Ref. Ares(2015)2381025 - 08/06/2015

# EU Joint Cooperation Strategy in Support of Kenya's Medium-term Plan 2014 - 2017

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## Contents

## ABBREVIATIONS

| | |
|---|---|
| AECF | Africa Enterprise Challenge Fund |
| AFD | French Development Agency |
| APR | Annual Progress Reports |
| ASDS | Agricultural Sector Development Strategy |
| ASDSP | Agricultural Sector Development Support Programme |
| ASP | Arid Lands Support Programme |
| AUC | African Union Commission |
| AusAid | Australian Agency for International Development |
| BMOs | Business membership organisations |
| CBK | Central Bank of Kenya |
| CBOs | Community-based organisations |
| CFSP | Common Foreign and Security Policy |
| CIDA | Canadian International Development Agency |
| CPI | Climate Proof Insurance |
| CSOs | Civil Society Organisations |
| DANIDA | Danish Development Agency |
| DEG | German Investment and Development Corporation |
| DFID | Department for International Development |
| DGDG | Democratic Governance Donor Governance Group |
| DPG | Development Partners Group |
| DRR | Disaster Risk Reduction |
| EAC | East African Community |
| EACC | Ethics and Anti-Corruption Commission |
| EDE | Ending Drought Emergencies |
| EDF | European Development Fund |
| EITI | Extractive Industry Transparency Initiative |
| EPA | Economic Partnership Agreement |
| ERD | External Resources Department |
| EU-AITF | EU-Africa Infrastructure Trust Fund |
| EU | European Institutions and its member states |
| FAO | Food and Agriculture Organisation |
| GDC | Geothermal Development Company |
| GDP | Gross Domestic Product |
| GHG | Greenhouse Gas |
| GIZ | German Development Cooperation |
| GJLOS | Governance, Justice, Law and Order Sectors |
| HDI | Human Development Index |
| HoMs | Heads of Missions |
| IEBC | Independent Electoral and Boundaries Commission |
| IFAD | Kenya Cereal Enhancement Programme |
| IFIs | International Financial Institutions |
| IGAD | Intergovernmental Authority on Development |
| ILBLI | Livestock Index Based Insurance |
| ILRI | International Livestock Research Institute |
| IMF | International Monetary Fund |
| JICA | Japan International Cooperation Agency |
| JKIA | Jomo Kenyatta International Airport |
| JTF | Judicial Transformation Act 2012_2016 |

| | |
|---|---|
| KARI | Agriculture Research Programme |
| KenGen | Kenya Electricity Generating Company Limited |
| KeTraCo | Kenya Electricity Transmission Company Limited |
| KFSSG | Kenya Food Security Surveillance Group |
| KfW | German Development Bank |
| KRDP | Kenya Rural Development Programme |
| LPG | Liquefied Petroleum Gas |
| MAP | Market Assistance Programme |
| MASP | Multi-Annual Strategic Plan |
| MDAs | Ministries, Departments and Agencies |
| M&E | Monitoring and Evaluating |
| MMMB | Miti Mingi Maisha Bora |
| MoA | Ministry of Agriculture |
| MoALF | Ministry of Agriculture, Livestock and Fisheries |
| MS | Member States |
| MSs | Member States |
| MTAP | Medium Term ASAL Programme |
| MTEF | Medium-Term Expenditure Framework |
| MTPs | Medium Term Plans |
| NCAJ | National, Council for the Administration of Justice |
| NCCAP | National Climate Change Action Plan |
| NCOA | |
| NCIC | National Cohesion and Integration Commission |
| NDMA | National Disaster Management Authority |
| NDMA | National Drought Management Authority |
| NGOs | Non Governmental Organisations |
| NIMES | National Integrated Management and Information System |
| NSAs | Non State Actors |
| REA | Rural Electrification Authority |
| REACT | Renewable Energy and Adaptation to Climate Technologies |
| SME | Small and Medium Enterprises |
| SOV | Source of Verification |
| SE4ALL | Sustainability for all Initiative |
| SWGs | Sector Working Groups |
| UK | United Kingdom |
| UNDP | United Nations Development Programme |
| USAID | United States Agency for International Development |
| WASH | Water, Sanitation and Hygiene Monitoring |
| WSPs | Water Service Providers |
| WSTG | Water Sector Technical Group |

# EXECUTIVE SUMMARY

The European development partners present in Kenya - namely the Delegation of the European Union, Denmark, Finland, France, Germany, Italy, the Netherlands, Slovakia, Sweden and the United Kingdom - are **committed to delivering better aid and development results through improved coordination and coherence** of their cooperation strategies in the context of their aid-effectiveness commitments. The commitments made by world leaders including EU Development partners at the past Aid-Effectiveness High level meetings aim at better managing the diversity of donors on the ground.

Through joint programming, the EU (EU institutions and EU member states) have developed the present **long-term vision of their joint development cooperation in Kenya**, reaffirming their support to Kenya's Medium Term Plan II and Vision 2030 and the needs identified therein, leading to greater ownership and alignment to Kenya's policies. This joint strategy reflects the change brought about by Joint Programming in that EU Partners now work together in the identification of priority areas to support and jointly define the way in which this support will be rolled out, also building upon synergies and exploring joint implementation modalities.

The present joint Strategy is based on **values and principles** shared by the European partners and the Government of Kenya to fighting poverty and support inclusive and sustainable growth, guided by principles such as the respect for human rights, democracy, gender equality, as well as non-discrimination, equality, integrity and accountability.

An indicative amount of **€3 billion** will be allocated by EU donors to support the implementation of the Medium Term Plan II and Vision 2030 for the period 2013-2017. Within this overall allocation, the European Development Partners commit to work together in the following **priority areas**:

1. **Agriculture, Rural Development & ASAL (Arid & Semi-Arid Lands)**;
2. **Energy & Transport**;
3. **Democratic governance, justice and the rule of law**;
4. **Water & Sanitation**.

Joint Programming of the EU is aligned to the cycle of the second MTP of Kenya's Vision 2030 covering the period 2013-2017. In order to address these priority areas jointly and in the most effective manner, the EU Development partners present in Kenya have **committed to respond to MTP2 priorities in a coordinated and timely manner**. This entails the sharing of information including systematic and regular consultation among the EU Development Partners when developing their strategies or new programmes and projects using to the extent possible existing coordination mechanisms. The coordinated approach should also lead to greater **transparency and predictability for the Kenyan Government and for all development partners**.

Joint programming in Kenya aims to strengthen collaboration and coordination among EU Development partners towards improved and more effective **dialogue with the Government of Kenya**. An improved coordination, a better division of labour and the efforts to deliver development results jointly should ultimately lead to **an increase in aid-effectiveness** and a **reduction in transaction costs for the Kenyan government**. To this end, the EU commits to implement actions together where relevant and pertinent. A number of joint actions are already being implemented including through modalities such as basket funds, delegated cooperation and blending. Further synergies for joint implementation are being analysed as a result of joint programming.

# 1. TOWARDS JOINT PROGRAMMING IN KENYA

## 1.1. The EU in Kenya

The Government of Kenya (GoK) and the EU have enjoyed a long-standing partnership since Kenya's independence. Today, the European Union and its Member States remain a steady and significant supporter of Kenya's economic and social development, and a major partner in the country's integration into global markets. The Cotonou Agreement which entered into force on April 1st 2003 provides a framework for the continuation of this partnership. In 1976, when Kenya became the first country to sign a National Indicative Programme for co-operation with the European Community under the first Lomé Convention, a partnership was established that was destined to last.

At the start of the EU-Kenya Partnership, the main emphasis was on providing technical and financial aid to rural development and food production, development of hydro-electric power, development of feeder roads as well as training and development of technical education facilities. Today, this relationship is broader. Development Cooperation is only one pillar of the deepened relations between the European Union and Kenya.

EU development cooperation, combined with equal partnership and dialogue, promotes **European values** such as **peace, democracy, good governance, gender equality, the rule of law, solidarity, justice and respect for human rights**. Likewise Kenya places these values at the heart of its National Development Plan, listing human rights violations, unequal distribution of resources, discrimination, corruption, abuse of office and unethical practices as emerging issues to be tackled. The EU and its Member States have a strong political commitment to place **gender equality and empowerment of women**[1] at the heart of development cooperation. This joint commitment is also outlined in the EU Action Plan on Gender Equality and Women's Empowerment in Development. The provisions of Kenya's Constitution on gender equity are amongst the most advanced by international standards, although the challenge now remains at the level of implementation.

With approximately €3 billion of development cooperation to Kenya to implement the Medium Term Plan II, the EU promotes an inclusive and sustainable growth and is supportive of reform and poverty reduction policies, contributing to initiatives in the field of good governance, democratisation and human rights. Some of the key programmes are in the areas of agriculture, water sanitation and natural resources, rural and urban development, energy, infrastructure and environmental protection and good governance. Together, the EU, the EU institutions and the Member States account for around 60% of all global official development assistance (ODA) worldwide according to the Organisation for Economic Co-operation and Development's (OECD) Development Assistance Committee (DAC). The primary and overarching objective of EU development policies is the eradication of poverty and a sustainable and inclusive growth recognizing the role of local authorities, civil society and the private sector, in line with the Council of

[1] As a result of the Joint programming exercise, Denmark, the EUD, Finland and Sweden have undertaken a gender analysis study which will inform the EU Group's programming choices and serve as a common reference for joint support to key drivers of change.

the EU Conclusions of 14 May 2012 on "***Increasing the impact of EU Development Policy: an Agenda for Change*[2]*"***.

In 2013, disbursements from the EU and Member States totalled €887.19 million, 93% of which is distributed over 10 sectors, namely: Infrastructure; Energy; Environmental Conservation; Water and Sanitation; Health; Ending Drought, Agriculture and Rural Development, Governance, Justice, Law and Order; Emergencies and Disaster Management; Trade; Education and Training. The sectors that received the most support - largely due to the weight of loans - were infrastructure, the environment, water and sanitation and financial services. An estimated 384 projects/programmes were executed in 2013 by the EU and Member States highlighting the need to work more closely together. A third of aid was implemented through the GoK and 15% was disbursed through GoK channels. UK, France and Germany are the largest European bilateral donors to Kenya. The joint weight of the EU institutions - European Union Delegation (EUD), European Investment Bank (EIB) and ECHO - is also considerable at €204.9 million with the largest part coming from the EIB (€101.14 million).

Development cooperation is only one pillar of Europe's comprehensive partnership with Kenya and the Kenyan government. As the largest supporter of the peace process in Somalia, including in financial support to the African Union Mission to Somalia and its support to the Eastern Africa Standby Forces (EASFCOM), the East African Community (EAC) and the Intergovernmental Authority on Development (IGAD) in terms of peace and security, the EU is demonstrating its commitment to regional stability.

Kenya is a Member State of the East African Community like the European Development Partners are Member States of the European Union. Fostering regional integration and cooperation is therefore at the core of our cooperation as integration can enhance growth opportunities and prosperity. The EU supports the EAC vision for a prosperous, competitive, stable and secure East Africa through a widened and deepened economic, political, social and cultural integration. Trade relations have deepened between Kenya, the East African Community and the European Union and contribute to economic opportunities.

As a global player, the EU and its Member States have developed a differentiated and multi-layered foreign policy, using a variety of tools that range from political and security instruments to development cooperation. The Common Foreign and Security Policy (CFSP) enables the EU to speak and act as one in world affairs. In an international and globalised world, the 28 countries that make up the EU have greater weight and impact when they act together as the European Union, rather than as 28 individual nations.

A key strategic element of the EU external policy is the optimal use of development cooperation. The EU sees effectively directed development assistance as crucial to achieving the MDGs and building the capacity for long-term sustainable growth. In order to improve aid effectiveness in all its programmes, so as to have the maximum impact on the people and the communities it supports, the EU takes a strategic approach encapsulated in the Joint Development Strategy below.

