



Government of Kenya
Ministry of Finance



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**Joint Annual Operational Review
of Cooperation between**

**The Republic of Kenya
and
The European Community
in 2008**

Final Draft

**Annual Review of the ACP-EC Partnership Agreement and
Other Cooperation Activities**

Abbreviations

AAP	Assessment and Action Plan
ACP	African Caribbean and Pacific
AERC	African Economic Research Consortium
AFD	L'Agence Française de Développement
AI	Avian Influenza (bird flu)
ALRMP	Arid Lands Resource Management Project
ANC	Ante-natal Care
APR	Annual Progress Report
ARSP	Agricultural Research Support Programme
ASAL	Arid and Semi Arid Land
ASCU	Agricultural Sector Coordination Unit
ASMEP	Assistance to Small and Micro Enterprises
ASSP	Agricultural Sector Support Programme
AU	African Union
AU/IBAR	African Union /Inter-African Bureau for Animal Resources
BCP	Biodiversity Conservation Programme
BOPA	Budget Outlook Paper
BoT	Board of Trustee
BSP	Budget Strategy Paper
CBK	Central Bank of Kenya
CBR	Central Bank Rate
CCM	Country Co-ordinating Mechanism
CDEMP	Community Development for Environmental Management Programme
CDF	Community Development Fund
CDP	Community Development Programme
CDTF	Community Development Trust Fund
CEF	Community Environment Facility
CEO	Chief Executive Officer
CEP	Country Environmental Profile
CFA	Community Forestry Associations
CfP	Call for Proposal
CMAP	Collaborative Masters Programme in Economics for Anglophone Africa
COMESA	Common Market for Eastern and Southern Africa
CPP	Collaborative PhD Programme in Economics
CSO	Civil Society Organisation
CSP	Country Strategy Paper
DANIDA	Danish International Development Agency
DCF	Drought Contingency Fund
DCU	Donor Coordination Unit
DFID	Department for International Development
DGSP	Democratic Governance Support Programme
DHSSDP	District Health Services and Systems Development Programme
DMI	Drought Management Initiative
DP	Democratic Party
EAC	East African Community
EC	European Community
ECHO	European Commission Humanitarian Aid
ECK	Electoral Commission of Kenya
EDF	European Development Fund
EFA	Education for All
EIA	Environment Impact Assessment
EIB	European Investment Bank
EIDHR	European Initiative for Democracy and Human Rights
EMCA	Environment Management and Coordination Act
EPA	Economic Partnership Agreement
ERS	Economic Recovery Strategy
ESA	Eastern and Southern Africa
ETC	Educational Training Consultants
EU	European Union
EWS	Early Warning Systems

FA	Financing Agreement
FAO	Food and Agricultural Organisation of the United Nations
FDSE	Free Day Secondary School
FIDA	International Federation of Women Lawyers
FMIS	Financial Management Information System
FMO	Framework of Mutual Obligation
FP	Funding Proposal
FPE	Free Primary Education
FTI	Fast Track Initiative
FY	Financial Year
GAP	Governance Action Plan
GAVI	Global Alliance of Vaccines and Immunisation
GBS	General Budget Support
GDP	Gross Domestic Product
GER	Gross Enrolment Ratio
GFTAM	Global Fund to Fight AIDS, Tuberculosis and Malaria
GJLOS	Governance, Justice, Law and Order Sector
GNI	Gross National Income
GNI	Gross National Income
GNP	Gross National Product
GoK	Government of Kenya
GSPK	Governance Strategy for Building a Prosperous Kenya
GTZ	Gesellschaft für Technische Zusammenarbeit
HAC	Harmonization, Alignment and Coordination
HDI	Human Development Index
HIV/AIDS	Human Immuno-deficiency Virus /Acquired Immune Deficiency Syndrome
HMIS	Health Management Information Systems
HPAI	Highly Pathogenic Avian Influenza
HQ	Headquarters
IDA	International Development Association
IDP	Internally Displaced Person
IF	Investment Facility
IFMIS	Integrated Financial Management Information System
IGAD	InterGovernmental Authority on Development.
IMF	International Monetary Fund
IP-ERS	Investment Programme for Economic Recovery Strategy
IS	Information System
JAOR	Joint Annual Operational Review
JFE	Joint Facility for Electives
JRES	Joint Review of the Education Sector
KACC	Kenya Anti Corruption Commission
KANU	Kenya Africa National Union
KARI	Kenya Agricultural Research Institute
KASAL	Kenya Arid and Semi-arid Lands
KDHS	Kenya Demographic and Health Survey
KECOBAT	Kenya Community Based Tourism
KenGen	Kenya Electricity Generating Company Limited
KEPHIS	Kenya Plant Health Inspectorate Service
KEPLOTRADE	Kenya European Union Post-Lome Trade Programme
KES	Kenya Shilling
KESSP	Kenya Education Sector Support Programme
KFS	Kenya Forestry Service
KFSSG	Kenya Food Security Steering Group
KfW	Kreditanstalt für Wiederaufbau
KIHBS	Kenya Integrated Household Budget Survey
KIPPRA	Kenya Institute for Public Policy Research and Analysis
KJAS	Kenya Joint Assistance Strategy
KNA	Kenya National Assembly
KNCHR	Kenya National Commission on Human Rights
KPCU	Kenya Planters Co-operative Union
KPLC	Kenya Power and Lighting Company

KRB	Kenya Roads Board
KRDA	Kenya Rural Development Agency
KREP	Kenya Rural Enterprise Programme
KTB	Kenya Tourism Board
LA	Local Authority
LATF	Local Authorities Transfer Fund
LRC	Law Reforms Commission
LRRD	Linking of Relief Rehabilitation and Development
MCM	Matrix of Corrective Measures
MDF	Management Development Foundation
MDG	Millennium Development Goal
MESPT	Micro-Enterprise Support Programme Trust
MIP	Multi Annual Indicative Plan
MoALD	Ministry of Agriculture and Livestock Development
MoLG	Ministry of Local Government
MoTI	Ministry of Trade and Industry
MP	Member of Parliament
MS	Member States (of the EU)
MT	Metric Ton
MTAP	Meteorology Transition Africa Project
MTEF	Medium Term Expenditure Framework
MTP	Medium Term Plan
MTR	Mid-Term Review
NACC	National Aids Control Council
NAO	National Authorising Officer
NC	Northern Corridor
NCPB	National Cereals and Produce Board
NCRP	Northern Corridor Rehabilitation Programme
NDCF	National Drought Contingency Fund
NDF	Nordic Development Fund
NEMA	National Environment Management Authority
NER	Net Enrolment Ratio
NGO	Non-Governmental Organisation
NIP	National Indicative Programme
NMSPK	National Museums Support Programme of Kenya
NSA	Non State Actor
NSC	National Steering Committee
ODA	Official Development Assistance
ODM	Orange Democratic Movement
ODM-K	Orange Democratic Movement - Kenya
OECD	Organisation for Economic and Cooperation Development
PACE	Pan-African Programme for the Control of Epizootics
PE	Programme Estimate
PEFA	Public Expenditure and Financial Accountability
PEM-AAP	Public Expenditure Management - Assessment and Action Plan
PEV	Post Election Violence
PFM	Public Financial Management
PIP	Project Implementation Plan
PMT	Project Management Team
PMU	Project Management Unit
PNU	Party of National Unity
PoI	Protocol of Implementation
PPOA	Public Procurement Oversight Authority
PRBS	Poverty Reduction Budget Support
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
PS	Permanent Secretary
PSD	Private Sector Development
PSDS	Private Sector Development Strategy
RAC	Reste A Contractor
RAL	Reste A Liquider

RAP	Reste A Payer
RIP	Regional Indicative Programme
RMLF	Road Maintenance Levy Fund
RPR&LGSP	Rural Poverty Reduction and Local Government Support Programme
SADC	South African Development Community
SERC	Standards and Enforcement Review Committee
SERECU	Somali Ecosystem Rinderpest Eradication Co-ordination Unit
SES	Somali Eco-System
SID	Society for International Development
SIDA	Swedish International Development Agency
SRA	Strategy for Revitalizing Agriculture
SSA	Sub-Saharan Africa
SSP	Support Services Programme
STABEX	Stabilization of Export Earnings
SWAp	Sector Wide Approach
TA	Technical Assistant /Assistance
TB	Tuberculosis
TCF	Technical Cooperation Facility
TDSDP	Tourism and Diversification and Sustainable Development Programme
TISMPP	Tourism Institutional Strengthening and Market Promotion Programme
TJRC	Truth Justice and Reconciliation Committee
TSC	Teachers Service Commission
TSP	Tourism Sustainability Programme
TTF	Tourism Trust Fund
UK	United Kingdom
UN	United Nations
UNDP	United Nations Development Programme
US	United States (of America)
USD	United States Dollar
VCT	Voluntary Counselling and Testing
VSO	Volunteer Service Overseas
WB	World Bank
WPCE	Work Plan and Cost Estimate
WTO	World Trade Organisation

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EXECUTIVE SUMMARY

In the year 2008, Kenya experienced a decline in most sectors mainly due to the unprecedented political crisis following the announcement of the December 2007 Presidential Election results, and further exacerbated by a drought that contributed to a serious shortage of food and steep increases in food prices. The negative global economic developments such as steep rise in fuel prices, the meltdown of major global financial markets and the financial crisis that followed, worsened an already bad local situation. The Country's high growth forecasts, which were generally optimistic but realistically achievable prior to the post election crisis, were downgraded significantly by the end of the year and are forecast to remain significantly lower than original targets in the short term.

The re-emergence of allegations of corruption within the Coalition Government in 2008, strained relations between the Government and some donors. The GoK's seeming inability or unwillingness to implement Agenda Four of the National Peace Accord, together with a perceived threat of a shrinking of the democratic space and media freedom through the introduction of a contentious media bill interpreted by many as an attempt to gag the media, further fuelled public anger.

From an operational perspective, the political and socio-economic climate in 2008 impacted negatively on the implementation of development programmes. Several on-going programmes were delayed or disrupted due to the post election violence while the launch of new programmes was postponed to the latter half of the year. Consequently, the calendar for implementation of the 10th EDF had to be postponed by a full year as the identification and formulation missions could only commence in the last quarter of 2008. The negative impact on the achievements of past and on-going EC funded projects is also estimated to be quite significant. The gains made in the tourism sector through the Tourism Trust Fund have for instance all but evaporated necessitating new interventions to salvage the Country's image, while the future of some of the advances made in the Health Sector through the District Health Systems and Services Development Programme and other budget-line funded interventions remains uncertain. Several beneficiaries of the Community Development Programme were affected by the post election violence as were several micro-enterprises and micro-credit schemes.

In spite all the set-backs, the country has shown great resilience. The strength of the Private Sector as the key driver of the economy has been evidenced by the fact that the Country did not slide into a recession, although economic activity slowed down considerably, in what was generally a very difficult business environment in 2008. Local Institutions, including the Civil Society, the Private Sector and the media also played a very important role in reducing the tensions and in supporting the mediation efforts.

1. THE COUNTRY PERFORMANCE

1.1 Update on the Political Situation and Political Governance

The year 2008 began with an unprecedented political crisis following the announcement of the December 2007 Presidential Election results. The country erupted into violent protests that quickly spread through its major cities and some rural areas. Inter-tribal conflicts escalated across the country, with urban slum areas being particularly badly affected. Over 1,100 Kenyans were killed and hundreds of thousands were displaced from their homes. The economy was badly affected by the chaos, unrest and political uncertainty that pervaded the atmosphere through the first quarter of the year. GoK- Donor relations suffered in the first quarter, with development partners under the umbrella of the Donor Coordination Group and prompted by the EU declared that until a solution to the political crisis was agreed, the EU and its Member States would not conduct business as usual with Kenya.

