PROGRAM-FOR-RESULTS INFORMATION DOCUMENT (PID)
APPRAISAL STAGE

Report No.:PIDA0116376

Program Name	Program For Results To Strengthen Governance For Enabling Service Delivery And Public Investment In Kenya (GESDeK)
Region	Africa
Country	Kenya
Sector	Governance
Lending Instrument	Program for Results
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Borrower(s)	The Republic of Kenya
Implementing Agency	The National Treasury
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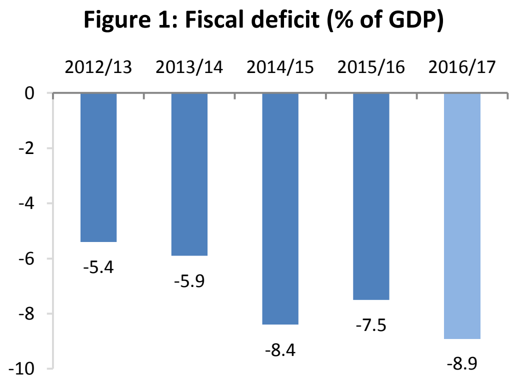
I. Country Context

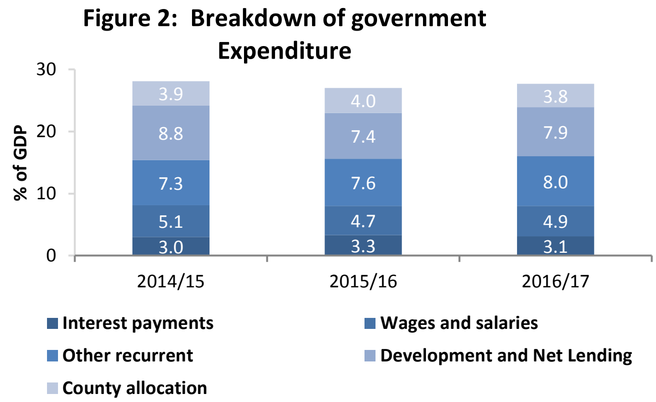
1. **Kenya is going through a period of economic growth and sustained poverty alleviation.** The economy grew around 6 percent in 2016. This was slightly higher than in 2015 and followed almost a decade of solid economic growth, driven by almost all sectors in the economy. At the same time, the poverty incidence (measured against the official national poverty line) dropped from 46 percent in 2006 to 36 percent in 2016. Contrary to resource revenue dependent countries, Kenya has benefitted from the low energy prices and sound macro fiscal management for almost a decade[1].

2. **Government expenditure accounted for around 27 percent of GDP in fiscal year 2016/17, and an expected fiscal deficit of around 9 percent of gross domestic product (GDP) has increased pressure for fiscal consolidation and improved value for money.** Kenya has chosen a growth model emphasizing expanding publicly provided economic infrastructure funded through concessional and non-concessional borrowing. The Capital Budget (in Kenya known as the Development Budget) accounted for almost 9 percent of GDP in Fiscal Year (FY) 2014/15. At the same time, recurrent spending continued to increase moderately to 15.6 percent of GDP in FY15/16 and is expected to rise to 16 percent in FY16/17. These increases reflect rising public debt interest payments as well as spending on public sector wages and salaries.

[1] Kenya Economic Update, Affordable Housing Finance, Special Edition, 2017



Source: Kenya Economic Update and the National Treasury



Source: Kenya Economic Update and the National Treasury

3. **The expanding economy, poverty alleviation and increasing public spending has gone hand in hand with reforms of the public sector institutions following the adoption of Kenya's Constitution 2010.** Since 2013 a devolved system of governance has been in place with a transfer of some government functions, employees and funding from the national government to 47 counties. The counties are led by elected Governors and County Assemblies. In parallel, Ministries, Departments and Agencies (MDAs) at the national level have been restructured and oversight institutions such as the Parliament, the Office of the Accountant General and the Ethics and Anti-Corruption Commission (EACC) have been strengthened vis-à-vis the executive.

