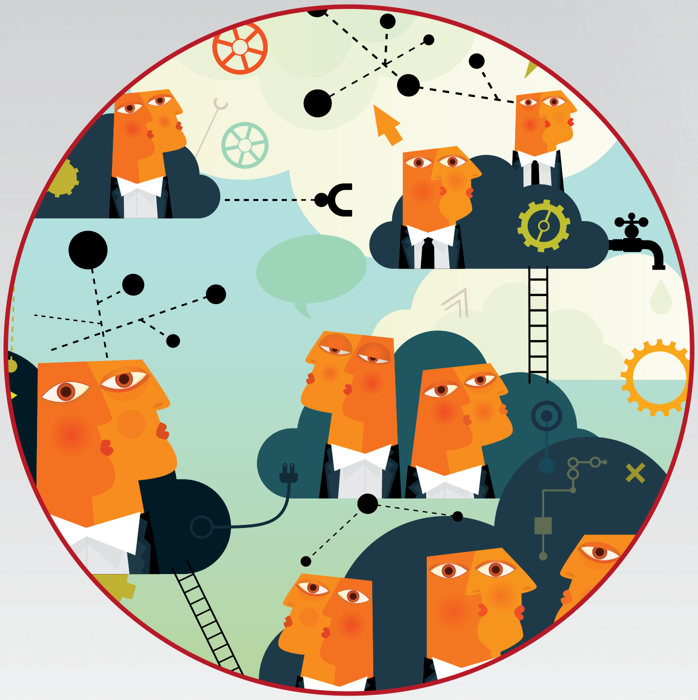
GPF GOVERNANCE PARTNERSHIP FACILITY | Lessons Learned



Accountable Devolution Program

Insights from the Governance Partnership Facility

in Kenya

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Preface

The Governance Partnership Facility has played an important role in shaping the World Bank's program in Kenya, during a time of sweeping reforms under the 2010 Constitution. The GPF has enabled the country team to respond, selectively and flexibly, to new governance opportunities and challenges amidst the country's ambitious decentralization. Kenya has been the beneficiary of two (Window 1) GPF grants totaling $5.4 million—an initial $820,000 grant (Empirics of Governance) followed by a larger grant (Kenya Accountable Devolution Program) funded by DfID and Australia. Using a cross-sectoral approach, involving public sector, governance, rural, urban and social development experts, the GPF has enabled the Bank to provide counterparts with analysis, technical assistance, and knowledge sharing on decentralized service delivery.

GPF resources have contributed to the governance program in Kenya in three significant ways.

First, and most significantly, the GPF has enabled the Bank to respond to Kenya's momentous decentralization—precipitated by the 2010 Constitution, with corresponding governance opportunities and challenges. The Constitution and decentralization have led to rapid and far-reaching changes to Kenya's overall governance system, starting with laws and policies, followed by the creation of 47 new counties and following the March 2013 elections. Amidst these major changes, the GPF has enabled the Bank to field additional staff and consultants to respond to fast-changing demands. Analytical and technical assistance—on fiscal impacts, public financial management, wage and benefits policy, political economy, leadership development, revenue management, performance management, and citizen participation—have fed into new government policies and institutional arrangements, and ongoing policy debate. They have helped devolved sectors and ongoing and new WB-financed projects respond to dramatic changes in central and sub-national responsibilities. This work in turn contributed to the Bank's new 2014–18 Kenya Country Partnership Strategy (CPS)—which targets devolution as one of three main pillars, including new IDA operations. Thanks to GPF support, the WB is widely perceived as playing a lead role among external partners on fiscal decentralization, PFM, and participatory systems.

Second, the resources have enabled the Bank to scale up governance and social accountability measures in ongoing, and new, IDA-financed projects drawing on the lessons of governance challenges faced in earlier projects. Under the Kenya Health Sector Support Project (partly IDA-financed), the GPF supported nine pilot health facilities to adopt a set of basic social accountability measures. The Ministry of Health is now mainstreaming select social accountability measures from these pilots into national health policy, and across all local health facilities. Partly with GPF support, the Western Kenya Community Driven Development (CDD) project was restructured with enhanced governance and social accountability measures, and is now feeding into a new national CDD scale-up project. Similar governance measures have been adopted in several other projects in the Kenya portfolio.

Finally, the GPF has supported Kenyan innovations in open data and ICT, which in turn have been integrated into ongoing development projects. The Kenya Open Data Initiative, launched by then-President Kibaki in July 2011 for the Ministry of ICT, positioned Kenya as one of the first and largest government open data initiatives in sub-Saharan Africa, through opendata.go.ke, with county data sets receiving the highest usage. The GPF supported MoICT to initially manage the portal, and in turn led to a new $6.5m open data component under an ongoing IDA-financed ICT project (KTCIP). The GPF also supported (along with WB Innovation Fund), the launch of a demand-side pilot, including the "Code4Kenya" fellows program, to support media and CSOs to make use of and disseminate newly accessible data. In addition, a long-term initiative under the Western Kenya CDD project to geo-map local community projects has also been supported by the GPF.

In summary, GPF resources, while small compared with overall Bank budget and the trust fund portfolio in Kenya, have played a role to enhance governance in Bank-financed decentralized service delivery projects, in policy and institutional reforms related to decentralization. They have been integrated in our overall program of support to Kenya, and have leveraged ongoing operations. They have also set the stage for a heightened WB emphasis on decentralization in the coming years—both in operations and in our associated sector work. Multiple initiatives supported by the GPF will continue via ongoing operations, under new donor trust fund resources, and in new decentralization and sectoral operations under the new World Bank strategic focus on decentralization.

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Abbreviations and Acronyms

ASAL	Arid and semi-arid counties
CDD	Community Driven Development
CPS	Country Partnership Strategy
CRA	Commission on Revenue Allocation
DFID	UK Department of International Development
FDKP	Kenya Fiscal Decentralization Knowledge Program
HR	Human Resources
ICT	Information and Communications Technology
KADP	Kenya Accountable Devolution Program
KES	Kenya shillings
KSG	Kenya School of Government
M&E	Monitoring & Evaluation
PFM	Public Financial Management
PREM	Poverty Reduction Economic Management
TA	Technical Assistance

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The KADP program is managed by Christopher Finch (sub-window manager and TTL), Kathy Whimp, Fred Owegi (TTL), and George Larbi (TTL) with Philip Jespersen serving as coordinator. Members of the Kenya Accountable Devolution Program team have included Kathy Whimp, George Larbi, Fred Owegi, Jane Kiringai, Lucy Musira, Christine Owuor, Wangari Muikia, Muratha Kinuthia, Rabya Nizam, Annette Omollo, Beryl Kenny, Peter Lilford, and Geoff Handley.

Executive Summary

1. The Bank has used GPF resources over the past four years to respond to Kenya's changing governance needs and opportunities. Most significantly, GPF support has enabled the Bank to scale up support on the ambitious decentralization set in motion by the 2010 Constitution. Kenya's decentralization is among the most rapid and ambitious devolution processes going on in the world, with new governance challenges and opportunities as the country builds a new set of county governments from scratch. In parallel, the GPF has supported the strengthening of governance measures in selected World Bank service delivery and CDD projects, some of which in turn are feeding into decentralization from the 'bottom up.' Finally the GPF has supported innovations, including Kenya's leadership on opening up government data.