A mediation team put together by African Union (AU) with the support of the International Community, and led by Kofi Annan (former UN Secretary General) eventually brokered a power-sharing agreement in late February 2008, and a coalition government of national unity was formed in April 2008 headed by President Kibaki Party of National Unity (PNU) and Mr Odinga (Orange Democratic Movement (ODM) taking the post of prime minister with each party nominating a deputy prime minister, and ministerial portfolios being divided equally between the two parties. The mediation efforts not only established the Government of National Unity but also covered essential changes in law and the Constitution, including:

- Independent Review Commission into the 2007 General Elections (the Kriegler Commission), which submitted its final report in September 2008;
- Commission of Inquiry into Post-Election Violence (the Waki Commission), which submitted its final report in October 2008; and
- The Truth Justice and Reconciliation Commission.

The Kriegler Commission, which concluded that the electoral process was tainted by widespread bribery, vote-buying, intimidation and ballot stuffing - compounded by defective data tabulation, transmission and tallying – impairing the integrity of the electoral process and irretrievably polluting the results such that it was not possible to determine the correct result. It recommended a complete overhaul of the Electoral Commission of Kenya (ECK) and the electoral process and proposed an amendment of Sections 7 and 9 of the constitution to eliminate all doubts as to the expiry of the term of office of the President, a reduction of the maximum number of ECK Commissioners, and a re-organisation of the expiry of the terms of office of the Commissioners to ensure they do not coincide with election years and make ECK accountable to Parliament and not to the President.

The Waki Commission recommended the setting up of a Special Tribunal for Kenya to seek accountability against persons bearing the greatest responsibility for (particularly) crimes committed against humanity, relating to the 2007 General Election. It also recommended fast-tracking of the enactment of the International Crimes Bill 2008 (to facilitate investigation and prosecution of crimes against humanity), utilization of the Witness Protection Act 2008 in the course of investigation, prosecution and adjudication of Post Election Violence (PEV) cases, and enactment of the Freedom of Information Bill to enable Non State Actors (NSAs) to have full access to information which would result in the arrest, detention and prosecution of persons responsible for gross violations.

The speed and unity of purpose with which the 10th Parliament moved to pass key legislations resulting from the mediation efforts was a positive development on the political scene. In addition to enabling the formation of the Grand Coalition Government and the relevant commissions, the 10th Parliament also passed the following important pieces of legislation during the year:

- Constitution of Kenya (Review) Bill 2008, which will enable the country to re-start the stalled Constitution Review Process;
- Constitution of Kenya (Amendment) Bill 2008, which dissolved the Electoral Commission of Kenya (ECK) that had fallen into disrepute after the disputed elections; and

- Truth, Justice and Reconciliation Bill, which paves way for the formation of the Truth, Justice and Reconciliation Commission in Kenya (TJRC).

After the resolution of the political crisis and all the housekeeping that accompanied the implementation of the National Accord, the Grand Coalition Government got off with promises of repairing the battered economy, resettling and compensating the 350,000 (later reviewed by the Government to 650,000) people displaced by post-election violence.

The division of key ministries into two or more units (e.g. the Ministries of Health, Trade and Agriculture) proved to be a major challenge, with open competition between members of the Cabinet over the split of resources and portfolios as well as relative “importance “ of the ministries between newly created ministries, while development programmes that had been carefully crafted over a number of years were delayed because of the new Government structure.

A year that began on a sour note for the Country ended on an equally sour note. By the end of November, the UN estimated that 113,761 Internally Displaced People were still in “transit camps” and had not returned home or been resettled.

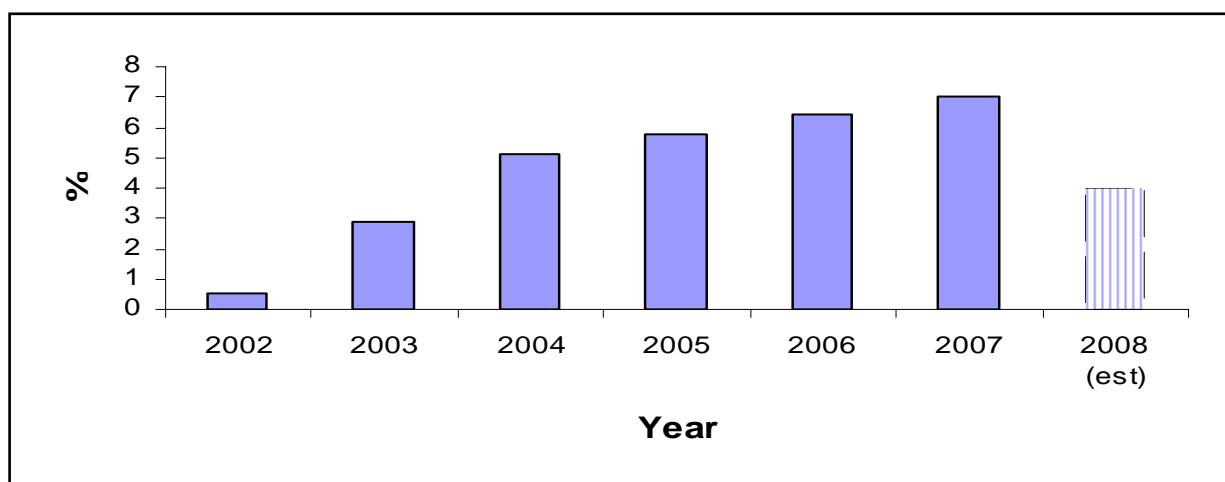
Public anger was further fuelled by high food prices (and allegations of high level corruption in the purchase and distribution of maize meant to alleviate the food shortage), high cost of electricity, increase in water charges and a countrywide shortage of petroleum products occasioned by fraudulent dealings alleged to involve key sector players.

1.2 Update on the Economic Situation and Economic Governance

Kenya experienced reduced economic growth in 2008 (estimated at between 2.5 % and 4 % as compared to 7 % in 2007). The slow-down can be attributed mainly to the post-election violence and political instability in the first three months of the year, which disrupted economic activity and eroded business confidence.

Real GDP declined by 1.3 % in the first quarter with the leading sectors such as tourism, agriculture, transport and communication registering a sharp decline. Tourism was particularly badly affected by the post election crisis, with the sector contracting by 60.2 %¹ in the first three months of 2008. In February 2008, Kenya’s sovereign credit rating was downgraded by the major rating agencies from B+ to B. However, a quick resolution of the political crisis saw economic activity rebound with the return of business confidence, reflecting the resilience of Kenya’s private sector which has enabled the country to achieve positive economic growth over the last five years (see Table 1).

Table 1: Economic Growth Trends



Source: Kenya Growth Report, September 2009.

¹ Source: Central Bank of Kenya

Overall inflation increased from 9.76 % in 2007 to 25.98 %² in 2008 because of disruption of farming activities and supply of food due to the post election crisis and a dry spell at the beginning and towards the end of the year, combined with the rise in international fuel and commodities prices. Underlying inflation rose from 5.25 % to 9.10 % reflecting the higher cost of housing and household goods and services.

The urban lower income groups were hardest hit experiencing an overall inflation of over 30 % compared to the Nairobi Upper Middle Class that experienced inflation of slightly over 15 %. This can be explained by the Lower Classes relatively higher income expenditure share on food and drinks which experienced an inflation rate of over 39 % in the year. The Government, however, made commendable efforts at alleviating the food crisis in the country by removing Value Added Tax on maize flour, milk, rice and wheat flour and making it cheaper to import some raw materials used in food production by reducing import duty payable on wheat from 35 % to 10 % for a period of one year.

Public debt, both domestic and external, has been well managed, with the overall debt to GDP ratio falling over the last five years. The IMF estimated that the country's debt will remain sustainable up to the end of the Vision 2030 period. This is significant considering that the country has not benefited from the multilateral debt reduction operations of recent years.

Monetary policy was tightened in June 2008 to address rising inflationary pressures. Money supply, M3 grew by 17.1 % in the year to November 2008 compared with 16.7 % in the year to November 2007, which was within the 17 % target. Banking system credit to the domestic economy grew by 21.1 % in the year to November 2008 compared to 16.5 % in the year to November 2007 indicating good economic prospects. In response to tightening liquidity in the market (attributable to the largest Initial Public Offering in the Country – for sale of the GoK stake in the Safaricom Mobile Phone Company), the Central Bank Rate (CBR) was reduced from 9 % to 8.5 % in December 2008. For much of 2008, reserve money growth exceeded the authorities' target and private sector credit growth had also remained robust.

During the third quarter of 2008, the economy expanded by 2.1 % compared to 6.3 % in the corresponding quarter of 2007. This performance was the lowest for the third quarter in the last five years. Among the main sectors, only retail trade recorded meaningful growth of 8.6%. Other sectors' output declined: agriculture (4.7 %), manufacturing (0.7 %) and hotels and restaurants (34.7 %). Transport and communication grew by 0.1% compared with 13.4 % growth in the third quarter of 2007.

The external current account deficit almost doubled in 2007/08 to 4.6 % of GDP, due largely to higher oil import prices. Sizeable capital inflows contributed to an appreciation of the Shilling against most major currencies and a strengthening of the overall balance of payments position, with gross international reserve increasing to the equivalent of 3.1 months of imports³.

Economic Governance

Kenya's record on institutional reforms and governance remained below the Sub-Saharan Africa (SSA) average. The Transparency International Report for 2008 ranks Kenya 147 out of 180 countries. This is an improvement on earlier performance, when Kenya was ranked among the bottom twenty. However, recent assessments⁴, including jointly with the Government, attest to the erosion of the integrity of public institutions and governance, which poses serious fiduciary and investment risks for the country.

The Government has embarked on legislation in a range of areas including public officer ethics, anti-corruption and economic crimes, government financial management, public procurement and audit,

² As at November 2008

³ September 10, 2008, International Monetary Fund (IMF) Article IV consultation with Kenya

⁴ These include the Bank Group's Governance Profile and the Public Financial Management and Accountability review done jointly by development partners and the Government.

privatization and statistics. Numerous other measures have followed, including a ministerial code of conduct, and reforms of the judiciary and the police force.

The report on the Observance of Standards and Codes (Fiscal Transparency Module, 2008) by the IMF notes improvement in data and reporting on budgetary and related issues in Kenya. On the other hand the Government has strengthened the capacity of the National Bureau of Statistics to generate and disseminate data.⁵

The (draft) Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report 2008 suggests an increase in the credibility of the budget in terms of budget allocation, revenue collection and distribution of resources, but notes that it still needs improvement in terms of allocative efficiency and flexibility, and that a shift from incremental towards more programmatic budgeting is a major challenge. The budget however, is still not comprehensive and does not provide much overview although the trend is towards better political involvement and openness.

Resource mobilization has improved with better tax systems (the revenue authority meeting its targets most of the time). This together with more prudent management of the domestic debt and reduced arrears has meant that at large the budget has been predictable. Two important spending areas within Budget execution have improved since the last PEFA assessment: Payroll and Procurement, but the Internal Control Systems still show many deficiencies – although several of these are expected to be addressed once the Integrated Financial Management Information System (IFMIS) is completely rolled out and implemented.

The efficiency of the Office of the Auditor General has improved through better organisation, increased systematic training, the introduction of new and computer assisted audit methods and the adoption and successive application of international auditing standards. However, the long delay after which Parliament attends to the audit reports and queries and the even longer delay before Government responds, as well as in many instances the poor response given, still remain a challenge. The slow process and long delays together with lack of enforcement seriously undermines the value of the process.