4. **Fiscal pressures, institutional reforms and a growth model based on increased public provision of services and infrastructure make the functioning of core public management systems key to the sustainability of Kenya's economy.** Increasingly, stakeholders in Kenya recognize that systems for public investment management (PIM), procurement, cash management, wage bill management and external oversight are key to getting value for money and ensuring that public resources are allocated for productive and service delivery uses.

II. Sectoral and Institutional Context

5. **Kenya has successfully implemented a range of governance and public management reforms.** Good progress has been made in areas of economic governance with key reforms in such areas as: revenue administration at the national level; the passage of a revised Public Finance Management (PFM) Act in 2012; the establishment of an Office of the Controller of Budget; and the Office of the Auditor General (OAG) as a Supreme Audit Institution. The Judiciary is also undergoing reform with a Supreme Court established and more functional independence under the Constitution 2010. These and other reforms bear testimony to a very significant support and capacity for governance reforms.

6. **At the same time, there is a recognition that the public management systems do not deliver optimally on core functionalities and that they hamper rather than facilitate service delivery and public investment.** Kenya's PFM Performance as measured by the 2012 Public

Expenditure and Financial Accountability (PEFA) indicators is evolving with nine B scores, thirteen C scores and nine D scores[2]. Put in regional context, overall, Kenya's PEFA scores are slightly worse than those of Rwanda but slightly better than those of Uganda.

7. **There is near consensus that expanding economic infrastructure is a key enabler to achieving the country's development objectives.** Despite years of increasing capital expenditures, total factor productivity in the private sector is stagnating and there is a recognition that infrastructure projects could be better selected, designed, and implemented. Discussions have centered on the steps needed to improve the PIM systems and approaches to implementation of a new framework. Key immediate steps include: updating of PIM Guidelines; and the establishment of a new unit at the National Treasury responsible for enforcement of these guidelines.

8. **Closely related, public procurement and contracting reforms have not contributed to reducing and/or preventing corruption in Kenya as expected, and continues to be perceived as lacking transparency and not designed to deliver value for money.** The underlying problems emanate from lack of integration of procurement policies and systems, lack of transparency and enforcement, and limited technical expertise. These contribute to delays, cost overruns and weak accountability. Some of the immediate next steps include: upgrading of the e-Procurement system to operationalize the new legal framework; certification of technical experts; disclosing procurement data following Open Contracting Data Standards (OCDS); and monitoring and evaluation (M&E) of procurement aimed at verifying both the technical aspects of procurement and the service delivery outcome.

9. **While key steps were undertaken during 2016/2017 to develop a new cash management system, adjustments to policies, processes and systems are required.** The quantity, quality, cost and timeliness of planned expenditures for service delivery are undermined because budgeted funding is often not provided in full when required to service delivery units and infrastructure projects. This in turn impedes MDAs and Treasury's ability to plan adequately for when they require funds, and for Treasury to predict short-term borrowing needs of the government. Funding for service delivery units and infrastructure obligations are not adequately prioritized and protected when shortfalls occur, which adversely affects service delivery. There is a need to operationalize a new cash management system, encouraging MDAs to prepare accurate cash plans that identify the timing of major investment and service delivery obligations. There is also a need to put in place mechanisms to prioritize service delivery expenditures when shortfalls occur.

10. **The Government of Kenya (GoK) has recognized and made commitments on the importance of transparency and external accountability to development.** However, implementation of these commitments remains a challenge. Stakeholders do not have access to appropriate and relevant information on service delivery, information is not linked to decision-making and accountability processes, and there is a lack of ownership and use of information provided by existing systems. Combined, these undermine effective decision-making on resources for service delivery and accountability for the use of those resources. Some of the underlying causes of these problems are associated with project information not being up to date,

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[2] Public Expenditure and Financial Accountability (PEFA) Assessment, Final Report, August 8, 2012. A new PEFA is currently underway and estimated to be completed by mid-2017.

stakeholders not aware of available information and how to access it. To address these challenges, the GoK is keen to execute an action plan that includes: (i) revising existing reporting formats, including financial statements and Chart of Accounts (CoA); (ii) updating the BOOST platform[3]; (iii) simplifying PFM compliance guidelines; (iv) reviewing, consolidating and submitting of quality MDA annual and in-year financial statements to the OAG by the National Treasury; and (v) establishing a dedicated budget live portal, up to date with new reports.