[2] COM(2011) 637 final

The table below shows the current interventions in support of MTPII per EU development partner:

| | Planned interventions under MTP2 period | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **MTEF sectors** | **Sub-sector/Theme** | **DK** | **FI** | **FR** | **DE** | **IT** | **NL** | **SE** | **UK** | **SK** | **EIB** | **EU** |
| Agriculture, Rural & Urban Development | Agriculture & Rural development | ⚐ | ⚐ | ⚐ | ⚐ | ⚐ | ⚐ | ⚐ | ⚐ | ⚐ | | ⚐ |
| | Urban development | | | ⚐ | | ⚐ | | ⚐ | ⚐ | | | |
| | Resilience/ASAL | ⚐ | | | ⚐ | ⚐ | | ⚐ | ⚐ | | | ⚐ |
| | Land reform | | | | | | | | | | | |
| | Food security | | | | ⚐ | | | ⚐ | ⚐ | | | ⚐ |
| Energy, Infrastructure & ICT | Energy | | | ⚐ | ⚐ | ⚐ | | | ⚐ | | ⚐ | ⚐ |
| | Infrastructure | | | ⚐ | ⚐ | | | | ⚐ | | ⚐ | ⚐ |
| General Economic, Commercial & Labour Affairs | Private sector development (job creation) | ⚐ | | | | | | ⚐ | ⚐ | | | |
| | Financial services | | | | | | | ⚐ | ⚐ | | | |
| | Trade & Regional integration | | | | | | | | ⚐ | | | ⚐ |
| Governance, Justice, Law & Order | Elections | ⚐ | ⚐ | | | | | ⚐ | ⚐ | | | ⚐ |
| | Justice & Rule of law | ⚐ | | | ⚐ | | ⚐ | ⚐ | | | | ⚐ |
| | Human rights | ⚐ | ⚐ | | | | ⚐ | ⚐ | ⚐ | | | |
| | Democratic governance | ⚐ | ⚐ | | ⚐ | | ⚐ | ⚐ | ⚐ | ⚐ | | |
| | Police | | | | | | | ⚐ | ⚐ | ⚐ | | |
| | Devolution | ⚐ | ⚐ | | | | | ⚐ | ⚐ | ⚐ | | ⚐ |
| | Public financial management | ⚐ | | | ⚐ | | | ⚐ | | | | ⚐ |
| Environmental Protection, Water & Natural Resources | Environment & climate change | ⚐ | ⚐ | ⚐ | | ⚐ | ⚐ | ⚐ | ⚐ | | | ⚐ |
| | Water & sanitation | ⚐ | ⚐ | ⚐ | ⚐ | ⚐ | ⚐ | ⚐ | | | | ⚐ |
| | Extractive industries | | | | | | | | ⚐ | | | |
| Health | | ⚐ | | | ⚐ | ⚐ | | | ⚐ | ⚐ | | |
| Education | | | | ⚐ | ⚐ | | | | ⚐ | ⚐ | | |
| Public Administration & IR | Public sector reform | | | | | | | ⚐ | | | | |
| National Security | | ⚐ | | | | | | | ⚐ | | | |
| Social Protection, Culture & Recreation | Gender | ⚐ | ⚐ | | | | | ⚐ | ⚐ | | | |
| | Social protection | | | | | | | ⚐ | ⚐ | | | |

## 1.2. Expected benefits of Joint Programming

The EU and its Member States aim at increasing their development impact through joint programming by **improving the coordination and effectiveness of development cooperation** and **reducing transaction costs** for the partners. Improved coordination with and between EU Member States in order to avoid duplication and increase complementarity in terms of an improved division of labour and to ensure coherence and impact is at the core of this strategy.

To this end, EU DPs commit to explore together existing and future opportunities for joint programmes and joint actions for EU Development Partner, aiming to achieving coordination efficiencies by developing or strengthening joint analyses, joint frameworks, joint implementation modalities and/or joint monitoring and evaluation frameworks. Some preliminary work on existing cooperation among EU partners has been carried out and should be updated.

As the world's largest aid donor, the EU and its member states aim to maintain the level of financial support while **making more efficient use of the aid that will be provided**. This is most effectively accomplished by working in equal partnership with national and local governments and with communities, civil society organisations, private sector and other development partners.

The key objective of EU JP is to improve aid effectiveness through a **more focussed and collaborative approach** to the programming of EU development cooperation. The process of JP should be catalytic in improving a division of labour between European Development partners and increasing joint action. JP is in alignment with the Kenyan development planning process of the Medium Term Plans (MTP) of Vision 2030. Through this process, JP will also increase the focus on measurable results.

Benefits are expected to accrue both for Government of Kenya (GoK) and for EU Development Partners (DPs) and includes benefits such as **a common response to challenges** and political imperatives, reducing transaction costs**, increasing complementarity** as well as **using joint reporting and implementation**. The GoK can benefit substantially by a reduction in aid fragmentation and potentially by a reduction in transaction and administrative costs in the longer term.

On its part, the **Kenyan Government is firmly committed to Aid Effectiveness** and Partnership principles and states in MTPII that it "will take into consideration guidelines and statutory requirements of the Constitution, the Public Finance Management Act (2012), the Kenya External Resources Policy (2013) and the devolution process. In implementing these principles, the Kenya Government and Development Partners commit – *inter alia* - to **setting the country's development objectives and policies through a broad based and inclusive stakeholder dialogue**.

EU DPs, on their part, expect benefits in the form of better collaboration and improved division of labour, improved cohesion as an EU Group in its dialogue with the Government of Kenya, and ultimately in the achievement of greater visibility and recognition of the EU's contribution to Kenya's transition. JP is also expected to contribute to a more organised and improved dialogue between the EU Group and the GoK on general development issues and matters of capacity development and governance, as well as on concrete sector policies.

JP increases visibility and should strengthen the relationships between Member States and the EU as well as between Development Partners, National Government, Counties, private sector and civil society

# 2. JOINT ANALYSIS OF DEVELOPMENT CHALLENGES AND OPPORTUNITIES

## 2.1. Country context

Kenya is East Africa's biggest economy and holds great potential – and ambition – to be one of Africa's success stories. By 2030, Kenya wants to be a prosperous nation with citizens who enjoy a high quality of life. **Its new Constitution** (2010) - which is one of the most progressive constitutions in Africa - provides unprecedented opportunities to address long-standing issues that have hindered Kenya's development over the decades. It lays the framework to strengthen governance and human rights, reduce social and regional inequalities, establish a system of checks and balances, rule of law and accountability, and bring decision-making and service delivery closer to the people through a devolved system. Kenya's Vision 2030 and the Medium Term Plan II create opportunities to address key challenges and to put the country on the path to inclusive and sustainable growth.

The last two decades have witnessed **moderate and steady, private sector led economic growth.** Overall, economic development has fluctuated around 4-6% in the last three years, but remained below the average of East African countries. The Kenyan economy remains **vulnerable to external shocks** including rising international food prices and the financial and economic crisis in Europe (especially given the fact that the European Union is Kenya's main trading partner). The **business climate** remains a challenge, with Kenya ranking 121st of 185 countries in 2013. The same holds true for **corruption**, which also affects the business climate, and for which Kenya ranks 139th out of 176 countries[3].

Kenya has experienced economic growth, but it has not been sufficiently inclusive. Social indicators have improved, but poverty and inequality remain high. Kenya has achieved MDG 2 (universal primary education) despite large regional inequalities though high drop-out rates remain in secondary education. The quality of education remains a concern. Kenya has also achieved MDG 6 (progress in combating HIV/AIDS), but Kenya's Human Development Index (HDI) ranks within the Low Human Development Country Category with **high levels of inequality**. In **health** generally, the challenge of **maternal deaths remains high** as the ratio increased from 410 to 488 per 100,000 live births since MPT1. Improvements have however been made in the under-five and infant mortality rate and in the rate of immunisation.

Nonetheless, high population growth remains a key development challenge. **Unemployment**, especially for the youth and other vulnerable groups, is an increasing challenge due to the fact that half of Kenya's population is under the age of 20. In addition, **youth radicalisation** is developing in parallel.

The **improvements made to gender equality**, particularly in education, have been important and Kenya's gender commitments in the Constitution are in line with international standards. Despite this, inequalities remain high and women's employment in the formal sector, as well as their access to land is well below that of men's. The high Gender Inequality Index is the result of a combination of factors including the high maternal mortality rate, the low participation of women in university education as well as the low political representation of women and ensuing low share of parliamentary seats held by them, despite the enactment of the one-third gender rule.

[3] Doing Business Kenya 2013, World Bank & IFC.

Overall**, important achievements have also been made in the area of governance** following the political violence of 2007/08, with the drafting, approval and initial implementation of the new Constitution. The devolution process is an opportunity for Kenya to enhance a system of checks and balances and to bring service delivery and decision-making closer to the people.

**Security** linked to the **emerging threat of terrorism** is critical for the development of the country. Kenya has been providing military troops since 2011, in coordination with Somalia, against the Al-Shabab group. Since the operation began, Kenya has been the subject of recurrent terrorist attacks, which are believed to be retaliatory acts. The Government has recently been increasing its attempts to counteract terrorism, including with the establishment of a new high-tech Kenya Police Operations Centre which serves as a co-ordination and operations centre on issues of terrorism in the region. The radicalisation of youth appears as an emerging threat against this background. In addition, Kenya has a **high level of regular crime**, including high incidences of robbery, home invasion, carjacking, mob justice and gang violence. **Police ineffectiveness in law enforcement** remains a key challenge. Security has a tremendous negative impact on tourism as an important pillar of Kenya's economy.

**Kenya is the key regional power in East Africa**. Kenya plays a leading role in the political, monetary and economic integration of the East African Community which includes Tanzania, Burundi, Rwanda, Kenya and Uganda. The economic position of Kenya is reinforced by its position as regional "hub" and key logistical centre due to its geographical location (and particularly to its harbour in Mombasa). This plays a major role in transit, transport and trade in the region. Nairobi is also the regional financial centre, a role reinforced by its macroeconomic stability, and the regional technology and innovation hub.

## 2.2. Opportunities for engagement and challenges

Kenya's Vision 2030 "*Transforming Kenya: Pathway to devolution, socio-economic development, equity and national unity*" is the country's policy blueprint. **This long-term development blueprint aims for the country to be a globally competitive, middle-income and prosperous nation** offering a high quality of life for all its citizens in a clean and secure environment. It was launched in late 2007 and is implemented by a system of 5-year rolling plans known as Medium Term Plans (MTPs) which set the framework for policy actions, public investment priorities and expenditure planning. There is **strong Kenyan ownership of the plans** which have been formulated in a participatory manner. A results' framework is in place and MTPs are reviewed and assessed by a system of Annual Progress Reports (APRs) which have been consistently produced thus far.

The second and current Medium Term Plan (MTP2) **"Transforming Kenya"** covers the period 2013-2017 and **forms the basis from which the priorities identified for EU Joint Programming (JP) have been identified**. It is based on economic, social and political pillars underpinned by cross-cutting sectors combined in a single pillar entitled "Foundations for national transformation" as the key enablers for Kenya's national development. MTP2 rests on projections of a solid macro-economic framework and its implementation is supported by specific projects ("flagship projects") described in each of the 4 pillars.

The following elements structure MTP2's plans for Kenya's development:

- The ***Economic Pillar*** covers the priority sectors for income generation: Tourism; Agriculture, Livestock & Fisheries; Trade; Manufacturing; Business Process Outsourcing & IT-enabled Services; and, Oil & other Mineral Resources. The economic pillar envisages the creation of a modern economy with a consistent but optimistic 10% annual growth by moving up the value chain in key areas—including agriculture and financial services.

- The ***Social Pillar*** covers Education; Health; Environment Water & Sanitation; Population, Urbanisation & Housing; Gender; Vulnerable Groups & Youth; and, Sports, Culture & Arts. The social pillar focuses on investing in people, their education, health, housing with a particular focus on women, youth, and vulnerable communities.

- The ***Political Pillar*** covers the pressing issues of Devolution as well as Governance & Rule of Law. It seeks to "move to the future as one nation," including improving the rule of law, transparency, and accountability.