The donor-related indicators are still rated low as there is little and unpredictable budget support, poor reporting even on some of the loan financed development projects and large flows provided as appropriations in aid using donor systems.

Business Environment and Competitiveness

Kenya was ranked 72 out of 178 countries in the 2008 World Bank Ease of Doing Business Index. It was also identified as the 10th most important reformer of the business environment. In both respects, it was well ahead of other Sub-Saharan Africa (SSA) countries (Table 2). In particular, Kenya scored highly in terms of dealing with licenses and getting credit.

Kenya ranked 148 on trading across borders, partly a reflection of the inefficiency at the port of Mombasa. The port requires major investments, especially upgrading the container terminal. The Government has embarked on the reform of this port, which will now operate on a 24-hour basis. Further investments in equipment and structures, are planned with a view to expanding services to countries in the region.

⁵ ADB Country Strategy Paper

Table 2: Doing Business Rankings (2008)

	Kenya	SSA	Africa	Highest Africa
Ease of Doing Business	72	136	134	27
Starting a business	112	126	122	8
Dealing with licenses	9	112	112	9
Employing Workers	66	117	117	11
Registering property	114	121	122	26
Getting credit	13	114	114	13
Protecting investors	83	112	112	9
Paying taxes	154	104	108	11
Trading across borders	148	130	124	17
Enforcing contracts	107	116	116	33
Closing a business	76	121	117	26

Source: World Bank, Ease of Doing Business, 2008

The country was also ranked 10th out of 29 African countries in overall competitiveness in 2007 by the World Economic Forum (Graph 7). While the country retains characteristics of a “factor-driven economy”, with high dependence on commodity prices and world economic cycles, it is transforming into an “innovation- driven economy” in two respects: first, skilled labour is playing a greater role in the economy than previously and second, the financial sector is increasingly innovative.

Regional Integration

As with previous years, the country continued to face challenges to its integration aspirations including:

- Multiple memberships in regional blocs—including COMESA, IGAD, Nile Basin Initiative, and WTO—, that besides being expensive in terms of membership fees and other commitments, call for diverse policy agreements. In October 2008 the Heads of State and government from the EAC, SADC and COMESA signed a memorandum of understanding in Kampala aimed at unifying the three entities into a single free trade area of over 500 million with a GDP of close to \$600 billion. A major milestone in the road towards greater regional cooperation.
- Poor regional infrastructure as a key impediment to greater integration. The Government plans key developments in regional infrastructure—notably a transport link from the port of Lamu to Isiolo with connections to Ethiopia and Southern Sudan as well as power interconnection between power producers in Ethiopia and the rest of East Africa. The Ministry of Regional Integration has an elaborate East African Strategy which emphasizes infrastructure development.

1.3 Update on the Poverty and Social Situation

1.3.1 Progress towards reaching MDGs

In October 2008, the Government of Kenya admitted that the country is not in a position to achieve all its MDGs by 2015 and that only Goal 2 (Universal Education) and Goal 6 (combating HIV/AIDS, Malaria and other diseases) had a likelihood of being met. The country’s progress with regards to all the goals is as per the 2007 MDG Status Report, released in 2008 and summarized below:

Goal 1, Eradicate extreme poverty and hunger: The number of the people living below the poverty line now stands at 45.9 % as per the 2006 KIHBS Report, having fallen from 56 % in 2003, although the effect of the post-election violence in 2008 may have eroded these gains. Food security remains a challenge (due to low agricultural productivity and weather conditions) as is high unemployment and underemployment because of the inability for the economy to generate sufficient employment opportunities.

Goal 2, Achieve Universal Primary Education: The Gross Enrollment Rate (GER) at primary level increased to 107.6 % in 2007 from 93 % in 2002 due to introduction of the Free Primary Education. Similarly, Gross Enrollment at secondary level is targeted to reach 70 % in 2008, a target that is likely to be achieved following the introduction of Free Day Secondary Education (FDSE) by the Government. The main challenges are overcrowding in schools, education quality concerns, shortage of teachers and low transition.

Goal 3, Promote Gender Equality and Empower Women: There is improvement in the sense that the number of women in decision-making positions, in parliament and place of work is rising. Although it is difficult to measure progress, representation by women in parliament increased to nineteen as compared to only three in 1988 while in 2008 there were seven cabinet ministers as compared to three in 2003. Women comprise between 20-30 % of high court judges, ambassadors and heads of state corporations and agencies. This is an improvement on a decade earlier when female politicians and top government officials were virtually nonexistent.

Both the Vision 2030 and the Medium Term Plan (MTP) envision a critical role for women in the socio-economic development of Kenya. Gender parity has been achieved in primary education, about four million girls attended school in 2007, through the introduction of free universal primary education. Even more important, the number of girls attending secondary school had increased to about half a million, 44 % of the total, by 2007. The %age of females in tertiary education has also improved markedly in recent years, with attendance rates of over 40 %. The Government has planned a number of initiatives, some in the form of affirmative action, to address gender disparities. They include (i) increasing female representation in parliament, where the country lags behind its neighbours, (ii) raising female access to public sector jobs and enhancing their career prospects therein, and (iii) improving female access to family planning and improving the quality of antenatal care.

Goal 4 & 5, Reduce Child Mortality and Improve Maternal Health: The government still faces challenges in tackling this goal. Both Child and Maternal Mortality rate still remain high. The proportion of births attended by skilled health personnel (as a proxy indicator for Maternal Mortality Rate) increased from 42 % in 2003 to 56 % by 2007 with about 90 % of the women in Kenya receiving antenatal care. The challenges impeding the achievement of these MDGs are inadequate physical infrastructure, education and health facilities and human resources lowering the quality of services provided in health centres.

Goal 6, Combat HIV/AIDS, Malaria and Other Diseases: The prevalence rate has recorded drastic decline from about 13 % in 2000 to 7 % by 2007, while TB prevalence rates declined from 6 % in 2000 to 5 % in 2006. The challenge still remains of addressing the needs of those already infected and the orphans from HIV/AIDS related cases. Immunization coverage stood at 72 % in 2007 compared to 57 % in 2003, while 68 % of under-five children are receiving bed nets. Child health is expected to have made improvements during the same period.

Goal 7, Ensure Environmental Sustainability: About 2% of Kenya's land area is under forest cover compared to the recommended 10 %. Despite recent measures to curb deforestation among other policy decisions aimed at environmental sustainability, it is highly unlikely that the targets will be achieved. The key challenge remains insufficient financial resources to address the MDGs, political interference (at the local level) e.g. the Mau Forest complex (referred to as one of the five major water towers of Kenya) faces destruction from the clearing of natural forests for agriculture and charcoal burning due to a legacy of irregularly issued title deeds for properties standing on wetlands, that are impeding the Governments efforts towards environmental conservation.

Goal 8, Develop a Global Partnership for Development: The flow of Official Development Assistance (ODA) developing countries remains low. According to the UN MDG Gap Task Force Report 2008, to date, only five (Kenya not being one of them) OECD member countries have reached or exceeded the UN target of 0.7 % of their Gross National Income (GNI) ODA to support MDGs.

1.3.2 Impact of rise in food prices/post election violence on poverty/social security

The sustained rise in food and non-food prices has accentuated food insecurity among the most vulnerable livelihood groups especially the urban, pastoral and marginal agricultural households⁶. Domestic food supply, in particular maize, tightened significantly during the July 2007-June 2009 marketing year. The expected reduction in maize output in 2008, which will likely sustain the current upward pressure on prices, resulted from a complex combination of factors including; (i) poor weather conditions during long rains, (ii) an estimated 20 % of land taken out of production in key production areas of the Rift Valley, due to post-election violence and the increased costs of fertilizer and tractor hire, (iii) a 24 % increase in costs of production, (iii) Sub-optimal application of standard agronomic practices, (iv) rising prices of fuel, transportation and basic transaction costs, and (v) overall inflationary trends in other sectors compounding the situation by out-pacing the rise in wage rates.

Setting of producer prices, by the Government through National Cereals and Produce Board (NCPB), above market rates⁷, while close to 70 % of the Kenya population are net buyers of maize, predominantly in the urban, marginal agricultural, the pastoral and agro pastoral livelihoods has been cited as one of the factors that has exacerbated the situation.

The major implications of the rising food prices are:

- It is estimated that the population living below the food poverty line rose sharply in 2008. Most of these poor populations would still remain food insecure if they were to divert one quarter of their expenditure to non food items to food expenditure.
- Poor populations with no alternative sources of income are resorting to dietary changes and reduction in frequency and composition of meals.
- As many live in water scarce areas and the majority have to purchase water, the rise in malnutrition and susceptibility to disease is likely to occur beyond emergency levels.
- Informal wage rates are declining as a result of increased demand for casual jobs. The wages are already being eroded by the pace of inflation.
- In urban slums and in pastoral and agro pastoral livelihoods, the rise in school drop outs as a coping strategy is also contributing to the increase in social problems.
- The risk of recurrence of civil instability, food riots and heightened crime is increasing.
- In most affected districts, vulnerable pastoral households are resorting to distress livestock sales to cover food gaps and it is likely that destitution may increase.
- Subsistence harvests among small scale farmers in agro pastoral and marginal agricultural livelihoods limits benefits accruing from the rise in food prices.
- Increased conflicts in the northwest have minimized migration options for pastoralists as well as barring access to scarce water resources and better grazing around the rivers and swamps.
- Populations in the urban slums, pastoral, agro pastoral and marginal agricultural farmers, may fall into acute livelihood crisis toward the end of the year.

The government is committed, through a series of sectoral policies and Vision 2030, to implement the Millennium Development Goals (MDGs) that are intended to dramatically reduce the number of food insecure populations by shrinking the proportion of people living in extreme poverty, through increased access to primary education, reduction in infant and child mortality rates, providing access to basic health care, increasing access to safe and affordable water, diversifying income sources and reversal of environmental degradation. However, in the short to medium term, it is imperative that modalities to improve resource allocation to marginal areas are devised and in addition, create incentives for employment creation in urban areas.

⁶ The Kenya Food Security Steering Group (KFSSG) "*The impact of rising food prices on disparate livelihoods groups in Kenya*"

⁷ While incomes have remained stagnant and in many cases based on volatile sources, the overall inflation has been rising significantly during the year

1.4 Update on the Environmental Situation

The Environmental challenges identified in 2007 continued through to 2008 (issues of land ownership, illegal logging, poor waste management, construction of buildings in ecologically sensitive sites, poor land use, increased harvesting of sand on river beds, extensive utilization and destruction of riparian reserves, over-fishing amongst many other types of illicit exploitation of the country's wildlife and fauna).

The 2006/7 State of the Environment Report (which focuses on Effects of Climate Change and Coping Mechanisms in Kenya) will shed more light on additional challenges that may have arisen since the last report. However, the effects of climate change are already emerging with health and environmental experts attributing the spike in malaria to environmental changes in the form of warmer temperatures and variations in rainfall patterns, while pastoralist communities have lost livestock due to increasingly frequent-droughts.

A greater proportion of Kenya's economy is extremely vulnerable to current climate variability. Factors that contribute to this vulnerability include: high levels of poverty; weak institutional capacity (including climate change science, impacts and adaptation); insufficient disaster management capacity and preparedness; limited financial resources; and a high proportion of livelihood systems that depend directly on climate sensitive natural resources.