11. **Human Resource Data in the Public Service is fragmented and inconsistent, limiting the ability to make sound decisions and planning on wage bill and human resource management, and budgeting** This fragmentation is mainly due to an absence of consolidated human resources data. Data on Personal Employment is not readily available, creating a difficulty in accessing the overall payroll. To successfully resolve these challenges, the GoK seeks to: (i) assess and upgrade the capability and infrastructure of the Government Human Resource Information System (GHRIS) to handle consolidated human resource data; (ii) issue regulations on itemized payroll details; and (iii) incrementally restructure and upload data from MDA payroll systems so that summarized wage bill data can be published.

12. **The Constitution 2010 gives the OAG an enhanced mandate in the audit of public funds, including funds sent through non-state actors.** The OAG's mandate has been expanded to include auditing and reporting on all public funds held at both the national level and in each of the 47 county governments. The OAG has been facing major capacity challenges in meeting this new mandate with implications on timeliness and quality of audit reports submitted to the Parliament.

13. **Corruption cuts across the challenges mentioned above.** Kenya continues to post poor rankings in Transparency International's Global Corruption Index, dropping from 139 in 2012 to 146 in 2016 out of 176 countries. With a score of 26, Kenya ranks below the global average of 43 and the sub-Saharan mean of 31[4].

14. **The GoK has responded to the challenges with the PFM Reform Strategy (PFMRS).** The Strategy was refreshed following a mid-term evaluation in 2016 including with an updated monitoring and evaluation framework. The National Treasury, the Office of the Accountant General and the Ministry of Public Service, Youth and Gender Affairs (MoPSYGA) are key implementing agencies. The PFM Reform Secretariat in the National Treasury has a strong record of coordination.

III. Program Scope

15. **The Kenyan Government's PFMRS has seven substantial themes and program management as a crosscutting element.** The GESDeK supports five of the seven themes of the PFMRS as indicated in Table 2 below, defining the program boundary.

Table 1: PFMRS Themes and Program For Results (PforR) Support

[3] The BOOST initiative is a World Bank collaborative effort to facilitate access to budget data and promote effective use for improved decision-making processes, transparency and accountability. More information is available at http://wbi.worldbank.org/boost/boost-initiative.

[4] Transparency International Corruption Perceptions Index 2016.

Theme in the PFMRS	Included in the PforR?	Key Results Area
Theme 1- Macro-Economic Management and Resource Mobilization	Yes	2
Theme 2 – Strategic Planning and Resource Allocation	Yes	1
Theme 3 – Budget Execution, Accounting and Reporting and Review	Yes	2, 3, 4 and 6
Theme 4 – Independent Audit and Oversight	Yes	5
Theme 5 – Fiscal Decentralization and Intergovernmental Fiscal Relations	No	n/a
Theme 6 – Legal and Institutional Framework	No	n/a
Theme 7 – Integrated Financial Management Information System, (IFMIS) and other PFM Systems	Yes	All
Cross cutting: Program Management	Yes	All

16. **The GESDeK theory of change focusses on mobilizing the leverage of the three implementing agencies vis-à-vis program beneficiaries[5].** The GESDeK implementing agencies have well-defined constitutional, legal and regulatory responsibilities and powers in the key results areas supported by the PforR. The implementing agencies also hold significant capabilities for both internal and external change embedded in their role in resource allocation, management of financial management processes and technical expertise. The GESDeK will support the government's ongoing reform program as embedded in the PFMRS and provide a framework for focusing the efforts of these three implementing agencies. The theory of change implies that the three agencies are in a position to influence beneficiary MDAs to implement the intended reforms.