- The ***Foundations for National Transformation*** identifies nine sectors and thematic areas considered as priority *enablers* for the economic and social transformation of Kenya; these include: Infrastructure (incl. Energy); Information & Communication Technology; Science Technology & Innovation; Land Reform; Public Sector Reform; Labour & Employment; National Values & Ethics; Ending Drought Emergencies; and Security & Peace Building.

- **The Macro-Economic Framework** rests on the projection of an increasing GDP growth which would surpass 10% in 2017. The drivers of this growth are described as the recovery of the global economy over the period of the MTP2, better management of water for agri-business and the ability of the country to sustain and broaden existing export markets.

MTP2 thus articulates Kenya's vision for tackling the main development challenges together with a description of the achievements and challenges of the previous MTP1 implementation period. Some sector analyses are usefully focussed on MTP1's under-achievements, including: i) in health, the unresolved issue of maternal health; ii) in education, the transition from primary to secondary education; iii) in governance, the need to guarantee better access to justice while addressing the issues of case backlog and prison congestion.

The introduction of the following new elements in MTP2 is welcome:

- ✓ **Resilience and response to drought**, in order to prevent any silo approach between ASAL development and sector development policies;
- ✓ **Climate change** is identified as a cross cutting issue in the MTP2 implementation matrix to focus on low carbon climate resilient development outcomes through the *National Climate Change Action Plan (NCCAP);*
- ✓ **Devolution**, and its budget execution through the generalisation of IFMIS and related capacity building of county authorities. Nonetheless, devolution is covered as part of governance per se, and not as a cross-sector issue which could affect the implementation of other sectors' priorities. It is felt that a deeper analysis of its impact on sector policies - especially water, sanitation and health - may be useful.

- ✓ The stress on **poaching**, which appears in the environment, tourism but also security components of MTP2;
- ✓ The **extractive industry** sector, which will be crucial for public revenue, energy delivery but also the local development of the areas concerned (Turkana, Lamu…).

**The economic pillar**

**The agriculture sector** accounts for approximately one quarter of Kenya's GDP. The priorities foreseen under MTP2 include i) irrigation schemes with 404,800 hectares to be put under irrigation by the end of MTP2 and ii) the construction of a local fertilizer plant. In their advisory note on MTP2, the World Bank and the IMF express their concern that the related public works might prove too costly for Kenya's public finances and suggest using the option of public-private partnerships when possible. MTP2's agenda for **trade and manufacturing sectors** is characterised by the launch of new initiatives such as the advancement of new Special Economic Zones, the building of "wholesale hub markets", the establishment of Micro Small Medium Enterprise "Centres of Excellence", the development of Small and Medium "Enterprises Parks" or the opening of an iron and steel mill. These initiatives however only partially address the structural issues raised in MTP2 and in the annual "Ease of Doing Business" reports of the World Bank. Other initiatives include the formulation and implementation of a Private Sector Development Strategy, the development of an e-trade policy and the conclusion of the EPA negotiations between the EAC and the EU.

**Financial services and business process outsourcing** are cited among the promising sectors for Kenya's economic development. MTP2 highlights the issues of the exclusion of a large part of the population from financial services as well as the high interest rate spread between lending and borrowing from commercial bank. This being said, the measures intended to address these issues do not appear clearly in the list of projects and programmes to be implemented under MTP2. In the newly introduced sector of "**oil and other mineral resources**", it is noted that reserves of different minerals (oil in Turkana, gas in the Lamu Basin, coal in Kitui etc.) when exploited, will significantly reshape the structure of the Kenyan economy. In order for these changes to benefit the less favoured citizens, MTP2 commits GoK to 1) establish a mineral sovereign fund, 2) consolidate and streamlining the legal and fiscal framework for mining and; 3) participate in the Extractive Industry Transparency Initiative (EITI).

**The social pillar**

The **environment, water and sanitation** priorities reiterate irrigation, fight against poaching and green energy as crucial for the development of Kenya together with the rehabilitation and protection of 5 water towers across Kenya including urban water supply and sanitation, rural water supply, regulation and water resources management and the development of water supply systems in informal settlements through the Water Services Trust Fund, the latter being highlighted as "flagship programmes". Nonetheless, the importance of the devolution process in this sector does not appear to be addressed, although water and sanitation is a devolved function as per Schedule IV of the Constitution.

The social pillar also covers the Government's commitments and priorities on gender equality and women´s empowerment including flagship projects on gender mainstreaming across the ministries, departments and agencies (MDAs), revision and implementation of the National Gender and Development policy and use of gender disaggregated data to guide decision making processes. These priorities are also highly relevant to the EU joint programming process. The joint gender analysis already initiated by some of the EU Member States (Finland, Denmark and Sweden) and the EU will give further inputs in this regard.

**The political pillar**

The political pillar covers **devolution**, **governance** and the **rule of law**. Devolution - shifting central powers and responsibilities to the 47 county administrations - has been introduced as a result of the new Constitution and forms the centrepiece of this pillar including the expansion of IFMIS to county level and the conduct of trainings for county staffs on public finances, local development and good governance as priority initiatives. This is an ambitious and complex agenda with many risks and challenges. The **fight against corruption** features with "soft" measures such as civic education, promotion of standards and best practices listed as possible options to curb corruption in Kenya together with more tangible measures such as the granting of prosecutorial powers to the Ethics and Anti-Corruption Commission (EACC), or the enactment of much-needed legislation on whistleblower protection or asset freezes for companies or individuals indicted on corruption.

The **justice sector** is also subject to several flagship programmes including support to judicial transformation and the implementation of the legal aid policy of Kenya to help improve the access of less favoured Kenyans to the justice sector while also promoting alternative dispute resolution mechanisms to reduce the demand on judicial institutions. Scaling up devolution of the activities of the Office of the Director of Public Prosecution is also described as potentially useful to fight impunity and enforce more effectively the rule of law in Kenya, as will also be the promotion of alternatives to imprisonment (community services, probation) to reduce congestion in prisons, as well as the construction of "halfway houses" to facilitate the reintegration of ex-prisoners and avoid recidivism.

**The Foundations for National Transformation**

MTP2 recognises the **fight against drought ("resilience")** as a new cross-sector priority of Kenya, putting an end to parallel programming between the cross-sector Medium-Term Plan and the drought-only policy documents[4]. This has the potential to improve the coherence of development policy in the arid and semi-arid lands of the country, keeping in mind that the issue of drought is multi-faceted, depending not only on national agriculture, but also water, education, health, security and governance policies of Kenya. Coordination of budget allocation for the ASAL regions needs to be streamlined as allocations for the ASAL areas are currently fragmented into different budget lines. Among the flagship projects supporting drought resilience the Government of Kenya stresses the importance of the Hunger Safety Net Programme, a cash transfer programme, which will be managed by the leading institution on resilience in Kenya, the National Drought Management Authority. Furthermore, a dedicated fund, the National Drought and Disaster Contingency Fund, will

[4] Arid and Semi Arid Land Policy, Vision 2030 Development Strategy for Northern Kenya and other Arid Lands, Ending Drought Emergencies Country Programme Paper.

be established to fast-track public responses and the transfer of resources to areas affected by future occurrences of drought.

**Land distribution** in Kenya has been at the core of repeated episodes of violence among and within communities throughout the country's history, and legal uncertainty on property rights is still a critical deterrent for potential investors in Kenya. Accordingly, **land reforms are stressed as key for the development of Kenya**. In addition to the digitisation of all land titles before the establishment of a National Land Title Register, the Government of Kenya has set itself the goals of having the Community Land Bill enacted in law and of establishing special local tribunals to resolve all related disputes. The tensions related to land in Kenya will need to be considered in any land reform agenda. On the **energy side**, it is expected that more than 40% of the increased capacity of the country targeted by 2017 will be generated from renewable energy (geothermal and wind power). In their advisory note on MTP2, the IMF and the World Bank raise a note of caution on the cost of such an ambitious energy policy. These institutions recommend carrying out a full needs' assessment before engaging in all the projects listed in MTP2, in order to avoid overcapacity and insufficient funding of the additional infrastructure created.

**Regarding security**, a Kenya Coast Guard Service is to be established in the coming years. As for Nairobi and other urban centres, CCTV surveillance is to be reinforced. Training capacities of the National Police Service are also to be developed, in order to reach the ratio of 1 police officer for 450 individuals in Kenya.

**The macro-economic framework**

The projected macro-economic framework gives a clear overview of the key assumptions to delineate the fiscal space for the implementation of MTP2, premised on a double-digit growth by 2017 which would be unprecedented in modern Kenya. Looking back at past figures, it appears that GDP growth has only ever exceeded 5% four times between 2000 and 2013, with a maximum rate of GDP growth at 7% in 2007. The limited elasticity of domestic supply, the resulting inflationary pressure as well as the low domestic savings rate compared to the rest of the region might *de facto* limit the growth potential of the Kenyan economy below the objective set in MTP2.

The impact of sustained high growth on the monetary policy and the stability of the Kenyan Shilling, as well as the trend on the public sector wage bill raise a number of questions. Moreover, the number of flagship programmes and projects involving heavy public investment may result in the crowding-out of private investment as well as increase of public debt to unsustainable levels. Public-private partnerships might be a partial remedy to this, but they will have to be carefully assessed and managed in order to avoid excessive liabilities for public authorities, especially at county level. In addition to a rather optimistic take on Kenya's growth prospects, the macroeconomic framework of MTP2 relies on a scenario of prudent fiscal management, characterised by a narrowing of the public deficit (overall balance excluding grant) from 8% to 4.6% over the implementation period of MTP2. This fiscal setup relies on the following: 1) the wage bill (currently at 13% of GDP) is reined in despite the devolution process 2) growth remains robust throughout the implementation period of MTP2, as planned by the Government of Kenya (see above).

The inflation target of CBK aims to remain unchanged until 2017 with an annual growth rate of 4-5% but may become difficult to cap at this level in case of growth rate between 8 to 10%, as per the

Government of Kenya's projections for this MPT2 cycle. Finally, the "macroeconomic context" chapter of MTP2 concludes with pertinence on the Kenyan economy's need for structural and tax reforms such as the enactment into law of the Business Regulatory Reform Bill and the revamping of the turnover tax.

# 3. EU SUPPORT TO IMPLEMENT THE MEDIUM TERM PLAN II

## 3.1. Priority sectors for 2013-2017 and Division of Labour (DoL)

The EU development partners in Kenya are committed to **jointly support** the implementation of Kenya's current development Plan, the MTP2. To this end, EU Development partners have identified **four priority sectors** for joint programming from 2014 to 2017 as a joint response to the MTP II. The joint response results from a common understanding of the sectors and its challenges in terms of Kenya's development and includes resource allocation and a commitment to work more closely together within the specific sector (joint implementation). The priority sectors are in line with the findings made by a recent "Evaluation of the European Union's Co-operation with Kenya" which recommends that the choice of focal sectors for the 11th EDF NIP should be based on sector performance, EU's comparative advantage, GoK priorities, needs analysis, potential synergies and the division of labour among donors.

The priorities of the EU Joint Programming 2014-2017 are:

1. **Agriculture, Rural Development & ASAL (Arid & Semi-Arid Lands)**;
2. **Energy & Transport**;
3. **Democratic governance, justice and the rule of law**;
4. **Water & Sanitation**.

