

Annex 1

Government of Kenya and Ministry of Foreign Affairs of Denmark

Kenya Governance Support Programme 2010-2015

November 2010

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Abbreviations

AEG	Aid Effectiveness Group
AIDS	Acquired Immune Deficiency Syndrome
CIDA	Canadian International Development Agency
CIPEV	Commission of Enquiry into Post-Election Violence
CSO	Civil Society Organisation
DAP	Drivers of Accountability Programme
DFID	Department for International Development
DGDG	Democratic Governance Donor Group
EoD	Embassy of Denmark
FIDA	International Federation of Women Lawyers
GoK	Government of Kenya
HAC	Harmonisation, Alignment and Coordination donor group
HIV	Human Immune deficiency Virus
IDP	Internally Displaced Person
IFMIS	Integrated Financial Management Information System
IIEC	Interim Independent Election Commission
IPPD	Integrated Payroll and Personnel Database
IPRS	Integration of Population Registration System
IREC	Independent Review Commission
KACC	Kenyan Anti-Corruption Commission
KGSP	Kenya Governance Support Programme
KHRC	Kenya Human Rights Commission
KJAS	Kenya Joint Assistance Strategy
KNHRC	Kenya National Commission on Human Rights
MFA	Ministry of Foreign Affairs
MoU	Memorandum of Understanding
MTEF	Medium-Term Expenditure Framework
MTP	Medium-Term Plan
NCEP	National Civic Education Programme
NSA	Non-state actor
OPM	Office of the Prime Minister
PFM	Public Financial Management
PFMR	Public Financial Management Reform
PSD	Peace, Security and Development
PSR	Public Sector Reform
RBM	Results Based Management
SC	Steering Committee
Sida	Swedish Agency for International Development
SWAA	Special bilateral fund for women activities in Africa
TA	Technical Assistance
TJRC	Truth, Justice and Reconciliation Commission
UNDP	United Nations Development Programme

Cover Page

Country:	Kenya
Programme title:	Kenya Governance Support Programme (KGSP)
National partners:	Government of Kenya, oversight institutions, media and CSOs
Starting date:	2010
Duration:	5 years
Overall budget:	DKK 175 million

This document describes Denmark’s support to governance in Kenya for the five-year period 2010-2015. The support is designed in light of the current context in Kenya, where reform efforts seem to be picking up following the agreement on the National Accord and the recent enactment of the new constitution, but where there is still a need to focus on selected “drivers” for accountability to enhance the commitment to reform, combat impunity of those who abuse power as well as “drivers” which are seen to be able to implement key reforms. The programme focus will therefore shift from the previous broad supply-side support, to selected “drivers”. A key element of this support will be the implementation of the National Accord Agenda 4. Furthermore, Denmark will continue its efforts to enhance accountability and transparency by supporting reforms for improved Public Financial Management; and enhance the focus on gender.

The KGSP will contribute to all three pillars of the official Vision 2030: Economic, Social and Political. The emphasis will be on the political pillar, and the development objective of KGSP is therefore identical to the development objective of pillar III: *A democratic political system that is issue-based, people-centered, results-oriented and accountable to the public*¹.

The programme will start its implementation in the current phase of the first Medium-Term Plan that underpins Vision 2030, and will support key elements, with emphasis on:

- Peace, justice, human rights and rule of law.
- Credible electoral processes, including electoral reform, support to a new elections commission and voter education.
- Enhancing democratic participation.
- Transparent, accountable and results-oriented government institutions.

¹ GoK Vision 2030.

Emphasis is thus on : (a) supporting institutions and organisations promoting accountability, advocating for progress or implementing key reforms aligned with National Accord Agenda 4; (b) supporting Public Financial Management (PFM) to enhance transparency and accountability; and (c) creating an enabling environment for limiting fragilities through the support to Peace and Security for Development Civil Society Organisations.

The implementation of the new constitution will be important and will directly have an implication on the KGSP programme. Key chapters that will have far reaching implications on governance in the country and on the KGSP programme include: The Bill of Rights; Electoral reforms; judicial reforms; devolution; and Public Finance. Together with other development partners, Denmark will support the implementation process and also monitoring of the same.

For the Government of Kenya:

Date: _____

Signature: _____

For the Government of Denmark

Date: _____

Signature: _____

1.0 Introduction

This document describes Denmark's support to governance in Kenya for the five-year period 2010-2015. The total Danish contribution for this period is DKK 175 million. The support is designed to meet the needs identified in the current context in Kenya with a special emphasis on the implementation of National Accord agenda 4. The programme aims to strengthen checks and balances in the governance structure of Kenya and enhance the likelihood for full Agenda 4 implementation by supporting government agencies, quasi-government and oversight agencies and non-state actors necessary for the implementation of the National Accord (for progress till date on National Accord Agenda 4 see Annex H). The programme therefore changes from the previous broad support to supply-side governance (see Annex F for a brief overview of previous Danish assistance to governance in Kenya and lessons learned), and shifts to selected drivers of accountability that can advocate for the implementation of key reforms and hold the government accountable. Furthermore, Denmark will continue the support for Public Financial Management (PFM) reforms to enhance transparency and accountability; and, enhance the focus on gender issues in governance.

Emphasis is placed on supporting: (a) institutions and oversight organisations that can hold the GoK accountable, advocate for or implement key reforms aligned with National Accord Agenda 4; (b) PFM to enhance transparency and accountability; and (c) the creation of an enabling environment for limiting fragilities through the support to Peace and Security for Development (PSD) and Civil Society Organisations (CSOs).

Kenya will go through a period of uncertainty pertaining to the speed and scope of the implementation of National Accord with emphasis on Agenda 4 of the Kofi Annan brokered power-sharing agreement which was drafted to address the post-election crisis in Kenya in late 2007 and early 2008.

A peaceful referendum was held in August 4th 2010 and a new constitution was enacted and promulgated by the President at the end of August 2010. Another critical event in this process will be the general elections, due to take place mid-term in the KGSP, i.e. in August 2012. The new constitution covers key areas that will have implications on the KGSP programme. Chapters within the new constitution with programmatic interest for the Embassy include: The Bill of Rights, Land and Environment, Leadership and Integrity, Representation of the People, Legislature, Judiciary, Executive, Devolved Government, Public Finance, Public Service and National Security

To enable the programme to adjust to a changed political environment and a possible increased commitment to reform, a mid-term review of the programme will be fielded after significant changes in the context, ensure that the programme remains aligned with new GoK strategies, and build on possible new

commitments to reform². This is likely to be following the 2012 elections. The mid-term review will thus guide the Embassy of Denmark (EoD's) administration of the unallocated funds of the programme.

The programme was formulated at a time when key strategies and programmes were still being designed (such as the Drivers of Accountability Programme, which is identical to component 1 ,the Government's National Policy on Peace building and Conflict Management and the Police Reforms Programme 2010 – 2013 which are both critical to component 3) or where key strategies had expired and new are to be designed by GoK during the course of the programme (such as the new 2012-2017 Medium-Term Plan of GoK, and the 2011-2016 PFM strategy). Alignment of KGSP is therefore sought with existing strategies and policies of GoK, but alignment will have to be revisited when these are revised. With new strategies in place in mid-way through the programme, the KGSP mid-term review will be mandated to revise the objectives accordingly.

The Embassy of Denmark will use the joint donor-government Aid Effectiveness Group (AEG) and relevant sector working groups as key forums for policy dialogue and enhancement of the aid effectiveness agenda throughout the programme period.

2.0 Development objective

The KGSP will contribute to all three pillars of the GoK Vision 2030: Economic, Social and Political. The emphasis will however be on the political pillar, and the development objective of KGSP is therefore identical to the development objective of the political pillar:

A democratic political system that is issue-based, people-centered, results-oriented and accountable to the public

The programme will start its implementation in the current phase of the first Medium-Term Plan (MTP) that underpins Vision 2030, and will support key elements, with emphasis on:

- Peace, justice, human rights and rule of law.
- Credible electoral processes, including electoral reform, support to a new elections commission and voter education.
- Enhancing democratic participation.
- Transparent, accountable and results-oriented government institutions.

Primary indicators at development objective level are outlined below:

² See the May 2009 KGSP Identification Report for full background and rationale for KGSP 2010-2015.

Objective	Indicator	Source	Notes
A democratic political system that is issue-based, people-centred, result orientated and accountable to the public	Progress on implementation of constitution	Constitution Implementation Commission	The CIC is a new body in the process of being set up so no data available yet.
	Accountability and corruption	Mo Ibrahim Foundation ³	Score was 32.5 in 2008/9, down 3.5 from 2007/8
	Index of government effectiveness	World Bank Institute ⁴	Score was -0.57 in 2007, -0.66 in 2009

See Annex I for overview of selected key indicators of KGSP.

3.0 Immediate objectives and components

The development objective will be supported by three immediate objectives that are linked to the three components, focusing on: democratic accountability, Public Financial Management (PFM), and Peace and Security for Development (PSD).

Immediate objective I is identical to the purpose of the Drivers of Accountability Programme (DAP):

Improve Government of Kenya's accountability to Kenya's citizens

Immediate objective II is identical to the PFM goals in the MTP:

Maintaining macro-economic stability and accelerating growth; and, developing transparent, accountable, ethical and results-oriented Government institutions

Immediate objective III is based on the emphasis on security for all persons and property in Vision 2030:

Peace and security promoted as the basis for democratic development at the coastal areas of Kenya.

The three immediate objectives will each be supported by one component each (outlined below). The three components are mutually supportive. Component I will focus on accountability by supporting institutions aimed at promoting reforms for a democratic Kenya that upholds its human rights commitments and promoting the implementation of National Accord Agenda 4. The component will thus target key actors that have been identified as drivers of change in the present. Component II will support the supply-side by focusing on PFM. This is expected to further enhance transparency and accountability and thus promote a

³ www.moibrahimfoundation.org

⁴ http://info.worldbank.org/governance/wgi/sc_chart.asp

responsive and responsible Government. Finally, the support to component III will aim at fostering peace and security in one of the more unstable environments in Kenya, along the coastline, and thus create enabling conditions for future democratic processes that strengthen respect for human rights.

The 2012 elections are key events in the programme period. It is hoped that the progress towards reforms will increase if elections are free, fair and peaceful and create a political environment supported by a new constitution that clearly separates the powers between the Legislative, the Judiciary and the Executive. If this is achieved, the support to the Executive under the KGSP can be enhanced to further promote reforms in the latter part of the programme period. Support may include a reengagement with GJLOS. A mid-term review will assess the viability of this option.

3.1 Component I: Drivers of Accountability Programme

The component comprises Denmark's support to the Drivers of Accountability Programme (DAP)⁵. For full details on strategy, outputs and indicators, activities and inputs, see the DAP component description in Annex A.

The component is designed to promote better governance in the period leading up to the next general election. It will support activities and interventions that will enhance accountability and political stability, which are assessed to be critical in the current Kenyan context. The focus will be on key reform processes that are underway within the National Accord framework. The beneficiaries will be the citizens of Kenya who will be empowered to hold their government accountable. In addition, enhanced accountability and participation supported through the component is expected to reduce the risk of political and social shocks and assist in a peaceful transfer of power after the planned elections in 2012.

The programme will focus on oversight and regulatory institutions, such as the Elections Commission, Parliament, Ombudsman and the Kenyan National Commission on Human Rights. On the demand-side the programme will focus on civil society organisations and media. The support will focus on promoting three specific outputs:

Reduced impunity for elected representatives, officials and public institutions.

The output will be supported through three streams of activities: (i) support to anti-corruption advocacy, policy level inputs and investigations. In more practical terms support may be provided to enhance the capacity of the Public Complaints Committee, Parliamentary Committees, Transparency International and media among others; (ii) strengthening demand for and safeguarding civil liberties by supporting among others the Public Oversight Committee, Kenya National Commission on Human Rights and relevant NGOs; (iii) strengthening the institutional framework and capacity for the investigation of the

⁵ The programme is planned for 2010-2015.

instigators and perpetrators of the 2007 post-election violence and cohesion and peace building, by supporting Parliament, the National Cohesion and Implementation Commission, and the Truth, Justice and Reconciliation Commission among others.