17. **GESDeK beneficiaries will be among 30 identified Service Delivery MDAs.** In all key results areas, key reform steps are intended to lead to behavioral change in a number of MDAs. A detailed definition and list of Service Delivery Votes, Service Delivery Programs and Service Delivery Expenditures will be maintained in the Program Operations Manual, and adjusted annually after the enactment of the Kenyan budget to reflect changes in budget allocations and organizational changes.

[5] A "Theory of Change" is a description of how and why a preferred change is anticipated to come about in a given setting or context. It aims at bridging planned activities and the intended outcomes and is closely related to the concept of results chains.

Box 1: Priority Expenditures for Service Delivery

The GoK uses a program-based budget structure. Within this structure, a set of Service Delivery Programs have been identified in the budget representing:

- The delivery of a service that can be accessed directly by Kenyans.
- Direct contribution to economic, human development and/or poverty reduction.
- Alignment with the latest version of the Medium Term Plan (currently 2013-2017)[6].

A Service Delivery MDA is a vote that is responsible for delivering a priority service delivery program Service delivery expenditures are those expenditures within these programs which finance:

- Service Delivery Operational Inputs: Expenditures and transfers that fund inputs for service delivery in the GoK budget will be a focus for budget execution and transparency. These would include direct transfers for service delivery MDAs; conditional transfers for county service delivery; and major centrally procured inputs distributed to service delivery MDAs (e.g. medical supplies, instructional materials; food for prisoners).
- Capital Investments: Annual capital allocations to service delivery infrastructure and equipment in priority programs will be a focus of budget execution and transparency. New projects where annual capital allocations are greater than KES 100 million/US$ 1 million a year will be a special focus for new PIM procedures.
- Service Delivery Staffing: Personnel emoluments for staff deployed to service delivery facilities/directly involved in service provision under the responsibility of an MDA (e.g. teachers, doctors, police), which will be a focus for consolidation in GHRIS.

18. **The GESDeK complements the Kenya Devolution Support Operation Program (KDSP),** which supports PFM capacity building at the county level in Kenya and also includes a result area aligned with the theme in the PFMRS focused on Fiscal Decentralization and Intergovernmental Fiscal Relations (Theme 5). GESDeK focuses on strengthening the enabling environment for service delivery and public investment through reforms at the national level. While some reforms are likely to benefit counties as well as national level beneficiary MDAs, this would be an added outcome and not directly the focus of GESDeK. Examples of potential benefits at the county level would be access to the e-procurement system and improved cash management that would directly benefit County operations and thereby service delivery and public investment at the sub-national level. Similarly, improved wage bill data would improve whole of government wage bill management, including for staff in the counties.

IV. Program Development Objective (PDO)

19. **The Government program objective is formulated in the PFMRS.** The objective is to "ensure a public finance system that promotes transparency, accountability, equity, fiscal discipline and efficiency in the management and use of public resources for improved service delivery and economic development". The PDO of the GESDeK is closely aligned with this objective while reflecting that the operation will only support part of the PFMRS. The PDO for the GESDeK is to improve utilization and transparency of resource management in selected

[6] The Second Medium Term Plan 2013-2017, Transforming Kenya: Pathway to Devolution, Socio-economic Development, Equity and National Unity, The Republic of Kenya, The Presidency, Ministry of Devolution and Planning, 2013

service delivery MDAs.

20. **The PDO will be achieved through six Key Results Areas (KRAs) to be measured through PDO Indicators.** All PDO Indicators are Disbursement Linked Indicators (DLIs). The DLIs at PDO level are designed to measure implementation of reforms in MDAs responsible for service delivery and public investment and thus the functional deployment of the intended reforms. Accordingly, they are set at a level between outputs and outcomes as shown in Table 2 below.