The table below presents the **planned division of labour** for Joint Programming in support of MTP2 listed by sub-sector and thematic area as follows:

| Priority sector | Sub-sector/Theme | DK | FI | FR | DE | IT | NL | SE | SK | UK | EIB | EU |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Agriculture, Rural Development & ASAL (Arid & Semi-Arid Lands) | Agriculture & Rural development | ⚐ | ⚐ | ⚐ | ⚐ | ⚐ | ⚐ | ⚐ | ⚐ | ⚐ | | ⚐ |
| | Urban development | | | ⚐ | | ⚐ | | ⚐ | | ⚐ | | |
| | Resilience/ASAL | ⚐ | | | ⚐ | ⚐ | | ⚐ | | ⚐ | | ⚐ |
| | Land reform | | | | | | | | | | | |
| | Food security | | | | ⚐ | | | ⚐ | | ⚐ | | ⚐ |
| Energy & Transport | Energy | | | ⚐ | ⚐ | ⚐ | | | | ⚐ | ⚐ | ⚐ |
| | Infrastructure | | | ⚐ | ⚐ | | | | | ⚐ | ⚐ | ⚐ |
| Democratic governance, justice and the rule of law | Elections | ⚐ | ⚐ | | | | | ⚐ | | ⚐ | | ⚐ |
| | Justice & Rule of law | ⚐ | | | ⚐ | | ⚐ | ⚐ | | | | ⚐ |
| | Human rights | ⚐ | ⚐ | | | | ⚐ | ⚐ | | ⚐ | | |
| | Democratic governance | ⚐ | ⚐ | | ⚐ | | ⚐ | ⚐ | ⚐ | ⚐ | | |
| | Police | | | | | | | ⚐ | ⚐ | ⚐ | | |
| | Devolution | ⚐ | ⚐ | | | | | ⚐ | ⚐ | ⚐ | | ⚐ |
| | Public financial management | ⚐ | | | ⚐ | | | ⚐ | | | | ⚐ |

| Priority sector | Sub-sector/Theme | DK | FI | FR | DE | IT | NL | SE | SK | UK | EIB | EU |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Water & Sanitation | Water & sanitation | ⚐ | ⚐ | ⚐ | ⚐ | ⚐ | ⚐ | ⚐ | | | | ⚐ |

### 3.1.1. Agriculture, Rural Development & ASAL

**EU DPs share the vision that investing in improved food security** at national level and in **better resilience to climatic shocks in ASAL areas will generate broad-based and more inclusive development in Kenya**. Kenya Vision 2030 identifies agriculture as one of the key economic sectors expected to drive the economy. Access to agricultural inputs and irrigation are key elements. However, major challenges to this objective include a predominantly rain-fed agriculture, climate change affecting more severely the Arid and Semi-Arid lands (ASAL) which also have some of the highest levels of poverty, and population pressure leading to spontaneous settlements in ASALs and further land degradation.

Although the share of the agriculture sector in GDP has declined from nearly 40% in the 1970s to about 28% in 2010, the **sector remains the backbone of the economy** and the main employer with more than 3/4 of the population living in rural areas relying on agriculture for income. Because of the demographic pressure on land and little support for integrating small-holder farmers into commercial farming, the gap between large and competitive agriculture enterprises and the small-holder farmers has considerably widened. Nonetheless, the re-emergence since late nineties of a strong associative/cooperative movement and the recent penetration of rural financial institutions has softened this imbalance. Because of land and labour constraints, female-headed households are more prone to only subsistence agriculture thus suffering from generally lower income and higher poverty incidences. Youth, who form 30% of the population and provide 60% of the total labour force, rarely have access to land, employment and are generally resource-poor to start their own business.

Nearly half (48%) of **Kenya's rural population** is living below the poverty line and is unable to meet its nutritional requirements. High levels of **rural poverty** persist because of the high population growth rate, small landholdings, low access to market and services, frequent droughts, poor access to energy and rural infrastructure, large rural income disparities, and impact of environmental degradation particularly poor water management, poor agriculture practice resulting into soil erosion and declining soil fertility.  Low productivity for the majority of the small-holders contributes to chronic **food insecurity**. So far, very little progress has been made in combating chronic malnutrition in a coordinated manner.

The **ASAL policy** "Releasing our full potential" aims at **integrating ASAL in the national economy**, building the resilience of its population to future climatic shocks including climate proof infrastructure, developing alternative approaches to service delivery, governance and public administration that will accommodate the specific realities of Northern Kenya and finally mobilizing the resources necessary to reduce inequality. The policy is people-centred by recognizing the need to develop a **community approach and the need to cater for the pastoral way of life** in providing adapted solutions.

**EU Development Partners aim to address sector priorities along two common programming frameworks** that are currently being developed between Government and Development Partners to implement the two MTP2 chapters namely "Ending Drought Emergency in ASAL areas" and "Agriculture Sector".

A) **Ending Drought Emergency will include the following sub-sectors** in line with EU Development Partners focus and experience:
   - Disaster Risk Reduction;
   - Livelihoods;
   - Climate proof infrastructure;
   - Human Capital (health and education);
   - ASAL institution.

B) **Agriculture and rural development: T**he Ministry of Agriculture, Livestock and Fisheries (MoALF) is currently rationalizing its activities within four "priority programmes" along which EU Development Partners can focus and coordinate their activities as follows:
   - Increasing Production and Productivity:
   - Increasing Market Access:
   - Enhancing National Food Security:
   - Sector and Institutional Reforms.

### 3.1.2. Energy & Transport

**Energy**

Only about 33% of households in Kenya have access to grid electricity and over 68% of people in Kenya still rely on traditional biomass for cooking and heating despite the existing power network consisting of the national grip + mini-grids. The connection rate is around 15% in the rural areas. Vulnerability of energy supplies and dependence on imported fuels, traditional biomass and hydro power leaves Kenya prone to price volatility, supply instability and interruptions in dry periods.

Inadequate, low quality and highly priced energy supply contribute significantly to the prevailing high cost of doing business in the country. A number of strategies have been put in place in the country as part of ongoing efforts to improve access to modern energy services, increase generation capacity, strengthen transmission and distribution systems, as well as improve energy security. The sustainable growth will require the promotion of renewable energy, energy conservation, energy efficiency and energy substitution programmes for households, industry and the transport sectors. Given the significant proportion of rural populations for whom biomass (predominantly fuel wood) still represents the main energy source, the promotion of sustainable use of fuel wood and improvement of energy-efficiency of wood-burning stoves is critical.

In the energy sector, donor coordination is led by the Ministry of Energy and Petroleum. Co-chairs of the Donor coordination group are currently World Bank and Japan International Cooperation Agency (JICA). A further, 14 donors of which 6 European (EIB, EU, German Development Cooperation, AfD, Spain, Belgium) are active in the sector which demonstrates the high level of support. Policy dialogue and priority areas have mainly focused on the need for capacity development in the sector, creation of an enabling environment for private sector involvement as well as increasing access to energy. Almost 50% of all donor funded programmes (in number of projects as well as in financial support) in the energy sector are financed by European donors.

EU DPs intend to focus on supporting MTP2 by **addressing the following challenges**:

- **Access to energy services**. Expanding electricity access remains the main Government target as set out in their Vision 2030 and Medium Term Plan. Other targets are now to add one million customers by 2015 and connect 100 percent of priority loads—defined as district headquarters, secondary schools, health facilities and trading centres—within five years.
- **Diversifying energy supply with indigenous renewable energy sources**. Expanding access and diversifying supplies will require the mobilization of more than US$5 billion over the next five years, which to be raised would require strong coordinating lead from the GoK and stronger planning.
- **Institutional strengthening**. ERC, GDC, KeTraCo and REA need significant and coordinated capacity development to be able to effectively play their role and achieve their mandate.
- **Creating the East African Power Pool** and associated interconnection lines.
- Stronger **focus on the private sector** when it comes to pure electricity generation.
- **Investments in energy efficiency**: loss reduction, realistic tariff, smart grid, grid stability when e.g. more electricity from wind or solar is fed into the grid.

The Energy Access Donor Coordination Sub-Group was recently created with the purpose of: a) coordinating and harmonising GoK and Donor support on energy access in Kenya and b) aligning activities with Kenya's access strategies and policies. The scope of the sub-group will cover programmes favouring energy access through Grid connection, off-grid mini grids and off grid stand-alone systems. This group is co-chaired by AfD and German Development Cooperation (GIZ). Intensive cooperation and joint programming in the fields of minigrids and the Last mile/connection of customer programmes is ongoing. Joint assessments for programmes related to the Last mile are currently being planned for.

**Transport**

Infrastructure is one of the foundations of Kenya's Vision 2030 and transport is a key driver for the realisation of Vision 2030. Modern and efficient infrastructure facilities are required to support the expansion of Kenya's productive sectors and to alleviate poverty. The inadequate investment in infrastructure development and maintenance is recognised as one of the main contributors to the high cost of doing business, undermining competitiveness and adversely affecting trade and regional integration. It also increases the cost of providing social services and curtails access to markets, in particular to the remote parts of the country. Three global results are targeted for the transport sector:

- increased access to transport services and reduced transport cost for passengers and goods ;
- reduced environmental impact of the transport sector ;
- increased road safety ;
- improved transport sector governance.

The main objective of EU Development partners for the transport sector is to **contribute to sustainable economic development both at regional and national level by developing a more**

**efficient, well-connected, multimodal and safe transport system** for increased productivity and reduced negative environmental impact. The EU took over the chair of the Transport Sector Donor Group in July 2014. EU Development Partners current contribution to the implementation of MTP II is focused on roads, aviation, urban mobility and policy/legal/institutional environmental issues whereas currently no support is provided to the railways, maritime and inland water transport. Future EU Development Partners contribution will remain targeted to these sub-sectors, with additional potential support to the maritime sub-sector.

EU DPs intend to continue supporting MTP2's transport sector by **addressing the following challenges** as follows:

a) **Roads**: roads remain the dominant transport mode in Kenya, accounting for 93% in terms of volume for both domestic freight and passenger traffic. Total network is about 161 000km length of which only 7% is paved. Over the past years, funding allowed to the road sub-sector has substantially increased, from about 46 billion KSH in 2006/2007 to 107 billion KSH in 2010/2011. Three main sources contribute to fund the sub-sector: development partners (38% of total 2010/2011 funding), GoKe (35%) and the road maintenance levy (25%). ***Key challenges**: insufficient network, huge maintenance backlog, weak enforcement of axle load regulations, high cost of road construction, high cost delay in relocation of utilities and services, non-tariff barriers, poor road safety records.*

b) **Aviation**: Kenya's main airports are located at Nairobi, Mombasa and Eldoret. In 2011, the total air passenger traffic reached an all-time high of 8.7 million and about 306,000 tons of freight has been handled by air. ***Key challenges**: lack of capacity/need for modernisation at JKIA, need to upgrade other airports, need to expand the route network, lack of technical capacities*

c) **Urban mobility:** Kenya has been urbanising rapidly and the population living in urban areas is projected to reach 61% by 2030. Urban areas are a major contributor to Kenya's economy: Nairobi only generates over 45% of Kenyan GDP. In Nairobi, 40% of the trips are made by walking, 14% by private car and 41% by public transport. All urban transport services are provided by private stakeholders. ***Key challenges**: severe congestion, lack of traffic management, inefficient public transport system (buses and commuter rail), lack of adequate facilities for non-motorised users, lack of planning and coordination with land use, need for specific transport authority*

In addition, the sector faces the challenge of restructuring the institutional framework also as a result of the devolution process as well as strengthening and developing new capacities to fulfil its mandate. Furthermore, key **environmental issues that need to be addressed include:** greenhouse gas emissions, air and noise pollution and energy consumption by the sector. According to Kenya's National Climate Change Action Plan, if nothing is done, greenhouse gases emissions from the transport sector are projected to grow significantly from 6Mt$CO_2$ in 2010 to almost 18Mt$CO_2$ in 2030.