Key constitutional and electoral reforms will be implemented by the next general elections and the majority of legal provisions by 2014. The output will be met by supporting: (i) Implementation of the Constitution. This may be provided by supporting the Commission on the Implementation of the Constitution, Parliament and civil society. (ii) Strengthening the legal framework and institutional capacity to deliver free and fair elections by supporting the Interim Independent Electoral Commission (IIEC) and the Independent Electoral and boundaries Commission once it is established and Parliament among others and (iii) by strengthening civic demand and oversight for free and fair elections, including the 2012 general elections. Support for the latter may include support to media, gender and governance and domestic observation and monitoring of electoral processes.

Responsiveness of service delivery will be enhanced and underpinned by an increase in citizens' participation in decision-making. The output will be met by strengthening citizens' participation in Community Development fund activities by supporting related CSOs and CDF committees. (ii) Strengthening civic demand for and oversight of public sector reform, by supporting key CSOs operating with PSR and public oversight. And (iii) strengthening demand and policy level input on equitable access to services by marginalised communities, women, youth and disabled. This support will also be provided to key CSOs working in this area.

The immediate objective of this component is measured against primary indicators all taken from DAP and outlined in table 3.1 below. The targets are drawn from the most relevant targets at DAP purpose and output level which are again based on internationally recognised indicators.

Table 3.1 Key indicators for immediate objective I

Objectives	Indicator	Source	Notes
<i>Improved government accountability to Kenya's citizens</i>	World Bank voice and accountability index	World Bank	Stated baseline of -0.16 for 2008; stated targets of 0 for 2012 and 0.20 for 2014;
<i>Decreased levels of impunity by public institutions and appointed & elected officials</i>	Kenya police bribery index	Transparency International Kenya bribery index	Stated baseline of 57 in 2008; stated target of 45 in 2014;
	% increase in number of public complaints addressed by the	OPM Sector Performance Standards 2009-2030, p. 167	Baseline stated per ministry. Data source: Public Complaints Committee.

Objectives	Indicator	Source	Notes
	relevant Ministry (disaggregated by Ministry, topic etc.)		
	% increase in number of reports of Anti-Corruption Agencies that are considered and implemented	OPM Sector Performance Standards 2009-2030, p. 178	Stated baseline of 0% for 2009; stated annual targets for 2010, 2012 and 2030;
	Public trust of politicians index (disaggregated by gender, ethnicity, etc)	OPM Sector Performance Standards 2009-2030, p. 186	Stated baseline of 2.1 for 2009; stated annual targets for 2010, 2012 and 2030;
<i>Key constitutional and electoral reforms will be implemented by the next general elections and the majority of legal provisions by 2014</i>	Proportion of women recruited in the public sector	National Reporting Framework for Vision 2030, p. 12	Stated baseline of 28% for 2007; stated targets for the next 5 years; data source specified as 'MOGC&SD annual reports'.
	% women in parliament and on local authorities	National Reporting Framework for Vision 2030, p. 54	Stated baseline of 10% for parliament and 15.6% for local authorities for 2007/08; stated targets of 30% for 2012/13.
<i>Responsive service delivery enhanced and underpinned by an increase in citizens' perception of their participation in decision making</i>	% of citizens who perceive that MPs and Councillors satisfactorily listen to community concerns (disaggregated by gender, ethnicity, etc)	Citizen's satisfaction survey	Stated baselines of 59% for councillors and 46% for MPs for 2008; stated annual targets for 2011 and 2013; specified Afro-barometer source.
	% increase in public members aware of government policies and programmes through awareness campaigns (disaggregated by gender, ethnicity, etc)	OPM Sector Performance Standards 2009-2030, p. 167	Stated baseline of 10% for 2009; stated annual targets for 2010, 2012 and 2030;

DAP is a joint mechanism for decision-making of the involved donors. Denmark will take the lead on three partners in the programme (see also Annex A). These include:

The Electoral Assistance Programme (EAP). The EAP is in the process of being developed and the final product is expected end-2010.

The EAP is planned to provide funding to the IIEC as well as electoral stakeholders such as civic and voter education; domestic observation;

public forums and debates; media monitoring; political party training, voter education and research.

The support to the IIEC will also have to be defined as part of the EAP formulation. The IIEC is a semi-autonomous Government institution mandated to set up a new Electoral Commission Secretariat build a new voter register and manage the referendum on the constitution. The IIEC replaced the Electoral Commission following the poor performance during the 2007 elections and on the recommendation of the Independent Review Commission on Elections. The IIEC has carried out its mandate and its successor (Independent Electoral and Boundaries Commission - IEBC), which will be appointed after November 27th 2010 when the IIEC mandate ends will be responsible for steering the electoral reforms up to the coming elections. The Danish support, funded via EAP through DAP, is aimed at enhancing the capacity of the IIEC and of the succeeding IEBC that will manage the next general election.

To assist in the design of the EAP, Denmark will field (preferably jointly) an alignment assessment of the IIEC to help guide future support on the possible degree of alignment with the IIEC. This may include options for future budget support to IIEC. The details of the future support will be provided once the final EAP programme document for the IIEC has been developed. The EAP will be subject to a DAP internal appraisal.

The Gender and Governance Programme (GGP). The goal of GGP is to ensure that Kenyan women and men are able to access services and opportunities and exercise their rights equally. The expected impact is that the state institutions will begin to consistently implement gender responsive policies and laws. More specifically the programme has three outcomes:

- National and local institutions have gender responsive policy and legal frameworks.
- Women participate in governance and decision-making at national and local levels and actively lobby for women's issues.
- Kenyan civil society will have a unified voice in articulating women's needs, demanding and influencing delivery of equitable service.

The GGP will work through institutional capacity development in gender reform, Community sensitisation and support to civil society, and promoting gender-sensitive results-based programme management.

The GGP will support all three DAP output areas. The GGP is in its first phase, which expires end-2011. Following this the programme will be reformulated and the DAP partners will decide on future support following this revision during 2011. Denmark will advocate for increased focusing and efficiency in a possible follow-up programme, which should

have the implementation of the gender clauses in the new constitution as a main objective.

A non-state actor basket facility funded jointly by DFID and Danida. The facility will in particular focus on support to CSOs related to output 3. The final decision-making on who to involve under this facility will be made by the three funding donors.

Non-state actor candidates will have to demonstrate that their activities are in compliance with the three outputs of DAP. Each applicant will be screened against criteria such as relevance, sustainability, risks and effectiveness. Furthermore they will be subject to an institutional assessment.

A key partner is likely to be NCEP, which aims at consolidating a political culture in which citizens are more aware of, and exercise their rights and responsibilities, as well as participate effectively in broadening the democratic space.

The DAP is jointly funded by DFID, CIDA and Denmark. The total budget for the programme is assessed to be USD 51,06 million for the period 2010-2014. Denmark will allocate DKK 80 million to this programme comprising around 30% of the total budget (see table 3.2 below). Of these DKK 65 million will be channelled from the KGSP programme while an additional DKK 15 million will come from the Special bilateral fund for women activities in Africa (SWAA) funded directly from the Ministry of Foreign Affairs of Denmark. The SWAA funding* will primarily be funding GGP as well as to the TA.

Table 3.2 DAP budget

Donor	Commitment
DFID	20 million UK £
CIDA	3 million Can \$
Denmark	80 million DKK
<i>Denmark KGSP</i>	<i>65 million</i>
<i>Denmark SWAA</i>	<i>15 million</i>

** The funds provided through SWAA are earmarked for the Gender and Governance Programme, but will be managed in accordance with the management arrangements described in this document and outlined in detail in the DAP document attached in Annex A.*

The final distribution between the individual interventions will be decided by the DAP partners in due course. Indicative figures are given in the table 3.3 below.

Table 3.3 contributions to individual interventions

Intervention areas	Estimated DKK
GGP	15 mill.
Elections	26 mill.
Non state actors	31 mill.
<i>Management</i>	<i>6.5 mill.</i>
<i>Reviews</i>	<i>1.5 mill.</i>
Total	80 mill.

The DAP programme implementation has been initiated in 2009 with strategic pilots aimed at informing the future implementation of the programme.

3.2 Component II: Public Financial Management

The component comprises Denmark's support to Public Financial Management (PFM). For full details on strategy, outputs and indicators, activities and inputs see the PFM component description in Annex B.

The component falls under KGSP's second immediate objective drawn from the goals in the Medium Term Plan (MTP) to which the PFMR contributes. That is to:

Maintain macro-economic stability and accelerate growth and develop transparent, accountable, ethical and results-oriented Government institutions.

The primary aim of the component is to support Government's achievement of the priority objectives for PFMR Reform. A key element of the component will be follow up and dialogue by the Danish Embassy in collaboration with other development partners with the Ministry of Finance and other PFM stakeholders on sector policy issues, co-ordination, prioritisation and sequencing and implementation progress (including the development of a new strategy for 2011-2016) based on agreed desired results. In addition technical capacity will be availed on request to the PFM Secretariat to enhance their capacity to co-ordinate the reforms and to enhance their internal management; and for overall risk management measures e.g. annual external audits.

The support will focus on the PFMR programme whose objective is: *to strengthen PFM systems to enhance transparency, accountability and responsiveness to policy priorities.*

A comprehensive monitoring framework including a matrix of outcome indicators incorporating the PEFA is being developed by the PFM secretariat and is at an advanced stage. Primary indicators for the component drawn from the PFM strategy and PEFA are provided in Table 3.4 below:

Table 3.4 Key indicators for immediate objective II

Objective	Indicator	Source	Notes
Maintaining macro-economic stability and accelerating growth, and developing transparent, accountable, ethical and results-oriented government institutions.	Annual growth rate of GDP	National Reporting Framework for Vision 2030, p6; Economic Survey	Stated baseline of 7.1 for 2007; stated targets for the next 5 years;
	GDP per capita in US\$ (disaggregated by gender, ethnicity, region etc)	National Reporting Framework for Vision 2030, p6; Economic survey	Stated baseline of US\$ 792 for 2007; stated targets for the next 5 years;
Strengthened PFM systems that enhance transparency, accountability and responsiveness to public expenditure policy priorities	Annual increase in revenue collection on account of improved compliance	PFM M&E Framework (draft)	Stated target of KShs 15 billion per annum
	Quality and timeliness of public financial statements index	PEFA Reports & PFM M&E Framework (draft)	Stated baseline of D+ for 2008/09
	Legislative scrutiny of external audit reports index	PEFA Reports & PFM M&E Framework (draft)	Stated baseline of D+ for 2008; stated target of B for 2015;

Public Financial Management contributes to creating an enabling environment for private sector investment and to ensuring Government has the resources and capacity to implement its political, economic and social programmes. Strong PFM is therefore pivotal to Kenya's economic growth and capacity to alleviate poverty and deliver on the millennium development goals.

For support to the new PFM strategy, Denmark in collaboration with other like-minded development partners and Government of Kenya will explore options for further enhancing alignment, while maintaining, and improving where possible, the harmonisation achieved so far. Future support will be based on the following principles:

- Alignment to an overarching prioritised PFM strategy and monitoring and evaluation framework
- Alignment to Government of Kenya systems with appropriate (limited intrusion) fiduciary safeguards
- Harmonisation with other development partners
- Annual disbursements against comprehensive progress reports (of the

- previous year) and costed workplans – showing all sources of finance
- Quarterly output monitoring reports from the Secretariat
- Biannual outcome level monitoring reports from the Secretariat
- Annual joint reviews

These principles should provide the basis for the options review, design and subsequent appraisal of a next phase. The follow-up programme to be supported post -2011 is being formulated by GoK is expected to be in place in early 2011. The programme will be subject to a joint appraisal in which Denmark will participate through the Embassy. The appraisal will assess the viability of the programme in accordance with the Danida Guidelines for Programme Management.

