress and performance will thus be measured by the following key outcome and output indicators. There will be an MTR in 2017 to take stock of the current relevance and design of the KAPD. This is partly due to the elections in 2017, partly to the fast changing nature of devolution.

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<sup>10</sup> This is derived from the KADP intermediate outcome statement: “Strengthened core devolved governance systems at both national and county level” where the meaning of ‘core’ is defined as “Public Financial Management, Monitoring and Evaluation (M&E) and Planning, Human Resource Management as well as citizen engagement/public participation”. The WB RBM model means that the KADP contributes to the intermediate outcome, but the outputs of the KADP are not alone sufficient to achieve it (the Results Framework model contains two higher results levels; Outcome and Impact).

<sup>11</sup> The PD ‘output results’ are not worded as outputs. This is a proposal based on the PD.

<sup>12</sup> Through analysis of the new inter-governmental fiscal framework (including transfer of functions of funds).

<sup>13</sup> Through training of staff and support of selected HR policy issues

<sup>14</sup> Building effective and transparent county performance management and open data systems that allow citizens to engage on results.

<b>Outcome</b>	<b>Strengthened devolved governance systems at both national and county level regarding Public Financial Management, Monitoring and Evaluation (M&amp;E) and Planning, Human Resource Management as well as citizen engagement/public participation.</b> <sup>15</sup>		
Outcome indicator 1	Adherence by counties to fiscal discipline rules and regulations (measured by increased credibility of the budget, e.g. discrepancy between planned and executed budget outturn).		
Baseline		2016	5% improvement in aggregate (compared with 2015)
Target	Year	2017	5% improvement in aggregate (compared with 2016)
Outcome indicator 2	Share of counties using the County Performance Monitoring Tool (updates system with timely data including gender disaggregation where applicable , produces progress reports, hold regular meetings)		
Baseline		2016	15%
Target	Year	2017	20%
Outcome indicator 3	Counties with integrated citizen participation in planning, budgeting, procurement and M&E processes.		
Baseline		2016	20%
Target	Year	2017	40%

<b>Output 1</b>	<b>Increased capacity to mitigate the fiscal risks of devolution.</b>		
Output indicator 1.1	Subnational Public Expenditure Reviews (PER)s undertaken (with gender equity focus included) <sup>16</sup>		
Baseline	Year	2016	Prepare county IFMIS data for loading into BOOST
Target	Year	2017	Tool developed and all counties with adequate IFMIS data
Output indicator 1.2	Framework for tracking county poverty, growth and the nexus with jobs		
Baseline	Year	2016	Subnational GDP estimated and model for linking jobs and GDP finalized
Target	Year	2017	Report on poverty, growth and jobs published.
<b>Output 2</b>	<b>Strengthened County Public Financial Management capacity</b>		
Output indicator 2.1	Centre for Devolution Studies’ (at Kenya School of Government) PFM capacity developed		
Baseline	Year	2016	CDS PFM faculty operational
Target	Year	2017	CDS PFM courses being offered to county staff
<b>Output 3</b>	<b>Enhanced performance management of counties</b>		
Output indicator 3.1	Common core county performance indicators, with gender data where applicable published on time		
Baseline	Year	2016	70%
Target	Year	2017	80%
<b>Output 4</b>	<b>Policymaking informed by analysis, evidence and practical experiences of citizen engagement from Kenya and globally</b>		

<sup>15</sup> This is derived from the KADP intermediate outcome statement: “Strengthened core devolved governance systems at both national and county level” where the meaning of ‘core’ is defined as “Public Financial Management, Monitoring and Evaluation (M&E) and Planning, Human Resource Management as well as citizen engagement/public participation”.

<sup>16</sup> Using the BOOST platform that is integrated with IFMIS and showing fiscal discipline indicators

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Output indicator 4.1		National standards and policies on public participation developed and rolled out	
Baseline	Year	2016	National guidelines and standards inform public participation frameworks in 10 counties
Target	Year	2017	National guidelines and standards inform public participation frameworks in 20 counties

## 8 Risk Management<sup>17</sup>

The below risk matrix provides an overview of risk level and risk management measures, jointly owned by the Danish Embassy and the KADP. It is not exhaustive and focuses on key risks.