2. These resources have contributed as the Bank has adapted to a rapidly shifting political and governance context. With the promulgation of a new Constitution in 2010 (just as the first GPF to Kenya was being approved), Kenya entered a critical phase in its history. The Constitution provided for enhanced checks and balances within the government, an enhanced role of Parliament and citizens, an independent judiciary, as it seeks to address long-standing inequities. Most notably, the Constitution provided for a major devolution—not only devolving significant resources and functions, but also creating a whole new layer of county government. At the same time, in 2010 the GoK and Bank were facing governance challenges in the Kenya portfolio, which triggered a concerted response to strengthen governance mechanisms in projects focused on decentralized service delivery. Kenya was also getting increasing global attention due to its dynamic ICT sector, including a widely used mobile money system.

3. GPF grants have coincided with these momentous changes. Since 2010 the Government has introduced sweeping changes in Kenya's policy and institutional framework. Multiple new laws have been put in place—including new legislation on county government, urban areas, public financial management, and the transition to devolved government—as well as multiple national bodies and commissions with responsibility for devolution. Elections in March 2013 marked the official launch of decentralization, as 47 new county governors and county assemblies were elected and began the challenging work of setting up new institutions, as well as a new national senate representing each county. Since then, functions and funds have been transferred to the new counties—more rapidly than the 3-year transition envisioned under the Constitution—and new county institutions are being built from scratch.

4. With a $5.4 million grant amount, Kenya is one of the largest recipients of the GPF. The GPF has enabled the Bank to increase engagement on decentralization and other changes spurred by the Constitution, linked to the broader country program. The GPF allowed the WB to field a team of staff and consultants focused on devolution and governance—providing analysis and technical assistance (TA) on emerging policy reforms, on key issues related to the transition to devolved systems, and on institutions and systems, standards, processes related to the rollout of devolution. Still, it is important to flag the challenges of providing support in a period of major policy and institutional change: the program has required frequent re-prioritization amidst wide-ranging and shifting demands. The program has contributed to some significant achievements, while keeping in mind that a devolution as radical as Kenya's will take years to implement, and these are still early days.

5. The Kenya Accountable Devolution work has been cross-sectoral from the beginning (co-managed by staff specializing on macro-fiscal issues, social development, and public sector governance) while working closely with sectoral colleagues in human and sustainable development. The program has been guided by the Country Management Unit and closely integrated with the Bank's overall Kenya program—which now, partly as a result of work

done with GPF support—has a major focus on decentralization over the coming 5 years: supporting devolution is now one of three pillars of the Bank's new Kenya Country Partnership Strategy (CPS) 2014–18, which targets new World Bank Group investments of up to $4 billion during its five-year implementation period.

6. This work has contributed to wider awareness among policy makers and informed citizens about the governance processes, opportunities, risks, and operational issues to be addressed in order for Kenya's ambitious devolution to succeed, including analysis of available options for strengthening citizen engagement. In short, the GPF has contributed to the legal/policy and institutional framework for decentralization being informed by global and local analysis, as well as by the experiences of IDA-financed projects focused on institutions and systems for decentralized service delivery. Building on the Bank's previous Australia-funded Fiscal Decentralization Knowledge Program, the focus areas of the GPF grants in Kenya include:

   - **Understand and address the fiscal implications of revenue sharing** vertically between national and county governments and horizontally across counties. Fiscal analysis on the effects of revenue allocation and fiscal sustainability is informing national and county decision makers. The GPF is also supporting key stakeholders address challenges and gaps—it has supported the Commission on Revenue Allocation (CRA), Council of Governors (COG) and Kenya Law Reform Commission to develop a set of model county revenue laws and Nairobi City County to assess options to enhance revenues via reforms of the property rates system.
   - **Strengthen public financial management and aspects of human resources management under decentralization.** The GPF has supported analysis and comments on the new Public Financial Management Act, pending PFMA regulations, and together with the National Treasury and the Kenya School of Government (KSG), the design and initial rollout of a set of County PFM Training Modules (e.g. budgeting, accounting and reporting and procurement), including citizen participation measures. Over 300 county officials have so far been trained on aspects of PFM. The GPF has also provided demand-driven support to four counties on participatory planning and budgeting as they developed their 2014/15 budgets. In addition, the GPF has provided TA support to the Kenya Salary and Remuneration Commission on issues of wage bill management, and benefits and remuneration policy, which are guiding discussions and reforms in the context of devolved system of government.
   - **Strengthen access to county level data and monitoring of subnational performance.** Widely disseminated County Fact Sheets provided the first empirical breakdown of key development indicators across forthcoming counties. Rollout of the Kenya Open Data Initiative, the first major open data initiative by a developing country in sub-Saharan Africa, was supported by the GPF. An innovative Kenyan initiative to spur demand for open data—Code4Kenya fellows, funded by a WB Innovation Fund and the GPF—is now being replicated in other countries. Following on this work, the Ministry of Devolution has developed a set of standards/guidelines for county performance monitoring, and the Council of Governors is building county open data dashboards to monitor performance.
   - **Strengthen public participation/social accountability mechanisms in county systems and decentralized service delivery projects.** With GPF support, provisions for county transparency, accountability, and participation have been enhanced in the PFM Act, regulations, and new national training curriculum for county PFM. In parallel, partly in response to previous forensic audits, WB-financed GoK projects have been supported to strengthen governance and social accountability mechanisms, which in turn are feeding into sectoral policies and institutional changes. Most notably, the Ministry of Health is mainstreaming social accountability measures from GPF-funded pilots into national health policy and National Health Sector Support program.
   - **Enhance devolved service delivery via the Bank's portfolio and donor coordination.** A government-donor Devolution Sector Working

Group is in place, and an initial mapping of how donor-funded projects are distributed across the 47 counties has been conducted (with GPF support). Under an IDA-financed Kenya health program, a conditional grants framework developed to enable Ministry of Health grants to local health facilities.

7. An Annual Review by the UK's Department for International Development (DfID) undertaken in November 2013 gave an overall score of 'A' to the Program. The review said that in its first year, and in a difficult implementing environment, the GPF Program has made contributions to:

    - Initial analysis estimating the costs of devolution to the counties;
    - Development of county PFM training modules;
    - Practical research on introducing public participation in county governments;
    - Improved public access to information on counties and their governments; and
    - Technical assistance to the Ministry of Health to integrate 'Social Accountability' (SA) approaches in the Health Sector Services Fund (HSSF).

8. Although the GPF will close in 2015, much of the work has been integrated into the country program, including a series of operations planned in support of devolution. Supported governance and social accountability mechanisms are being incorporated in new operations involving decentralized service delivery. This includes a new lending operation and Multi-Donor Trust Fund in support of devolution with a focus on strengthening core county governance systems, including PFM procurement, performance management, and social accountability, and utilizing this work to improve resource management for efficient service delivery in the sectors with Bank-lending operations, including health and agricultural.

1. What Is the GPF?

> *"The GPF is designed to help the Bank deliver on its commitment to scale up engagement in governance and anti-corruption work in developing partner countries in conjunction with comparable efforts by participating Development Partners. It aims to establish a global strategic partnership on governance among like-minded multilateral and bilateral development partners."*
>
> —GPF Program Document

The Governance Partnership Facility (GPF) was established in 2008 to help the World Bank deliver on its commitment to scale up engagement in governance and anti-corruption (GAC) work in developing countries. The founding Development Partners of the GPF are the Netherland's Foreign Ministry, the United Kingdom's Department for International Development (DFID) and Norway's Ministry of Foreign Affairs, with Australia's AusAID (now known as the Department of Foreign Affairs and Trade) joining the GPF in 2012.

BOX 1. THE GPF—A QUICK LOOK

- Established in 2008 as a partnership between the World Bank, the Netherland's Foreign Ministry, the United Kingdom's Department for International Development (DFID), Norway's Ministry of Foreign Affairs and Australia's AusAID (now known as the Department of Foreign Affairs and Trade).
- The main goal is to support the implementation of the Governance and Anti-Corruption (GAC) Strategy.
- Supported by a multi-donor trust fund with total donor contributions amounting to US$95 million and program budget of US$89 million.
- All existing funds have been allocated to 126 projects spread across 37 countries and different thematic areas.