The total joint budget for the post-2011 phase is still to be assessed. Denmark will allocate DKK 40 million and will thus remain a key contributor to PFM reform in Kenya (see table 3.5 below). Of the DKK 40 million, 5 million will be earmarked for technical assistance to be provided on demand to enhance the capacity of the PFM secretariat and for additional fiduciary safeguards to be implemented in conjunction with other development partners. The technical assistance is expected to be provided through the basket fund arrangement established as part of the new support setup for PFMR.

Table 3.5 PFM budget

Donor	Commitment in DKK
Other donors	tbd
<i>Grant</i>	<i>35 million</i>
<i>Technical assistance</i>	<i>5 million</i>
Total Denmark	40 million

3.3 Component III: Peace and Security for Development

The component comprises Denmark’s support to CSOs working for Peace and Security for Development (PSD) in the Coast Province in Kenya. For full details on strategy, outputs and indicators, activities and inputs see the PSD component description in Annex C.

The component builds on previous Danish support to Coast based civil society organizations since 2005. The support aims to address the root causes of conflict in the coast province including ethnic, religious and resource conflicts as well as radicalization of youth which are often politicized and have resulted in escalations of violence in the area during elections in 1992, 1997, 2002 and 2007. Due to the high levels of poverty, economic empowerment is key to reduction in conflict at the Coast province as their grievances have largely revolved around land, relatively low education levels and opportunities,

inadequate compensation from large mining investments and industries that hitherto employed a significant number of people but have been run down by previous political regimes. The organisations chosen all have comparative advantages, either as key faith-based (or inter-faith based) member organisations, youth focused organisations or organisations working specifically on human rights issues. The organizations will also align closely with the National Policy on Peace building and Conflict Management and monitor the Police Reforms Programme for 2010 - 2013 .The five organisations have been selected based on the following criteria:

- Makes a difference in the area of peace and security in the Coast Province
- Undertakes peace and security work at local level at a scale where the intervention will have an impact.
- Is constituted as a membership organisations whether the members are other organisations or individuals
- Provides special attention to the participation of marginalized groups (especially women and youth) in peace and security issues.
- Has a track record of performance from the past with Danida or other like-minded donors.
- Has some capacity and systems in place to receive funding and is prepared to further develop this capacity.

The role of the CSOs in peace and security at the coast province revolves around five interrelated themes as follows:

- Training and education of community leaders on conflict management and resolution using simplified materials and participatory methodologies.
- Mobilization of communities to participate in peace committees.
- Advocacy at regional and national levels on peace and security issues concerning local communities.
- Engagement with Government ministries, agencies, provincial administration and the police.
- Intervening in flashpoint areas where conflict threatens to break out or has broken out.

All five organisations will receive funding against the PSD elements of the CSOs' strategic plans, according to the objectives of the component. Through the Danish support, the organisations will be in a position to increase their capacity to: (1) promote inter-community tolerance and inter-religious understanding, (2) provide conflict mitigation activities and conflict resolution in potential hotspots in the Province, and (3) engage proactively with GoK established provincial and district peace structures to mutually plan for and respond to emerging crises.

The organisations will be supported in doing so through the provision of TA and

capacity development. The TA will focus on:

A: Support aimed at strengthening the PSD network in itself.

B: Cross-cutting support of equal relevance to all CSOs supported.

C: Individualised support in response to capacity assessments during inception.

The PSD component will seek to deliver the following: *Enhanced engagement with government agencies and other stakeholders to address issues of peace and security.*

To achieve this the component will focus on four streams of work: (1) institutional capacity development for planning, budgeting and execution of strategic plans through technical assistance; (2) dialogue and upstream advocacy through interaction with government agencies especially the provincial administration and police; (3) capacity development for and execution of early response to conflict mitigation as well as conflict resolution including working with established local peace committees to enhance their capacity to engage in dialogue on peace and security at community level and act upon early warnings; and (4) development of stronger internal and external organisational networks for early warning and response, and joint advocacy work.

The Danish support will complement stated GoK objectives and on-going activities. The immediate objective of this component is measured against three primary indicators based on the National Reporting Framework of Indicators for vision 2030 and the MTP as well as on the strategic plans of the CSOs (see table 3.6 below).

Table 3.6 Key indicators for immediate objective III

Objective	Indicator	Source	Notes
Peace and security promoted as the basis for democratic development at the coastal areas of Kenya	% annual decrease in number of citizens engaged in violent conflicts compared to 2010	Project reports	Stated target of 25% reduction by 2015;
	% annual decrease in reported cases of violence at the community level in areas with peace agreements	Project reports	Stated target of 30% reduction by 2015;
Enhanced engagement with government agencies and other stakeholders to address issues of peace and security	% representation of women and youth on all peace committees at the coast	Project reports	Stated target of one third women representation and one third youth representation by 2012.
	Number of	National	Stated baseline

Objective	Indicator	Source	Notes
	constituencies with peace committees	Reporting Framework for Vision 2030, p53	2007; stated targets for the next 5 years;
	Number of CSOs, religious groups, private sector and members of the public participating in reforms dissemination and information sharing and feedback forums	Police Reforms Programme 2010-2013 Police Reforms Implementation Committee Report (Logframe) July 2010	

A key element in the support will be capacity development. The TA will be provided in two stages:

All five organisations supported will be subject to an institutional capacity assessment to assess capacity development needs and enable the organisation to plan for future capacity development activities.

Each organisation will be allocated time (equivalent to between 10% and 15% of their grants budget) to receive institutional as well as thematic capacity development according to their individual needs. Assistance will include: Institutional: planning, budgeting, accounting and auditing; thematic: conflict mitigation and resolution, networking and advocacy.

The PSD component is funded solely by Denmark. CSOs under the component have during the last three years been funded through the Embassy Local Grant Authority, but will now be funded in a coherent fashion through the KGSP. The funding will be project based with possibility of changing the notional earmarking for selected CSOs in the course of the programme if these are compliant with international standard financial management procedures and practices. A total of DKK 30.6 million has been allocated for the programme period for grants and TA (see table 3.7 below).

Table 3.7 PSD Component budget

Donor	Commitment	in
	DKK	
Direct support to CSOs	23,575	
Technical assistance, reviews	7,025	
Total	30,600	

4.0 Cross-cutting issues

The programme will address cross-cutting issues and priority themes related to the governance sector in Kenya. Emphasis is therefore on gender and human rights.

4.1 Gender

Gender is mainstreamed in all three components, but most important in component I. Specific measures in the programme include:

- Support to the Gender and Governance Programme under DAP, which will advocate for and assist in drafting gender responsive policies and legal frameworks of GoK; community sensitisation on gender equality; and the promotion of equal access to services for men and women.
- Core funding will be provided to CSOs that advocate gender equality and women's participation in democratic decision making through organisations such as FIDA.
- Gender mainstreaming by using gender as a assessment criteria by the JDSC. Furthermore, continuous engagement by JDSC with implementing partners on ensuring gender mainstreaming is planned as part of DAP.
- The PSD component will work to enhance gender mainstreaming by requiring supported CSOs to mainstream gender in strategic plans and work plans. Outputs and indicators favouring gender equality will form part of the funding criteria for the organizations.
- Support will be provided to ensure the representation of women in peace committees at the coast.

4.2 Human rights

Human rights is a core feature in the programme in all three components. In component I the objective refers to making the government accountable both in terms of ensuring the right to participation in democratic decision making, as well as in upholding basic rights with special emphasis on women and vulnerable groups. The component furthermore aims at alleviating impunity and thus ensuring that the Executive acts in accordance with the law.

The second component is aimed at making the Executive more transparent and accountable for the delivery of services to the citizens, and at limiting the misuse of public funds. An accountable and transparent public service and government is seen as a precondition for enabling citizens to hold the government to account.

Finally, in component III, the CSOs supported are expected to assist in providing a safe environment in their constituencies, enabling people to utilize their rights of freedom of religion and related human rights. The conflict mitigating measures will also reduce the number of incidences of violence and thus promote the enjoyment of rights and freedoms of individuals and communities in a more secure and stable environment.

4.3 HIV/AIDS

The programme will not have specific interventions targeting HIV/AIDS, but the emphasis on ensuring equal rights for all in society will also benefit people living with HIV/AIDS by alleviating the possible stigmatisation related to the disease.

4.4 Environment

There are no specific interventions targeting the environment. Having said this, a more accountable government that shows respect for the rule of law will in the long run improve the environment in Kenya. Kenya has thorough laws regulating pollution, noise and land use. However, the inability of the government to enforce these laws due to high level of corruption and misconduct is a barrier to sustainable development. Meeting the objectives of KGSP is therefore also expected to improve the environment in Kenya.

5.0 Budget

The programme has a five year time-frame from end-2010 to end-2015. The total budget is DKK 175 million. Funding for component I and II will start 1 January 2011, while funding for component III is expected to start late 2010.

Of the total funds, DKK 80 million are allocated to immediate objective I (component I - DAP), 40 million to immediate objective II (component II - PFM), and 30.6 million to immediate objective III (component III - PSD). To enable flexibility following the 2011 referendum on the constitution and the 2012 elections, DKK 20 million have been designated as unallocated. These will be allocated in 2012 under guidance of the mid-term evaluation, and are likely to focus thematically under immediate objective I (accountability and demand-side) and/or immediate objective II (supply-side governance). Total unallocated funds in the programme comprise 11% of the budget.

Technical Assistance (TA) will be part of all three components. In component I (DAP) it will be implemented through a CSO facility. The Danish contribution to this joint facility as well as to joint reviews is expected to amount to DKK 8 million. In component II (PFM), a dedicated budget line has been included to provide for TA to MoF on PFM reform when requested. This is expected to be an integral part of the new joint PFM support programme. In component III, TA funding will be managed by an entity (most likely NGO) chosen through a tender process. A total of DKK 4.2 million will be allocated for direct TA.

The final budget allocations for component I will be decided by the DAP Joint Steering Committee (JSC). The budget below is therefore indicative, but does take into consideration the need for front-loading some of the funds to enable funding of the upcoming elections, which will demand considerable contributions in 2011 and 2012. In addition, priority has been given to the need for getting the non-state actor basket facility up and running initially with some front loading as well. A more detailed budget will be derived from the Joint Steering Committee once the programme document and the DAP MoU has been

signed by the parties.

The budget for component II has been set to ensure: (a) that Denmark provides sufficient funding to make a difference relative to the transaction costs involved with the funding, and on the other hand (b) to take into account the capacity of the Ministry to implement reforms. The total amount has thus been reduced from the DKK 47.2 million allocation to PFM in KGGP to DKK 40 million for KGSP. DKK 5 million will be earmarked for technical assistance to be provided on demand to enhance the capacity of the PFM secretariat and components if so required. The budget for component II is indicative and is likely to be affected by significant changes in the political environment following planned elections in 2012. Denmark will monitor the situation closely and adjust the budget for component II if and when needed.

The budget for component III is based on: (a) realism vis-à-vis the level of previous support, (b) the need for making sufficient contribution to make a difference, and (c) not overloading the individual CSO with funds that they are unable to absorb. The latter means that the individual organisations will not receive funding at a level, which increases the current level of budget for the individual organisations. As activities are expected to be at the height prior and just immediately after the planned elections late 2012 this is reflected in the budget.

15% of the budget for the activities of the five organisations will be reserved for capacity building from the capacity building service provider in the first three years, while 10% will be reserved for this for the remaining three years. Thus, the funds allocated for TA is higher at the initial years when institutional capacity is developed.