Table 2: Results Areas and PDO Indicators

No	Results Area	Measured by PDO Indicator
1	Prioritized Public Investments	Number of projects with capital allocations above Kenyan Shilling (KES) 100 million which are in compliance with procedures in the PIM manual.
2	Reliable Funding for Service Delivery and Public Investment	% of priority operational budget allocations for service delivery where monthly exchequer releases average at least 75% of revised cash plans. Annual exchequer releases to capital budget allocations as a % of the approved budget.
3	Efficient and Transparent Procurement	Number of MDAs using the e-Procurement System in full compliance with the Public Procurement and Asset Disposal Act and Regulations for the full fiscal year and procurement data disclosed in SPP following Open Contracting Data Standards (OCDS).
4	Consolidated Staff Data	Number of MDAs whose payroll data has been uploaded to GHRIS and are up to date.
5	Timely and Quality Financial Statements and Audits	Months between receipt of consolidated financial statements by OAG and submission of audited financial statements to Parliament; and % of MDAs whose financial statement audits have been completed using an improved methodology, undergone quality assurance; and utilizing the Audit Management Software.
6	Strengthened Fiduciary Assurance and Transparency	Number of MDAs where information is publicly available online in searchable form on a) program expenditure, b) project expenditure and c) transfers to service delivery units is available[7]. Annual and quarterly MDA Internal Audit Reports have been prepared and undergone quality assurance (QA) in line with enhanced procedures for assurance, risk management and audit follow up.

V. Environmental and Social Effects

21. **Only two out of the six World Bank Core Principles on Environmental and Social Safeguards apply to the GESDeK PforR[8].** The Core Principles being triggered are number 1, which is the General Principle of Environmental and Social Assessment, and number 3, which related to Public and Worker Safety. The latter will be associated with e-waste[9].

22. **The environmental and social risks and impacts of activities under the GESDeK are ranked as "low, insignificant or negligible"**. This is because small quantities of electronic equipment will be procured for the GESDeK and this should not present significant or severe impacts to neither the biophysical nor the social environment.

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[7] "Searchable" means that the data can be searched with the help of an online "search function".

[8] The six principles relate to (1) General Principle of Environmental and Social Assessment, (2) Natural Habitats and Physical Cultural Resources, (3) Public and Worker Safety, 4) Land acquisition, 5) Indigenous Peoples and vulnerable groups and 6) Social conflict. Please refer to Annex 6 for more detail.

[9] E-Waste is defined as Electronic waste also known as e-waste is an informal term used to describe almost all types of Electronic and Electrical Equipment (EEE) that has entered or could enter the waste stream. It is used for almost any household or business item with circuitry or electrical components with power or battery supply that has reached its end-of-life

23. **The anticipated minimal risks would be mainly associated with the generation of electronic waste (e-waste).** Over the life of the GESDeK, electronic equipment to be procured will include computers, servers, printers, scanners and similar items, which are unlikely to pose any threats until the end of life of these devices. These items will have the potential to generate e-waste once they reach their end of live or become obsolete, which can be a threat to human health and the environment if poorly or wrongly disposed of. Threats include persistent, bio-accumulative and toxic substances, such as brominated flame-retardants, heavy metals, and persistent organic pollutants. This threat can result from two sources. The first is from the leaching of hazardous substances, in particular lead, mercury, cadmium, and lithium into the environment from e-waste that is disposed of in non-engineered landfills and refuse dumps. The second is from improper recycling techniques, which are in particular employed in the informal recycling sector in Kenya and currently result mainly from the export of e-waste to these countries, but increasingly also from improper domestic disposal.

24. **Kenya has adequate procedures and legal framework for management of e-waste.** The framework includes the 1999 Environmental Management and Coordination Act (as amended in 2015), Waste Management Regulations, E-waste Management Guidelines and draft E-waste regulations, all which present an adequate framework for managing and mitigating the impacts associated with e-waste in the country. The main mitigation measures of the ESSA is to procure electronic gadgets from credible manufacturers, awareness and sensitization raising, collecting, recycling and re-use and disposal. In so doing, the GESDeK will strengthen the capacity of the National Treasury, MoPSYGA and OAG to manage the e-waste generated by the PforR by providing sensitization and training for the staff about e-waste management. The GESDeK will also be linking the implementing agencies with recycling facilities such as the East African Compliant Recycling Company (EACRC) Limited[10]. The objective will be to properly collect, de-manufacture/disassemble, re-use and dispose of all non-usable remains of the e-wastes generated by the GESDeK.