The World Bank and Development Partners recognize that good governance is critical to successful development and poverty reduction. They are committed to implementing ambitious governance strategies that will build more capable and accountable governments that can deliver services to the poor, promote private sector-led growth, and effectively tackle corruption. They believe that, by working together more systematically in complementary ways, they can have more impact than through the current plethora of *ad hoc* formal and informal partnership arrangements.

Donor understanding of governance has broadened and deepened significantly over the past decade. It has gone beyond the frontiers of economic governance and the management of the economy, and beyond analyzing and reforming public services and the public sector. As stated in the World Bank's GAC Strategy, governance work now recognizes the importance of focusing on the "new frontiers" of governance, including a better understanding of the political economy of development and the importance of giving citizens a voice and a right to information. As the demand for better government and political accountability grows, this will create the conditions for faster growth and poverty reduction.

Despite relatively modest resources, over the past five years, the GPF has played a major role in facilitating the implementation of the Bank's GAC Strategy. With an appropriate structure in place (see Box 2) and by working strategically in partnership, the GPF leverages change in how the Bank carries out its governance

BOX 2. THE GPF STRUCTURE

- **Window 1:** 20 active grants, budget of US$45.4 million. Objective: create strong incentives for leading country teams to implement programs that rigorously and systematically address the governance impediments to development.
- **Window 2:** 51 active grants, budget of US$26 million. Objective: support cutting-edge governance activities in sectors and thematic areas; spread best practice examples of governance in sectors and thematic areas across client countries; develop approaches to governance in sectors and thematic areas that can be used Bank wide and by other development partners.
- **Window 3:** 29 active grants, budget of US$11.8 million. Objective: stimulate strategic shared learning from implementation of innovative governance activities; promote innovation in measuring results and impact of governance activities.
- **Window 4:** 26 active grants, budget of US$5.6 million. Objective: strengthen openness and accountability of institutions in the executive branch of government with a focus on Public Financial Management (PFM).

work and supports promising activities that are starting to yield exciting results in many countries.

Selected GPF results in thematic areas of governance achieved in the last reporting year (April–May 2013) include the following.

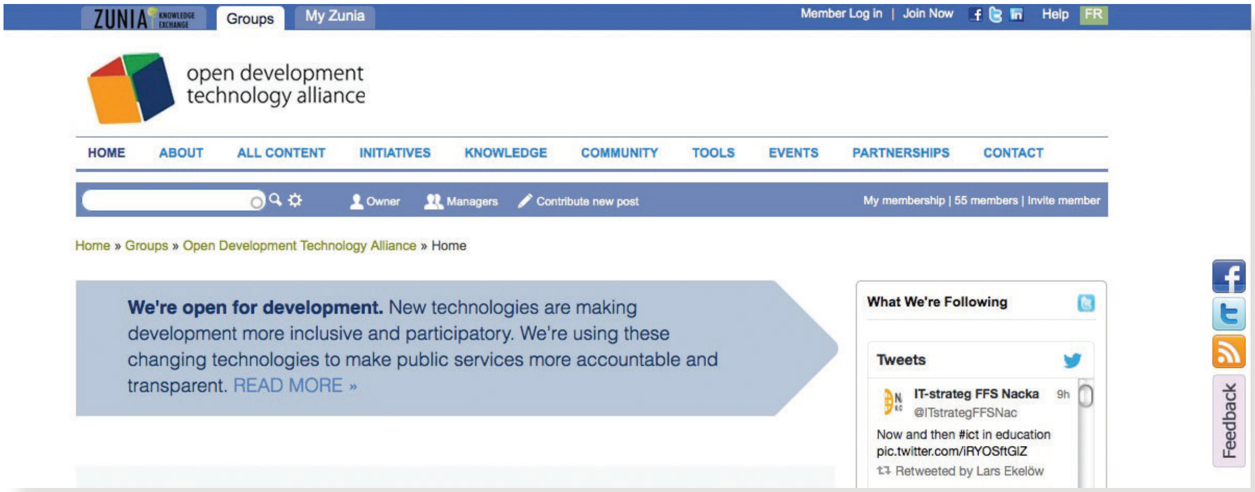
Moving Forward in the Fragile States Agenda: In innovative ways, GPF grants have included the demand and supply side of governance to solve fragility-related issues. The grants managed to create a holistic approach that aims to encourage civil society organizations (CSOs), governments, and citizens to mitigate fragility in countries such as Sierra Leone, Haiti, and the Democratic Republic of the Congo.

Governance in Extractives Industries: In total, 22 out of the 126 grants are explicitly targeted at addressing the unique governance challenges of countries with significant extractive industry (EI) sectors. These grants support efforts toward integrating EI concerns into the Bank's work and country dialogue. The most successful interventions appear to be those that couple supply- and demand-side strategies, allowing progress toward greater transparency and accountability to be simultaneously pursued across several fronts. As evidenced by more and more governments seeking Extractive Industries Transparency Initiative (EITI) candidacy/compliance and in light of the EITI Standard expansion, there may well be an appetite among even more Bank clients for initiatives fostering greater transparency and accountability around extractive industries.

Information and Communication Technology (ICT) Applications and Tools: The application of ICT tools opens new avenues to improve transparency of public sector management and to strengthen accountability for service delivery. Over the past few years, the number of experiments and pilot efforts to develop mechanisms and tools to benefit from these new opportunities has increased enormously. The GPF has supported several of these innovations, and the results show promise. GPF support and encouragement has led to the creation of the *Open Development Technology Alliance* (see Figure 1). Most GPF projects that applied ICT-enabled approaches were targeted at strengthening the demand side of accountability, while some aimed to improve governance and accountability in sectors such as agriculture, health, and education.

Strengthening Institutions of Accountability: GPF grants have had a substantial impact on strengthening the capacity of anti-corruption agencies/authorities and parliaments. Several instruments, such as the interactive public complaint mechanism, the Anti-

FIGURE 1. Open Development Technology Alliance website home page



Corruption Initiative Assessment, and the National Observatory of Corruption Risks, have been developed and continue to be used by the anti-corruption agencies that host them. Eleven projects supporting access to/right to information, totaling US$2.1 million, have helped create 10 legal frameworks (laws, bills, and task forces) for this key transparency measure in countries across South Asia, Africa, and Latin America.

Accountability in Public Financial Management (PFM): Donor efforts to address governance issues in client countries rely heavily on PFM reform. This approach is founded in the fact that efficient PFM creates effectiveness in government expenditures and accountability for public resources. In the past year, GPF-funded grants have supported client countries and the Bank in strengthening PFM systems. Results show evidence of improved PFM systems involving policy makers and non-state actors alike. GPF activities in Afghanistan, Cameroon, Mongolia, Nigeria, and Tajikistan are examples of how different stakeholders from both within and outside the Bank can come together to form strategic alliances for large and small PFM projects.

Political Economy Analysis (PEA): For many years, development partners have recognized that the interaction between political and economic incentives shapes the reform process—it affects what policies are adopted and how they impact poverty reduction and shared growth. At the World Bank, political economy analysis gained significant momentum after the adoption of the first GAC Strategy in 2008. As a result of the GPF, between 2009 and 2013, World Bank teams conducted more than 200 political economy studies. In addition, there was greater interaction between staff from the World Bank and other donor agencies working to mainstream a political economy perspective into their operations.