Programmatic Risks						
Risk Factor	Likelihood	Background to Assessment of Likelihood	Impact	Background to Assessment of potential Impact	Risk Response	Combined Residual Risk
Inadequate coordination between national and county governments and absence of shared and agreed priorities for capacity development	Unlikely	Complex environment with several stakeholders that might have conflicting interests and views on priorities	Major	Makes it difficult to align with Kenyan priorities and would lead to sub optimising the support. Would jeopardise achieving the DE expected outcome	Mitigation/Reduction: - WB serves as co-chair of DSWG and actively participates in coordination meetings -KADP was actively involved in the DSWG donor mapping exercise and actively consults with both central ministries (National Treasury and Ministry of Devolution) and Council of Governors. - The Danish Embassy will be invited to the DSWG (that's being widened) and the PFM Sector Working Group (SWG) - MTR of the KADP in 2017 reviewing the relevance and quality of design and to inform potential reprogramming - MTR of the Danida CP and Thematic Governance Program in 2018 may adjust the support.	Minor

<sup>17</sup> The section builds on the Danida Country Programming risk management model. The categories for risk factor likelihood range from Rare, Unlikely, Likely to Almost certain. The risk factor impact assessment ranges from; Insignificant, Minor, Major to Significant. Risk responses are: Avoidance, Mitigation/Reduction, Sharing or Acceptance. The residual risk (that remains after factoring in the effects of the planned risk response) range from Insignificant, Minor, Major to Significant.

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<b>Programmatic Risks</b>						
<b>Risk Factor</b>	<b>Likelihood</b>	<b>Background to Assessment of Likelihood</b>	<b>Impact</b>	<b>Background to Assessment of potential Impact</b>	<b>Risk Response</b>	<b>Combined Residual Risk</b>
Reduced political commitment to the devolution reforms before and after the 2017 general elections and lack of sustained political support to the proposed KADP priority areas.	Unlikely	Political actors might focus attention elsewhere and administration may be endowed with higher degrees of inertia (in 'limbo) and might take time to gain speed after elections as well as real priorities might shift.	Major	Would jeopardise achieving the DE expected outcome	Mitigation/Reduction: - MTR of the KADP in 2017 reviewing the relevance and quality of design to inform potential reprogramming. If there is a significant change in support for devolution, KDPF program will be revised as needed. - Constant political and technical dialogue with GoK. - MTR of the Danida CP and Thematic Governance Program in 2018 may adjust the support	Major
Inadequate absorption of capacity development in the newly formed counties	Unlikely	The need for capacity development is substantial and it may be that the uptake of the supply is lower than required	Minor	Would impact negatively but would not jeopardise DE expected outcome and components would be affected to different degrees	Mitigation/Reduction: - Constant and close dialogue with stakeholders and constant assessment should allow flexibility of approach. - MTR of the KADP in 2017 reviewing the relevance and quality of design and to inform potential reprogramming.	Minor
Vested interests and elite networks push back on accountability and transparency initiatives.	Likely	Some key actors may not stand to benefit from devolution being implemented in a transparent manner	Minor	Would impact negatively but not across the board and would not jeopardise achieving the DE expected outcome	Mitigation/Reduction: - KADP support on PFM Regulations, social accountability measures, and support to civic education and county M&E systems and county-level open data	Minor
Disruption to service delivery in some areas and funds are not used for the intended purposes; do not achieve value for money; and/or are not properly accounted for (fiduciary risk not necessarily in a criminal sense)	Likely	The reforms/devolution is taking place rapidly and there are indications of significant challenges in the present	Minor	It would mean decreased efficiency and value for money but would not jeopardise DE expected outcome.	Mitigation/Reduction: - KADP contains support to assess fiscal risks of the horizontal sharing formula as well as to develop legal frameworks and options for fiscally strapped counties to increase revenues. - Work to strengthen PFM regulations and county PFM capacity also addresses this risk in the medium-term.	Minor

<b>Programmatic Risks</b>						
<b>Risk Factor</b>	<b>Likelihood</b>	<b>Background to Assessment of Likelihood</b>	<b>Impact</b>	<b>Background to Assessment of potential Impact</b>	<b>Risk Response</b>	<b>Combined Residual Risk</b>
Corruption and misuse of WB executed KADP funds (Fiduciary risk)	Rare	Internal control and steering environment and processes assessed sufficient and adequate	Significant	Would it occur it would mean inefficiency	Mitigation/Reduction: - The KADP will use established World Bank procedures for fiduciary oversight.	Minor
Corruption and misuse of KADP recipient executed funds (Fiduciary risk)	Unlikely	Although the WB will make thorough assessments on forwarding of funds, these are likely to be managed where the internal control and steering environment and processes are less rigid than at the WB itself	Major	Would it occur implies inefficiency and waste of funds	Mitigation/Reduction: Funds disbursed through the KADP will use WB procurement systems. For RETFs, the WB remains responsible for fiduciary oversight and ineligible use of funds will have to be restituted to the WB.	Minor