Climate models predict an increase in climate variability, indicating that Kenya's vulnerability is set to get worse. Agriculture, tourism, health, energy, transport and infrastructure, water supply and sanitation are the sectors expected to be most severely affected by climate change in the long term (late 2020s to 2100). The impacts of climate change are likely to compound stresses caused by socio-economic changes e.g. water availability will primarily be affected by population growth, growth in industrial demand and technological development. In countries that experience rapid population growth, urbanisation and economic development, the stresses on the environment and natural resources from these processes may be more significant than the impact of climate change, at least in the short term (2020)⁸

Changes in rainfall patterns (spatial distribution, timing and variability) often have a direct impact on rural livelihoods in particular, for example via changes in crop production and water availability. This is particularly true for the ASALs where rain fed agriculture and livestock production is unreliable (Mwango 2000). Extreme events such as droughts and floods are important factors in the development of humanitarian crises.

Some of the obvious new challenges in 2008 are the aftermath of the 2005/2006 drought and the 2007 drought, climate change resulting in a decline in the glaciers on Mt. Kenya and ground water flows which may have an adverse effect on electrical power generation.

In 2008 the Government of Kenya took several measures to reduce environmental degradation and address some of the challenges mentioned above. GoK introduced several policy initiatives to protect Kenya's forests and water resources, including a master plan to restore and rehabilitate the Nairobi River Basin. Efforts to conserve the environment around the water towers (notably the Mau forest⁹) received strong support from the Government despite opposition from the local communities and their leaders/MPs. This indicates a strong political will to reverse the environmental degradation that has characterized the last two decades.

The National Environmental Management Authority (NEMA) showed a renewed zeal at enforcing environmental laws e.g. through forcing the closure of several slaughterhouses in Nairobi and taking court action against contractors deemed not to have complied with the provisions of the Environmental Management and Coordination Act (EMCA). The NEMA - Standards and Enforcement Review Committee (SERC), ratified two new regulations on air quality and noise

⁸ Final Report- Kenya: Climate Screening and Information Exchange (DfID)

⁹ The excisions and the widespread encroachments have led to the destruction of nearly a quarter the Mau Complex area over the last 15 years.

pollution, identifying air pollutants¹⁰. It also prepared guidelines on the control of odour and obnoxious smells.

NEMA also made concerted efforts to improve service delivery, notably the Environmental Impact Assessment (EIA) licensing process (arising from complaints of incompetence and unprofessional conduct of some licensed EIA Experts). The EIA review taskforce¹¹ carried out several nationwide consultations in 2008 and it is expected that its final recommendations will strengthen the EIA process, specifically the issues of weak enforcement and inconsistent decision-making.

There is however also criticism on NEMA that it allows construction on wetlands, riparian lands and other environmentally vulnerable areas

¹⁰ Sulphur oxides (SO_x), Nitrous oxides (NO_x), Carbon dioxide (CO₂), Carbon monoxide (CO), suspended particulate matter (SPM), Hydrogen Sulphide (HS), Ozone (O₃), Lead (Pb)

¹¹ Formed in November 2007

2. OVERVIEW OF PAST AND ON-GOING CO-OPERATION

2.1 Reporting on the Financial Performance of EDF Resources

For 2008 total on-going Global commitments amounted to Euro 376,167,433 while individual commitments were Euro 291,501,959 leaving a balance of Euro 84,665,474 or 22.5% of the on-going Global commitments to be contracted out. Of the on-going individual commitments, disbursements in 2008 amounted to Euro 226,624,681. There is a potential risk of loss of Euro 29,946,464 (high risk factor) out of a total of Euro 64,877,278. The figure reflects in part the low level of activity and the postponement of new commitments in the first half 2008 as a consequence of the political crisis.

Specific details on the financial performance of EDF resources for Kenya are contained in Annex 5.

Table 3: Analysis of Reste A Contractor (RAL) Situation

	Actual 2007	Forecast 2008	Actual 2008	Forecast 2009	Projects prior to 2004
	Euro	Euro	Euro	Euro	
Total On-going Global Commitments	469,056,685	468,799,636	376,167,433	423,419,989	118,466,143
To be contracted (RAC)	75,541,381	83,391,886	84,665,474	78,420,729	6,114,323
To be paid (RAP)	97,327,673	73,163,119	64,877,278	78,665,431	6,922,192
To be consumed (RAL)	172,869,054	156,555,005	149,542,752	157,086,160	13,036,515
% RAL / total Global Commitments	37%	33%	40%	37%	11%
Number of years to absorb RAL	11 years	10 years	5 years	5 years	

Table 4: Status of 10th EDF NIP as at 31 December 2008

	Indicative allocation 10th EDF (M€)	Commitments planned in 2008 * (M€)	Commitments realised in 2008 (M€)	Realised/ planned (%)	Disbursements realised in 2008 (M€)
Focal area 1: Regional Economic Integration through Transport Infrastructure	126.8	n.a	n.a	n.a	n.a
- Support to Regional Roads Programme (Main Corridors)	91.8				
- Support to Nairobi City Roads / Urban Transport Master Plan	20.0				
- Support to Rural Roads Programme	10.0				
- Support to upgrading game park access roads	5.0				
Focal area 2: Agriculture and Rural Development	98.8	n.a	n.a	n.a	n.a
- Support to Strategy for Revitalising Agriculture (SRA)	66.4				
- Support to Community Based Projects	32.4				

	Indicative allocation 10th EDF (M€)	Commitments planned in 2008 * (M€)	Commitments realised in 2008 (M€)	Realised/ planned (%)	Disbursements realised in 2008 (M€)
General budget support	126.8	n.a	n.a	n.a	n.a
Non focal areas	30.6				
- Good Governance	4.6				
- Support to NSAs	4.6				
- Technical Cooperation Facility (TCF)	4.6				
- Support for Trade and Regional Integration (EPA)	12.2				
- Support for Private Sector Development	4.6				
		n.a	n.a	n.a	n.a
Total A-envelope	383.0	n.a	n.a	n.a	n.a
Total B-envelope	16.4				
Total 10th EDF NIP	399.4	n.a	n.a	n.a	n.a

2.2 Reporting on General and Sector Budget Support

The Financing Decision for General Budget Support (GBS) under the 10th EDF NIP is only expected in 2010, while the design phase will not commence before the second half of 2009. Consequently there is no progress to report for this JAR on the 10th EDF GBS. The post election violence, the subsequent formation of a Grand Coalition Government, its progress in implementing the agenda items of the National Accord for Dialogue and Reconciliation may, however, have an impact on the design of future GBS and consequently on disbursements.

With regards to the 9th EDF Poverty Reduction Budget Support II Programme (PRBS II), Kenya submitted its request for disbursement of the final (variable) tranche of budget support for FY 2007/08 under the Financing Agreement for the PRBS II, in December 2008. The total amount requested is Euro 29,375,000, comprising the amount available for the final tranche as per the Financing Agreement, plus an additional Euro 9,375,000 transferred from the second disbursement which at 69 % surpassed the disbursement target of 65% set as a condition for this transfer to be allowed. The request is currently being evaluated and if successful disbursement will be in 2009.

Table 5: Status of PRBS-II will be as follows:

	Date of release	2005/06	2006/07	2007/08*	Total
1st tranche (fixed):	14.12.2005	€50,000,000			€50,000,000
2nd tranche (fixed):	04.01.2008		€20,000,000		
2 nd tranche (variable):			€20,625,000		€40,625,000
3 rd tranche (variable):	Request under consideration			€20,000,000	
Transfer from 2 nd tranche				€9,375,000	€29,375,000
Total		€50,000,000	€40,625,000	€29,375,000	€120,000,000
World Bank – Trust Fund Agreement					€4,750,000
Grand Total					€124,750,000

Note: For 2007/08 an initial request was made and the delegation has made a request for further analysis and justification for release of the tranche.

2.3 Projects and Programmes in the Focal and Non-Focal Areas

There were no implementation activities with regards to the 10th EDF as most interventions were still in the identification and formulation phases. This section therefore focuses on the impact of past and on-going interventions. In several instances, especially for the 9th EDF and STABEX funded interventions, it is too early to measure impact. For the former particularly, several activities that should have commenced in 2008 were delayed by the post-election crisis and only commenced in the latter half of 2008 or early 2009. An Ex-post assessment of EU interventions in Kenya has been commissioned under the Technical Cooperation Facility, and its results will be factored into the 2009 JAOR. For purposes of cross-referencing with GoK sector publications, a brief description of the organization of the two main focal areas as per the GoK has been provided. The section follows this order rather than the institutional organization of the EC Delegation in Kenya.

2.3.1 The contribution of projects and programmes in the focal sector(s) of the CSP to the country performance, as measured against their identified targets

2.3.1.1 Physical infrastructure (roads and transport)

The Physical Infrastructure Sector consists of Roads including roads and airstrips in national parks and reserves; Public Works; Transport; Energy; Local Government; Nairobi Metropolitan Development and Housing sub sectors. The Sector aims at improving both the quality and quantity of the existing physical infrastructure facilities in order to contribute to the attainment and maintenance of a sustained economic growth of over 10% per annum by 2012 and beyond. In the long run, the aim is to provide an enabling environment for development and maintenance of physical infrastructural facilities.

The EU has been active in the Roads, Transport, Energy and Local Government sub-sectors. EU funding to the Government of Kenya has contributed substantially to the increased funding for the sector¹².

Roads sub-sector

The 10th EDF Identification mission took place between August and November 2008, involving all stakeholders through a series of planning consultations and stakeholder workshops. The PIF was submitted in December 2008. The implemented Sector Assessment study allowed the delegation to develop further insights of the current situation in the sector and develop its dialogue with other donors and the GoK on a more informed basis. The decision taken was that Sector Budget Support consideration shall be deferred for a later stage when effective separation of functions (policy, regulation and service provision), institutional establishment of the new Road Authorities and implementation of the Kenya Roads Investment Plan allows for it.

Ongoing projects within the sector include the 9th EDF Northern Corridor Rehabilitation Phase III (€ 73.15M of which EC contribution is €57M and GoK €16.5M), the STABEX funded Central Kenya Rural Roads Project (€ 35.478M of which EC contribution is €21.25M, KfW €12.078M, and GoK €3.4M), and Roads 2000 Project Phase II (€ 10.5M).

The Northern Corridor Rehabilitation Programme (NCRP)¹³ has contributed significantly to the rehabilitation/reconstruction of the Mombasa-Nairobi-Malaba/Busia Highway. Of the targeted 1,208 Kms of trunk roads to be rehabilitated or reconstructed, a total of 906 Kms had been achieved by FY 2007/08 out of which 226 Kms or 25% can be attributed to the EU. In July 2008, the 95Km Mai Mahiu-Naivasha, Lanet section supported by the EU under NCRP II was completed. A further 193 Kms will be contributed through the NCRP Phase III bringing the EU's contribution to the Country's national target to 35%. Procurement for the 193Km Tiboroa-Eldoret-Malaba section was launched in October 2008. Contract award is expected in the first half of 2009 while implementation should commence in the second half of 2009.

¹² Original budgeted and actual development expenditure increased from KES. 17,781 million and KES. 11,768 million in 2004/05 to KES. 73,236 million and KES. 51,078 million in 2007/08 respectively.

¹³ Comprising Phase I (131 Kms, Sultan Hamud - Mtito Andei), Phase II (95 Kms, Mai Mahiu-Naivasha-Lanet) and Phase III (193 Kms, Timbora - Eldoret - Webuye - Malaba)

The EU contribution to the Roads 2000 Programme through the Central Kenya Rural Roads Project¹⁴ and Roads 2000 Project Phase I& II which involve labour intensive maintenance and improvement of rural roads contributed to the employment of approximately 20,000 casuals between 2004 and 2008 against a targeted 18,700 jobs (although only a total of 2,909 Kms of roads were constructed against a target of 4,065 Kms). The interventions have also led to increased interconnectivity among communities and improved access to markets and facilitation of regional trade, stimulation of agricultural production/local entrepreneurship and lowering of transportation costs (vehicle maintenance and operational costs as well as reduction of travel time).