A number of reviews are foreseen in all three components (see chapter 8 below). Support to these has been explicitly outlined under the components where this is predetermined. Additional funds for joint assessments and reviews have been lumped together with the funding for the TAS lead reviews planned mid-term and at the end of the programme. For full overview of the budget see table 5.1 below as well as Annex D.

Table 5.1 Budget overview in DKK 1,000

The budget described below is set according to the Danish financial year, however disbursements and accounting will be undertaken as per the financial year of the institutions supported.

Component	2010	2011	2012	2013	2014	2015	Total
Immediate objective I							
GGP	0	3500	4500	2500	2500	2000	15000
Elections	0	6000	11000	3000	3000	3000	26000
Civil society	0	7000	9000	7000	4000	4000	31000
DAP mgt. and	0	1500	1500	1800	1500	1700	8000
DAP (Total)	0	18,000	26,000	14,300	11,000	10,700	80,000
Immediate objective II							
PFM (SBS)	0	6,500	7,250	7,250	7,000	7,000	35,000
PFM (TA)	0	1000	1000	1000	1000	1000	5,000
Total PFM	0	7,500	8,250	8,250	8,000	8,000	40,000
Immediate objective							
PSD (Grants)	2,250	4,250	4,630	5,015	4,795	4740	25,680
PSD (TA)	850	750	820	960	480	360	4,220
Reviews			350		350		700
Total PSD	3,100	5,000	5,800	5,975	5,625	5,100	30,600
							0
Unallocated till 2012			5,000	5,000	5,000	5,000	20,000
							0
Sub-total programme							170,600
							0
Reviews etc.	0	500	1,700	500	1200	500	4,400
							0
Grand total	3,100	31,000	46,750	34,025	30,825	29,300	175,000

6.0 Management and Organisation

The KGSP is a key part of the Embassy of Denmark's support to Kenya and thus in the dialogue with GoK. Management principles will seek compliance with the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action.

6.1 Aid management in Kenya

The support is fully aligned with the Kenya Joint Assistance Strategy (KJAS), 2007- 2012. The KJAS is aimed at improving aid effectiveness. KJAS was

developed under the Harmonisation, Alignment and Coordination donor group (HAC). To enhance the focus on alignment in line with the Accra Agenda for Action the donors and GoK are in the process of revamping the HAC by introducing a more committed mechanism referred to as the Aid Effectiveness Group (AEG), which will replace the HAC.

The (draft) objectives of the AEG is to increase effectiveness and efficiency of development assistance in Kenya based on Vision 2030 and the MTPs, and to reduce transaction costs by 'streamlining systems for delivering aid' and 'standardizing procedures'.

It is expected that joint GoK-donor performance in the future will be assessed through a joint annual performance assessment framework. The KGSP, and its efforts for enhanced alignment, will be measured in this performance system. To support the implementation of the AEG agenda, the donors and GoK are launching a joint project to facilitate AEG implementation.

The AEG meets on a monthly basis, and Denmark will continue to participate in this, as well as relevant sector working group meetings to promote the Accra Agenda for Action and use this as a key platform for policy dialogue.

The current aid architecture is being revamped as part of the development of the AEG, however as in the past it is expected that each sector, and possibly sub-sector, will have a donor sector working group mandated to ensure harmonization and coordination and promote alignment. The Embassy will participate in all relevant working groups related to KGSP.

6.2 KGSP programme management at Embassy level

The overall management responsibility for the KGSP rests with the EoD in Nairobi. The daily management of the individual interventions will vary from component to component.

The EoD will have overall responsibility for the programme, including policy dialogue, overall monitoring and donor coordination.

The role of the EoD includes:

- Policy dialogue with the GoK and state institutions.
- Participation in monthly AEG meetings.
- Participation in donor sector working group meetings related to the sectors and sub-sectors under KGSP.
- Dialogue with civil society and implementing partners.
- Overall programme management.
- Participation in steering committee meetings and related management fora.

In addition, the EoD will have full responsibility for the oversight of the implementation of component II (PFM) and III (PSD).

The specific role of the EoD will however vary from component to component, and will be specified under the respective components below.

6.3 Component I: DAP

For full overview of management arrangement of DAP, see the DAP documents in Annex A.

DAP is a joint donor partnership aimed at establishing a common platform for policy dialogue and funding decisions. It is in other words not a basket fund, but more a partnership of principles. These include:

- Joint and harmonised development of programme strategies and intervention focus.
- Shared criteria for funding.
- Joint input decisions on funding decisions.
- Singular harmonised reporting from contracted partners.
- Joint monitoring and evaluation.
- Division of labour for policy dialogue (and funding where appropriate).
- Shared messaging or joint communications.

A Joint Steering Committee (JSC) will govern DAP and have membership of the three donors (CIDA, DFID and Denmark). The main responsibility of JSC will be to:

- Set the strategic direction.
- Select and agree on programmes and partners to be supported under the DAP and make associated funding decisions.
- Monitor performance (at a strategic and technical level).
- Provide financial oversight of the programme and its implementation modalities.
- Ensure consistency between diplomatic and development agendas as they relate to the DAP.

Funding to partners will be undertaken through a joint basket or bilaterally based on decisions made by JSC. The JSC will thus not be operating as a grant mechanism. JSC will meet at least three times a year in addition to biannual meetings with all relevant partners to discuss overall development, contextual developments and risks.

To limit transaction costs for the beneficiaries, the administrative burden of the donors, and to ensure policy coherence among the DAP donors, a division of labour will be established between the three donors. Each will take a lead for some of the organisations supported and be responsible for dialogue with the respected organisation/basket fund as well as overall monitoring. Denmark will take the lead on electoral support (EAP), GGP and on some of the non-state actors receiving support as part of the basket. Support will be provided to the beneficiary organisations through contributions to basket arrangements. The

lead donor will as a general rule represent the others in the respective steering committees. For Denmark, this means lead representation in the GGP steering committee and the EAP steering committee.

The JSC will be supported by a Secretariat and Management Agent (SMA) hired by DFID (using EU procurement procedures) on behalf of the three donors. The SMA will perform the following tasks:

- Secretariat services for the JSC.
- Overall programme management support related to monitoring and evaluation and reporting.
- Financial, programme and monitoring and evaluation management support to non-state actor programmes selected by the JSC and funded through the non-state actor basket.

The role of the EoD in relation to DAP will be to:

- Participate in the relevant donor sector working group(s) related to DAP. EoD will report in donor groups on progress in areas where DK is lead under DAP.
- Participate in JSC meetings.
- Participate in joint JSC-partner meetings.
- Represent the DAP donors in dialogue with organisations identified as Denmark's lead responsibility in JSC. This will include participation in relevant SCs (i.e. GGP⁶ and EAP and in the joint DAP funding non-state actors fund).
- Provide grants through the basket or bilaterally to recipient institutions, organisations and basket funds as per JSC decisions.
- Approve annual work-plans and budgets of institutions supported, of which Denmark is lead.
- Receive and approve thematic/substantial and financial quarterly and annual progress reports.
- Participate or facilitate the participation of consultant(s) in overall, as well as institutionally specific, reviews.

For the three specific partners, where Denmark is lead (or lead of certain projects), the management will be as follows:

For EAP. The management arrangements will be decided upon as part of the EAP formulation. Denmark will support the assessment of alignment with IIEC, which will inform the formulation and hopefully align management of the EAP with the IIEC where feasible. It is expected that the EAP will have a joint steering committee, where Denmark will represent DAP.

⁶ Denmark will use its seat in the GGP Donor Steering Committee to advocate for increased focusing and efficiency of the programme.

For GGP. A Joint Financing Agreement governs the management of the GGP with membership of the participating partners. The programme will be executed by UNIFEM under the auspices of a joint Donor Steering Committee. Denmark will represent the DAP in this committee.

The DAP non-state actors fund. The DAP non-state actors fund will be managed by a management agent, that will report to the JSC, contracted by DFID and implemented in accordance with the DAP Memorandum of Understanding. Denmark will participate in the JSC meetings overseeing the DAP non-state actors fund. Possible partners (grantees) for the non-state actor basket facility will be screened through a four stage process comprising: (1) review of compliance with basic mandatory requirements, (2) reviewed against evaluation criteria ensuring relevance, (3) shortlisted organisations will then be subject to an institutional check, and finally, (4) a Project Review Committee will enter into dialogue with the organisation targeted to ensure that the proposal developed are meeting DAP standards.

6.2 Component II: PFM

For a full overview of the management setup of the component, see the component description in Annex B.

Denmark will continue as part of the PFMR basket till it expires June 2011, after which a new programme is expected to be developed. Denmark is likely to play a key role in this process. Till then the programme follows the PFMR Strategy implementation setup.

The management arrangements for the PFMR strategy include:

- **A PFM Reform Steering Committee;** chaired by the PS in the Ministry of Finance and comprising PS in the Ministry of Planning, the Secretary PSTD, Component Managers, Directorate of Personnel Management and 3 representatives from line ministries (Education, Health and Local Government) and providing strategic guidance and co-ordination
- **A PFM Secretariat;** providing operational co-ordination of strategy implementation
- **Component managers;** providing technical leadership on component implementation
- **Technical Groups;** providing cross-government technical leadership on cross-cutting PFMR issues
- **Working Groups in each line ministry;** providing user feedback and implementation support

In addition, under a joint Memorandum of Understanding, it was planned that a Joint Working Group bringing together development partners supporting PFM and Government including all component managers would meet on a quarterly

basis to further enhance co-ordination and monitor implementation of the strategy

The development partners supporting the PFMR strategy are: Sweden (donor lead), Denmark, Norway, Germany (GTZ), Canada, European Union and World Bank through a basket fund managed by the World Bank. GTZ, USAID, JICA, AfDB and IMF also provide bilateral – project based - support directly to the Government of Kenya.

Prior to September 2009, the steering committee had convened on very few occasions. The PFMR secretariat was without a co-ordinator for a year and a half and had other staffing gaps which severely hampered its operations. These staffing gaps coupled with the absence of strong backing from an active steering committee had reduced the role of the secretariat to primarily managing the PFMR basket fund. The envisaged Technical and Working Groups where they exist operated on an ad hoc uncoordinated basis.

The poor status of these management arrangements was identified in the mid-term review of PFMR in September 2009 as the main factor slowing progress. However significant improvements have been made over the last 7 months and the management arrangements are beginning to work more effectively. Work in progress to develop an implementation guide for the programme will provide a framework for standard management practices which should further enhance efficiency.

The revised programme support to PFMR is expected to enhance alignment with GoK management with the use of fewer external component managers.

Danish funding is provided to the joint PFMR basket. The support will cover grants in accordance with the current and coming plans guiding the basket aligned with MoF. Furthermore Denmark will make TA available as part of the basket. TA will be provided in core areas of support aimed at (a) overall issues such as improved M&E, as well as (b) modality specific issues such as improving capacity to receive sector budget support. The management setup of the TA provision will be designed as part of the formulation of the next phase of the PFMR support. The principles for the TA design include: (1) ensuring that the TA provided is demand-based and fully owned, and/or (2) be used to install necessary fiduciary safeguards in the support provided. It is expected that the management of the TA is undertaken by one of the basket fund donors on behalf of the basket fund members.

The role of the EoD will be to:

- Participate in the relevant donor sector working group(s) related to PFM (reporting on implementation of PFMR to be undertaken by GoK and future lead donor).
- Be proactive in the formulation of the post-June 2011 support to PFM in Kenya.

- Undertake policy dialogue with MoF on PFM.
- Participate in PFMR basket fund meetings.
- Review annual work-plans and budgets for PFMR.
- Review thematic/substantial and financial and annual progress reports.
- Participate or facilitate the participation of consultant(s) in planned reviews.

6.3 Component III: PSD

For a full overview of the management setup of the component, see the component description in Annex C.