25. **While the GESDeK does not affect vulnerable groups directly, any available expenditure and public investment data will can be used for policy-making and could generate indirect positive social impacts, especially if the data is disaggregated by genders, geography and other dimensions.** Data collected is useful for decision-making and present an opportunity for development for vulnerable households which could lead to improvement in incomes of poor households. It is not anticipated that any social conflicts will arise as a result of the GESDeK.

26. **Communities and individuals who believe that they are adversely affected as a result of a Bank supported PforR operation, as defined by the applicable policy and procedures, may submit complaints to the existing grievance redress mechanism or the World Banks's Grievance Redress Service (GRS).** The GRS ensures that complaints received are promptly reviewed in order to address pertinent concerns. Affected communities and individuals may submit their complaint to the World Bank's independent Inspection Panel, which determines whether harm occurred, or could occur, because of World Bank non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to

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[10] The EACRC is operating Kenya's first e-waste recycling facility, operating to international health, safety and environmental standards and establishing a local, sustainable IT e-waste recycling industry.

respond. For information on how to submit complaints to the World Bank's corporate GRS, please visit http://www.worldbank.org/GRS. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org

27. In the context of the Kenya's National regulation, complaints can be channeled through the Office of Administrative Justice also referred to as the Office of the Ombudsman.

RISK ASSESSMENT

28. **The overall risk to achieving the PDO is Substantial.** Political and Governance risk is assessed to be "High". Fiduciary risks and risks emanating from institutional capacity for implementation and sustainability risks are assessed to be "Substantial". Macro-economic, technical design and environmental and social risks are assessed to be "Moderate".

29. **The Political and Governance risks are High.** The main reason for the high risk is related to the forthcoming General Elections in August 2017, possible distraction, and the time it may take for a new administration to settle down. To mitigate against this, the GESDeK is anchored in a Government Program (PFMRS) that has been implemented (without interruption) over two election cycles.

30. **Despite significant improvements in transparency, accountability and participation, challenges of corruption persist.** The World Bank has improved its Grievance Redress Mechanism as well as the application of its Fraud and Corruption policy. In GESDeK these are part of the Program Action Plan (PAP).

31. **Macroeconomic risks are Moderate.** The macroeconomic environment remains stable in Kenya. However, emerging economic winds of change (including fiscal pressures particularly regarding recurrent spending) could lead to a slippage from medium term economic objectives. The outcome of the elections in 2017 could disrupt economic activity, adversely affecting investor confidence and reduce economic activity from projected levels.

32. **Technical Design risks are Substantial.** The GESDeK preparation process has facilitated building of a team of stakeholders that will be involved in the implementation of the solutions. The fact that the GESDeK narrows its focus to an "enabler" of service delivery is a way of mitigating the technical design risks especially as it relates to addressing downstream service delivery bottlenecks. However, there remains a risk of systems development being delayed, and implementing agencies failing to establish the needed capacity to enforce compliance.

33. **Risks related to institutional capacity for implementation and sustainability are Substantial.** The decision making structure is well articulated in the PFMRS and is tried and tested. However, while the GESDeK involves just three implementing agencies (all situated in Nairobi), each of these institutions has varying capacities. M&E capacities are weak in all three institutions. However, the PFMR Secretariat in the National Treasury has considerable experience in World Bank and GoK funded projects and will develop, train and strengthen the capacities of implementing agencies on GESDeK operations.

34. **A number of lessons can be drawn from the Banks last Credit supporting Governance reforms in Kenya[11].** A number of lessons were highlighted in the Implementation Completion Report (ICR) which have been mitigated in the current operation:

- Public sector reforms are inherently political and their design and implementation has to be informed by a careful and ongoing political economy analysis. Related, resistance to change is a major hurdle. Public sector and governance reforms affect various interests and often face resistance. **Mitigation:** It is proposed to seek external funding for a Trust Fund (a reform facilitation facility) to "work the political economy" and mobilize coalitions for change.