### 3.1.3. Democratic Governance, Justice and Rule of Law

The MTP II Political Pillar has two main focus areas, Devolution and Governance and the rule of law. Within the Governance and Rule of Law there are six flagship programmes:

1. **Implementation of the Constitution** is clearly one of the cross-cutting principles of all the MTP II and the national priorities reflected in it. All the subsequent flagship programmes within the political pillar are closely related to it. Civic education is seen as a central strategy to contribute to the implementation of the Constitution.
2. **Leadership, Ethics and Integrity** – MTP II emphasizes the legislative, policy and institutional framework for ethics and integrity. Kenya ranks 133 out of 177 in the 2013 Corruption Perception Index. According to the Government it loses every year nearly one third of the national budget to corruption. Corruption is manifested in a variety of ways from petty to grand corruption and most of their sub-categories, and impunity is a widespread problem also associated with corruption cases.
3. **Judicial transformation** – Significant developments and changes are taking place both in the Judiciary and in the entire justice sector. The Judiciary counts on Integrated Judiciary Transformation Framework that aims at transforming the judiciary into a legitimate, effective and independent custodian of justice that can guarantee access and expeditious delivery of justice to all.
4. **Political and economic governance** – The 2013 elections took place following major reforms and massive society-wide efforts for the elections to be peaceful, transparent and credible. It was an ambitious undertaking to elect the president, the national assembly, women's representatives, the senate, governors and county assemblies in one day. This placed enormous responsibility and challenges on Independent Electoral and Boundaries Commission (IEBC), Kenya's legal institutions, political parties, civil society and other stakeholders, as well as dedication on the part of Kenya's electorate. In order to prepare for the next electoral cycle IEBC has conducted both internal and stakeholders' analysis of the 2013 process and is in the process of preparing a strategic plan.
5. **Democracy and public participation** – The strategic vision on democracy and public participation in MTP II is "a people-centered and politically-engaged open society". The public participation can also help keep duty bearers accountable and contribute to increased transparency. Devolution is meant to contribute to increased public participation as the decisions made for example regarding the public service delivery are taken at the county level, closer to the citizens. The opportunities for this are still however somewhat limited and vary between the different counties.

There are also other more specific programme areas such as Implementation of the Bill of Rights, Coordination of sector reforms, Political and economic governance (including electoral processes), Legal education, Victim offences, Democracy and public participation and Parliament. Most of these are very closely interlinked and share same or similar strategies.

The **responsibility** of the implementation of the flagship programmes of the Political Pillar of the MTP II falls under different Government and so-called independent institutions and/or commissions.

The role of the county governments and assemblies is also central. At the same time a large number of non-state actors are working actively in order to contribute to the same objectives.

The MTP II Political Pillar faces a number of **challenges** including the scale of the devolution process; low capacity in many GoK institutions as well as the counties; growing but still weak accountability for public servants; weak coordination between these institutions; limited commitment to a number of areas of reform.

**Joint support in Democratic Governance, justice and the rule of law**

The thematic area of Democratic governance, justice and rule of law is very broad. EU MSs provide development assistance across the majority of the programme priority areas identified in the Political Pillar:

- Devolution (building county executives capacity and supporting demand for good governance/citizen engagement)
- Implementation of the Constitution (legal review and civic education)
- Leadership Ethics and Integrity (including support to relevant oversight agencies like the Ethics and Anticorruption Commission and the Commission on Administrative Justice)
- Human Rights (through support to the Kenya National Human Rights Commission and civil society)
- National Cohesion and Integration (through civic education and NCIC)
- Support to judicial transformation and strengthening the criminal justice system including the police service
- Coordination of Sector Reforms (primarily through GJLOS, NCAJ and NCOA)
- Political and Economic Governance (including and focusing especially to electoral processes)
- Democracy and public participation (civic and voter education and civil society organizations supporting citizen consultation of policy and delivery particularly at county level)
- Parliament (both national and county assemblies).

There are a number of **thematic working groups** in the area: 1) Democratic Governance Donor Group, 2) Governance, Justice, Law and Order, 3) Devolution, 4) Elections, 5) Anti-Corruption, 6) Parliamentary strengthening, 7) Gender (and governance), 8) Civil society and media, 9) Conflict and security, and 10) Police reforms. EU MS are active in all of these groups. Some groups are only formed by development partners and some include also GoK counterparts and development partners. There is a still on-going discussion about the structure of all the coordination groups and their linkages with the dialogue with the Kenyan counterparts so there may be some changes in the coming period. Devolution and Gender for example do not cover only governance but all the sectors as they are cross cutting issues.

Given the complexity of the thematic area, building on recent experiences, MTP II priorities and on-going and planned development cooperation programmes the EU MSs have come to a conclusion that a) support to the electoral processes and b) a joint approach to working with non-state actors are promising areas for further joint initiatives. Support **to electoral processes provides a clearly defined area for joint programming exercise** as there already is long standing tradition of joining forces. EU Delegation and MSs have coordinated the main part of their electoral support in previous elections through a UNDP basket fund. The Elections Donor Group has been one of the most active and operative thematic groups in terms of monitoring the basket fund for strengthening the electoral reforms.

EU MSs have already elaborated a **Roadmap for Engagement with Civil Society 2014-2017**. The purpose of the Roadmap is to provide a common strategic framework for the engagement of EU Delegations and MSs with civil society at country level, with a view to improving the impact, predictability and visibility of EU actions. The Roadmap is also intended to progressively improve coordination among EU Delegations, Member States and other relevant actors. There will be a yearly review and updating process. The following priorities have been defined:

i. Support an enabling policy and legal environment for CSOs at national level in Kenya
ii. Consolidate the institutional environment and leadership for CSO participation in county decision-making
iii. Support partnerships between different types of CSOs (academia, think-tanks, CBOs, international NGOs, BMOs, media…) to generate more evidence-based advocacy and increase the role of CSOs in sector policies

EU and MSs have already in the past joined their efforts in supporting civil society for example through an UNDP-managed basket fund Amkeni wa Kenya that concentrates on capacity building of grass root organizations that work in areas of human rights and governance. Some MS also support civic education, civic engagement and accountability either through a programme called Drivers of Accountability or directly (URAIA).

It is also worth noting that there are also **clear possibilities for joint programming (and even implementation) in the areas of Devolution** and **Leadership, Ethics and Integrity.** Both EU Delegation and a number of MSs are analyzing possibilities for supporting devolution mainly through multi-lateral channels. Germany/GIZ is already implementing a programme of Promotion of Good Governance to Strengthen Integrity and Accountability that focuses on multidimensional approach to implementation of anti-corruption actions. Both Finland and Sweden will join the programme in 2015.

### 3.1.4. Water & Sanitation

Kenya has a rapidly growing population, expected to reach 160 million by 2100, and faces an accelerating and unplanned urbanization. Despite significant achievements and financial efforts by the Government challenges still abound as about 20 million Kenyans accounting for 50% of the population are still living without adequate access to safe water and basic sanitation. High population growth and increasing urbanisation put additional pressure on scarce water resources. Thereby the poor and most vulnerable are the hardest hit. They often resort to informal vendors or other unreliable water sources of questionable quality, spending huge amounts of time and money just trying to meet basic needs.

Considering the need for investment, comprehensive and coordinated efforts need to be made by all stakeholders, for example, on improved value for money and financial planning, reduction of the amount of water not paid for (still 50%), stricter adherence to cooperate governance standards. Other mechanisms to explore are options for innovative financing such as results based funding, involvement of commercial bank, and also in rural areas, for example, through small-scale guarantee schemes and public-private partnerships. Such options need to be combined with measures to address the sustainability challenges of the sector, where often a large share of the investments are non-functional only a few years after having been constructed. Furthermore, due to the high number of over 100 water service providers, inefficiencies are high and often revenues from sales of water do not cover operation costs while in parallel suffering from high non-revenue water. High commercial non-revenue water, water not paid for by consumers, is often closely linked to poor corporate management and governance of e.g. water service providers.

In this setup, devolution may offer potential to strengthen governance in Water Service Providers if provided by a clear policy and legislative framework which manages the transition. Yet in the current transition period, uncertainties still remain regarding ring-fencing of revenues, transfer of assets and liabilities, regulatory responsibilities for service provision retained at national level etc. Good governance also relies on adequate data, both in terms of quality and availability to guide planning and management, adequate capacities and systems for efficient and effective management, monitoring and evaluation. There is further scope for improvement in terms of government-led sector coordination, and working towards a Sector Wide Approach in the water sector.

The EU group of development partners active in the WASH sector have developed consensus around achieving **the following objectives for the sector** for the 2014-2017 period:

- Increased access to safe drinking water and sanitation services in the country;
- Improved management and regulation of water resources;
- Strengthened devolved sector structure;
- Formation of autonomous and financially sustainable water service providers which have the capacity to fulfil the right to water and sanitation;
- Improved and transparent budgeting and investment planning processes at national and county levels with a clear priority on implementing the right to water and sanitation and to cover its costs. This includes clustering of water service providers as suggested by the national regulator;
- Harmonisation within the Water Services Trust Fund, e.g. through streamlining of the urban and the rural window, common results framework. Increase co-financing, joint programmes and where possible use of the mutual reliance initiative;
- Increase joint efforts related to capacity building, push for stricter legislation and regulations, etc., so as to achieve better governance and management and decrease the level of non-revenue water with primary focus on the administrative losses;
- Ensure a data system with national coverage through investments in information management systems at level of Government and creating inter-faces between the existing systems, ensure they are compatible and fill the gaps. Data from National Water Master Plan should be incorporated. Counterpart contribution is required from Government to ensure ownership.

The **primary objective remains the implementation of the human right to water and sanitation** as enshrined in the Kenyan constitution, i.e. to provide access to safe water and basic sanitation for all at an affordable price**. Good governance is the key to ensuring performance and sustainability of the water services in the counties**. Devolution thereby could result in either improved or deteriorated governance of the WSPs, with respective consequences for the sustainability and extension of service provision. In this context, the priorities would be:

- Setting in place the framework clearly specifying the responsibilities of national and county level institutions with regard to service provision, regulation and sector investment ;
- Developing capacities for planning, management and supervision at county level, setting ambitious targets to the WSPs and the means to reach them (e.g. tariffs, adequate staffing levels).
- Emphasizing the necessity to be increasingly self-reliant on the revenue generated by water sales. Ring fencing is a first step. Higher socially acceptable tariffs and curbing Non-Revenue Water will also help manage the demand and increased the cash produced. This is likely to be the main source for increased coverage.

The development partners' WSTG (Water Sector Technical Group) is an effective mechanism for raising issues on regulation, policy and governance, exchanging experiences, bringing together both Government and donor representatives. Therefore, the EU should continue working through the established coordination structures in the water sector, primarily WSTG and the thematic working group under the MTEF sector coordination framework. In doing so, other Development Partners will not exclude from initiatives under the framework of joint programming and partnerships outside the EU should also be tapped into. A number of joint implementation modalities are already in place in the sector including  the Mutual Reliance initiative and the Water Services Trust Fund

To avoid duplications, the EU lead on Water should when possible reflect the lead in the water sector donor group[5] and parallel leads should be avoided. This implies Sweden/Germany until February 2015 and Germany until February 2017. France has expressed its wish to present itself in 2015. Other EU member states interested to support should be invited to do so.

## 3.2. Capacity Development

Successful development requires capacity for countries to implement policies and manage public resources through their own institutions and systems. EU Joint Programming in Kenya will seek to rely on existing coordination structures and mechanisms as well as gradually making use of country systems with a view to building local capacities. Capacity development for the national and county level is crucial in this regard.

### 3.2.1. Existing Development Partner Coordination Mechanisms

The EU Joint Development Strategy aims at increasing donor coordination between the EU and its Member States. It is about strengthening division of labour and increasing complementarity between EU Development Partners. However, Joint Programming will be embedded in the existing development partner coordination structures and will avoid any duplication.

[5] Given that the 3 donors of the WSTG troika are selected by the other donors, the troika might not always contain an EU member state.

The European Union and its Member States are committed to strengthen coordination mechanisms in Kenya as part of the aid effectiveness agenda.

The Apex group in the Kenyan aid architecture system is the Development Partners' Forum (DPF) consists of Heads of Missions (HoMs) and relevant GoK Cabinet Secretaries under the leadership of the Vice President. The Development Partners' Group (DPG) supports the DPF and works at a strategic and planning level. A technical group devoted to aid effectiveness matters, the Aid Effectiveness Group (AEG) meets on a monthly basis and is headed by the National Treasury, represented by the Aid Effectiveness Secretariat. At a more operational level, there are Sector Working Groups (SWGs), headed by the relevant ministries and attended by development partners active in the given sector. The EU and its Member States will be present in and support the SWG according to the defined division of labour.