Voice, Accountability, and Demand for Good Governance: The GPF has funded 42 projects with a demand-side component at a combined value of US$16.2 million. This has led to greater accountability through access-to-information bills, better allocation of public resources through tools such as the *Budget Transparency Initiative* (see Figure 2) and Citizens' Visible Audits, and the development of websites and social media platforms like iamtax.org for direct citizen engagement.

FIGURE 2. Budget Transparency Initiative website home page

2. The GPF Learning Series: A Background

As part of its knowledge and learning activities in fiscal 2013, the GPF Secretariat is developing a series of case studies documenting the achievements and challenges of its most notable grants. This effort is in line with the GPF Secretariat's M&E plan. One of the outlined additional activities included in the plan—"Evaluations and Reviews of Individual GPF Projects"—foresees that the Secretariat (or independent consultants) will assess specific results of and lessons learned from individual projects as well as their prospects for sustainability and potential for scaling up.

The goal of these case studies and evaluations is to derive useful lessons and draw operational conclusions about what is working and what is not among the GPF grants. In addition, the case studies may also contribute to a Bank-wide effort to develop the "science of delivery," which systematizes evidence-based multidisciplinary approaches in program design and implementation to better achieve development outcomes. The approach is aimed at addressing service delivery failure by better understanding local implementation problems.

This issue of the GPF Lessons Learned Series[1] details the achievements of and lessons learned from the "Governance Partnership Facility in Kenya." The project was funded through Window 1 of the GPF, which supports leading World Bank country teams to implement programs that rigorously and systematically address governance impediments to development in a given country.

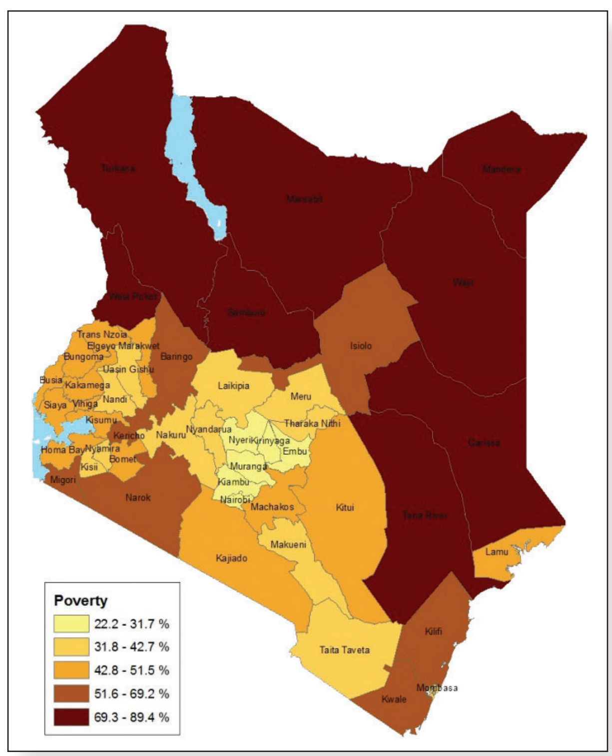
1 So far, the GPF Secretariat has published six issues of the Learning Series that present lessons learned from GPF Window 1 programs, including those in Zambia, Tajikistan, Mongolia, Kenya, Nigeria, and Cameroon.

3. Kenya: Country Context

Kenya is undertaking major reforms, in particular decentralization, seeking to accelerate growth and poverty reduction under its landmark 2010 Constitution. Against a relatively stable macroeconomic environment—the economy is projected to grow by 4.7% in 2014—poverty reduction is clearly the single most pressing issue, and while Kenya's poverty rate has been falling—from 47 percent in 2005/06 to about 39 percent based on best estimates in 2012/13—several formidable challenges lie ahead. Although Kenya has experienced a decade of relatively steady economic growth, there are major disparities in poverty levels, human development indicators and access to services across Kenya's new counties. Poverty rates are highest in the arid and semi-arid regions in the north and north east—areas with very little annual rainfall, low agricultural potential and historically lower levels of investment and service delivery, reflecting Kenya's unbalanced geographical development.

The Constitution and devolution, in particular, aim to move Kenya towards a more equitable and inclusive future, addressing these disparities and historical patterns of marginalization. The Constitution devolves authority to 47 elected county governments, specifies multiple functions to be devolved to counties, along with a minimum 15 percent of national revenues, and is among the most ambitious devolution plans in the

FIGURE 3. **Poverty levels vary widely between and within counties**



world. Although expectations are high and devolution seeks to reduce unequal access of the population to basic services, much needs to be done to ensure that devolution does not result in deterioration of service delivery.

The transition to devolution has proceeded largely in accordance with Constitutional timetables. Since promulgation of the Constitution in August 2010, the Government has put in place the legal framework (including new public financial management, county government, urban areas and cities acts) and multiple bodies to shepherd implementation of the Constitution (e.g., the Constitutional Implementation Commission, the Commission on Revenue Allocation, the Transition Authority, Controller of Budget, etc.). Devolution consolidates several decentralized programs and multiple levels of central government into a new two-tier structure, with national government and 47 new county governments, each with an elected governor and county assembly.

The March 2013 elections, which proceeded peacefully without widespread violence or disruptions to growth, kicked off the actual implementation period for devolution. New county governors and assemblies were elected, 47 new county governments were put in place, consolidating multiple former levels of government. Central ministries were consolidated, from 40+ preceding the elections down to 18 new ministries, including a new Ministry of Devolution and Planning. A new Senate, representing the counties in the national legislature, has been established. And new inter-governmental bodies, including the Council of County Governors and the Integrated Budget and Economic Council, have been formed and are beginning to function.

National and county governments are working hard to put in place needed structures, plans and budgets to aide county governments to function, but this will be a long-term challenge. Kenya's first county assemblies, governors and senators were elected on March 4, 2013. In the months that have followed, most county governments have appointed executive committees, passed their first budgets and adopted their first plans, established county public service boards and have begun recruiting their own staff. The first full year revenue-sharing process was completed and the second full post-devolution budget cycle has begun. A Council of County Governors was formed soon after the elections, and the Intergovernmental Budget and Economic Council, chaired by the Vice President, was formed with eight sector forums, as well as the National and County Government Coordinating Summit chaired by the President.

A significant development over the past 18 months is that most functions and funds have already been transferred to counties—more rapidly than the three-year transition period envisioned under the Constitution in response to calls for counties to be given more resources.

The magnitude and pace of Kenya's devolution is remarkable by global standards. Many countries—both rich and poor—have transferred power and resources to lower levels of government. Few have devolved to entirely new subnational units of government, or have transferred as much as quickly as Kenya, which has gone beyond Constitutional minimums.

The roll-out of devolution brings new opportunities and risks to government service delivery, and will be a key factor affecting Kenya's overall development objectives. Counties have new autonomy and resources to address development needs, but county and central government face huge challenges of building basic county institutions—for managing staff, public resources, and service delivery—amidst very high public expectations.

- Navigating the transfer of staff, funds for devolved services (health, agriculture, urban).
- Building basic institutional capacity for planning, PFM, HR, M&E, and citizen participation.
- Addressing fiscal pressures, partly due to expanding wage bills as counties add their own staff to those they have inherited from central ministries.
- Developing favorable investment climates.

Devolution seeks to address historical inequalities by rebalancing government transfers toward historically marginalized counties. Under the sharing formula, historically marginalized arid and semi-arid counties (ASAL) have new fiscal resources to address infrastructure and service gaps, but less capacity. Counties in high potential agricultural areas are home to most secondary cities/towns, have greater capacity, but less fiscal space than ASAL counties. In the short term there are urban areas in particular, including Nairobi and Mombasa but also secondary cities, face fiscal challenges partly due to larger inherited payroll and debt obligations and smaller per capita transfers.