- Design complexity and shortcomings hampered implementation. **Mitigation:** The GESDeK supports a sub-set of the wide ranging PFMRs. The PforR has been prepared through multi-stakeholder consultation.

- Absence of a component leader with strong leadership skills and ownership in implementing reforms activities. **Mitigation:** Technical Teams will be responsible for coordinating and driving activities at Departmental levels. In addition, the preparation process, including the identification of the Key Results Areas, has deepened GESDeK ownership within the Implementing Agencies.

- Failure to integrate reform activities into strategic plans, annual work plans, performance contracts and budgets of MDAs. **Mitigation:** The PforR relies on country systems including for Departmental Work Planning. The links will be set out in the Program Operation Manual (POM).

- Weak understanding of how to harmonize government procedures and systems with those of the program. **Mitigation:** A PforR uses country systems for procurement, financial management, grievance redress etc.

- Delay in the introduction of the agreed monitoring and evaluation framework. **Mitigation:** The monitoring framework relies on the existing PFMRS structure.

- Lack of a strong, elaborate and effective communication strategy between the coordinating unit and stakeholders. **Mitigation:** Implementation facilitation is planned to involve multi-stakeholder involvement.

- Inadequate amount of initial capacity building activities on design, procurement, disbursement, and financial management procedures of the Bank. **Mitigation:** A PforR uses country systems.

35. **Sector Strategies and Policies related risks are Moderate.** The PFMRS and the OAG Strategic Plan are currently under implementation, while the activities to be implemented by the MoPSYGA emanate from an action plan currently under implementation. However, while these

[11] The Special Drawing Rights (XDR) 17 million Institutional Reform and Capacity Building Technical Assistance Project (P090567) became effective in 2006 and ended in 2011. It had disbursed XDR 6.9 million by the closing date. The outcome was rated Moderately Satisfactory in the ICR.

strategies, policies and plans exist, large funding gaps exist. The GESDeK is designed to incentivize increased allocation by the GoK to achieving the results.

36. **Fiduciary Risks are assessed as Substantial**. A fiduciary assessment was carried out for the GESDeK and the three implementing agencies were assessed for Financial Management, Procurement and Governance and Anti-Corruption (GAC) perspectives. The assessment identified various risks. To mitigate risks, the Result Areas, DLIs and the PAP have been developed to improve fiduciary compliance and reduce underlying risks.

37. **Stakeholders Risks are assessed as Substantial.** The Government and Development Partners support the GESDeK. Whilst the implementing agencies have shown willingness to engage in developing solutions, MDAs may not be willing to comply and change their behavior. For example, MDAs responsible for large scale public investments may not adhere to the new project appraisal process and some MDAs may not be willing to be transparent and share information via the Budget Portal. Since the GESDeK is highly dependent on IFMIS, there is some possibility that various MDAs, civil society groups and sections of the public will voice concerns about supporting the system further because of beliefs about the integrity of the system.

38. **Environmental and social risks are Moderate.** Risks relate mostly to handling of e-Waste. Risks will be mitigated primarily through capacity building.

VI. Financing

Table 3. Overview of Program Expenditure Framework, 2016/2017 to 2020/2021, US$ Million

	PFMRS (Variable cost)	Sustaining implementation (fixed cost)	Total
PFMRS	124	508	633
Part of PRMRS supported by the program	55	256	311
- Of which Development Partner funding	3	0	3
- Of which IDA funding	50	100	150
- Of which GoK funding	2	156	158

VII. Program Institutional and Implementation Arrangements

39. **The National Treasury will represent the GoK (Borrower) and will be the lead agency charged with the responsibility of providing overall strategic guidance to the GESDeK.** The other two implementing agencies are the Ministry of Public Service, Youth and Gender Affairs and the Office of the Auditor General. Within the National Treasury, the project will be anchored at the PFMR Secretariat. The Directorate of Personnel Management will be the lead department at the MoPSYGA. Both the Deputy Auditor General Departments for Corporate Services and Specialized Audit will be responsible at the OAG.