Factors that could affect sustainability include lack of a Quality Control and Asset Management system (including lack of feedback from the Kenya Roads Board on the performance of the Road Network) that may lead to deterioration of roads constructed or rehabilitated under past and on-going programmes. Also likely to affect sustainability is the slow progress in follow up and disposal of audit queries.

2.3.1.2 Agriculture and rural development

Agricultural Sector

The GoK re-organized the productive Sector in 2008/2009 financial year and renamed it the Agriculture and Rural Development Sector, consisting of the following sub-sectors: Agriculture, Cooperatives Development and Marketing, Fisheries Development, Forestry and Wildlife, Lands, and Livestock Development. The Sector contributes about 24.5 % to the GDP and plays a major role towards food security, poverty reduction, creation of employment opportunities and sustainable utilization of natural resources.

A revised national Agricultural Sector Development Strategy has been established signifying the growth in cooperation between development partners and the GoK in support of the sector. In anticipation of Sector Budget support under 10th EDF a preparatory phase of ASP ECC was established. An innovation fund for agricultural development was also launched.

The current and on-going EC interventions financed from the EDF include the Drought Management Initiative (DMI), Kenya Arid and Semi-arid Land research programme (KASAL), Rural Poverty Reduction and Local Government Support Programme (RPRLGSP). DMI aims at improving capacities of drought management systems in Kenya and is implemented within the framework of the World Bank funded Arid Land Resource Management Project (ALRMP). One of the key objectives of the project is the creation of a National Drought Contingency Fund (NDCF) with contribution from both the Kenya Government and donors, which will build GoK capacity to disburse contingency funds to drought-prone affected districts in a flexible, effective and efficient way. Crucial to the working of the NDCF is the establishment of an Early Warning System (EWS) which would trigger the release of contingency funds. The DMI has finalised a memorandum of understanding with the Food and Agriculture Organisation (FAO) to study improvement of the Early Warning Systems (EWS), undertake studies to identify gaps in legislation and policy, and promote networking and partnerships. A number of capacity building initiatives targeting drought management and EWS have also been undertaken.

Implementation of the KASAL programme which focuses on research to develop agricultural knowledge and technologies for the ASALs', was significantly affected by the post election violence that led to the loss of five months of implementation time. Consequently, it is too early to assess efficiency, effectiveness, impact or potential sustainability.

Similarly, it is also too early to assess the impact of the STABEX funded Agricultural Sector Support Programme-European Commission Contribution (ASSP-ECC), and the Quality Coffee Production and Commercialisation Support Programme as activities only begun in the last quarter of 2008.

Under the Regional Indicative Programme (RIP), through the Somali Ecosystem Rinderpest Eradication Coordination Unit (SERECU), Kenya applied in 2008 to be declared Rinderpest free.

¹⁴ Co-funded with KfW

Assessment of the impact of the Participation of African Nations in Sanitary and Phytosanitary Standards Setting Organisation (PAN-SPSO) Programme will be done in 2009 as the start up PE was only launched in December 2008.

The “Rich Fisheries, poor fisher folk – addressing the imbalance in Suba” implemented in partnership with Africa Now through the NGO co-financing has proved to be relatively successful, with an increase in membership of fishing groups, improved accounting and managerial skills of the beneficiaries and improved access to fishing equipment through asset financing. Linkages between fishermen and industrial fish processors have also been strengthened through the project.

The “ Export Trade from Kenya – Enabling the poor to share the fruits”, also funded through the NGO co-financing facility, and whose overall objective is to alleviate poverty by empowering poor people in Kenya to benefit from improved economic conditions and in particular from opportunities posed by increased global trade, has had a substantial positive impact. Approximately 16,469 workers have been employed at factories and farms while 10,000 workers have experienced improvement in their socio-economic conditions. Self sustainability is ensured through the investment of premiums in other social initiatives jointly decided on by the beneficiary communities.

Key challenges at the macro-level affecting the sector include the following;

- While resource allocation to the (Agricultural) sector has generally been increasing in absolute terms, the proportion of this allocation as a percentage of total government budget declined from 6.2% of the total budget in 2006/2007 to 4.1% in 2008/2009. The current allocation of resources to the sector is not adequate to meet sector objectives as outlined in Vision 2030. It is therefore recommended that resource allocation to the sector be increased in line with the Maputo Declaration of African Governments.
- Lack of coordination between the large number of ministries and parastatals within the sector contributed to further delays in the process towards a revised sector strategy and implementation matrix connected to a sector medium term expenditure framework.
- Climate change that has resulted in the emergence of new crop and livestock diseases
- The Regulatory framework for the sector is not enabling as there are too many regulations and laws (estimated at 130 for the sector).

Community Development

The Mid Term review of the Community Development for Environmental Management Programme (CDEMP) consisting of the Capacity Building Facility (CBF) and the Community Environmental Facility (CEF) concluded that the programme has enhanced the integration of the environmental dimension of poverty reduction in local development planning and implementation, and that the programme has had or has the potential to impact positively on the environment with a prospect for poverty alleviation. Training on environmental conservation is gradually changing the communities’ attitude and enabling them increased access to tree seedlings through tree nurseries established with support from the programme. Community Forestry Associations (CFAs) who are members of CEF projects and individual groups have collaborated with the Kenya Forestry Service (KFS) in rehabilitation of degraded forest areas.

Through the Community Development Programme 3 (CDP 3), the Community Development Trust Fund (CDTF) continued to implement 179 projects benefiting diverse target communities throughout the country. By the end of 2008, a commitment of Kshs 599.2 Million had been made – covering 100% of the investment resources of CDP3. CDTF also continued to implement 25 community-based environmental projects benefiting 87 communities in the country with a total commitment of Kshs. 431 Million. A Mid Term Review of the Kenya Community Development Programme Phase III (CDP 3) was also conducted in 2008 although the final report was concluded in March 2009. The reviewers concluded that the programme was too scattered to have any discernable impact on poverty at the national level. Although the project was seen as viable its organization and structure was determined as too expensive and unresponsive and this could negatively affect sustainability in a future without EC or other donor support.

2.3.2 The development results achieved by projects and programmes in the non- focal area measured against their identified project/ programme/sector targets

Trade and Private Sector Development

The Trade Negotiations Support Programme under Kenya – European Union Post Lomé Trade (KEPLOTRADE II) assisted in ensuring market access through the signing of the Interim Framework Economic Partnership Agreement (EPA) in November 2007. In 2008, the programme continued to mobilise Support and facilitate EPA negotiations. It provided support to regional integration through the commissioning of a statistical analysis of the performance of Kenya's exports under COMESA Free Trade Area and East African Community Customs Union as part of regional integration publicity programme and intensification of sectoral policy consultations on COMESA and EAC regional integration processes. The main achievements of the Programme in 2008 were, (i) Enhanced trade negotiations capacity of GoK, private sector and civil society representatives in trade negotiations (ii) Improvement in trade facilitation, export diversifications and investment promotion towards more liberalised regional trade and economic integration through Private Sector Development Strategy (PSDS) for economic growth and, (iii) The EPA negotiating process within Kenya, within the EAC and East and Southern Africa (ESA) grouping and between EAC and ESA and the EU facilitated and effectively managed towards timely conclusion of EPAs and communication strategy implemented.

KEPLOTRADE II was also successful in publicity and awareness creation on the EPAs, specifically through the Trade Newsletter which incorporated inputs from all departments and projects such as KEPLOTRADE, PSDS and ASMEP.

The financial management challenges (ineligible expenses) that affected Phase 1 of the programme, led to a delay of one year for the implementation of the Direct Labour component of Phase II. The use of parallel management systems and cash flow problems arising from the slow submission of justifications for reimbursement of expenditure also negatively impacted programme implementation. The split of the Ministry of Trade and Industrialisation into two separate ministries - (i) Ministry of Trade (ii) Ministry of Industrialisation - raised concerns over effective coordination in implementation of the programme.

The STABEX funded HORTICAP only commenced in earnest in the second half of 2008 and as such it is not possible to comment on impact or effectiveness of the programme.

The final evaluation of the Tourism Diversification and Sustainable Development Programme (TSDSP) was concluded in December 2008. The report states that it is difficult to assess the impact of the project on the project purpose as Tourism had been adversely affected by political and other disturbances throughout most of the life-cycle of the TSDSP. These events caused a general downturn in tourism and a knock on effect on tourism projects. Several months of effective project shut down contributed to non-completion of individual projects and a consequent reduction in their impact. The report however concludes that the impact of downturn in the sector may have been worse if Tourism Trust Fund (TTF) had not existed.

The evaluation found that there is a high level of sustainability within grant projects which were supported by TTF. Although the future sustainability of TTF will be tied to its ability to attract donor or other funding, the GoK made a positive step toward this goal by agreeing to cover TTF's overhead costs for a period of six months after programme closure.

The poor implementation of the project at inception including lack of management effectiveness, lack of systems and a failure to sort out administrative bottlenecks which caused slow disbursement of funds were some of the implementation challenges faced by the programme.

Health Sector

The 8th EDF District Health Services and Systems Development Programme (DHSSDP) was concluded in June 2008. The final evaluation identified evidence of the Programme's contribution to improvements in access to and quality of health services. In particular, it improved the capacity of health facilities to deliver the essential package of health services, through the provision of technical and managerial training programmes, development and upgrading of physical structures and provision

of new and maintenance of old hospital equipment in the targeted areas. At the end of the programme, all targeted districts had registered significant improvements in planning and operational management. The DHSSDP also contributed significantly to the roll out of the second National Health Sector Strategic Plan (NHSSP II) in its target districts.

The NGO Grant Scheme component of the Programme which was focused on promoting safe motherhood contributed to a more effective response through the improved coverage of reproductive health services and improvement of equipment at health facilities.

The DHSSDP succeeded in improving the Health Management Information Systems (HMIS) in all the targeted districts, while the financial systems put in place or strengthened through training led to a significant increase in the amount of cost-sharing funds collected and accounted for by health facilities.

The implementation of the Programme was, however, affected by numerous adverse audit queries that led to the loss of a substantial implementation time as well as the withholding of resources earmarked for certain districts.

The Adolescent Sexual Reproductive Health Programme (ASH) implemented by the German Foundation for World Population (DSW) has so far met or exceeded its targets (e.g. on number of clients testing at mobile VCTs), although there has been challenges in changing behaviour and in implementing activities to support home based care. The Mid Term review of the project was generally positive on all five key evaluation criteria.

The recent split of the Ministry of Health into (i) Ministry of Public Health and (ii) Ministry of Medical Services) resulted in confusion over roles and responsibilities of each ministry. This is likely to reverse most of the gains made through the DHSSDP.

Lack of adequate funding for the Health sector still remains a challenge, and the Abuja declaration targets are yet to be met by the Government.

2.3.3 The development results achieved by support to Non-State Actors (NSAs)

The development results achieved by support to NSA's have been captured in the various focal and non-focal sectors above. For NSA's active in good governance, the identification and formulation missions for the 10th EDF Governance and Support to NSA's Programme kicked off in the last quarter of 2008. Discussions to kick-start the long delayed 9th EDF NSA-NET took off in earnest in the last quarter of 2008. During the year, the delegation launched a call for proposals for the thematic budget-line Non State Actors in Development (NSA-LA) out of which five grant contracts were signed under the Good Governance Component. For all the programmes it is too early to comment on impact or effectiveness of implementation.