Denmark will fund the organisations against the relevant agreed outputs in the organisations' strategic plans using project accounting, and the CSOs will therefore be responsible for undertaking daily management of the intervention. The CSOs will, upon request, receive technical assistance to undertake this task financed under the component, delivered by an international TA provider (see Annex 1 in Annex C). The TA provider will be hired by EoD using EU procurement procedures. The TA provider will be selected through an international tendering process based on principles of neutrality, track record, and contextual understanding. TA is envisaged within institutional capacity assessment, based on this institutional capacity development, progress monitoring, and TA related to substance such as conflict management and community policing.

In addition to TA provision, the TA provider will also be responsible for undertaking quality assurance of progress and financial reports from the CSOs to EoD.

The overall responsibility for the component will rest with the EoD. The EoD will hold bi-annual meetings with each organisation to discuss progress and have general information sharing on the PSD developments in the region. Annual joint meetings with all partners are also foreseen.

More specifically the role of the EoD in the PSD component will be to:

- Participate and reporting on progress in the relevant donor sector working group(s) related to PSD.
- Participate and Chair bi-annual CSO-EoD meetings.
- Participate and Chair annual joint partner meetings.
- Provide grants and manage these bilaterally to recipient the CSOs as well as the TA provider (with the TA provider backstopping with quality assurance of reporting).
- Approve annual work-plans and budgets of CSOs supported.
- Receive and approve thematic/substantial and financial quarterly and annual progress reports.
- Participate or facilitate the participation of consultant(s) in two planned reviews.

Denmark will work towards joint donor support to the CSOs. When this materializes management and reporting arrangements may be revised to enhance harmonisation and alignment and lower transaction costs.

7.0 Financial management and procurement

Different financial management arrangements will be applied for the three components. However, as a guiding principle the programme will strive to use the financial management systems and procedures of the institutions supported. Alignment will include acceptance of use of accounting systems, procurement systems, as well as more practical alignment with the institutions' financial year. Funds channelled to the institutions will be reflected in the overall budget of the institution. Funds channelled through GoK will be reflected in the Government Budget.

A precondition for financial management alignment is that the financial management practices used, are in accordance with international standards and in accordance with the Kenyan legislation. Furthermore, the standards applied must be in accordance with Danida's financial management guidelines.⁷

The EoD will have overall financial responsibility for the programme, while the implementing partners will be responsible for the funds channeled to them by EoD. Denmark will at any point be entitled to undertake an audit of the use of the Danish funding in the organisations supported. Details for the individual components are outlined below.

7.1 Component I: DAP

While DAP is a joint programme, each of the (currently) three agencies involved will provide funding to the partners where they are lead, using their own bilateral financial management systems. For Denmark the following will apply:

For EAP. The funding donors are in the process of developing a joint support programme. Once developed Denmark will provide funding to the joint basket and serve as lead agency for DAP donors. Where feasible it is expected that the IIEC/IEBC financial management procedures, including procurement, will apply (depending on the outcome of the IIEC/IEBC alignment study). Consequently, Denmark may accept audit reports on the funding from the Auditor General (On Budget, On Accounting, On Audit and On Procurement) if the assessment is positive.

For GGP. Denmark will provide funding to the UNIFEM administered basket. The funds will be managed using UNIFEM financial management

⁷ Including: Guidelines for Programme Management, Joint Procurement & Procurement Policy Guidelines, Guidelines for Joint Funding, and General Guidelines for Accounting and Auditing of Funds through Governmental and Parastatal Organisations and NGOs.

procedures and joint reporting and auditing will be accepted on the precondition that these are compliant with international standards.

For the joint DAP non-state actors facility, Denmark will contribute to the non-state actor basket with DFID. The funds will be managed by the DAP Secretariat and Management Agent (SMA). The SMA will provide funding to non-state partners based on JSC decisions. The funds will be managed by the SMA using DFID financial management procedures and reporting.

An overview may be found in table 7.1 below.

Table 7.1 Financial management overview for DAP component

<u>EAP*</u>	FM arrangement	Possible safeguards/comments
Modality	Basket funding through the relevant implementing institution	To be decided following the alignment study of the IIEC/IEC
Procurement	Initially use of management agent systems, moving towards IIEC procurement if feasible	If non-compliant with international standards an external procurement agent will be used
Accounting	Use of partner systems where feasible	To be assessed
Disbursements	Six-monthly disbursements to the implementing institutions is foreseen	Subject to (1) satisfactory financial reporting, (2) satisfactory yearly audit (and follow-up on audit), (3) satisfactory performance
Reporting	Quarterly financial reporting is expected by implementing institutions	None
Auditing	Annual external audits (Auditor General for IIEC)	N/A
<u>GGP</u>	FM arrangement	Possible safeguards/comments
Modality	Basket funding through UNIFEM	None
Procurement	Use of UNIFEM systems	None
Accounting	Use of UNIFEM systems	None

Disbursements	As a guiding principle the disbursements will be six-monthly	Subject to (1) satisfactory financial reporting, (2) satisfactory yearly audit (and follow-up on audit)
Reporting	Quarterly financial reporting unless other joint arrangements have been agreed	None
Auditing	Annual audits using UN system	N/A
<u>DAP</u> <u>non-state</u> <u>actors</u> <u>Facility</u>	FM arrangement	Possible safeguards/comments
Modality	Basket funding managed by SMA	None
Procurement	Use of DFID systems	None
Accounting	Use of DFID systems	None
Disbursements	As a guiding principle the disbursements will be quarterly	Subject to (1) satisfactory financial reporting, (2) satisfactory yearly audit (and follow-up on audit), (3) satisfactory performance
Reporting	Quarterly financial reporting	None
Auditing	By external DFID and Danida approved auditor	N/A

** Final setup to be decided by IIEC donors.*

*** It is assessed that the findings of the assessment of the ten budget sector principles under the PFM component are equally applicable to IIEC/IEC. Consequently, budget support to IIEC is not yet feasible but a solution, which aim at maximum alignment will be sought.*

7.2 Component II: PFM

For component II, the Danish support until June 2011 will continue to be contributed to the PFMR basket fund and managed through a combination of World Bank and Government of Kenya procedures, and the Bank is responsible for providing fiduciary oversight and safeguards.

From July 2011, subject to the detailed design work to be undertaken in collaboration with other development partners, it is anticipated that the support will be included in the annual budget of the Ministry of Finance and will be

managed primarily in line with Government procedures for financial management and procurement. These will follow the Government Financial Management Act (2004) and related guidelines (including treasury circular updates) and the Kenya Procurement and Disposal Act (2005) and related guidelines (2006).

With regard to procurement, it is expected that international tendering will be undertaken in line with WB procedures (see also table 3.4). In addition fiduciary safeguards will be provided such as a firm of independent auditors being retained to undertake annual audits of the PFMR programme. These are likely to include procurement audits, which should cover: a procurement capacity and risk assessment and a thorough evaluation and documentation of the procurement cycle for sample contracts⁸. The audits will be used in conjunction with the annual external audits by KENAO to assess the fiduciary risks associated with the more aligned / direct funding modality and to facilitate mitigating action. The need for these additional audits will be reviewed year on year with the aim of phasing them out by the end of the programme

Table 7.2 Financial management overview for PFM component

Area	FM arrangement	Possible safeguards/comments
Modality	For now: PFMR Basket fund. Modality post-2011 to be designed	Safeguards to be lowered when feasible post-2011
Procurement	Currently: combination of GoK and World Bank procedures for national procurement and World Bank procedures for international procurement. Further alignment is expected post-2011	Until legislation has been tightened, the MoF will be required to use World Bank procedures for international tendering
Accounting	Separate accounting is used for the World Bank managed basket. Further alignment will be assessed during the formulation of the next phase of the support	None
Disbursements	Half-yearly	Precondition by clean audit reports and/or follow-up on audit reports

⁸ This guidance on procurement audits is drawn from a Study of Kenya's Procurement System completed for SIDA in August 2008.

Area	FM arrangement	Possible safeguards/comments
Reporting	Use of separate reports for PFMR basket fund. Room for further alignment with GoK	None
Auditing	Auditor General audits supplemented by yearly external audits for procurement	Annual external procurement audits is expected to be used throughout the programme period

7.3 Component III: PSD

Daily financial management will be undertaken by the individual five CSOs based on Danida's guidelines for project management. The CSOs will apply best financial management practices. TA will be provided (by the TA provider), upon request, to assist in this process. This includes keeping proper books of accounts and controls in accordance with Kenyan legislation. The overall principle will be:

- All CSOs will open a dedicated project account for the Danida funds.
- CSOs will hold the financial and managerial responsibility for the accounts.
- Annual work-plans and budgets will be in Kenyan Shillings, broken down in quarters.
- Disbursements will be made semi-annually in accordance with approved work plans and budgets.
- Each CSO will prepare quarterly financial progress reports and annual reports to be submitted to the EoD (through the TA provider).
- Each institution will deliver an external annual audit report to the EoD, no later than two months after the end of the financial year of the CSO (through the TA provider).
- Procurement will follow the individual CSO procedure, under the precondition that it adheres to statutory procurement standards. TA may be provided to sit in on procurement committee meetings.

The ability of the CSOs to manage funds as per international standards will be assessed as part of the institutional capacity assessment undertaken of each CSO at the programme inception. The assessment may recommend that additional temporary safeguards be put in place until capacity is assessed to be sufficient.

Funds will be disbursed, upon written request from the CSOs, from the EoD to a dedicated account held by the individual CSO, which will enable the CSO to account for the Danish funding. It is recommended that there shall be a specific accounts ledger card for the Danish contributions, to facilitate reconciliation and reporting on the utilisation of the Danish funds.

Funds for the TA will be channelled to the TA provider, which will hold a contract with EoD on the TA provision. The TA provider will report on TA progress as well as financial reporting to EoD on a quarterly basis. The TA provider will comply fully with Danida guidelines and procedures and be financially accountable to the EoD.

The EoD can at any time during implementation decide to undertake an external review or audit of the CSO accounts.

Table 7.3 Financial management overview for PSD component

Area	FM arrangement	Possible safeguards/comments
Modality	Project accounting	Use of dedicated account
Procurement	Use of CSO's own systems	TA provided on needs basis. Post-procurement audits to be undertaken if capacity is weak
Accounting	Use of CSO's own systems	TA provided on needs basis
Disbursements	Six-monthly by EoD upon receipt of financial reports	Subject to (1) satisfactory financial reporting, (2) satisfactory yearly audit (and follow-up on audit). All quality assured by TA provider
Reporting	Quarterly financial reporting to the EoD. Joint reporting accepted	TA to be provided to assist in process if needed
Auditing	Annual external audit	N/A

Denmark will work towards joint donor support to the CSOs. When this materializes financial management arrangements may be revised to enhance harmonisation and alignment and lower transaction costs.

8.0 Monitoring and Reporting

Overall monitoring of programme performance is the responsibility of the EoD. Monitoring at implementation level will to the extent feasible be based on the monitoring system of the partners supported. Use of existing systems is preconditioned by compliance with the Danida Guidelines for Programme Management and the Danida Monitoring guidelines. When systems are non-compliant, EoD may request the partner to revise their systems for full compliance. Denmark will promote the development of joint monitoring system development relying on partner reporting.

Monitoring at development objective and immediate objective level will primarily be based on GoK reporting on progress against the MTP and Vision

2030. Secondly, it will be based on programme reviews, and finally on external reporting on progress in Kenya by reputed sources such as the Afro-Barometer and the Transparency International Corruption Perception Index. Reporting at output level will rely on the reporting from the partners supported (see below).

Indicators in the programme are to the extent feasible aligned with Vision 2030, MTP (2008-2012) and the National Reporting Framework of Indicators for Vision 2030. . Secondly, indicators are taken from the institutions supported. Where no credible indicators exist, the programme has used or developed indicators based on national sources. Additional indicators will be developed for all components where joint monitoring systems are expected to be developed. A challenge for alignment is that most indicators are on an input level and thus applies as indicators for activities rather than objectives and outputs. Consequently, indicators have been refined or bulked to lift these to the required level in the goal hierarchy.