World Bank Engagement in Kenya

The Bank's commitment to Kenya presently amounts to over $4.7 billion, including US$3.73 billion in 23 national projects and $988.6 million in nine regional projects. The new CPS supports changes set in motion by the new Constitution with governance as a cross-cutting theme (foundation). The largest commitments are in infrastructure (transport, energy, water, and telecommunications) and other priority themes include strengthening public sector management and accountability. The GPF has supported the production of several analytical pieces that underpin the CPS and continues to provide analytical work to inform the Bank's ongoing work across sectors. Additional analytic work in areas such as parliamentary and judicial capacity will help expand the foundation for the development and governance agenda. Measures have also been introduced to protect Bank-financed projects against corruption risks, while strengthening country systems.

On June 5, 2014, the World Bank Group's Board of Executive Directors endorsed a new 2014–2018 Country Partnership Strategy (CPS) for Kenya. The strategy is targeting investments of $4 billion during its five-year implementation period to support the country's national goal of promoting sustained, more inclusive, and accountable growth.

The new strategy is formulated around three priorities:

- Improving the economy's competitiveness and sustainability to support rapid growth over a decade or more
- Promoting protection and potential to ensure all groups share in advancing prosperity and helping the vulnerable to develop their potential
- Building consistency and equity, centered on devolution, to ensure effective transfer of resources and governance to the 47 new counties and to improve service delivery and opportunities for the ordinary people in these areas.

"This is a special time in Kenya, especially as the government moves to decentralize more power and public services to local communities," said Diariétou Gaye, World Bank Country Director for Kenya. "We have a unique opportunity to help Kenya create jobs, build infrastructure, and to lift millions of its citizens out of poverty over the long term and ensure that they share in the country's growing prosperity."

Supporting the roll-out of devolution is a top priority for the World Bank, as articulated in the CPS for FY 2014–18. Devolution has emerged as one of three focus areas for the WB's program, building on a significant program of technical assistance and ongoing sector work, as well as the ongoing portfolio. The WB is widely recognized as a leading provider of in-country technical assistance, serves as co-chair of the government-led Devolution Sector Working Group, and is working with multiple national and county officials on the above topics. World Bank sectoral teams (e.g., urban, water, health) are providing technical assistance, restructuring ongoing projects, and developing additional financing to help sectors navigate devolution. The Kenya Accountable Devolution Program supports an in-country team providing analytical and technical assistance focused on mitigating the fiscal impacts of devolution, strengthening subnational PFM and performance monitoring, and strengthening county systems to engage with citizens.

The roll-out of devolution will be a critical determinant of whether other objectives in the new draft CPS can be achieved. Key objectives under the CPS will depend on the success of devolution and county-led service delivery, including: (i) better livability in key urban centers; (ii) improved agriculture productivity; and (iii) improved delivery of health services; (iv) reducing vulnerability to climate change, especially in the ASALs, and (v) enhancing transparency in the use of public resources.

The GPF-supported analysis has played an important role in identifying risks and opportunities in the devolution process as well as defining the priority areas for Bank support. Building on this work, the Ministry of Devolution and Planning and the National Treasury have commenced discussions to formulate new IDA-financed devolution operations and refine priority areas for Bank analytical and technical assistance.

4. GPF in Kenya

Project Overview

The overall development objectives of the GPF grant are to improve the knowledge of key stakeholders about options for a successful devolution process, and to help build the accountability relationship between the new county governments and Kenyan citizens for improved efficiency and development results.

The GPF has pursued these objectives through a combination of analysis, technical assistance and knowledge exchange for key institutions developing the policy framework and implementing the initial roll-out of devolution. The GPF has also supported the design and testing of new approaches at the county level (e.g., on PFM, revenue management, and citizen participation) as well as through strengthening mechanisms for governance and citizen engagement in ongoing projects involving decentralized service delivery.

With a $5.4 million grant amount, Kenya is one of the largest recipients of the GPF. An initial GPF grant of $820,000 (Empirics of Governance approved in 2010), was scaled up into the larger Kenya Accountable Devolution Program (approved in 2012) with support from DfID and Australia. In addition to the GPF resources, the Kenya Accountable Devolution Program (KADP) is supported by the World Bank's own budget (staff time, analytical work, project supervision and preparation), an additional DfID externally financed output and DfID secondees. These resources have enabled the Bank to put in place a Kenya-based team with expertise on various aspects of devolution, define a program of work, contract world-class expertise on specific issues, and engage with government and other stakeholders on critical issues related to Kenya's devolution process. KADP built directly the WB's Australia-supported Kenya Fiscal Decentralization Knowledge Program (FDKP).

This support has coalesced around five thematic areas:

1. **Understand and address the fiscal implications of revenue sharing.**
2. **Strengthen public financial management** and aspects of human resource management **under decentralization.**
3. **Support county data and sub-national performance monitoring, including open data.**
4. **Strengthen citizen engagement mechanisms in county systems and decentralized service delivery projects.**
5. **Enhance devolved service delivery via the Bank's portfolio and donor coordination.**

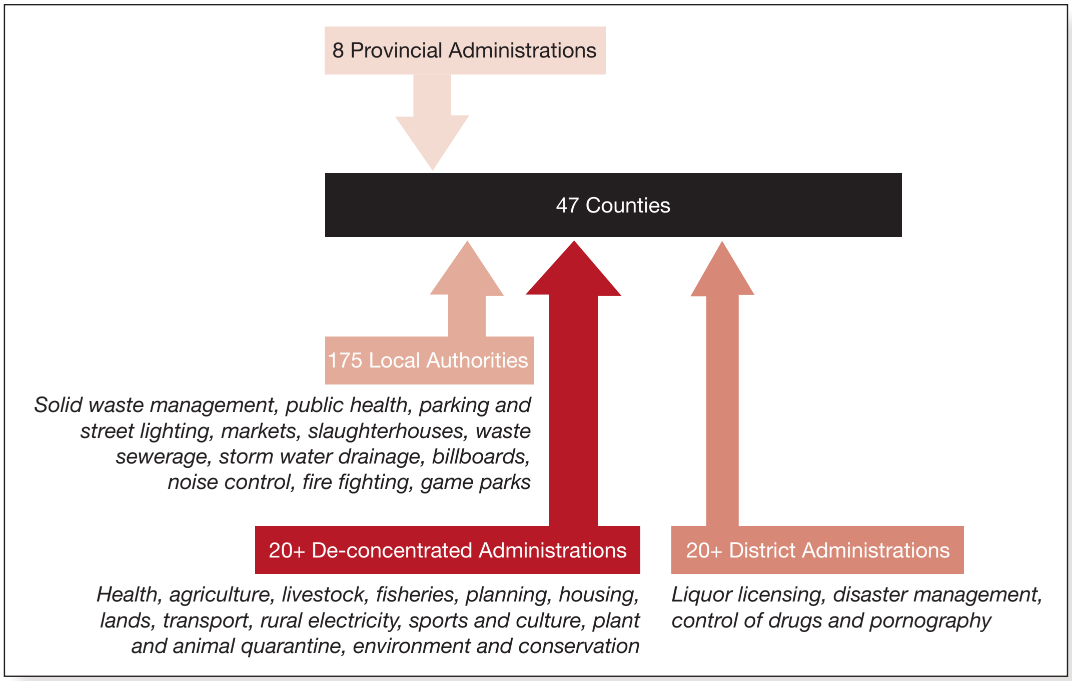
Given the scale and speed of Kenya's decentralization process, it is important to keep WB and GPF support in perspective. In the first full year of devolution alone, KES 190 billion, or approximately, US$2.3 billion, was allocated to the counties.