### 3.2.2. Using Country Systems

In the context of the 2005 Paris Declaration and ensuing High-Level meetings, the use of country systems is considered to enhance ownership of development partner funds which enables the country to exercise effective leadership over its development policies and strategies on the one hand and co-ordinate aid alignment efforts of various development actors working in a country on the other.

Generally, the use of country systems by development partners in Kenya is limited or unequal, as documented in a review on the use of Country Systems in Kenya was carried out between April 2011 and May 2012 through a participatory process involving representatives from the Government of Kenya's Treasury, Ministry of Finance; DANIDA, the Embassy of Sweden, the World Bank, Kenya Country Office.

The JP process therefore provides an opportunity to increase the use of country systems, in particular to strengthen government financial management (FM) systems generally, and specifically to facilitate the use of the government's financial systems for development partner-financed projects. This also require that GoK continues to show increased commitment to improving relevant systems and accountability. Capacity Development will be key in this regard.

The EU group will aim at putting all official development aid on-Budget, defined as financial cooperation being part of Kenya's planning and budgeting processes, and being included in the appropriations enacted by Parliament.

# 4. INDICATIVE FINANCIAL ALLOCATIONS TO MTP2

## 4.1. Overall contribution per EU Development Partner

It is estimated that the European Union joint financial contribution to Kenya's development will total over **3 billion euros,** exclusive of other forms of financial support such as humanitarian assistance provided, regional programmes including Kenya and private sector financing which bring substantial additional funds to Kenya.

The indicative financial allocations per EU donor per year are illustrated in the table below:

| Indicative allocations during MTP2 period (in million €)* | | | | | |
|---|---|---|---|---|---|
| **EU DP** | **2014** | **2015** | **2016** | **2017** | **Indicative Total** |
| Denmark | 40 | 40 | 40 | 40 | **160** |
| Finland | 14 | 10 | 10 | 10 | **44** |
| France | 160 | 160 | 160 | 160 | **640** |
| Germany | 77 | 101 | 92 | 49 | **318** |
| Italy | 11 | 19 | 27 | 12 | **69** |
| The Netherlands | 26 | 20 | 16 | 15 | **77** |
| Sweden | 40 | 43 | 43 | 43 | **169** |
| United Kingdom | 124 | 168 | 185 | 185 | **662** |
| EIB | 168 | 249 | 185 | 148 | **750** |
| European Union | 100 | 110 | 100 | 125 | **435** |
| **Indicative Total** | **760** | **920** | **858** | **787** | **3325** |

* including both grant and loan assistance.

## 4.2 Contribution per priority sector

The table below provides information on the indicative financial allocations per joint programming priority sector including grant and loan financing for 2014-2017.

| EU Partner | Agriculture, Rural Development & ASAL | Energy & Transport | Democratic governance, justice and the rule of law | Water & Sanitation. |
|---|---|---|---|---|
| **European Union** | **210** | **140** | **64** | **31** |
| **EIB** | **0** | **371** | **0** | **20** |
| **Finland** | **14** | **0** | **14** | **15** |
| **France** | **65** | **235** | **0** | **62** |
| **Denmark** | **25** | **0** | **20** | **20** |
| **Germany** | **40** | **128** | **7** | **73** |
| **Italy** | **16** | **25** | **0** | **39** |
| **The Netherlands** | **7** | **0** | **8** | **35** |
| **UK** | **59** | **67** | **97** | **61** |
| **Sweden** | **60** | **0** | **50** | **40** |
| **Sector totals** | **471** | **966** | **246** | **387** |

# 5. MONITORING AND EVALUATION

Monitoring and evaluation of the Joint Strategy's results and process will be carried out on two separate levels. On the one hand, the results of the Joint Strategy for support will be monitored with a view to establishing whether targeted results and intended outcomes have been met. On the other hand, the Joint Programming process itself will be monitored in order to establish whether it is moving forward as planned and bring value in terms of improved aid-effectiveness to development partners. This process is expected to contribute to the overall improvement of the performance of EU cooperation.

## 5.1. Monitoring results under MTP2 implementation.

Monitoring and evaluating the results of the EU Joint Strategy will aim to highlight the contribution of the EU Joint strategy to the national development of Kenya. EU DPs will measure the results of joint EU support through the monitoring of the European Country Strategy which will be carried out jointly by the European partners on an annual basis and will be linked – as far as possible - to the Government's own monitoring and evaluation systems, such as the Annual Progress Reports and the National Integrated Management and Information System (NIMES). However, M&E efforts are challenged by the lack of update and reliable statistical data.

In order to do so, the EU group has initiated (through its ad-hoc sector Task Teams) the process of defining **jointly agreed sector objectives and indicators** to measure results and achievements of the joint strategic programme for each sector of joint EU support. In line with aid-effectiveness commitments, the indicators identified are, to the extent possible, based on MTPII or sector specific results framework. Where not possible (e.g., limited availability or access to national statistics for example), the Task Team have provided alternative indicators.

The monitoring process will seek to be informed by the existing national statistical and monitoring systems and evidence-based planning processes at both the national and sub-national level. Monitoring of the results will therefore take place through the established processes for Government and development partners' joint monitoring processes at national and sector level, as well as through the individual monitoring of the European partners bilateral implementation plans. These exercises will provide basis for the joint assessments of overall progress of the European Strategy and highlight the contribution of the EU joint strategy to MTP2.

These annual reviews will be organised each year by a different member of the EU Group on a rotating basis

### 5.1.1 Agriculture, Rural Development & ASAL Joint Indicators

| Specific Objective | Results | Indicators |
|---|---|---|
| Food security and social integration | Reduced impact of drought | a) Reduction in number of people requiring food assistance as a result of drought emergencies (Source of verification (SOV): Kenya Food Security Surveillance Group (KFSSG), food security assessments; nutrition surveys; GoK appeals)<br>b) Reduction in malnutrition levels during drought(SOV: KFSSG; food security assessments and nutrition surveys)<br>c) Reduction of the national grain deficit |
| Resilience to climate change | Improved disaster preparedness and resilience | a) % coverage of DRR investments with reference to the Community Drought Contingency Plan (SOV: County DRR Plan)<br>b) % of productive assets retained after drought incidents (SOV: NDMA early warning and M&E systems)<br>c) Coverage of county investment plan / areas under irrigation<br>d) Average water flow on permanent and semi-permanent rivers from water towers located in or bordering ASAL areas.<br>e) No. of people supported to cope with effects of climate change<br>f) No. of people with improved access to clean energy |
| Integration of small holder agriculture into the economy | Improved agricultural ouput | a) % increase of Small holders' production that is marketed<br>b) Adoption rate of new technologies and level of input use<br>c) Access to land for the small holder farmers and pastoralist / Resolution of conflicts on land. |

### 5.1.2 Energy & Transport joint indicators

#### A) Sub-sector Energy

The objectives and results identified are in line with those of the "Sustainability for all Initiative" (SE4ALL) that is supported by all European (and other) donors. All programmes financed by the European donors can be grouped under the following objective and result areas:

| Specific Objective | Results | Indicators |
|---|---|---|
| Develop more efficient and environmentally friendly energy services that are accessible to all | Result 1: Increased access to modern and sustainable energy services. | - Number of people with access to energy (electricity and clean cooking facilities)<br><br>- Number of people with access to electricity from the grid |
| | Result 2: Increased production of renewable energy in the country. | - MW generated from renewable energy sources |
| | Result 3: Improved energy efficiency. | - Energy consumption related to energy efficiency measures at household or industry level |

### B) Sub-sector Transport

| Specific Objective | Results | Indicators |
|---|---|---|
| Contribute to sustainable economic development both at regional and national level by developing a more efficient, well-connected, multimodal and safe transport system. | Increased access to transport services and reduced transport cost for passengers and goods | - Number of people with access to all season roads<br>- Percentage of road network in good and fair condition<br>- Cost of transport services along selected transport routes<br>- Travel times along selected transport routes<br>- Tons of cargo handled and dwelling time at Mombasa Port<br>- Number of air-passengers and tons of cargo handled at JKIA<br>- Number of multimodal platforms |
| | Reduced environmental impact of the transport sector | - Transport related GHG emissions per capita<br>- Transport related air and noise pollution level per capita |
| | Increased road safety | - Number of injuries/deaths in traffic accidents |
| | Improved transport sector governance | - Up to date transport sector planning paper available and GoK commitments consistent with it<br>- Adequate maintenance of transport assets<br>- Improved enforcement of transport regulations |

### 5.1.3 Governance joint indicators:

Governance is a broad sector which covers areas as diverse devolution, elections, support to CSOs, access to justice etc. Given the breadth of the sector, not least the roll out of devolution, the EU partners consider that the identification of indicators to be more pertinent per focal sub-sector rather than for the thematic area as a whole. The process of the identification of indicators will therefore be organised around a number of sectors based on Kenyan sources including the MTP2 results' Framework where relevant. Although not always measureable, the MTP II Political Pillar contains over 8 "objectives" and 80 distinct targets (defined as "outputs" or "outcomes" in the implementation matrix of MTP II) which are not clearly prioritised.

Support to CSOs, in accordance with the final version of the CSO roadmap, will be assessed against a matrix of 3 priorities and 12 actions defined jointly by the EU DPs. The content of this matrix was informed by specific consultations with community-based organisations and CSOs of different types.

### 5.1.4 Water and Sanitation joint indicators:

| Specific Objective | Results | Indicators |
|---|---|---|
| Increased water availability in the country | - Increased access to safe drinking water in low income urban areas | *% population with access to safe drinking water in urban low-income areas;*<br>*% increase in water storage capacity (at all levels).* |
| | - Increased access to safe drinking water in marginalized rural areas | *% population with access to safe drinking water in marginalized rural areas* |
| Increased sanitation in the country | - Increased access to improved sanitation in urban low income areas | *% population with access to improved sanitation in urban low-income areas* |
| | - Increased access to improved sanitation in marginalized rural areas | *% population with access to improved sanitation in in marginalized rural areas* |
| Improved governance of water resources | - Increased revenue collected from water supply services | *% Non-Revenue Water* |

## 5.2. Monitoring of the Joint Programming process.

The purpose of monitoring the JP process is two-fold:

1. Measure progress made in terms of aid-effectiveness commitments which aim at better managing the diversity of donors on the ground[6]. The commitments include reducing fragmentation, concentration of sectors, reducing the proliferation f aid channels etc.;
2. Measure the benefits of the JP process to the donors themselves. Is the process bringing added-value to their work in terms of building synergies, improved collaborative work among donors, economies of scale, and reduction of transaction costs.

EU DPs agree that a simple evaluation system, allowing a clear review through measurable targets - could help answer both monitoring points and take stock of progress made with the process and its impact on the ground. This monitoring exercise would be carried out annually and led by a different EU DP on a rotating basis.

The JP monitoring process should help determine the improvements in division of labour and defragmentation including the increase in jointly implemented interventions and use of country systems etc. It will coherently and systematically review:

→ the level of fragmentation of EU aid including division of labour, and

→ the volume of aid delivered through common instruments or joint implementation mechanisms .

→ evaluations will assess relevance, effectiveness, efficiency and sustainability of the EU development cooperation outcomes and provide direction for the subsequent EU joint programming processes.

[6] "The current development landscape is characterised by a multiplicity of different actors and aid channels, and it is largely believed that finding ways to deal with the proliferation of donors is crucial for improving aid effectiveness." Managing Diversity: What Does it Mean? Elena Pietschmann An Analysis of Different Approaches and Strategies, 2014.

## ANNEX I: Joint Implementation

EU DP commit to explore together existing and future opportunities for joint programmes and joint actions for EU Development Partner, aiming to achieving coordination efficiencies by developing or strengthening joint analyses, joint frameworks, joint implementation modalities and/or joint monitoring and evaluation frameworks. Some preliminary work on existing cooperation among EU partners has been carried out and should be updated.