Individual monitoring will be applied for the three different components. These are highlighted in the sections further below.

8.1 Programme reviews

The programme will be subject to two Technical Advisory Service Reviews:

- A mid-term review, which is tentatively scheduled to take place in late 2012 or early 2013,
- An end-review which should be scheduled to take place one year prior to the end of the programme.

Mid-term review

The timing is relevant as this will enable the programme to realign with possible new reform commitments in a post-election scenario. A key mandate of the review will thus be to recommend on the use of the unallocated funds of the programme in the post-election situation. In case of increased commitment to reform, the review may recommend a stronger emphasis on support to supply-side governance. If this is not the case, the unallocated funds may be provided to further increase the pressure on GoK to reform through demand-side interventions - possibly through DAP.

Key triggers for enhanced focus on the supply-side will include substantial progress on the implementation of the National Accord Agenda 4. These should include:

- Initial implementation of a new constitution that clearly ensures the independence of the Judiciary from the Executive.
- Reform strategies in GJLOS in place backed by financial and human resources of GoK.
- The completion of free, fair and non-violent elections.
- The formation of a democratic government and the existence of a formal opposition in Parliament.

The mid-term review will have to assess the extent to which these triggers have been met. Full compliance would enable the review to allocate all remaining funds to supply-side governance, while compliance with only some indicators will mean that funds should be allocated to partners where there is a greater certainty for reforms or partners that may push for such reforms (demand-side). The review will base this assessment on close dialogue with other donors to promote a harmonised response. The dialogue should take place among DAG partners and in the relevant DSWGs.

Allocation of the remaining funds should be limited to few partners contributing to programme overall and immediate objectives. No more than two additional partners should be considered. Opportunities to be considered in case the criteria is met should include:

- Options for additional funding to public sector management. This may include additional funds to PFM or support to PSR and efforts related to combating corruption or implementing the new constitution (e.g. devolution).
- Possibilities for the provision of additional funding through DAP partners. This may include state accountability institutions such as the KACC or the KNHRC.
- Finally, the team should look into supporting GJLOS institutions (or a possible successor to GJLOS-basket) that fall within the objectives of the programme and have performed well in the period 2010-2012.

If there is no or only limited compliance with the above triggers, the review team should focus on further enhancing support to demand-side governance and accountability institutions to further promote reforms and democratic change. The selection of partners should first and foremost focus on existing partners to continue the focused approach of the programme. Decision on continued support should relate to: (1) progress with emphasis on effectiveness of the intervention on the past in terms of its demand-side function, and (2) relevance to the political-economic context at the time of the review. If current partners are not performing or is assessed not to be in a position to deliver against additional funding the team should seek other demand-side organizations of relevance. Any organization should preferably be within the framework of DAP, and any support will be allocated in accordance with the guidance of the JSC of the DAP.

In addition, the review will reassess the relevance of the objectives and indicators of the programme against the new strategies of the GoK launched after the initiation of the programme. These include the second MTP, the new PFM strategy and the new constitution.

Finally, the review will assess overall progress against targets in accordance with the Danida Guidelines for Programme Management chapter 4.6.

End-of-programme review

Given the fragile political-economic context and the uncertainties related to the constitution and elections and end-of-programme review will be fielded to assess progress and provide recommendations for possible follow-up support. The review should focus on the following elements in accordance with the GPM:

- Political-economic analysis of the sector and options for further support.
- Progress compared to plans for all three components (this will built on joint reviews for component I and II), including financial progress, disbursements and delivery.
- Programme management, including financial management and opportunities for further alignment with GoK and other partners.
- Assessment of developments of assumptions and risks.
- Considerations of cross-cutting issues, HIV/AIDS and other relevant priority themes

The individual components and/or partners supported under these will be applicable to different kinds of reviews outlined below and in the component descriptions. Denmark will advocate for these to be undertaken jointly and will participate in these when relevant.

8.2 Component I: DAP

The DAP donors are in the process of developing a joint monitoring system that will ensure reporting on progress to the funding donors through the SMA. All interventions supported will submit: work-plans and budgets, quarterly progress reports on substantive as well as financial progress, annual reports and annual audits to the JSC members. If the existing format of the organisations supported contains the information required as per the programme regulations and guidelines of the supporting donors, the organisations, baskets and institutions supported will be encouraged to use their own reporting formats for DAP.

DAP will be subject to four types of reviews and evaluations:

- Semi-annual joint reviews
- External mid-term evaluation after 2012 elections
- Final programme evaluation

These will inform the JSC on progress and recommend possible revisions to the DAP plans and funding decisions as well as recommendations for possible follow-up support post-2014.

The role of the EoD will be to:

- Participate in planned reviews and evaluations.
- Receive and approve quarterly and annual progress reports from

partners where Denmark is lead (compilation of these will be undertaken by the DAP SMA).

Collection and assessment of indicators related to DAP rests with the implementing party, i.e. UNIFEM for GGP, the implementing agency for IIEC/IEC and the DAP SMA for the DAP non-state actor basket facility.

8.3 Component II: PFM

Currently the monitoring is provided as part of the World Bank basket fund management.

The PFM Secretariat has engaged the services of an external consultant to assist them develop a monitoring and evaluation (M&E) framework for PFMR and is in the process of recruiting a full time M&E Specialist. The framework will include input, output, outcome and impact indicators drawn from the strategy and be aligned as far as possible to the PEFA indicators.

EoD in conjunction with other donors will be consulted on the emerging M&E framework as it is the intention that both GoK and donors would use the same platform for monitoring and evaluation of the reforms. EoD will draw primarily on this emerging M&E framework for monitoring progress and the effectiveness of Danish support. In addition they will use the quarterly reports prepared by the PFM secretariat for the PFM Steering Committee and the joint GoK and donor reviews currently conducted biannually with leadership from the World Bank.

Subject to developments with the PFMR basket fund, the biannual reviews may be managed differently in future but are likely to remain a feature of the programme. From July 2011 it is expected that annual external reviews will be contracted jointly by the development partners within the new funding modality in conjunction with the wider donor group. It is furthermore anticipated that a major mid-term review will be conducted by independent consultants in 2013 and a final evaluation at the end of the support period in 2016.

In summary monitoring will be based on:

- Information provided at ad hoc meetings
- Quarterly reports from the PFM Secretariat to the PS/PFM Steering Committee
- Annual joint reviews
- Annual Audit report from an independent auditor
- Annual Auditor General report
- Mid and end-term reviews / evaluation reports

8.4 Component III: PSD

Overall component M&E will be the responsibility of the TA, who will provide a compiled monitoring report on a semi-annual basis. The monitoring will be based on:

- Progress reports received from the CSOs supported and the TA provider (all quality assured by TA provider).
- Financial and audit reports from the CSOs and the TA provider (all quality assured by TA provider).
- External audit reports.
- Regular dialogue with partners.
- Regular (suggested bi-annual) monitoring visits the by EoD to the organisation.

The organisations will be using their own monitoring systems to track progress against targets. TA may be provided, upon request, to strengthen the organisations' M&E systems.

Two local level reviews are foreseen to: inform the EoD on component progress; guide the CSOs in their strategic planning; and assess and recommend on the effectiveness and future use of TA to the organisations. In addition, the final review will provide recommendations on a sustainable exit strategy for Danish support (see the component description for more details). The reviews are planned to take place in year two and four of the KGSP. The findings of the reviews will feed into the overall programme review of KGSP.

Collection of indicators rests with the CSOs supported and the TA provider. The TA provider will make initial assessment of the indicators and forward to EoD for final endorsement.

8.5 Review plan

All the above reviews will be sought integrated to the extent feasible to ensure complementarity and underscore joint reviews where feasible.

Table 8.1 review plan

Review/ timing	2011		2012		2013		2014		2015	
	Jan- Jun	Jul- Dec	Jan- Jun	Jul- Dec	Jan Jun	Jul- Dec	Jan- Jun	Jul- Dec	Jan- Jun	Jul- Dec
KGSP Mid-term review					TAS					
KGSP final review								TAS		
DAP semi -annual reviews	D	D	D	D	D	D	D	D	D	D
DAP mid-term evaluation					EXT					
DAP final evaluation										EXT

Review/ timing	2011		2012		2013		2014		2015	
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec
PFMR annual reviews*		D		D		D		D		D
PFMR mid-term review*					EXT					
PSD semi - annual visits	D	D	D	D	D	D	D	D	D	D
PSD mid-term review					EXT					
PSD final evaluation										EXT

TAS: Technical Advisory Services, Ministry of Foreign Affairs of Denmark

D: Funding donors

EXT: Eternal review or evaluation

** Projected*

The TAS led reviews will build on the inputs of the other reviews planned during the course of the programme. The DAP mid-term evaluation is expected to take place in conjunction with the TAS mid-term review. The DAP mid-term evaluation will thus cover review of component I of the programme. EoD will seek to ensure that the Terms of Reference for the DAP mid-term evaluation cover the review areas required in accordance with the Danida GPM.

9.0 Key assumptions and risks

The risks of the programme may be divided into contextual and political risks on the one hand, and risks more dependent on the ability to align with systems and procedures of institutions supported, on the other. Detailed risks are identified in the component descriptions attached in Annex A, B, and C.

9.1 Contextual and political risks

Meeting the objectives of KGSP is highly dependent on the political situation and the commitment to reform over the next years. The coalition government established after the post-election violence in 2007/2008 has moved to establish various reform processes such as electoral reforms and the completion of the constitution review. However, the lack of a proper mechanism to try perpetrators of the post-election violence, including political interference in the International Criminal Court process as well as the failure to establish a Special Tribunal locally may lead to a recurrence of violence in the next election. The

lack of confidence and support to the Truth, Justice and Reconciliation Commission that has affected its operations will also leave a lot of the long term grievances, that partly contributed to the violence, unresolved. There is currently no formal opposition in Parliament to hold the government accountable, so checks and balances remain weak.

After the successful referendum on the new constitution in August 2010, the biggest challenge now is in the implementation of the constitution. The new constitution has far reaching significant reforms including on land, socioeconomic and political rights, devolution, judicial reforms, electoral reforms, security sector reforms, gender mainstreaming and integrity in leadership. Anti-reform networks and elements are already seen to be working to slow down the implementation process.

In addition to the implementation of the constitution, the next benchmark over the next years, which will shape the governance situation in Kenya in the future, is the national elections expected to take place in August 2012. There is however also a risk that the political activities and realignments at least a year before the election will shift the focus of cabinet ministers and parliamentarians from reforms. A consequence of this scenario may be renewed political violence, which may follow ethnic lines.

The constitutional implementation, electoral reform and the post-election justice and reconciliation processes are all supposed to be undertaken by the coalition government mainly comprising of President Kibaki's Party of National Unity (PNU) and Prime Minister Raila Odinga's Orange Democratic Movement (ODM). The relationship between the two parties is fragile and there are risks with regard to the legislative process and the unity between the party leaders to push for reforms. Following the referendum, new political alliances are already taking place and this will happen, regardless of the pace of reforms.

All three components are designed to address these risks through enhanced democratic participation in decision making, improved accountability, transparency, and more effective service delivery by GoK, and increased peace and security.

Denmark will use its mandate in the DAP, PFM and PSD components to enhance policy dialogue to promote democratic development in Kenya and mitigate these risks.

The Heads of Missions through their forum will continuously engage the leadership of government in diplomatic and political dialogue, putting pressure and ensuring that the timelines for reforms are strictly adhered to.

Support to civil society organizations who will be monitoring the reform and political processes will also be key so that citizens are continuously kept informed and empowered to keep government and elected leaders accountable on delivering reforms.

Close engagement with other significant actors in the country such as faith based organizations and leaders, trade unions and the private sector will contribute tremendously to ensuring that the government is committed to reforms. These key sectors played a significant role after the post elections violence in ushering the reform process and monitoring it.