Approach

The focus of the GPF-supported Kenya devolution program has shifted along with the changing context.

- Initially, prior to the launch of devolution, the GPF supported World Bank analytical work and technical assistance to policy makers as they formulated the policy and legal framework for Kenya's decentralization. On-demand assistance was provided to key bodies responsible for developing the framework of devolution, including the Ministry of Finance, Commission on Revenue Allocation, Transition Authority, and former Ministry of Local Government.
- New GPF-DfiD-Australia resources under the second GPF enabled the Bank to expand its in-house team in early-mid 2013. This included two

FIGURE 4. **Kenya's devolution presents massive challenges for political and administrative restructuring**



international and four locally recruited staff and extended term consultants—in PREM and social development.

- Following the March 2013 elections, the focus shifted to more technical assistance and capacity building as new county governments were established and demands for support multiplied. Primarily the Bank has focused on the policy and institutional frameworks for decentralization—policies, regulations, standards, curricula—in our focus areas while working in select counties to understand on-the-ground needs and realities. For example, the Bank is supporting the Treasury and Kenya School of Government to develop a set of PFM training modules that will be rolled out to all counties, while supporting limited technical assistance in 4 counties on these issues.
- In parallel, during the past 4 years, the GPF has supported project-level interventions to enhance governance and social accountability in projects involving decentralized service delivery, with a view to gathering lessons from the "bottom up" that can inform sectoral policies and procedures. Most notably, a set of social accountability measures piloted in local health facilities are now being integrated in national policy and a manual for health facilities.
- Finally, the GPF has sought to opportunistically support governance innovations related to Kenya's dynamic ICT sector—including the support to the Kenya Open Data Initiative and a follow-on initiative involving the ICT Authority, media, and civil society in making open data more accessible to citizens.

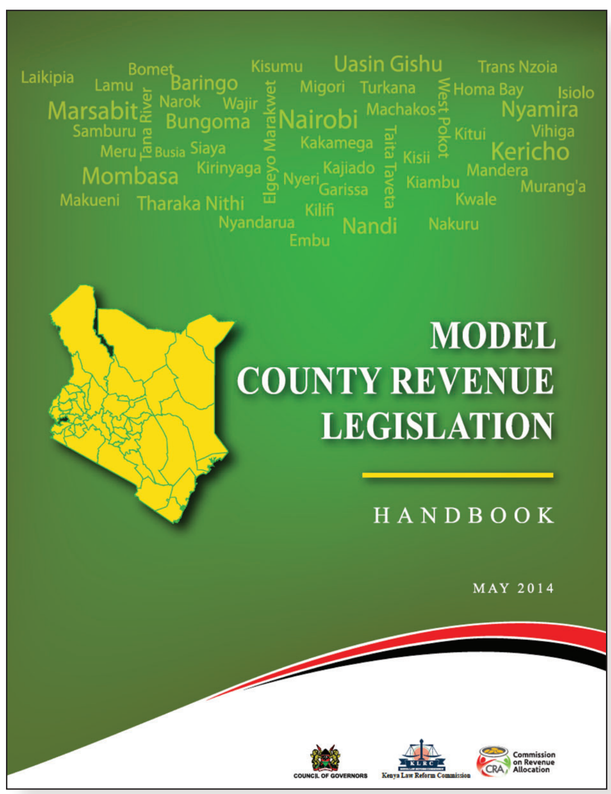
The Bank's approach toward using GPF resources has evolved over the past four years. Key elements of Kenya's approach in using the GPF include:

- **Cross sectoral.** The program supported core team members from PREM and social development. It supported interventions in several areas, including macro-fiscal, social development/accountability, public sector governance, human development, and local service delivery. GPF resources were split across child TFs managed by different team members, but around a common set of objectives and results. Support from senior management to co-locate a core team of staff from different units working on devolution has been very helpful.
- **Focusing on a rare window of large-scale policy and institutional reforms.** The GPF has provided critical resources enabling the Bank to expand our support to Kenya during a time of large-scale change in the country's policy and institutional

framework. Compared with the previous decade, the reforms unleashed by the Constitution are major and sweeping, with many of them undertaken within a short space of time. While underlying practices will take time to change, there has been a far-reaching revision of Kenya's policy and institutional framework since 2010. Although Bank engagement has been limited to a few areas of experience/expertise, the GPF has been a key enabler allowing greater country team engagement on devolution.

- **Supporting citizen engagement through more responsive, open, inclusive government institutions and systems—particularly related to PFM.** Rather than focus on civil society-led interventions, the focus has been on helping government build and strengthen systems and capacity to engage citizens, in line with Constitutional provisions. For example, the WB has provided the Government with analysis and concrete examples on provisions on transparency in other country public financial acts and systems, and is supporting the National Treasury and Kenya School of Government to develop four PFM training modules for counties that incorporate training on consulting with citizens and public reporting in line with legal and Constitutional provisions.
- **Integrating "supply side" and "demand-side" governance initiatives.** Following on the strong emphases in the Constitution and legal framework on governance and citizen participation, the Accountable Devolution program has integrated demand-side considerations into work on decentralization and government systems—including planning, PFM, project implementation, and monitoring and evaluation. For example, social development and PREM have worked side by side to provide integrated TA on PFM management, including, sharing information, consulting citizens on budget priorities, and gathering feedback in PFM legislation, regulations and training.
- **Balancing support for 'top down' policy reforms with understanding of on-the-ground realities in new counties.** Whereas the focus of WB support has been on policies and systems related to devolution, it has been important to work with selected counties to ensure understanding of the needs and realities that counties face.
- **Keeping the evolving political economy in mind.** Not unexpectedly, the initial months of devolution have been characterized by intense bargaining between county and national government. One of the key roles of the Transition Authority, managing the planned gradual transfer of functions, was subsumed when the decision was taken to transfer most functions to counties early in the transition process. There have also been coordination and capacity challenges as new counties simultaneously seek to put in place administrative and financial structures, at the same time they strive to deliver tangible, visible investments and improved services.

This engagement has helped to position the Bank as a core external partner on the devolution process in Kenya, both with respect to Government of Kenya and Development Partners. The contributions of the team are widely recognized by both Government of Kenya, both at national and county level, the independent commissions, and development partners. And the team continues to receive new requests for support from Government and other partners. Given the major needs associated with decentralization versus fairly limited resources, prioritization and focus is critical.



Some Lessons Learned

1. A considerable investment in outreach is needed to build client engagement in a stand-alone Bank-executed TF, particularly during a time of major policy and institutional reform. Establishing a strong dialogue during a time of major government restructuring requires considerable outreach and even then was not always possible given the other major demands that clients face. Whereas the GPF resources and in-country team enabled the Bank to engage Government and other counterparts extensively in a number of different areas, establishing a regular dialogue mechanism was challenging at a time when they were being restructured as well as during an election cycle.
2. Linking Bank-executed technical assistance to ongoing and new operations is desirable. KADP-supported TA linked to ongoing WB-financed (IDA) projects in community development, health, and agriculture had relatively good uptake. Technical assistance is likely to have greater uptake as it becomes linked with new government-executed operations on devolution or include recipient executed windows.
3. Flexibility and re-prioritization are critical. The GPF (and DfID and Australia) enabled the Bank to design a program and expand staffing before the launch of counties. But following the 2013 elections and creation of new counties, demands and entry points differed from what had been anticipated, and then continued to change as devolution has unfolded. A myriad of new demands—especially from new counties—emerged following the creation of the new counties. This required regularly reviewing and reprioritization—for which the flexibility of the GPF—particularly the chance to revisit results and priority activities during annual reviews, was crucial.
4. There can be trade-offs between providing timely assistance and providing formal analytical products or TA or mobilizing consultants under Bank procedures. Building client engagement depends in part on being able to respond in a timely way. At the same time it is necessary to ensure adequate quality control. Over time, the team has opted to formalize more of the TA and analysis in traditional AAA/ESW products (three are currently under preparation) but with an emphasis on short, practical policy notes rather than producing long reports.
5. Management awareness and guidance have been a crucial element in Kenya for this cross-sectoral work. The CMU, country directors and sector managers have played a key role in aligning devolution work with the broader country program and in supporting cross-sector collaboration, and in helping the team prioritize and navigate competing demands. Having staff tasked with coordinating across participating sectors also is important.
6. In the midst of a major change like decentralization, a TA program like this one requires constant outreach—internally to colleagues working in the many sectors affected by devolution, as well as externally to key external stakeholders.