<b>Institutional Risks</b>						
<b>Risk Factor</b>	<b>Likelihood</b>	<b>Background to Assessment of Likelihood</b>	<b>Impact</b>	<b>Background to Assessment of Potential Impact</b>	<b>Risk Response</b>	<b>Combined Residual Risk</b>
Fiduciary risk in terms of corruption and misuse of WB executed KADP funds	Rare	Internal control and steering environment and processes assessed sufficient and adequate	Significant	Would it occur it not only implies inefficiency but entails reputational risk – both to the WB and the Danish Embassy - to an extent that may put whole program and Danish support in peril	Mitigation/Reduction: - The KADP will use established World Bank procedures for fiduciary oversight.	Minor
Fiduciary risk in terms of corruption and misuse of KADP recipient executed funds	Unlikely	Although the WB will make thorough assessments on forwarding of funds, these are likely to be managed where the internal control and steering environment and processes are less rigid than at the WB itself.	Major	Would it occur implies inefficiency and waste of funds and reputational risk – both to the WB and the Danish Embassy. However the degree of reputational risk is lower with forwarded funds.	Mitigation/Reduction: Funds disbursed through the KADP will use WB procurement systems. For RETFs, the WB remains responsible for fiduciary oversight and ineligible use of funds will have to be restituted to the WB.	Minor



## 9 Inputs

### 9.1 Planned inputs, in Danish Million Kroner

Engagement	2016	2017	2018	2019	Total
Annual Danida allocation	15	15	0	0	30
Other Development Partners	20	16	8	7	51
<b>Grand Total</b>	<b>35</b>	<b>31</b>	<b>8</b>	<b>7</b>	<b>81</b>

Activities under KADP are currently programmed against existing commitments from DFID (USD 2.1 mill.), EU (USD 3.2 mill.), Sweden (USD 2 mill.), USAID (USD 1.5 mill.), and Finland (USD 2.6 mill.). There is still scope to expand and deepen these activities with additional financing from other donors, including the Danish Embassy. The current average donor contribution is USD 2.3m. The EU has thus far committed the largest amount. Denmark would with a contribution of 30 MDKK (approx. USD 4.5 Million) be one of the larger contributors.<sup>18</sup> The GoK inputs are in kind, staff, offices, transport and per diems (costs that are not eligible for the MDTF).

The below table provides an overview of the allocation of funds within the programme and also the planned use of the – non-committed – additional funding (subject to SC decisions).

### 9.2 Budget 2015 – 2019 broken down by KADP components<sup>19</sup>

KADP components	Confirmed Budget (USD)	Indicative additional allocation (USD)
1. Understanding and addressing the fiscal implications of revenue sharing and intergovernmental finances	2,050,000	730,000
2. Strengthening public financial management and public sector capacity building at county level	2,429,000	3,550,000
3. Strengthening subnational performance monitoring, county level data quality, and access to information	1,900,000	2,800,000
4. Strengthening public participation / oversight / social accountability mechanisms in county systems and decentralized service delivery projects	2,030,000	2,750,000
5. Enhancing devolved service delivery in sectors	980,000	8,915,000
6. Knowledge and learning, Communication and outreach, M&E, and program management	1,335,000	2,790,000
<b>MDTF Total</b>	<b>10,724,000</b>	<b>21,535,000</b>

## 10 Management arrangement

**10.1** Day to day implementation of KADP will be undertaken by an Implementation Team. Institutionally, KADP is fully integrated in Bank structures, and the devolution team coordinates and works closely with and across other WB networks. The ten members of the

<sup>18</sup> DFID is considering increasing their commitments to KADP and Finland is also considering augmenting its contribution. There is difference between the MDTF total indicative budget and the donor commitments indicated here. This is the result of different dates for the information and changing exchange rates.