A mid- term review after the 2012 general election will assist the Embassy to review its support to government and non-state actors depending on the outcome of the elections.

Related additional contextual and political risks are outlined in table 9.1 below.

Table 9.1 Additional contextual and political risks

Risks	Likelihood	Consequences	Mitigation
Political 1. Paralysis in government induced by disagreements within the ruling coalition 2. Escalating violence 3. Early elections 4. Widespread conflict (breakdown)	High High Low Low	Weak commitment to implement reforms; increase in human rights breaches and abuse of police powers	Continue with political dialogue especially on Agenda 4 items through DAP Closely monitor the evolving political situation in Kenya by remaining engaged with a broad spectrum of actors that include CSOs, private sector, GoK, and academics
Economic Significant downturn fuelled by global events, declining FDI, low tourist numbers, low agricultural performance (internal displacement, unpredictable rainfall patterns)	High	Could feed on the political situation leading to escalated violence	Focus on PFM reforms to enhance efficiency and optimal use of GoK resources

Risks	Likelihood	Consequences	Mitigation
CSO CSOs may be unwilling to cooperate among themselves leading to fragmented efforts with less than optimal results	High	Weakened ability to demand reforms	Carry out constructive dialogue on the need for CSOs to cooperate and pool efforts using DAP as platform
Donor Engagement Decline in donor support to governance sector	Medium	Weakened alignment and harmonization	Continued engagement with donors in various forums. Invite other donors to join DAP

9.2 Alignment and management risks

The programme will seek the highest possible alignment through the use of systems and procedures on institutions supported. Overall the capacity of the institutions supported is on average medium to high⁹.

The PEFA indicators (reflected in detail in Annex B) together with the governance indexes such as the Transparency International Corruption Perception Index indicate that Kenya has progressed far in terms of providing the rules, regulations and practices needed to enable alignment with GoK systems and procedures. Corruption and misuse of public funds, however remain high. The programme will align to the extent possible with GoK systems and procedures, however in the area of procurement there are still concern regarding (1) practice on local procurement, and (2) rules for international procurement. Two safeguards will therefore be applied when aligning with GoK:

- Use of WB procedures in cases of international procurement.
- Provision of annual external audits, with specific procurement audits to assess compliance with GoK procedures.

Both safeguards will be abolished as soon as capacity and practice is in place to legitimize this. See also Annex B.

⁹ See Danida Alignment Study 2009, Danida CSO core support reviews 2007 and 2009, the 2008 PEFA report on Kenya, mid-term reviews of PFMR and PSR, and the Sida procurement study 2008.

Management wise (both administrative, alignment and financial) the capacity of the individual organizations supported varies considerably and poses different risks for the individual institutions.

Table 9.1 Management, alignment and financial risks of individual components

Risk	Likelihood	Consequence	Mitigation
Component I: DAP			
Non-state actors incapable of managing funds in accordance with Kenya laws and international standards enhancing the fiduciary risks of support	Medium		1) Capacity building as element of financial management agent setup, 2) Regular audits
Use of UNDP procedures and PIU setup limits ownership of support to the IIEC/IEC	Medium	Interventions in support of election commission are not institutionalized	1) Continued dialogue with UNDP on enhancing alignment, 2) Assessment of contingency options for supporting IEC directly or through different means
Lack of focus in GGP activities limit impact of programme	Medium	Substantive spread of interventions will result in many small but limited long-term progress	Programme reviews will reassess the need for focusing of the programme
Component II: PFM			
Delay in designing and activating new funding modality for PFMR strategy 2011-2016	Low	Possible extension of ongoing support and delay in support new reform initiatives through a more aligned approach	Engagement with other like-minded donors and plan for design work to commence by Sept. 2010 and coordinate with timelines for new strategy
Enhanced alignment results in mismanagement of funds	Low	(a) Funding not used for effective reform efforts, (b) Opportunities for inappropriate use of	Additional external audit reports increases overview fund management

Risk	Likelihood	Consequence	Mitigation
		funds	
Progress under the donor funded components remain slow under the programme	Medium	Limited reform progress	1) Enhanced alignment increases ownership of funds 2) Alternative bilateral funding as contingency plan
Component III: PSD			
Use of notional earmarking and thus enhanced alignment results in mismanagement of funds	Medium	Opportunities for inappropriate use of funds	1) Notional earmarking will only be introduced when institutions meet capacity criteria 2) Using of project accounting till capacity is in place
Use of notional earmarking enhances political risk of Danish funding being used for unwanted activities	Low	Danish funding used against Danida policies	1) Use of notional earmarking will limit funding to elements of workplan that are consistent with Danish funding 2) Opportunity for project accounting will ring fence Danish funding

Annex A: Component 1 - Drivers of Accountability Programme

Annex B: Component 2 - Support to Public Financial Management

Annex C: Component 3 - Support to Peace, Security and Development

Annex D: Overall Budget

Component	2010	2011	2012	2013	2014	2015	Total
Immediate objective I							
GGP	0	3500	4500	2500	2500	2000	15000
Elections	0	6000	11000	3000	3000	3000	26000
Civil society	0	7000	9000	7000	4000	4000	31000
DAP mgt. and review	0	1500	1500	1800	1500	1700	8000
DAP (Total)	0	18,000	26,000	14,300	11,000	10,700	80,000
Immediate objective II							
PFM (SBS)	0	6,500	7,250	7,250	7,000	7,000	35,000
PFM (TA)	0	1000	1000	1000	1000	1000	5,000
Total PFM	0	7,500	8,250	8,250	8,000	8,000	40,000
Immediate objective III							
PSD (Grants)	2,250	4,250	4,630	5,015	4,795	4,740	25,680
PSD (TA)	850	750	820	960	480	360	4,220
Reviews			350		350		700
Unallocated							
Total PSD	3,100	5,000	5,800	5,975	5,625	5,100	30,600
							0
Unallocated till 2012			5,000	5,000	5,000	5,000	20,000
Sub-total programme							170,600
Reviews etc.	0	500	1,700	500	1200	500	4,400
							0
Grand total	3,100	31,000	46,750	34,025	30,825	29,300	175,000

Budget overview with external contributions

In DKK 1,000

Component	2010	2011	2012	2013	2014	2015	Total
Component I - DAP							
Danida	n/a	18,000	26,000	14,300	11,000	10,700	80,000
Other donors*	n/a	35,192	38,192	38,192	33,192	31,192	175,960
Total							255,960
Component II - PFM							
Danida	n/a	7,500	8,250	8,250	8,000	8,000	40,000
Sida	n/a	tbd	tbd	tbd	tbd	tbd	tbd
GoK**	987	987	tbd	tbd	tbd	tbd	tbd
Total		tbd	tbd	tbd	tbd	tbd	tbd
Component III - PSD							
Danida	3,100	5,000	5,800	5,975	5,625	5,100	30,600
							0
Unallocated till 2012			5,000	5,000	5,000	5,000	20,000
							0
Sub-total programme							170,600
							0
Reviews	0	500	1,700	500	1200	500	4,400
Grand total (Danida only)	3,100	31,000	46,750	34,025	30,825	29,300	175,000

* Based on the exchange rate of 3 December 2009 ** Without recurring

Annex E: Process Action Plan

Activity/Output	Timing	Unit responsible	Status
Appraisal and post-appraisal phase			
Draft Danida Programme Support Document submitted for appraisal	August 2010	Representation	Available
Appraisal report	August 2010	TAS/Representation	Available
Final Danida Programme Document	September 2010	Representation	Available
Board Presentation Note forwarded to the Board of Danida	October 2010	Representation	Done
Meeting of the Board of Danida and minutes	November 2010	MFA/HUC	Available
Formal agreement with partners (including JFAs and Government to Government MoU)	November/December 2010	Representation	To be undertaken

Annex F: Overview of KGGP Interventions and Relevance vis-à-vis KGSP

Intervention	Lessons learned	Decision on inclusion in KGSP
GJLOS	Reform of GJLOS is key for ending impunity and ensuring rule of law in Kenya. Since 2005, GoK has not been able to take reforms within this programme forward and commitment has been generally weak. Consequently several donors have so far decided not to renew their support for a possible new phase, while some are still considering. A key agent for reform will be a Judiciary which is independent of the Executive, which is included in the new constitution	Lack of commitment to reform is a main reason for non-inclusion of GJLOS in KGSP at this stage. Instead focus will be on actors stimulating needed reforms (demand-side, regulatory and oversight). The new constitution may however pave the way for renewed commitment to reform. In this case the 2012 review may decide to reengage KGSP with GJLOS
PFMR	The 2008 PEFA progress report shows improvement within key PFM areas from 2006 to 2008. GoK remains committed to continue reform. GoK has been less interested in utilizing the World Bank managed basket fund which is not fully aligned with GoK procedures	PFM is included in the KGSP as PFM reforms continue to be relevant and progress can be expected.

Intervention	Lessons learned	Decision on inclusion in KGSP
PSR	PSR has in the past years been a high priority of GoK with substantive progress in the past. Progress has however been slower since 2008. The intervention (and the new draft strategy) however remain relevant. There are concerns with the UNDP basket fund management setup which form the basis of a PIU and which is not fully aligned with of in sync with GoK systems and procedures.	The initial recommendation is for Denmark to discontinue support to PSR as: (1) Denmark is a small contributor to PSR, (2) the need to focus and promote division of labour between donors, (3) the challenges related to UNDP implementation.
Election Commission (EC)	The previous EC was criticized for partiality in the 2007 elections and for lack of clear independence from the Executive. The successor, IIEC has performed beyond any expectations.	The establishment and success of IIEC paves the way for continued Danish funding. Funding will be provided through DAP.
NCEP	Denmark has funded NCEP in the last two phases. A recent review found NCEP relevant but with an increased need for focusing activities.	Denmark will continue to support NCEP as the objectives continue to be relevant and as NCEP moves towards a fully national owned institution. Funding will be through DAP.
Five CSOs working on human rights	During KGSP, Denmark initiated core funding to strategic CSOs working with human rights and access to justice. The experience was overall positive with progress against targets as it allows organisations to focus and reduces their transaction costs	Denmark will continue to provide core funding to strategically placed CSOs in Kenya through DAP. This will most likely include some of the current five organisations.

Intervention	Lessons learned	Decision on inclusion in KGSP
Three PFM CSOs	Denmark has funded three demand-side PFM organisations outside KGGP. They all have relevant focus and are effective in meeting objectives.	Denmark will continue to fund demand-side PFM through DAP. This will most likely include one of the initial three CSOs.
PSD	Denmark has funded five coastal CSOs working on PSD through the local grant authority. All have contributed to enhanced PSD in the areas of support (including in the post-election period), though not in a coherent manner	Denmark will support the PSD CSOs in a coherent manner in KGSP as a separate component.
DAP	DAP is being designed under KGGP and is currently implementing strategic pilots to inform the future implementation. The programme is designed to enhance harmonization and lower transaction costs	Denmark is a key donor to DAP under KGSP

See also the KGSP Identification report, May 2009.