Seven[7] ad hoc *task teams,* each representing a specific sector were tasked to identify sectors where joint implementation has potential in the short term. This led to the identification of **3 sectors where Joint Implementation is fertile** immediately. NB: Please note that we distinguish joint implementation from joint programming, the former being the joint implementation of actions and the latter, the joint formulation of strategies.

The following "**frontrunner sectors"** were proposed as ready for **Joint Implementation** (i.e., joint actions, projects, identifications, evaluations etc.) in the short-term i.e., starting as soon as possible:

1. Agriculture, Rural Development & ASAL
2. Energy & transport
3. Water & sanitation

### 1. Agriculture, Rural Development & ASAL

The group concurs that ASAL is the first priority for rapid joint implementation. Among the key arguments put forth to justify this are:

- ✓ strong coordination and cooperation among donors + existing commitment to joint programmatic framework for ASAL;
- ✓ alignment to MTPII; major coordination achievements in ASAL working group (joint analysis, joint framework, joint monitoring);
- ✓ donors planning joint modalities already in ASAL;
- ✓ joint approaches are facilitated by well-designed and up-to-date policies;
- ✓ current DE/EU lead likely to be continued;
- ✓ large donor presence;
- ✓ joint analysis/monitoring etc. already under way.

With respect to Agriculture & Rural Development, a number of challenges should be taken into account though these should not preclude initiating joint implementation asap among which:

- ✓ effective lack of Government ownership and ensuing weak foundations for JP at this stage;
- ✓ MoALF increased ownership for improved sector coordination as good basis for JP in the mid-term;
- ✓ alignment to MTPII for agriculture problematic;

[7] - Agriculture and Rural Development, ASALs, *coordinated by Germany*; Energy, Infrastructure (incl. Transport), *coordinated by the EUD*; Elections, Justice and Democratic Governance joined with Devolution, *coordinated by the UK;* Environment and Climate change, *coordinated by France*; Water & Sanitation, *coordinated by Sweden*; Health, *jointly coordinated by Germany and UK*; Gender, *coordinated by Finland*.

- ✓ strategic documents pre-date devolution and 90% of all functions still to be devolved; agriculture & rural development doing full donor mapping to avoid overlap and duplications.

### 1.1 Proposed joint EU initiatives in Agriculture, Rural Development & ASAL

1. **"Joint EU initiative to support to the MoALF coordination of the sector after 2016"**
   The programme will be defined in 2015 building on the Joint initiative set in place in 2014; a common implementing arrangement with Delegation Agreement to a lead agency is proposed.

2. **"Joint EU Support to Climate Proof Infrastructure at County level"**
   A joint identification mission commissioned by the German Development Cooperation will be starting in late August 2014 to define EU contribution to the "Common Programming Framework to support climate proof infrastructure in ASAL". GDC will support county infrastructure programmes in Turkana and Marsabit, EU Commission could support county infrastructure in other arid areas while early discussions are ongoing with AfD to cover Laikipia and Embu semi-arid counties. Early discussions with the WB and AFDB have also been initiated. DFID Private sector programmes: DFID Market Assistance Programme (MAP), AECF- Renewable Energy and Adaptation to Climate Technologies (REACT) Challenge Fund in ASALs and the Green mini grids programme. Common implementing arrangement with Delegation Agreement to a lead agency is proposed.

3. "**Joint EU support to productive, adapted and market integrated small-holder agriculture aiming to reduce the national food deficit and to improve Kenya agriculture sector competitiveness "**

   A joint identification mission could be initiated in order to define either a joint EU programme or a Joint EU programming framework building on the current EU projects and programmes currently addressing a) productive agriculture, b) market integration and c) adapted agro-technologies responding to climate change. The identification mission could also look at how this Joint EU programme would integrate within the Government Priority Programmes and Government-Donor common programming framework to End Drought Emergencies. All modalities of implementation should be explored providing that part of the funding could directly support private sectors actors without transiting via Government. Modality of funding could include Delegation Agreement to a lead Member State agency or trust fund under a lead UN agency or Sector budgetary support for the component supporting public service in County Government if assessed not too risky.

4. **"Joint EU support to Disaster Risk Reduction in ASAL "**
   Strictly based on the finalized "DRR Common Programming Framework to End Drought Emergencies"; a joint identification mission could be initiated in order to define a joint EU Initiative based on the continuation of the following EU supported national programmes a) Drought Contingency Fund b) Hunger Safety Nets and c) National Food Relief in case of Emergency. DFID Climate Change programme (StARCK+which includes the Adaptation Consortium in 5 ASAL counties).

   All modalities of implementation should be explored drawing lessons learnt from the implementing modalities currently used.

5. **"Joint EU support to improved nutrition"**
   Strictly based on the finalized "Human Capital pillar of the common Programming Framework to End Drought Emergencies"; a joint identification mission could be initiated in order to define either a joint EU Initiative based on our support to national programmes. All modalities of implementation should be explored drawing lessons learnt from the implementing modalities currently used.

### 1.2. Existing joint programmes in Agriculture, Rural Development & ASAL

1. **"Joint EU initiative to support to the transition process of MoALF till 2016".**
   The initiative is currently implemented with the alignment within a single work-programme of the parallel supports from the German Development Cooperation, the Swedish Cooperation within ASDSP on sector coordination and of the EU. Joint operational modalities along a common work-plan, shared technical assistance and with a Delegation Agreement between German Development Cooperation and the EU provide the operating framework for the three agencies for this support.

2. **"Shared Technical Assistance support to NDMA till 2017".**
   Following a joint appraisal between UK and the EU Commission to provide technical expertise to the programmatic approach agreed between ASAL donors, a MoU for the provision of a high level institutional expert was finalized. The rapid formalisation of the Common Programming Framework to End Drought Emergencies is the outcome of this shared Technical expertise. As Germany also intends to strengthen local and national NDMA capacities to deliver on its mandate, the additional support provided need to be aligned to previous planning of the UK and EU.

3. **"Provision of permanent water as part of the Climate Proof Infrastructure CPF for EDE till 2017".**
   Within the framework of the Medium Term ASAL Programme (MTAP) of the Danish Cooperation and SHARE of the EU, a joint programme has been defined to address the provision of water throughout the dry season and during severe dry spells . A Delegation agreement between DANIDA and the EU Delegation provides the contractual framework.

4. **"Support to the definition and implementation of the Livestock Index based insurance (ILBLI)"**
   Under KRDP, a joint EC–DFID–AusAid support is currently addressing the definition of ILBLI implemented by ILRI. The programme will be scaled up under World Bank future programme. A Delegation agreement between DFID and the EU Delegation is providing the contractual framework.

## 2. Energy and transport

The group concurs that Energy & Transport is a priority for rapid joint implementation. Among the key arguments put forth to justify this are:

- ✓ In energy and transport. AfD, German Development Cooperation & EIB are key actors in energy.

- ✓ EU new focal sector « transport » under 11th EDF with blending as main method of implementation + Italian Gov in energy;
- ✓ Support fully aligned with MTPII priorities;
- ✓ No complications working with Kenyan Government are anticipated;
- ✓ Stability of donor presence in this sector;
- ✓ Large funds to be disbursed, more synergies, impact and visibility;
- ✓ Blending and Mutual Reliance Initiatives provide good basis for Joint Implementation;
- ✓ DPs have already endorsed a joint strategy re. Focus on certain sectors.

**Energy -** Traditionally the Lending donors (Germany through KfW/DEG, EIB and AfD/Proparco) have cooperated in the fields of Generation and Transmission of electricity. Due to the magnitude of the financing requirements of the projects in these sectors co-financing of different European and other donors has been common practice. EIB and AfD are co-financing the Mombasa – Nairobi Transmission line as well as the Suswa Isinya transmission line. In the field of Generation, Germany (KfW/DEG), EIB and AfD are contributing to the Geothermal projects Olkaria I, II and IV extension. Germany (KfW) to the Bogoria-Silali Steam Field Development and AfD to Menengai steam field development.

In the field of Distribution AfD and the EU are financing the "Scaling up Access programme (Stima Loans) under the ACP-EU Energy Facility. The project will address two key issues regarding the cost of electricity for low income households in Kenya, namely the cost of connection to the grid will be reduced by scaling up the revolving fund and installing transformers; The electricity bill will be reduced by distributing CFLs which will contribute to reducing the households'' energy consumption.

The majority of the joint programmes between the EU and the European IFIs have been implemented through the Infrastructure Trust Fund. Initially these projects were required to have a regional focus, but recently a specific window for national energy projects under the "Sustainability for all Initiative" (SE4ALL) programme has been established. These programmes are mainly in the field of Generation and Distribution and can be summarised as follows:

- *Clean Cooking Programme for Africa;*
- *Environmental Credit Lines for Kenya, Uganda and Tanzania - Engaging Banks in Energy Transition Projects. (AfD)*
- *Geothermal Risk Mitigation Facility for Eastern Africa* (German Development Cooperation*)*
- *Off Grid rural electrification (AfD, German Development Cooperation)*
- *Lake Turkana Wind Power (EIB)*

An example of extensive cooperation between different European donors is the Lake Turkana Wind Power Project which is the largest wind farm currently being developed on the Sub-Saharan continent. The project involves the construction and operation of a 310 MW wind power plant. Apart from the EU and the EIB the European countries involved in the financing of this project include The Netherlands, France, Germany, the UK, Finland, Denmark, and Norway. In addition, Spain is supporting the construction of the transmission lines connecting the wind farm to the Kenyan grid.

## 2.1. Proposed joint EU programmes/areas in Energy & Transport

**a) Energy -** In the programming in the Energy Sector the European Donors are specifically looking into five areas for joint programming:

1. Access to Energy/Connection/Last mile. There are different options of increasing access to electricity, namely group connections, lowering costs of connection, subsidising connections, stima loans etc. AfD is carrying out a study on the actual costs of connection and making suggestions for a new connection policy to be adopted by the Government. At the same time the Government has developed a rough plan on how to connect 60% of the Kenyan population to the grid (the last mile). The specific donor group on access to electricity will coordinate the planning process and coordinate appraisals of the last mile connectivity programme.
2. Facilitation of expansion of private sector supplying non-grid house systems (either solar lamps, energy efficient cooking stoves, solar home systems etc). AfD, DfiD, German Development Cooperation and EU are financing credit lines and support services for private sector development in this field. Joint programming will continue in this field. An example of possible cooperation is the Green Micro-finance programme aiming at establishing a financing mechanism for small-scale renewable energy appliances and equipment for households and small enterprises.
3. Minigrids. DFID, AfD/EU and German Development Cooperation (KfW/GIZ) are in the process in developing programmes related to the institutional framework, establishment, private sector involvement and retrofitting of minigrids. Extensive planning and cooperation in this field is ongoing.
4. Further Cooperation with EIB and AfD can also be envisaged in the Renewable Energy and Energy Efficiency Credit lines with a special focus on technologies such as PV which would require subsidies to be financially viable given the current Feed-in-tariffs.
5. The majority of the DPs are already cooperating in the exploration and exploitation of renewable energy, including wind, solar, hydro & geothermal energy. Risk mitigation facilities for geothermal energy for the exploration phase are in place but there might be scope for their expansion.

**b) Transport -** Several joint actions are currently under consideration by the EU, EIB, KfW and AFD. More specifically, roads projects, Mombasa port upgrading project and an urban mobility project are currently under consideration for joint financing. Financing mechanism shall be blending grants (from the EU and potentially KfW) with loans (from the EIB, KfW, AFD and potentially other non-EU partners). A leading partner would be identified to implement the project. Clear implementation modalities shall however be agreed amongst partners prior to implementation.

In the future, more regular exchanges between EU Development Partners are needed to ensure a common understanding of the sector as well as produce joint analyses and improve joint programming.