<sup>19</sup> As per August 2015.

team are currently mapped to three Global Practices ('Macro and Fiscal Management', 'Governance', and 'Rural, Urban, and Social'). Client relations are broadly managed through focal points by institution and thematic area. In addition to the leadership of the implementation team, the role of the task team leaders includes preparation of the regular reporting on Trust Funds, such as Grant Reporting and Monitoring (GRM) and Letters of Representation.

**10.2** The KADP governance structure includes a SC, comprising of the WB and contributing development partners. This committee will consist of the heads of the donor partner agencies in Kenya<sup>20</sup> and the World Bank Country Director. The latter will co-chair the meetings of the Committee, together with a rotating co-chair from among the donor partners. The Government of Kenya can be invited to attend SC meetings but will not become a standing member of the SC. The SC will meet quarterly, to review progress and give guidance to the team implementing KADP. Specifically, the SC will have the following responsibilities:

- Provide strategic guidance to KADP, based on inputs from GoK counterparts, the Devolution Sector Working Groups, the KADP Implementation Team and experts.
- Discuss and endorse the Annual Work Plan submitted by the implementation team. Prior to endorsement, the draft Annual Work Plans will be shared with the contributing DPs for comments and suggested adjustments.
- Recommend activities to be funded by the MDTF, based on proposals prepared or reviewed by the implementation team.
- Discuss and endorse the annual KADP Progress Report from the implementation team.
- Commission external / independent evaluations of the KADP as agreed in the AAs, assess the recommendations of the evaluators and accordingly provide guidance to the implementation team.
- Discuss any amendments to the Program Document and the AAs for the MDTF and develop a consensus among donor partners for collective decisions.

The Devolution SWG is the general vehicle for coordination. This allows for a structured dialogue between the KADP and the KSG, CoG and the M&E department of MoDP. In addition the WB devolution team coordinates bilaterally with relevant stakeholders

## **11 Financial Management and Audit**

**11.1** Both parties will strive for full alignment of the Danish support to the implementing partner rules and procedures. As a WB Executed Trust Fund, procurement is undertaken using internal WB procurement and fiduciary guidelines and safeguards as stipulated in the standard provisions of the Administrative Agreement.

**11.2** A number of KADP activities will be funded through Recipient Executed TFs (RETF). These are Child trust funds within the MDTF structure in which an amount of funds is handed over

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<sup>20</sup> Or designated representative. It is envisaged that the Head of Mission will attend the SC once a year and devolution leads will attend the regular quarterly review meetings.

to a government or civil society agency that will implement KADP activities based on a Grant Agreement between the World Bank and the Recipient. Such Agreements are established after the World Bank has done an assessment of the capacity of the recipient to manage the funds and execute the activities, and that satisfactory procedures are in place to account for the use of these funds. Throughout the implementation of the RETF, the World Bank will assign a Task Team Leader who, together with support of accounting and procurement experts, will ensure that the funds are properly used and accounted for.

- 11.3 Each donor's contribution will be administered in accordance with the Bank's applicable policies and procedures and in accordance with "General Guidelines for Accounting and Auditing of Grants channelled through multilateral Organisations". Details about the accounting and auditing arrangements of the MDTF, standard provisions, are provided in Annex 2 of the Administrative Agreement.

## 12 Monitoring and Evaluation

- 12.1 The World Bank is responsible for monitoring and reporting on the progress and achievements of the development engagement using the KADP results framework and M&E system. Formal performance reporting will be done once a year.
- 12.2 A mid-term review of the Danida Country Program around the end of 2017 or beginning of 2018 will check progress and performance and the development regarding the risks identified at programme start. It will make recommendations on the relevance and design of the development engagement. This exercise will be informed by the KADP MTR to be undertaken in 2017.
- 12.3 The Danish Embassy shall have the right to carry out any technical or financial mission that is considered necessary to monitor the implementation of the programme.
- 12.4 The Danish Embassy will contract a strategic monitoring support for the entire country programme and all DED partners including WB devolution team will provide data needed to measure progress.
- 12.5 As part of the implementation arrangements for the Danida Kenya Country Program all the Thematic Governance Program Partners will be invited annually for a stock-taking and information sharing workshop. It will i.e. treat achievements, challenges and lessons-learnt.
- 12.6 Danida Copenhagen will carry out Real Time Evaluation during the time of implementing the agreement and Danida will also after the termination of the programme support reserve the right to carry out evaluation in accordance with this article.