2.4 Other Cooperation

a) EDF regional/Intra-ACP programmes and Development Cooperation Instrument

ACP-EU Water and Energy Facilities

The EU interventions are primarily through the ACP-EU Water and Energy facilities through which 19 projects totalling approximately € 56M have been funded. In 2008, the EU ACP Water Facility in collaboration with the UNDP-GEF and NEMA funded three training courses focusing on sanitation and waste water management. Financing Agreements signed for 5 Water Facility related projects with 4 Water Services Boards and the Water Services Trust Fund; training in Programme Estimates provided and assistance to their development and advance payments issued. All these FAs are expected to actively contribute to the implementation of the Kenya Water Act (2002) and add to relevant institutional reforms towards improving access to drinking water and sanitation.

For the Energy Facility three out of four projects have launched their operation within 2008. The ongoing 3 energy projects with their focus on energy access for rural population/renewable energy and promotion of small business in the energy sector can be considered of added value to a country with severe energy access limitations in rural areas and regulatory limitations with regard to renewable

energy investments. In collaboration with Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), a project on “Up Scaling Smaller Biogas Plants for Agricultural Producers and Processors” was funded in 2008. The project which is expected to contribute to MDG 1–Poverty and MDG 7–Environment will in the short term, set up biogas plants for rural households, public institutions and rural micro-enterprises (~7000 beneficiaries in total); and in the long term, develop a sustainable market for biogas.

The Africa-Europe Partnership on Infrastructure

The Africa-Europe Partnership on Infrastructure, supported by a Trust Fund, which started with an EC contribution of 60 M€ (an additional input from Member States is expected together with an EIB loan facility of 260 M€) will finance cross-border and regional projects, interconnectivity in the transport, energy, Information and Communication Technology (ICT) sectors and transboundary water resources management. One of the first candidate projects identified for future support is the Ethiopia-Kenya Power Systems Interconnection. By the end of 2008, an \$800 million budget for the setting up of a regional power pool with Ethiopia had been prepared by the Ministry of Energy.

b) Debt Relief

Kenya was not considered for any debt relief in 2008.

c) Humanitarian or emergency assistance

In 2008 ECHO disbursed a total of Euro 26.4 million to the alleviation of the effects of the pro-longed drought with at least Euro 10 million going towards the provision of food aid. A variety of interventions designed to reduce the reliance on humanitarian aid are underway. The strengthening of the Early Warning Systems and the establishment of a Drought Management Fund through the EU funded DMI, support to research through the KASAL programme and Environmental Conservation through the CDEMP are all expected to contribute to future preventive measures.

d) EIB interventions (specifying possible payment arrears).

The EIB Interventions are captured in detail in Annex 5 (d). There were no payment arrears in 2008 and non are envisaged

2.5. Policy Coherence for Development (PCD)

The impact of some of the EU policies other than aid policy (on governance, trade opportunities, and research) has been captured under the sector reviews above. The Delegation in Kenya has been very vocal on the need for environmental conservation.

The Migration Profile has not been updated in 2008. As in other developing nations, there is concern that the EU’s Blue Card Proposal risks to increase brain drain in Kenya, with negative consequences for key development sectors, especially the Health Sector which continues to lose a significant number of doctors and nurses to Europe.

2.6 Dialogue in Country with the National Parliaments, Local Authorities and NSAs

The political uncertainty and violence that prevailed in the first half of the year, and the wrangles within the cabinet that extended to the national parliament and some local authorities in the second half of the year did not provide a conducive environment for meaningful dialogue. The delegation was, however, in the forefront in advocating for governance reform in all areas of government, and a revised Governance Profile prepared by the delegation in collaboration with other donors and including challenges and benchmarks (extracted from declarations, government speeches, public documents and the Grand Coalition documents) was presented to, and approved by the Government in 2008. This work on tackling the Governance Challenges was presented to the NAO and accepted for integration into the CSP 2007-2013.

2.7 Aid Effectiveness

The EC Delegation in Kenya continued to be a strong member of the Harmonisation Alignment and Coordination (HAC) Donor Group in Kenya with representation on the Roads and Transport sector group, Private Sector Donor Group, Democratic Governance Donor Group, In 2008 the delegation commenced preparations for providing support to the HAC Secretariat. In 2008 the Delegation and other major donors begun efforts to revamp the HAC Secretariat with a review of its effectiveness and management functions.

The AIDCO Mission on AID Effectiveness carried out in early 2009 but reflecting on the activities in 2008 and prior years, concluded that donor coordination is intense and that the important role of the delegation is well appreciated by the member states.

At an operational level concerted efforts have been made to further aid concentration and division of labour, though not all these efforts have borne fruit for a variety of reasons. For the 10th EDF Formulation mission Governance and Support to Non State Actors and for Trade and Private Sector Development, the delegation is considering Joint Contribution Agreements with DfID. The former was jointly designed with DfID and Danida and with the participation of the Netherlands Embassy in all the relevant meetings.. Attempts to channel funding through through GoK systems within the Trade and Private Sector Development cluster were not successful as the five pillar assessment of the Ministry of Trade concluded that it was not yet ready for this.

EC Continues to be the only donor providing General Budget Support although for the 10th EDF this modality, which is the preferred modality, may prove to be a challenge given the prevailing political and governance environment.

In spite of the positive developments at the national level, there however continues to be challenges in coordination and harmonisation particularly as far as local capacity development is concerned. Equally challenging is the low levels of trust between DPs and GoK. The disparate donor rules and regulations have also hampered co-financing efforts.

An assessment of the effectiveness of the Harmonisation, Alignment and Coordination Effort in Kenya¹⁵ concluded in February 2009 recommended amongst other (i) increased government ownership, (ii) a more focused agenda and stronger leadership of the HAC, and (iii) improved support from the secretariat, and better funding arrangements.

¹⁵ Aileen Lyon and Gerrishon Ikiara, February 2009

Annexes

1. Country at a glance (see attached models):

- A. Key macro-economic indicators
- B. Monitoring country performance, including key MDG indicators

2. Progress report on the 10th EDF governance action plan

- Assessment of level and scope of implementation of the member states undertaken compared to the initial calendar and commitments.

3. The annual report on budget support

- (i) information on EC Budget Support structure (fixed / variable tranches), commitments and indicators monitored (assessing the social sector link of GBS), the results of the monitoring in 2008 and the resulting effective disbursement ratio and
- (ii) assessment of quality of donor coordination (including comparison of indicators monitored, of performance assessment and of disbursement policies)

4. Aid effectiveness:

- 4. A Donor matrices
- 4. A.1a Current financial support
- 4. A.1b future financial support
- 4. A.2a Current donor roles
- 4. A.2b future donor roles
- 4. B EAMR Aid Effectiveness Questionnaire

5. Financial annexes:

- a) 10th EDF and any previous EDFs, national programmes, as per closure of the financial year 2008:
 - list of still ongoing projects per EDF project number, including title, DAC code imputation, time horizon, value, level of commitments, contracts and disbursements per EDF and for all EDFs, consolidated level of commitments, contracts and disbursements of Commission managed funds (excluding funds managed through the EIB);
 - annual consolidated volume of commitments, contracts and disbursements over the years 2006-2008 (excluding funds funded and managed through the EIB);
 - financial absorption capacity ratios: RAC/average annual volume of contracts over the last 3 years and RAC/volume of contracts over 2008; RAL/average volume of disbursements over the last 3 years and RAL/volume of disbursements over 2008;
- b) synthetic list of still ongoing regional and intra-ACP projects with an impact on the country as per closure of the financial year 2008;
- c) synthetic list of still ongoing budget lines projects as per close of 2008;
- d) EIB projects as per as per close of 2008;
- e) updated CSP chronogramme with expected commitment, contracting and disbursing of 10th EDF per axis of intervention (annual for the years 2009-2011 and a globalised estimate for the years 2012-2013).
- f) Any other annexes that Delegation considers relevant (including possibly individual project fiches). / Complimentary document (not part of the JAR): possibly the updated governance profile.

Annex 1(a): Country at a Glance - Macroeconomic Indicators

		2004	2005	2006	2007 (e)	2008 (p)	2009 (p)	2010 (p)
Basic data								
1	Population (in 1000)	34.2	35.1	36.1	37.5			
	- annual change in %	2.5	2.5	2.9	2.6			
2a	Nominal GDP (in millions \$)							
2b	Nominal GDP per capita (in \$)			439	456			
2c	- annual change in %	1.35	3.1		5.7%			
3	Real GDP (annual change in %)	5.1	5.7	6	7	4	6.5	6.5
4	Gross fixed capital formation (in % of GDP)	16.3	16.8	19.4				
International transactions								
5	Exports of goods and services (in % of GDP)	16.7	18.1	15.4	13.6	12.5	11.7	11.7
	- of which the most important: ... (in % of GDP)							
6	Trade balance (in % of GDP)	-10	-11.2	-14.3	-12.7	-13.4	-12	-12
7	Current account balance (in % of GDP)	-0.8	-1.4	-2.3	-1.5	-3.3	-1.6	-1.6
8	Net inflows of foreign direct investment (in % of GDP)	0.28	0.11					
9	External debt (in % of GDP)	31.6	32.1					
10	Service of external debt (in % of exports of goods and non-factor services)							
11	Foreign exchange reserves (in months of imports of goods and non-factor services)	3.4	3.2	3.5				
Government								
12	Revenues (in % of GDP)	22.3	21.5	21.3	21.2	20.5		
	- of which: grants (in % of GDP)	1.1	1.3	0.8	1.3	1.0		
13	Expenditure (in % of GDP)	22.2	24.8	22.9	25.6	24.6		
	- of which: capital expenditure (in % of GDP)	3.3	4.4	4.4	6	6		
14	Deficit (in % of GDP) including grants	0.1	-3.3	-1.7	-4.4	-4.3		
15	Public Debt (in % of GDP)	9.14	9.84	10.68				
	- of which: external (in % of total public debt)	36.64	32.21	27.93				
Other								
16	Consumer price inflation (annual average change in %)	11.6	10.3	14.45				
17	Interest rate (for money, annual rate in %)			9.75	8.75			
18	Exchange rate (annual average of national currency per 1 \$)	79.2	75.6					
19	Unemployment (in % of labour force, ILO definition)				N/a			
20	Employment in agriculture (in % of total employment)				N/a			

Data source(s): Central Bank of Kenya, Central Bureau of Statistics, African Economic Outlook 2008.

Annex 1(b): Country at a Glance - Table of Indicators for the MDGs

	Indicator	1990	2000	2004	2005	2006	2007	2008	2009	2013	2015
Impact	1. Proportion of population living on less than USD 1 per day ¹⁶	43	50	53		22.	N/a				22
	2. Prevalence of underweight children (under-five years of age)	17.6	21	20		19.9	N/a				16.2
	3. Under-five mortality rate	97	117	115	110	120	N/a				33
Outputs	4. Net enrolment ratio in primary education	-	67	77	81	79.3	N/a				100
	5. Primary Completion Rate	-	57	76		83.6	N/a				-
	6. Ratio of girls to boys in: education	1:1.05	1:1.03	1:1	1:1	1:1	N/a				1:1
	Ratio of girls to boys in: education	-	1:1.1	1:1.08		-	N/a				1:1
	Ratio of girls to boys in: education	-	1:1.7	1:1.7		-	N/a				1:1
	7. Births attended by skilled health personnel (%)	51	45	42	51	56	N/a				90
	8. Proportion of one-year-old children immunised against measles	48	76	74	-	77	N/a				90
	9. HIV prevalence among 15- to 24-year-old pregnant women	5.1	13.4	10	9.2	8.4	N/a				-
10. Proportion of population with sustainable access to an improved water source	48	55	48	57	61	N/a				74	

Data source(s): UN, WHO Health Statistics 2008, MDGs Kenya Status Report 2004; UNDP Human Development Report – 2004; World Bank Kenya Country Brief Feb. 6 2006; GoK IP-ERS APR - 2004



¹⁶ Indicator 1 may be replaced by an equivalent indicator based on national poverty thresholds, in which case a comment will be needed to permit consistent interpretation of data over time.