Although it was challenging to manage a team with members from two networks (and now three Global Practices) and ensure good coordinating with sector colleagues across the Bank, the benefits clearly outweighed the costs, particularly with respect to integrating policy advice into ongoing sectoral work.

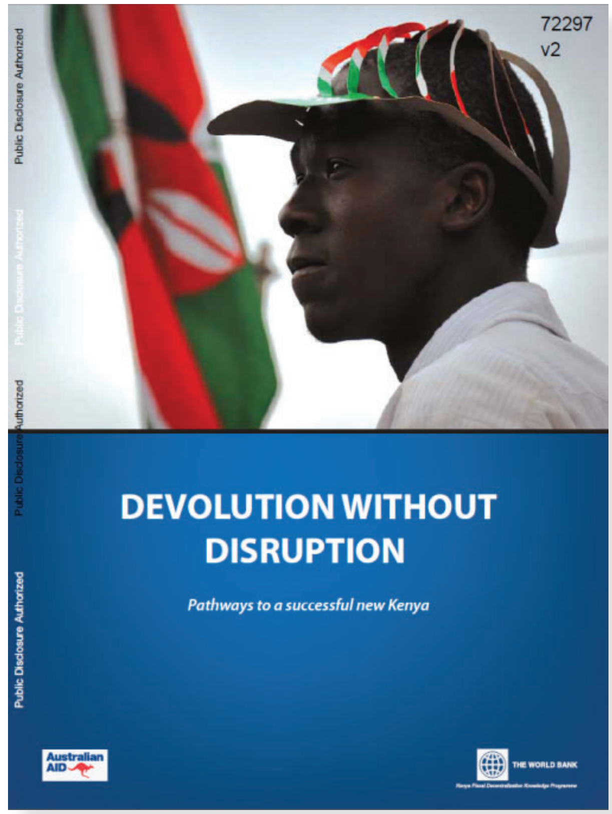
Key Outputs

Overall, the Kenya Accountable Devolution Program has contributed to wider awareness among policy makers and informed citizens about the processes, opportunities, risks, and operational issues that will need to be addressed in order for Kenya's ambitious devolution process to succeed. The analysis conducted under this program has been widely reviewed by key policy makers involved with devolution, and it has been cited by informed citizens, the media, and others. Across the five priority areas, the grant has conducted/delivered the following activities and outputs:

1. **Analyzing and responding to fiscal impacts of decentralization:**
    - KADP is undertaking a fiscal analysis to help counties identify realistic revenue forecasts, non-discretionary costs of functions inherited from local authorities and devolved functions, and understand the fiscal impact of inherited debt. The analysis generates recommendations focused on improved fiscal performance by increasing revenues, recovering debts, and better expenditure controls.

- Support for Nairobi to Enhance Revenues. Increasing own source revenue generation is critical for the fiscal health of the larger, and more urban, counties including Nairobi, Kisumu, and Mombasa. KADP has mobilized world class assistance to Nairobi to define options for increasing revenues from its property rates system, together with the Bank's urban team.
- Development of county model laws. Working with Mombasa County, KADP developed a "stop gap" approach of drafting county laws that preserve the existing revenue frameworks for revenue sources. These have now been turned into model laws and a supporting handbook.
- At the request of the National Treasury, the KADP is supporting a conference to deliberate on how future county government borrowing should be managed, distilling lessons from international experiences.

2. **Strengthen county PFM capacity and support selected HR policy issues:**
    - Inputs to the new Public Financial Management Act and Regulations
    - New PFM training curriculum and modules for counties on budgeting, accounting and reporting and procurement
    - Incorporating social accountability mechanisms in the PFM Regulations to enable citizen participation in the budget process
    - Support to counties on participatory planning and budgeting
    - On-demand technical assistance provided to counties that have requested the Bank for support to provide hands-on assistance in the development of 2014/2015 county budgets and embed citizen participation in the county budget cycle
    - At the request of the Salaries and Remuneration Commission, the KADP provided technical assistance towards the development of the public sector wage and benefits policy for national and county governments. The draft policy has been completed and is awaiting validation.



    - Analysis of the political economy of devolution (in draft).
    - Development of a leadership program for county leadership with focus of adaptive leadership for results (delivered first to Deputy Governors).

3. **Enhance performance management of counties and county level open data:**
    - County data and performance management system. First empirical breakdown comparing multiple development indicators across Kenya's new counties widely disseminated and used by policy makers, media, civil society. KADP is also supporting county governors to develop county performance management systems and matching open data performance dashboards, and providing support to develop County M&E Guidelines.
    - First major open data initiative in sub-Saharan Africa launched and still operational. WB support incorporated into $6.5 million component

of additional financing for Kenya Transparency and Communications Infrastructure Project (KTCIP).

- First significant initiative in Africa to make open data more accessible, relevant to larger audiences launched via open data incubator (also supported under Innovation grant) and fellows program designed and implemented embedding ICT-savvy fellows in media and civil society organizations to increase uptake of open data initiatives.
- A long-term initiative under the Western Kenya CDD project to geo-map local community projects on a web-based portal has also been supported by the GPF governance and social accountability mechanisms in Enhanced governance.

4. **Strengthen public participation/social accountability mechanisms in county systems.** The KADP team has done analytical work which it has been sharing with county governments and assemblies, national government and other stakeholders. The work includes:

    - A policy brief on minimum standards for accountability in county governance. This is an analysis of the Kenya Constitution and legal provisions on citizen participation, transparency and social accountability which shows counties what counties need to have in place as per legal requirements.
    - Six case studies of local participation in Kenya. Provides an in-depth analysis and lessons and recommendations on citizen participation in decentralized service delivery initiatives at six locations, including two Local Authority Transfer Funds, two Constituency Development Funds, and two cases examining citizen engagement in monitoring provision of water services through Water Action Groups (WAGs).
    - Options for strengthening citizen participation and transparency integrated in devolution legal framework shared and some incorporated.
    - Ministry of Health is mainstreaming select social accountability measures from GPF-funded pilots into national health policy and National Health Sector Support program. Health Sector Support Project tests and now prepared to scale up social accountability measures across local level health facilities.
    - Western Kenya CDD project restructured with enhanced community oversight, participation, and transparency mechanisms.
    - Menu of governance and social accountability measures developed under CMU leadership and selectively applied to other WB-financed projects.

5. **Support transition to devolution in key sectors and WB portfolio & donor coordination.**

    - The KADP team is supporting Ministry of Health and the Bank's health team to explore new financing arrangements for the Health Services Support Fund grants. This will help move management of donor funds to the next level of county implementation and reflect good principles for the design of conditional grants.
    - Strengthening donor coordination. KADP has played a central role in establishing the joint GoK and Development Partner Sector Working Group and carrying out an initial mapping of (i) donor support to counties, and (ii) donor support to devolved functions/sectors.