**Existing joint programmes in Energy and transport**

### a) Energy

1. **Clean Cooking Programme for Africa**
   An IG of € 15m was cleared in principle on 12/12/2013 (as part of this project, a TA to support the feasibility study was approved the same day). The project aims to set up a demand-enhancing fund which will provide financing programmes for clean cooking appliances in collaboration with local financial institutions in order to help consumers to overcome the initial costs for switching to Liquefied Petroleum Gas (LPG) and to unlock demand in the pilot countries Kenya, Ghana and Cameroon.
2. **Environmental Credit Lines for Kenya, Uganda and Tanzania - Engaging Banks in Energy Transition Projects. (AfD)**
   EU-AITF Grant TA of € 2m - approved on 29/06/2010 TA of € 2.1m - approved on 27/06/2013. The Project's objective is to bring additional solutions to achieve the diversification of energy resources in the East African region and help its transition towards renewable energy solutions that are technically, economically and financially viable. The Project consists of three successive lines of credit at concessional terms (tenor of over 10 years, below market interest rate) to the local banks who in turn will lend at soft conditions to local investors. The target investments are mainly small to medium hydro, wind, biomass and solar projects.
3. **Geothermal Risk Mitigation Facility for Eastern Africa (KfW)**
   EU-AITF Grant DG of € 30m - approved on 20/10/2011, and € 20 m from the German Government. The Facility aims to attract public and private developers and to mobilise finance for the construction of four geothermal power plants (installed capacity of 300 MW) which will feed a clean and reliable energy into power grids in Eastern Africa. The Facility supports project located in Eastern Africa in the countries that have signed the Addis Ababa resolution with the African Union Commission (AUC) on Geothermal Energy, namely: Burundi, Comores, Djibouti, DRC, Ethiopia, Eritrea, Kenya, Rwanda, Tanzania, Uganda and Zambia.
4. **Lake Turkana Wind Power (EIB)**
   EU-AITF Grant FI of € 25m - approved on 24/10/2013. The Lake Turkana Wind Power Project is the largest wind farm currently being developed on the Sub-Saharan continent. The project involves the construction and operation of a 310 MW wind power plant. The wind farm includes 365 turbines, a 33 kV electricity grid system, and a 33/200 kV Substation. The Project also includes approximately 200km rehabilitation of the existing road to the wind farm site. In order to connect the wind farm to the grid, a 428 km long transmission line will be constructed by the Government of Kenya with funding for the Government of Spain.

**In the pipeline**

**Off Grid rural electrification (AfD; German Development Cooperation)**

EU-AITF Grant FI to be requested of 20M€. The project will replace 23 of the existing diesel-based power generation by renewable energy resources (1 MW wind / 4.75 MW solar). Not only will this combination contribute to decrease the volume of greenhouse gas emissions (climate change mitigation) but also to reduce generation costs on the long term compared to the business as usual scenario. Detailed feasibility study is ongoing. In addition, German Development Cooperation provides € 22.5 m to support greenfield hybrid mini-grids, in particular in the Northern Kenya.

b) **Transport**

In the aviation sector, an EIB-EU joint action is currently on going, aiming at providing technical assistance for the JKIA upgrading and rehabilitation project. The EIB is managing this action, which is financed by a 5 million EUR grant from the EU Infrastructure Trust Fund.

## 3. Water and Sanitation

The group concurs that Water & Sanitation is a priority for rapid joint implementation. Among the key arguments put forth to justify this are the fact that good coordination structures in place, that water as priority for Kenyan Gov and Development Partners as well as the fact that EU members states have a long-standing coordination role in the sector.

In addition, the sector boasts a substantial number of existing joint implementation modalities such as the Mutual Reliance initiative and the Water Services Trust Fund amongst others. Finally, joint implementation is perceived as key to increase EU visibility in the sector.

### 3.1. Proposed joint EU initiatives in Water & Sanitation

- EU initiative on Non-revenue water.
- EU initiative on socially viable and consumption based tariff increases and strengthened governance of water utilities, with particular focus on the urban areas.
- Innovative financing in the water sector.
- Further harmonisation within Water Services Trust Fund.
- Supporting development of nation-wide data system including collection and management of data.

### 3.2. Existing joint programmes in Water & sanitation

- Water Services Trust Fund, WSTF. Partners: Finland, Sweden, Germany and Denmark, the EU/The Netherlands (scope: Urban & rural).
- Mutual Reliance Initiative. Partners: Germany & EIB. Urban;
- Mutual Reliance Initiative (KfW, EIB and AfD): financing for Olkaria I+IV geothermal power project (280MW) Community Development Programme (10th EDF) – joint management. Partners: EU/Denmark.

- Community Development Programme (10th EDF) – joint management. Partners: EU/Denmark.
- Northern collector and distribution - Water and Sanitation in Nairobi. Partners: France/Germany/WB. Urban.
- Water and Sanitation at Lake Victoria (incl. Kisumu). Partners: France/ EIB/ The Netherlands / Germany. Urban.
- Water and sanitation in Mombasa. Partners: France/The Netherlands/WB. Urban

## ANNEX II: Joint Communication and Visibility

The EU Group considers that a joint “Communication and Visibility” strategy is an essential element of JP with a view to clearly present the full extent of EU presence and cooperation, improve its perception and increase its impact. The EU Blue Book is currently the annual joint EU publication on development cooperation in Kenya.

The EU Group agrees to develop a joint communication and visibility strategy which could, inter alia, include the following elements:

- ✓ a joint communication and visibility tool such a joint annual *brochure, based on the contents collected towards the compilation of the EU Blue Book;*
- ✓ joint signing ceremonies,
- ✓ joint meetings with stakeholders,
- ✓ joint visit of projects with media,
- ✓ joint reporting to ERD,
- ✓ joint press releases for joint programmes,
- ✓ joint Annual Review Meetings with the Ministry of Finance at the end of the review process
- ✓ other opportunities for joint strategic communication opportunities and dialogue

# ANNEX III: Synchronisation

The EU Joint Cooperation Strategy is time-bound to the cycle of the second MTP of Kenya's Vision 2030 covering the period 2013-2017. Synchronisation of programming cycles is to improve joint programming during the preparation phase of the next MTP. Sharing of information and consultation among the EU group are both essential elements to help ensure relevant and timely joint programming to which the EU group is committed.

The diagram below illustrates how each EU development partner country support programme is synchronised with the MTP2 cycle. By and large, most of the programming cycles of the EU DPs are synchronised with MTP2 and, where synchronisation is not an exact match, efforts have been made to bridge the void either by rolling over existing strategies or anticipating future programming. JP offers a platform for further synchronisation of country policies with the Kenyan development planning process in the subsequent MTP cycle.

| KENYA | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| *National strategy* | *Five Year Plan – MTP 1* | | | | *Five Year Plan – MTP 2* | | | | | | |
| *EU* | *10th EDF* | | | | | *-1* | | | | | |
| *Denmark* | | | | | | *Country Policy & Programme* | | | | *+1* | |
| *Finland* | | | | | *Country Strategy* | | | | | | |
| *France* | | | | | | *Country Strategy* | | | | | |
| *Germany* | | | | | | *Country Strategy* | | | | | |
| *Italy* | | | | | | *Country Programme* | | | | | |
| *Netherlands* | | | | | | *Strategic Plan* | | | | | |
| *Slovakia* | | | | | | *Country Strategy* | | | | | |
| *Sweden* | *Cooperation Strategy* | | | | | *+1* | *Cooperation Strategy* | | | | |
| *UK* | | | *Operational Plan* | | | | | *+1* | | | |

*NB: The areas highlighted in dark brown indicate a year of rollover of the existing strategy (+1 in the case of Sweden and the UK) or a year where programming is anticipated (-1 in the case of the EU).*

**EU Development Partners' programming cycles:**

**Denmark –** Denmark aims at synchronising its country programmes with national development plan and consequently with EU Joint Programming. The timing of allocations and commitments for the country programmes will be scheduled in the process of developing the Finance Act to the Danish Parliament. To the extent possible, this timing should honour the alignment with the national plan/strategy and harmonisation with the EU and its EU MS and other development partners.

**The EU** – The European Union Delegation will ensure synchronisation by carrying out a review to coincide with the adoption of the next MTP cycle. This will allow the EU to re-orient priorities as may be needed at that point in time.

**The EIB** – The EIB does not programme its support in the same way as EU development partners do. The EIB shares its priority sectors of intervention and estimate country allocations, thus allowing for common responses and merged resources where possible.

**Germany** Germany's bilateral development portfolio in Kenya is regularly updated in a three-year programming cycle by a two-step process of bilateral government consultations and negotiations. The last negotiations took place in December 2013 with the results of a bilateral programming running from 2014-2016. The next negotiations are planned in 2016 for the cycle 2017-2020. Parallel to that allocation process runs a strategic planning process which is condensed in a multi-annual country strategy paper (2014-2020). This country strategy formulates the opportunities and challenges as well as the way forward and key objectives for selected focal areas of engagement. This strategy makes sure that the priorities are aligned to the priorities of MTP II.

**Finland**- The Ministry for Foreign Affairs of Finland prepares country strategies for each of the long-term partner countries, including Kenya. The strategy schedule follows Finnish government terms of office and respective governments' development policy programmes. The current strategy is in force until the year 2016. Since the Country Strategies follow the Finnish government periods, they are not synchronized with partner country planning cycles. However, the effectiveness of country strategies is monitored on a yearly basis by the Ministry, and they can be updated at any time, for example to better align with country context, priorities and plans. The Kenya country strategy is being evaluated in 2014, on the basis of which the strategy will be updated to align with country context, including MTP II as well as possible implications of EU joint programming.

**France** - As far as France is concerned, there is no formal programming cycle with the government of Kenya. Only AFD, which has a regional office in Nairobi, has a three-year strategic framework which concerns the five EAC countries. The present one concerns the 2014-2016 period and consultations with the concerned countries took place last year. The part concerning Kenya has been shared in an informal way with GoK and the 2014-2016 regional strategic framework is about to be approved at AFD headquarters. So far, there is no indication that this three-year framework would be expanded in the future to a five year one to match EDF cycle.

**Italy –** The Italian Cooperation Office elaborated its STREAM three year country programme in 2013, taking into consideration Kenyan strategic documents and a constant dialogue with Kenyan authorities and donor community. Each year the three-year strategic vision and objectives are reviewed. In order to align to Kenyan programming cycle and at the same time to capture the new procedures approved by the new Italian cooperation law, Italian Cooperation Office would like to launch its new three-year country Programme 2015-17 next year.

**Slovakia** – Slovakia has in place its first country strategy for Kenya for the cycle 2014-2018. The strategy was developed in line with Kenyan strategic documents such as MTP II. Slovakia aims at synchronizing this country program with national strategic plans and EU Joint Programming.

**Sweden -** Sweden will synchronise its development cooperation framework - i.e. the Swedish Results Strategy for the Development Cooperation with Kenya 2015-2019 - with the EU Joint Programming document by incorporating relevant and prioritised cooperation areas and sectors for EU JP in the forthcoming Swedish Results Strategy, where Swedish bilateral priorities and EU JP priorities coincide. A general reference for active Swedish participation in forthcoming EU Joint Programming processes in Kenya will also be made in the Swedish strategy. Sweden will incorporate JP in its own strategic programming.

**The Netherlands** – The Netherlands regularly prepares strategic plans for Kenya. The strategy cycle follows Dutch government terms and beneficiary governments' development policy priorities. The current Multi-Annual Strategic Plan (MASP) for Kenya is in force for the period 2014-2017. As the MASPs follow the Dutch government cycle, they are not synchronized with the partner country planning cycle; the current MASP for Kenya is however aligned with the MTP 2 and Vision 2030. Programming to implement the MASP leaves some flexibility for joint programming if strategy and priorities overlap. The Netherlands bilateral strategic document makes specific reference to Joint programming.

**The United Kingdom -** The UK country strategies for DFID usually follow the UK government terms. Hence DFID Kenya's current Operational Plan runs 2010-2015. Plans are agreed with Government of Kenya, are aligned with Vision 2030 and are flexible. For example, new programmes can be added at any time and some programmes run beyond 2015 linked to their own programming cycle and objectives. UK elections in May 2015 will determine the period and scope of the next country plan.