Annex 2: Progress Report on the 10th EDF Governance Action Plan

Annex 3: The Annual Report on Budget Support

REFER TO TABLE 5 IN MAIN REPORT

Annex 4 (A): Current/Prospective Donor Presence in Sectors in Kenya as per 31 December 2008

This provides an indication of which agencies are able and willing to lead the donor work and engagement with government in the various sectors over the period of this KJAS. The symbol  represents the current Lead/Chair of each sector. The symbol , for potential Lead/Chair, denotes where donors have assessed that their agencies have comparative advantage in a sector and are prepared to lead the sector at some point during the five years of this KJAS.

Current List of Sector Groups	Lead Ministry	AFDB	CANADA	DENMARK	EC	FRANCE	FINLAND	GERMANY	ITALY	JAPAN	NETHERLANDS	NORWAY	SPAIN	SWEDEN	UK	UN SYSTEM	US	WORLD BANK	Total current & proposes leads	Total lead/ active in each sector
Agriculture & Rural Development	Agriculture; Livestock & Fisheries Development	●		○/☺	☐		○	☐	○	☐	●			●		☐	●	●	4	9
Democratic Governance*	Justice & Constitutional Affairs; Local Government; Finance, OP	●	☐/●	●	☐		☐	☐/●	○		●	●		☐	☐	●	☐	●	7	13
Education	Education, Science & Technology	●	☐		●			☺	☐/●	●	○		●	☺	☐	☐/●	●	●/☺	4	10
Energy	Energy	☐			●	☐	●	☺		☐			●			●		●/○	3	8
Environment	Environment & Natural Resources; Tourism and Wildlife	●		☐	●	☐	●			●	●			○	☺	☐/●	☐	●/☺	4	10
Gender	Gender, Sports, Culture, and Social Services	●	☐		●							●	●	●		☐			2	7
Health and HIV/Aids	Health	●	☺	●	●	●		☐	☐/●	●			●	☺	☐	●	☐	☐/●	5	12
Land	Land & Housing								●	●				●	●	☐	●	☺	1	6
Private Sector Development	Trade & Industry	☐		☐	●	●				●	●				●	☐	●	☐	4	10
Roads and Transportation	Roads & Public Works; Transportation	☐			☐	●		☺		☐				☺		●		☐/●	4	6
Social Protection	Home Affairs, Planning,				●				●	●			☐	○	☐	☐	●	●	3	8

Current List of Sector Groups	Lead Ministry	AFDB	CANADA	DENMARK	EC	FRANCE	FINLAND	GERMANY	ITALY	JAPAN	NETHERLANDS	NORWAY	SPAIN	SWEDEN	UK	UN SYSTEM	US	WORLD BANK	Total current & proposes leads	Total lead/ active in each sector
	Special Programmes																			
Urban, Local Government, & Decentralization	Local Government	●			■/●	●			●					■/●		■		●	3	7
Water and Sanitation	Water	■		○/☺	●	■		■	●	●	●		●	■		●	●	●/☺	4	12
<i>Total lead roles for each agency</i>		4	3	2	4	3	1	4	2	3	0	0	1	3	4	8	3	3		
<i>Total active roles for each agency</i>		7	1	2	8	4	2	1	6	7	5	2	5	4	2	7	6	10		

* Democratic governance sector and program management groups

Current List of Sector Groups	Lead Ministry	AFDB	CANADA	DENMARK	EC	FRANCE	FINLAND	GERMANY	ITALY	JAPAN	NETHERLANDS	NORWAY	SPAIN	SWEDEN	UK	UN SYSTEM	US	WORLD BANK	Total current & proposed leads	Total lead/active in each sector
APRM	Planning	●													●	●				3
Elections/ ECK			●	●/ ☺								●		●	●	●	☐		1	6
Governance, Justice, Law and Order Sector (GJLOS)	Justice & Constitutional Affairs		☺	●	☐		☐	●	○		●	☐		☐		●	●	●	4	10
NCEP			☐	●/ ☺								○		○		●			1	2
Parliament			☐												●		●		1	3
Public Financial Management	Finance	●	●	●	☐			☐		●		●		●	●	●	●	●	2	12
Public Service Reform	Office of the President		☐	●			●							●	☐	●		☐	3	7
Statistics and M&E	Planning,	●													●	☐	●	☐/ ●	2	5

- ☐ Current Lead Donor/Chair
- ☐ Potential Future Lead Donor/Chair (See note above chart)
- Active Donor
- Silent Partner/Delegated Partnership
- ☺ Phasing out

ECK – Electoral Commission of Kenya
 NCEP – National Civic Education Program
 APRM – Africa Peer Review Mechanism

Annex 4 (A.2):

Current and Planned Partnerships in Implementing the Government Strategy

Strategy Area	KJAS Partners	Non-KJAS Partners	Increasing Harmonization	Increasing Selectivity
Cross-cutting Support for All Pillars (budget support)				
Increased growth and poverty reduction	EC	IMF		
Pillar 1: Promoting Economic Growth				
Roads and transportation	Lead: EC, World Bank. Other members: African Development Bank, France, Germany, Japan, Sweden.	Arab Bank for Economic Development in Africa, OPEC, Saudi Fund, China, Korea		France has delegated management of one of its two roads projects to KFW, possibility of disengaging after completion of the two projects. Germany may disengage after completion of current projects. Sweden expects to disengage between 2009 and 2011.
Energy	Lead: France, Japan, World Bank. Other members: EC, European Investment Bank, Finland, UNEP.			Germany considering disengaging from renewable energy.
Water and sanitation	Lead: France, Germany, Sweden. Other members: Canada, Denmark, EC, Italy, Japan, Netherlands, Spain, U.S., World Bank, U.K., UN (UNDP, UNICEF, UN-Habitat).	Austria	A SWAp for water and sanitation is being prepared.	Denmark is considering delegating work in this area to Sweden. It may disengage in the longer term.
Private sector development	Lead: Denmark, UNDP, World Bank. Other members: EC, Japan, Netherlands, U.K., U.S., UN (FAO, ILO).			
Land	Lead: U.K., UN Habitat Other members: Japan, Sweden, U.S., World Bank.		Four partners supporting basket fund for land policy.	
Agriculture	Lead: EC, Germany, UN (FAO and IFAD), World Bank. Other members: Africa Development Bank, Denmark, Finland, Italy, Japan, Netherlands, Sweden, U.K., U.S., UN IFAD.		Germany, Sweden, U.K., Denmark supporting basket fund for the secretariat coordinating activities of the Strategy for Revitalizing Agriculture.	Denmark is considering disengaging from the sector.
Environment	Lead: Denmark, U.S., UN system. Other members: EC, Finland, France, Japan, Sweden,			U.K. to withdraw starting in April 2007, and may consider renewing support through silent partnerships.

Strategy Area	KJAS Partners	Non-KJAS Partners	Increasing Harmonization	Increasing Selectivity
	World Bank, UN (FAO, UNDP, UNEP, UNESCO, UN-Habitat).			U.S., Finland, UN, World Bank and France harmonizing support in forest reform. Denmark, Sweden, EC, UN, U.S., and U.K. harmonizing assistance for the National Environment Management Authority implementing environment management coordination act.
Pillar 2: Investing in People and Reducing Poverty and Vulnerability				
Education	Lead: U.K., UN system, Japan, World Bank. Other members: African Development Bank, Canada EC, Germany, Italy, Netherlands, U.S., UN (WFP, WHO).			Sweden disengaged in 2006. World Bank no longer lending to primary education after 2006 lending cycle.
Health and HIV/AIDS	Lead: Denmark, Germany, U.K., U.S., World Bank. Other members: EC, Italy, Japan, Sweden, U.K., U.S., UN (UNAIDS, UNICEF, UNESCO, FAO, UNFPA, WHO).		A SWAp for health is planned.	Canada disengaging in 2007 World Bank no longer lending to HIV/AIDS after 2006 lending cycle.
Gender	Lead: Canada, UN (UNIFEM, UNFPA). Other members: EC, Italy, Netherlands, Sweden, UN (UNESCO, FAO), World Bank.		Gender Donor Round Table participates in dialogue and policy development.	
Social protection	Lead: U.K., World Bank Other members: EC, Italy, Japan, Spain, Sweden, U.S., U.S. UN (WFP, Unicef).			
Pillar 3: Strengthening Institutions and Governance				
Democratic governance	Lead: Canada, EC, U.K., U.S. Other members: Africa Development Bank, Denmark, Finland, Germany, Netherlands, Norway, Sweden, World Bank, UN (UN-HABITAT, Unicef, UNDESA, Unifem and UN-Office on Drugs and Crime).		Canada, Denmark, Finland, Germany, Netherlands, Norway, Sweden, and U.K. are supporting basket fund for GJLOS program. Other partners are aligning support behind the government's strategy.	Canada disengaging in 2007.
Public financial management	Lead: EC, Germany, U.K., World Bank. Other members: Canada, Denmark, EC, Finland, Norway, Sweden, U.S.		Some partners are supporting a basket fund for the PFM program. Others are supporting specific elements of the government's strategy.	
Public service	Lead: Canada, U.K. World		Some partners are	

Strategy Area	KJAS Partners	Non-KJAS Partners	Increasing Harmonization	Increasing Selectivity
reform	Bank. Other members: Denmark, EC, Finland, Sweden, U.S. UN (UNDP).		financing a basket fund to support the public sector reform program. Others are supporting specific elements of the government's strategy.	
Urban, local government, and decentralization	Lead: EC, Sweden, UN (UN-Habitat). Other members: Italy, U.K., World Bank.			Germany's decentralization program will end 2007.
Statistics and monitoring and evaluation	Lead: U.K., World Bank. Other members: AfDB, Denmark, France, Germany, Italy, Sweden, U.K., U.S., UN (UNICEF, UNFPA, UNDP).		Some partners are supporting basket fund for the National Statistics System/Statistical Capacity Building Project. Others are supporting specific elements of the government's strategy.	Sweden is considering renewing support through a silent partnership.