5. Kenya Accountable Devolution Program (KADP): A DFID Review[2]

Introduction

DFID Kenya's £4.36 million Kenya Accountable Devolution Program (KADP) is providing largely technical assistance though the World Bank to support the transition to devolved government in Kenya. The support is contributing to the implementation of the provisions of the 2010 Constitution on improved governance and devolution. Specifically the establishment of an entirely new tier of 47 elected county governments which were established in March 2013 following the general elections. It is helping put in place key management systems needed for effective county governance, integrating support for internal accountability systems while increasing Kenyans' ability to demand improved service delivery from these new governments.

Navigating this more rapid than planned transition to a devolved system, while ensuring responsiveness to citizens, presents a number of major challenges. To help meet those challenges UK support is focusing on the basic building blocks of establishing effective county governance, that is, clear assignment of functions (what services are the responsibility of the county government), public financial management, managing the new county government workforce, effective monitoring and evaluation, and development means by which citizens, beyond elections, can participate in county government.

Expected Outcomes

- A smoother transition to devolution, whereby the roles and responsibilities of county institutions are clear, costed, and the transfer of functions and funds to them is based on clear and transparent criteria, with counties using a county performance monitoring system.
- A more transparent, efficient, and equitable distribution of resources to counties, through development of a coherent framework for national to county government financing, with 25% of all counties with approved budgets.
- Greater accountability of county governments for the use of public financial resources and the actions of their civil servants, through putting in place basic financial and public service management and performance monitoring frameworks, with 5 counties having newly developed county Public Financial Management (PFM) systems in place.
- Lay the foundations for county government service delivery that is more accountable and responsive to citizen demand, putting in place mechanisms for transparency, citizen participation and feedback, measured by an increase to 15% in user-confidence in selected counties.
- Half a million more women and men have access to information on their county governments through the dissemination of county performance data in citizen-friendly formats, including on line.

Progress and Results

1. **Revision to Results Framework:** This is the first KADP Annual Review since approval of the program in July 2012. Significant revisions of the results framework (logframe) performance indicators are needed now that the counties have been established and demands are coming from these new local governments. In addition, the revision will assess the practicality of the indicators given that in some cases it has been difficult to obtain data. For example, it has not been possible to collect a gender break down of access to online data.

2 First Annual DFID Review took place in July 2013. Activity progress, results and disbursements therefore reflect the program status as of July 2013.

2. **Overall Score:** The overall output score is rated A (outputs met expectations). There has been good progress toward the majority of results indicators. With an A, B, A across the 3 program components, and taking into account their relative weighting (40:20:40), this score is at the lower end of the A rating. Although the score is acceptable, the decision to shift almost overnight to devolution has had an impact on the program's outputs.
3. **Direct feedback from beneficiaries:** Feedback from beneficiaries has generally been very positive at both national and decentralized levels of government, as well as from development partners and civil society. Both the newly constituted national and county administrations have been positive about the services offered by the team and the technical assistance services offered are in high demand.
4. **Feedback from the Officials:** Despite not necessarily agreeing with all the Program team's advice on fiscal decentralization, the Commission on Revenue Allocation (CRA) senior management noted the team had been one of the CRA's most effective supporters—including through south-south learning exchanges, direct technical assistance, and collaboration on one of the CRA's most successful products, the County Fact Sheets, now in their second edition. The devolution Transition Authority (TA) has welcomed the Program's support for its recent work to define county functions. The TA chairman commented that it "was as though the World Bank had looked into the future and seen what would be needed."
5. **New Activities:** The program has started working on new activities under civic education and citizen awareness (through the Well told Story/Shujaaz initiative, which works in local languages across print, radio and social media to target young people with development messages) which will provide greater opportunity for citizen feedback.

   The outcome indicators largely reflect that the program is still in its first year and so—as anticipated in the logframe—progress on outputs has yet to impact on outcome indicators.
6. **County PFM systems/standards developed and piloted in 5 counties.** The GoK request to develop training modules, which will incorporate standards across counties, was not received until near the end of the reporting period. The outcome indicator on PFM will be modified to reflect the fact that GoK is asking the Program not only to supply guidelines on PFM but also to design the training module and work with the Kenyan School of Government to deliver it.
7. **Counties using the County Performance Monitoring Tool on a pilot basis.** A scoping mission in February 2013 identified a set of options for program support. After the elections consultations continued with the Council of County Governors and the Office of the Controller of the Budget on the approach they will jointly adopt.

   All county budgets were approved by county assemblies by September. However, 22 counties had not balanced their budgets (expenditure exceeds revenue) and they were asked to modify them by the Controller of Budget.

The GoK decision to undertake an accelerated roll out of functions across all counties in the six months fundamentally changed the operating context for the program. An additional challenge was the long delay in GoK producing the capacity development framework

TABLE 1. Outcome assessment

Outcome Indicators	Baseline, 2012	Target, 2013	Actual	Score
County PFM systems/standards developed and piloted in 5 counties (no. of pilot counties)	0	Tbd	0	A
Counties using the County Performance Monitoring Tool on a pilot basis (total number of counties using the country performance monitoring system)	None	None	None	A
Percentage of population who are aware of county budget process and budget	None	0% (Men) 0% (Women)	Data not yet collected	A
Counties with a budget approved by the county assembly (number of counties)	0	0	25 by end September	A

Source: DFID Annual Review

it had asked the international community to align its support with. In a context of rapid, often unplanned, change by the new governments around devolution there has been some good progress in implementing the KADP activities. Implementation pace and disbursement rates have improved in the last quarter of the year under review. Following this review, the team is revising the action plan and logframe to take account of the new operating environment.

Value for Money

The Kenya Accountable Devolution Program in its first year, utilizing £0.31m contributed to:

- Wider awareness among policy makers and informed citizens about the opportunities, risks, and operational issues that need to be addressed;
- Design of a progressive resource allocation formula for counties used by the Ministry of Finance to allocate national government resources to counties;
- A framework for coordination between county and national government;
- Comprehensive and practical research on introducing public participation in county governments; and
- Greatly improved public access to information on counties and their governments.

This expenditure has helped put in place the foundations for better resource allocation of the £1,529m provided by central government to the counties in 2013/14.[3]

The KADP is working with key government and non-government stakeholders associated with devolution. It is currently supporting coordination of devolution activities through the newly established sector working group, co-chaired by the World Bank and Ministry of Devolution and Planning. Given the size of development partner (DP) programs in support of devolution, for example USAID has committed $50 million to devolution, the coordination aspect of the program potentially has large effects on overall value for money of both DPs and GoK resources. Even modest improvements will result in significant savings or improved results.

In the GoK 2013/14 budget £1,529m was allocated to devolution related activities. Support that delivered improvements in the use of these funds equivalent to 0.03% of the allocation would exceed the amount spent by the program in the reporting year. In other words given the scale of financing of devolution even relatively small effects in improving county systems will result in significant savings in relation to KAD program costs.

3 Government of Kenya Budget Statement 2012/13.

6. Moving Forward

Key elements of the work that has been supported by the GPF has been incorporated into the World Bank's new Country Partnership Strategy for Kenya and ongoing lending program, including through policy analysis and technical assistance.

The GPF-funded activities, mainly technical advice and knowledge products, will also be continued through longer term Bank engagement in support to the devolution process, including in three planned lending operations in support of devolution. One of the operations is expected to be a Program for Results (PforR) with a focus on strengthening core governance systems, both national and county.

In addition, future lending operations in support of devolution are expected to be complemented by a new World Bank Kenya-managed Multi-Donor Trust Fund on devolution. A number of development partners, including some of the existing GPF partners, have already expressed interest in continuing channeling funds for devolution through the World Bank.

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