40. **The GESDeK will be implemented using the existing institutional arrangements currently in place for the implementation of the PFMRS 2013 - 2018.** These arrangements have been in place since 2006 and the Secretariat continues to coordinate PFM reform activities in Kenya. In so doing, it has managed both GoK and Development Partner funds. The structure has five key elements:

41.

- A high-level PFM Sector Working Group[12] that serves as a forum for dialogue, broad consultation, information sharing and coordination.
- A Steering Committee[13] that oversees, provides strategic policy guidance and reviews and monitors the implementation of the GESDeK.
- A Technical Committee[14] that will be responsible for the technical monitoring and evaluation of the GESDeK. A key responsibility of the Chair of the Technical Committee will be to ensure that each Results Area has a dedicated Results Team established and operational. The results teams are responsible for ensuring collaboration between Departments to implement the key steps, and reporting to the PFM Technical Committee and PFM Steering Committee on the delivery of results including DLIs.
- Implementing MDAs
- A PFM Reform Secretariat that will serve as a Secretariat to the PFM SWG, Steering Committee and the Technical Committee.

42. **In addition to the established PFMRS coordination structures, the Technical Teams responsible for each results area will work together in delivering the key implementation steps and report on progress.** The Technical Teams will meet regularly to review progress and agree on actions going forward to deliver success, in an iterative and adaptive manner. The technical Teams will comprise the implementing agencies and beneficiary MDAs relevant to each results area.

43. **The review of the PFMRS in 2016 facilitated a process whereby key actions to strengthen governance and coordination were identified and are in the process of being addressed.** Most of these key actions are also being targeted by the GESDeK. For example, by establishing the PFMR Secretariat as the Project Implementation Unit, the GESDeK provides a framework for strengthened coordination mechanism from which communication can be clear and uniformly transmitted to implementing departments and agencies.

VIII. Contact points

[12] Chaired by the Cabinet Secretary (CS) of the National Treasury and comprising of the CS of the Ministry of Devolution and Planning; Development Partner Representatives; the Chair of the Council of Governors; the Permanent Secretary (PS) of the National Treasury; The PS of the State Department of Planning and Statistics; the Chair of the County Revenue Allocation Committee; the Controller of Budget; the Commissioner General of the Kenya Revenue Authority (KRA); the Chair of the Salaries and Remuneration Commission (SRC); the Secretary/CEO of the Teacher's Salary Commission (TSC); the Director General of the PPRA; the Clerk of the National Assembly and the PFMR Secretariat. The CS of MoPSYGA will be coopted.

[13] Chaired by the PS of the National Treasury and comprising the PS Devolution, PS Planning and Statistics; Development Partners; Director General (DG) Budget; DG Accounting Services; DG Public Debt; CEO SRC; CEO CRA; Auditor General; CoB and PFMR Secretariat. The Directorate of Personnel Management will be coopted.

[14] Chaired by the Program Coordinator of the PFMR Secretariat and comprising all component managers representing implementing agencies/Results Teams; DPs and the PFMR Secretariat.

World Bank

Contact 1: Jens Kristensen
Title: Lead Public Sector Specialist
Email: jkristensen@worldbank.org

Contact 2: Ikechi Okorie
Title: Senior Operations Officer
Email: iokorie@worldbank.org

Borrower/Client/Recipient

Contact: The National Treasury
Title: Principal Secretary

Tel: +254 20 252299
Email: ps@treasury.go.ke

Implementing Agencies

Name of Agency: The National Treasury
Contact: Dr. Kamau Thugge
Title: Principal Secretary
Tel:+254 20 252299
Email: ps@treasury.go.ke

IX. For more information contact:

The InfoShop
The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 458-4500
Fax: (202) 522-1500
Web: http://www.worldbank.org/infoshop