Annex 4 (B): EAMR Aid Effectiveness Questionnaire

Annex 5 (a): 10th and prior EDFs as per closure of the financial year in 2008

SEE SEPARATE EXCEL SHEETS

Annex 5 (b): Synthetic list of on-going regional and intra-ACP projects

SEE SEPARATE EXCEL SHEETS

Annex 5 (c): Non EDF Projects, by Budget Line

Budget Line	Title	Project Budget €	EC Contribution €	Start Date	End Date	Description
ENVIRONMENT AND TROPICAL FOREST PROJECTS	Transboundary environment project: conservation of natural resources and sustainable development in pastoral semi-arid regions of Eastern Africa (Terra Nouva) ENV/MIS/2002/59843	1,562,878	1,250,303	June 24, 2003	September 24, 2007	The project supports the establishment of participatory development plans for the management and conservation of natural resources in transboundary pastoral areas, both at grass-roots and institutional level.
	Lembus forests integration conservation development project (The World Conservation Union) ENV/2003/61006	2,339,706	1,871,766	October 17, 2003	October 18, 2008	The goal of the project is for the local community owning and managing the Lembus forests to maintain biodiversity and environmental values to provide for their cultural, spiritual, and socio-economic needs. The main target groups of this project are communities who live in or around the forest who directly depend on and impact on the forest
	Improving market access for drylands commodities (United Nations Environment Programme) ENV/2003/74945	1,480,000	1,000,000	December 12, 2003	June 24, 2008	The aim of this project is to improve market access of dryland commodities, thus enhancing the economic situation and livelihoods conditions for drylands populations.
GENDER AND	Independent Medico	492,981	347,059	May 9, 2003	May 9, 2005	This project seeks to improve

Budget Line	Title	Project Budget €	EC Contribution €	Start Date	End Date	Description
HUMAN RIGHTS RELATED PROJECTS	Legal Unit – Kenya (IMLU) DDH/2003/034-460					human rights in Kenya and promote the rule of law. The core activities of the project are documentation of torture injuries in a Medico-Legal format and include provision of medical attention to victims of torture in prisons, police cells and the clients who visit IMLU through referrals or are directly identified by IMLU
	Fostering Women’s participation in Governance and National Leadership (Federation of Women Lawyers – FIDA) KE/2001/050-572	410,100	328,080	April 9, 2002	April 9, 2005	This project aims to promote the participation of women in politics in Kenya.
NGO CO-FINANCING PROJECTS	Training for Enterprise Development (TED) Project (Voluntary Services Overseas) ONG-PVD/2001/011-719	2,115,899	1,586,924	April 1, 2002	April 1, 2007	This project aims at building organizational and technical competence of some selected Youth Polytechnics (YPS) to ensure that they provide appropriate high quality training relevant to the opportunities that exist for local enterprise
	Saxan saxo – Well women media project in the Somali - speaking horn of Africa, Somaliland Kenya, (Health	1,815,708	1,000,000	1 January 2002	1 January 2007	The Somali Speaking Horn has one of the highest infant and maternal mortality rates in the developing world: A major contributing factor is the practice of female genital

Budget Line	Title	Project Budget €	EC Contribution €	Start Date	End Date	Description
	Unlimited) ONG-VD/2001/11690					mutilation (FGM) which is a causative factor of poor reproductive health in the population. The project raises awareness and discussion of women's health issues in the target group
	Community based early childhood development, Kenya, The Madrasa Programme (Aga Khan Foundation) ONG-PVD/2002/20264	1234,709	750,000	January 1, 2003	January 1, 2007	The overall objective of the programme is to a) increase access to and retention in primary school for children of marginalised communities by improving their school readiness through early childhood development services at the community level; and b) to develop a replicable approach for quality community-based early childhood education and development, which is at the same time effective, relevant to the local context and financially sustainable.
	Developing Sustainable Community Private Sector Partnerships for Commercial Beekeeping (Africa Now) ONG-PVD/2003/020-267	525,241	393,930	January 1, 2003	April 1, 2007	The project aims to tackle rural poverty in Kenya, through introducing small scale subsistence farmers to commercial beekeeping through a network of partners. The partners provide a sustainable resource for

Budget Line	Title	Project Budget €	EC Contribution €	Start Date	End Date	Description
						training new beekeepers, who have access to equipment through an innovative equipment financing scheme.
	Kenya Dairy Goat and Capacity Building Programme (Food & Agriculture Management) ONG-PVD/2003/063-513	991,047	749,653	August 17, 2004	August 17, 2007	The project objective is to facilitate sustainable improvements in the livelihoods of the poor and their community-based organisations through livestock development and enhanced livestock policies.
	Children with Disabilities' Empowerment Programme (Voluntary Services Overseas) ONG-PVD/2003/065-609	1,070,873	750,000	June 1, 2004	June 1, 2008	The project objective is to promote increased access to appropriate education for children with disabilities and improvements in the quality of special needs teaching and support.
	Comprehensive AIDS care in Nairobi public health structures and community based organisations of people living with HIV/AIDS (Medicines sans Frontieres) ONG-PVD/2003/20286	2,845,128	672,019	1 January 2003	1 January 2007	The main objective is to develop the capacity of the public health care system and the associations of people living with HIV/AIDS to organize prevention and offer comprehensive HIV/AIDS support services to their communities in the health facility and at home, including the reduction of the mother to the child transmission of HIV
	Community	583,490.86	437,618	January 1, 2006	December 31,	The project aims to improve the

Budget Line	Title	Project Budget €	EC Contribution €	Start Date	End Date	Description
	Development Project in Machakos District (Spanish Red Cross), Kenya ONG-PVD/2005/094-836				2008	capacity and skills in community health, water management, agriculture and social network of rural areas of Machakos district, Masinga division (Itunduimuni, sub location, Itunduimuni location) and Katangi division (Kitheuni sub location, Ikombe location) in order to mitigate the effects of human and natural disasters
	Rich Fisheries, Poor Fisherfolk-Addressing the Imbalance in Suba, Kenya (Africa Now), ONG-PVD/2005/095-184	569,000	425,000	January 1, 2006	December 31, 2009	This project aims to establish mechanisms through which fisherfolk can gain a greater economic benefit from their fishing activities, secure a more stable income, and have the means to save and build a better future for themselves and their families
	INTEGRATED COMMUNITY-BASED POVERTY REDUCTION INTERVENTIONS. KENYA (Concern Universal) ONG-PVD/2005/095-416	813,515	610,136	12December, 2005	December 3, 2008	The overall project objective is to improve quality of life of target communities, especially vulnerable groups, through a series of appropriate and sustainable interventions in strategic sectors
	Poverty Alleviation Across Generations In Rural Communities In Western Kenya	980,700	735,525	November 30, 2005	December 12, 2008	The project aims to improve the income, living conditions, health and access to education of the most vulnerable and poor

Budget Line	Title	Project Budget €	EC Contribution €	Start Date	End Date	Description
	(HELPAGE International) ONG-PVD/2005/095-423					families of the 3 project Districts through a combination of community led practical activities and broad advocacy work
	Environmental Conservation and Capacity Building among Community Groups to Reduce Poverty in Makueni District, Kenya (Deutsche Welthungerhilfe – German Agro Action) ONG-PVD/2005/095806	771,508	578,631	December 1, 2005	February 28, 2011	The objective of the project is that the values of stewardship and caring for the environment play a greater role in the daily lives and help reduce the poverty of disadvantaged community groups in the project area of Makueni District.
	KIBIGORI WATER, SANITATION AND EDUCATION FOR HEALTH PROJECT (KWASEH), KENYA (CARE International Germany) ONG-PVD/2005/096-269	998,952	749,214	November 21, 2005	December 31, 2008	The project objective is the sustainable reduction of the vulnerability related to water borne diseases for marginalized farmers through local capacity building and empowerment.
	uakali Artisans, Urban Youth and University Students Integrated Empowerment Programme (Terra Nuova) ONG-PVD/2005/096-799	570,182	484,655	November 30, 2005	December 31, 2008	The project objective is to alleviate poverty of marginalised social actors in urban areas of Kenya and to enhance the economic and social competence of disadvantaged urban youth and

Budget Line	Title	Project Budget €	EC Contribution €	Start Date	End Date	Description
						artisans in the informal textile sector in Dagoretti division of Nairobi
	Cross-sectoral Biodiversity Conservation and Sustainable Utilisation in Gwasssi Hills (Kenya) (Deutsche Welthungerhilfe – German Agro Action) ONG-PVD/2006/119-760	1,100,000	750,000	December 7, 2006	February 28, 2010	The overall objective of the project is to significantly improve sustainable natural resource management practices in underserved rural areas in Kenya which are of national and trans-national relevance (Lake Victoria Basin) and to promote the conservation and sustainable utilisation of biodiversity and income generation in Gwasssi Hills
	Kathita Kiirua Water Project follow up and development of training actions in the hygienic-sanitary field (CEFA) ONG-PVD/2006/119-906	905,035	769,000	November 24, 2006	March 1, 2009	The overall objective of the project is that of improving the health conditions of people living in the locations involved, with special attention to the hygienic-sanitary sector, by strengthening the KKWP Company's management, implemented in a previous cooperation project involving a population of about 40.000 people.
	Mutonguni Poverty Reduction Project (World Vision Ireland) ONG-PVD/2006/119617	900,000	600,000	1st January 2007	31st December 2011	The principle objective of the project in Kitui District is to reduce poverty and improve the standards of living of Mutonguni community through

Budget Line	Title	Project Budget €	EC Contribution €	Start Date	End Date	Description
						building their capacity to respond to disasters and access income generating opportunities
	Community Based reproductive and sexual health programme for under-served young people in rural south-eastern and south-western Kenya (Ref. German Agro Action / ONG-PVD/2005/100353)	1,335,800	1,192,869	8 December 2005	30 November 2010	The project aims to enhance access to SRH information and quality services including family planning and contraceptive information and services for young people in Homa Bay and Makueni districts.
	An integrated approach to reducing poverty and improving health in informal settlements of Nairobi (Ref. ITDG ONG-PVD/2006/118655)	740,124.57	555,093	1 January 2007	31 December 2011	The project aims improve achieve a reliable supply of good quality water and environmental sanitation through improving the working relationship between the Nairobi Water and Sewarge Company and Mukuru Community. It specifically will introduce community managed sanitation blocks, such as those established in Kibera in the Mukuru slums in Nairobi.
	National Programme to alleviate poverty through a comprehensive and integrated Trachoma	2,094,986	1,500,000	1 January 2007	30 June 2012	The project aims to sustainably reduce the overall prevalence of trachoma amongst target groups residing in three trachoma endemic districts of

Budget Line	Title	Project Budget €	EC Contribution €	Start Date	End Date	Description
	Control Programme in three districts in Kenya (Ref. Sight Savers International ONG-PVD/2006/119596					Kenya through community empowerment and improved access to basic water, hygiene, eyecare and sanitation services.
HEALTH PROJECTS	Maisha mother and infant services – HIV activities (Universiteit Gent) SANTE/2001/60802	1,431,738	1,288,514	1 June 2002	30 November 2006	The MAISHA project is a demonstration-intervention project with the overall objective of improving the health of women and children in the Coast Province of Kenya and specifically to reduce the transmission of mother-to-child transmission of HIV through the provision of a package of available, affordable and effective interventions in mother-child health
	Adolescent Sexual and Reproductive Health - ASRH (DSW / Ref. SANTE/2004/095-814)	2,851,350	2,566,215	1 August 2005	31 January 2010	The project aims at enhancing preventive behaviour bringing about a significant reduction in HIV/AIDS prevalence rates amongst the youth in the target area (Nairobi slums, Central, Western and Nyanza Provinces)
	A comprehensive approach to reaching those most at risk from and affected by HIV/AIDS in Kenya	4,498,099	4,408,289	1 November 2006	1 May 2013	The project aims at effectively responding to the HIV/AIDS epidemic through upgrading of several clinics and rural outreach units to provide free

Budget Line	Title	Project Budget €	EC Contribution €	Start Date	End Date	Description
	(Ref. Marie Stopes Kenya / SANTE/2006/104937)					quality HIV/AIDS services and capacity building for clinic and outreach unit staff in Rift Valley, Coast and Eastern and Central Provinces
	Increased access to and use of quality basic and comprehensive obstetric care services (Ref. UNICEF Kenya / SANTE/2005/100385)	2,736,575.50	2,236,576	6 December 2005	31 August 2010	The project aims at contributing to the reduction in maternal and neonatal mortality in Nairobi slums areas, Coast, Rift Valley and Eastern Provinces by increasing access of mothers and infants to quality essential and emergency obstetric and newborn care services.

Annex 5 (d): EIB Projects as per close of 2008

Annex 5 (e): Updated CSP chronogramme