Annex G: Gender Rolling Plan

Annex H: National Accord Agenda 4 Progress

Agenda Item No.4		
Elements	Progress	Analysis
<p>Constitutional , legal and institutional reforms</p>	<p>Committee of Experts established in February 2009 A Harmonized Draft Constitution released for public debate in November 2009 Interim Independent Constitution Disputes Court established Task Force on Judicial Reform Report released Task Force on Police Reforms report released Parliament adopts new Standing Orders with enhanced oversight role for Departmental Committees & increased participation in the budget process New Constitution enacted and implementation process begins</p>	<p>The GoK has passed legislation and established commissions and task forces to carry out the reforms under Agenda 4. The timing and sequencing of the work of these bodies appear un-coordinated with little time to for implementation.</p> <p>GoK remains fragile owing to the contests for power among various factions within Government. As a consequence, contradictory messages are sent to the public as exemplified by its handling of the appointment of senior KACC management, the Mau evictions, and the request for reference to the ICC of post election violence crimes.</p> <p>The Executive has started implementation the new constitution by forming a Cabinet sub-committee to oversee this. This sub-committee was not envisaged in the new constitution as a key implementation agency and hence it is seen as interference with the work set out for the yet to be constituted and operationalized</p>

Agenda Item No.4		
Elements	Progress	Analysis
		<p>Parliamentary Committee on the Implementation and Oversight of the Constitution and the Commission for Implementation of the Constitution.</p> <p>So while bureaucratic measures for reforms are being produced, there is not a clear political will to carry through the substance of reforms. The recent successful conclusion of the constitutional review process may, however, signal a new beginning.</p>
Land reforms	<p>The National Land Policy adopted by the Cabinet</p> <p>GoK begins evicting settlers in the Mau Forest Complex in November 2009</p> <p>Chapter 6 of the new Constitution addresses Land and Environment.</p>	
Tackling poverty and inequality, and combating regional development; addressing youth issues	<p>First Medium Term Plan (2008-2012) of the Vision 2030 launched with ambitious targets for economic growth</p> <p>A youth employment programme (Kazi kwa Vijana) worth Ksh 5billion has been launched</p> <p>An Economic Stimulus Programme steered by the Ministry of Finance has been launched.</p>	
Consolidating national cohesion and unity	<p>National Cohesion Commission is established under law</p> <p>A Truth, Justice and Reconciliation Commission is established in July 2009</p>	
Addressing transparency, accountability and impunity	<p>In June 2009 an International Crimes Act is made law to domesticate the Rome Statute on</p>	

Agenda Item No.4		
Elements	Progress	Analysis
	<p>the International Crimes Court A new management for the Kenya Anti-Corruption Commission is appointed following a dispute between the President and Parliament over the interpretation of the law.</p> <p>GoK declines to refer crimes committed during the post election violence to the International Criminal Court and the Prosecutor makes the reference himself.</p>	

Annex 1: Key Indicators of the programme

As the Kenya Governance Support Programme can be characterized as a portfolio programme, the evaluation and monitoring will be done at objective (component) level. The indicators are developed in preparation for both evaluative and monitoring purposes. The indicators are accurate, specific, measurable, realistic and time bound. The majority of the indicators are derived directly from the national Sector Performance Standards (SPS) as the basis of the monitoring system of the national development plan, Vision 2030.

Objectives	Indicator	Source	Notes
A democratic political system that is issue-based, people-centred, result orientated and accountable to the public	Accountability and corruption	Mo Ibrahim Foundation ¹⁰	Score was 32.5 in 2008/9, down 3.5 from 2007/8
	Index of government effectiveness	World Bank Institute ¹¹	Score was -0.57 in 2007, -0.66 in 2009
	Progress on implementation of constitution	Constitution Implementation Committee	The CIC is a new body in the process of being set up so no data available yet.
Component 1			
Improved government accountability to Kenya's citizens	World Bank voice and accountability index	World Bank documents	Stated baseline of -0.16 for 2008; stated targets of 0 for 2012 and 0.20 for 2014; specified World Bank source.
Decreased levels of impunity by public institutions and appointed & elected officials	Kenya police bribery index	Transparency International Kenya bribery index.	Stated baseline of 57 in 2008; stated target of 45 in 2014;
	% increase in number of public complaints addressed by the relevant Ministry (disaggregated by Ministry, topic etc.)	OPM Sector Performance Standards 2009-2030, p167	Baseline stated per ministry. Data source: Public Complaints Committee.
	% increase in number of reports of Anti-Corruption Agencies that are considered and implemented	OPM Sector Performance Standards 2009-2030, p178	Stated baseline of 0% for 2009; stated annual targets for 2010, 2012 and 2030; no specified data source.

¹⁰ www.moibrahimfoundation.org

¹¹ http://info.worldbank.org/governance/wgi/sc_chart.asp

	Public trust of politicians index (disaggregated by gender, ethnicity, etc)	OPM Sector Performance Standards 2009-2030, p186	Stated baseline of 2.1 for 2009; stated annual targets for 2010, 2012 and 2030; no specified data source.
Principal constitutional and electoral reforms implemented by the next general election with majority of legal provisions by 2014	Proportion of women recruited in the public sector	National Reporting Framework for Vision 2030, p12	Stated baseline of 28% for 2007; stated targets for the next 5 years; data source specified as 'MOGC&SD annual reports'.
	% women in parliament and on local authorities	National Reporting Framework for Vision 2030, p54	Stated baseline of 10% for parliament and 15.6% for local authorities for 2007/08; stated targets of 30% for 2012/13.
Responsive service delivery enhanced and underpinned by an increase in citizens' perception of their participation in decision making	% of citizens who perceive that MPs and Councillors satisfactorily listen to community concerns (disaggregated by gender, ethnicity, etc)	Citizens satisfaction Survey	Stated baselines of 59% for councillors and 46% for MPs for 2008; stated annual targets for 2011 and 2013; specified Afro-barometer source. 12
	% increase in public members aware of government policies and programmes through awareness campaigns (disaggregated by gender, ethnicity, etc)	OPM Sector Performance Standards 2009-2030, p167	Stated baseline of 10% for 2009; stated annual targets for 2010, 2012 and 2030; no specified data source; measures awareness not participation.
Component 2			
Maintaining macro-economic stability and accelerating growth, and developing transparent, accountable, ethical and results-oriented government institutions	Annual growth rate of GDP	National Reporting Framework for Vision 2030, p6	Stated baseline of 7.1 for 2007; stated targets for the next 5 years; data source specified as 'economic survey'.
	GDP per capita in US\$ (disaggregated by gender, ethnicity, region etc)	National Reporting Framework for Vision 2030, p6	Stated baseline of US\$ 792 for 2007; stated targets for the next 5 years; data source specified as 'economic survey'.

¹² To include perceptions about non-elected officials such as chiefs or district officers, we would have to add questions to the survey.

Strengthened PFM systems that enhance transparency, accountability and responsiveness to public expenditure policy priorities	Annual increase in revenue collection on account of improved compliance	PFM M&E Framework (draft)	Stated target of KShs 15 billion per annum
	Quality and timeliness of public financial statements index	PEFA & PFM M&E Framework (draft)	Stated baseline of D+ for 2008/09;
	Legislative scrutiny of external audit reports index	PEFA & PFM M&E Framework (Draft)	Stated baseline of D+ for 2008; stated target of B for 2015;
Component 3			
Peace and security promoted as the basis for democratic development at the coastal areas of Kenya	% annual decrease in number of citizens engaged in violent conflicts compared to 2010	Project reports	Stated target of 25% reduction by 2015;
	% annual decrease in reported cases of violence at the community level in areas with peace agreements	Project reports	Stated target of 30% reduction by 2015,;
Enhanced engagement with government agencies and other stakeholders to address issues of peace and security	% representation of women and youth on all peace committees at the coast	Project reports	Stated target of one third women representation and one third youth representation by 2012.
	Number of constituencies with peace committees	National Reporting Framework for Vision 2030, p53	Stated baseline 2007; stated targets for the next 5 years;
	Number of CSOs, religious groups, private sector and members of the public participating in reforms dissemination and information sharing and feedback forums	Police Reforms Programme 2010-2013 Police Reforms Implementation Committee Report (Logframe) July 2010	

Annex J: Alignment Risks Related to PFMR

Area	Description - present status	Risk level by using GoK system instead	Scope for improved effectiveness - for further alignment, harmonisation, and focus on results
Foundation in national plans/strategy	The PFMR basket fund directly supports Government's reform programme for the sector, it funds workplans drawn from the Strategy to revitalise Public Finance Management, which is mentioned in the National Medium Term Plan and Vision 2030. However the workplans have tended to highlight only those activities funded by the PFMR basket fund	Low risk as GoK is expected to produce clear plan with priorities and costing	By including all the PFMR related activities funded by Government and other development partners within one integrated workplan
Monitoring system	The annual (and current 6 month) workplans are used as the monitoring framework and are reviewed jointly by GoK and donors on a biannual basis	Low. Monitoring system is already in use	By developing a comprehensive monitoring and evaluation framework which includes inputs / activities, outputs and outcomes

Area	Description - present status	Risk level by using GoK system instead	Scope for improved effectiveness - for further alignment, harmonisation, and focus on results
Result based indication	Monitoring of the present PFM strategy has so far focused on inputs and activities	Moderate. It is expected that GoK will be open for increasing focus on results rather than inputs	By shifting the emphasis of the monitoring, reporting and dialogue towards results and outcomes
Management and coordination set-up	<p>The PFM Steering Committee has the role of strategic guidance, oversight and cross-government co-ordination</p> <p>The PFM secretariat has the main role in the operational coordination and budget allocation of PFMR funds within the sector.</p> <p>The coordination focuses on activities under the PFMR strategy but has tended to concentrate mainly on the activities funded by the WB managed PFMR basket fund</p> <p>A Joint (donor and GoK) Working Group is supposed to support technical co-ordination but is yet to convene</p>	Low	By complete establishment and operations of the PFMR management and co-ordination set up

Area	Description - present status	Risk level by using GoK system instead	Scope for improved effectiveness - for further alignment, harmonisation, and focus on results
On-budget	The PFMR basket fund is on-budget and included in the budget framework paper	Low	PFMR basket funds are on-budget. However annual workplans and budgets could be better aligned with the budgeting cycle to ensure accurate reflection
On-parliament	The PFMR basket fund is included in the budget framework paper presented to parliament	Low	PFMR basket funds are included in the budget framework paper and hence presented and approved by Parliament.
On-treasury	The PFMR basket funds are disbursed to a separate sub-account of the Ministry of Finance	Moderate to high	By integrating future support directly into the Ministry of Finance consolidated account, stronger ownership could be achieved which could also induce greater consideration of the coherence between development and recurrent requirements to increase the sustainability of reforms. This approach may require additional audits as a safeguard
On-accounting	The PFMR basket fund is accounted for separately	Moderate to high	By using Government accounting classifications and procedures
On-audit	The PFMR basket fund is by the Auditor General and by independent external auditors		By using the Auditor General audit reports (however in the short term independent external auditors would be required to provide the necessary fiduciary safeguards of a more aligned funding modality - and could be phased out over time)

Area	Description - present status	Risk level by using GoK system instead	Scope for improved effectiveness - for further alignment, harmonisation, and focus on results
Reporting	Separate reporting and auditing of PFMR funds	Moderate	By using the reporting systems established within the PFMR management structure – particularly the quarterly reporting to the Steering Committee
Procurement	Procurement follows a combination of GoK and WB procedures for national procurement and WB procedures for international tendering	Moderate	By using GoK procurement procedures only for national procurement
Harmonised donor positions and support	Five key donors have been harmonised within the WB PFMR basket fund arrangement, but this has been traded off with greater alignment. Other donors adopt different bilateral approaches.	N/A	Enhanced harmonization could be achieved by promoting greater alignment from the partners providing bilateral support, whilst discouraging the proliferation of different approaches. A more effective donor response could be achieved by harmonizing donor approaches to disbursement based on performance against robust indicators within a comprehensive M&E framework

Annex K: SBS Assessment

Governance

- Good governance, encompassing a minimum respect for human rights, a free press, pluralistic democracy and rule of law, including independence for the judiciary.

The latest 2007 elections were determined by the Kriegler Commissions to have been flawed, and the outcome of the Presidential election could not be verified. The post-election violence agreement of the formation of a Grand Coalition Government has rendered Kenya without an official parliamentary opposition. Kenya has a fairly free and vocal press, which serves as an important watchdog in society. Accountability of the state is however weak and the powers of the executive are extensive coupled with a lack of a clearly independent judiciary. Kenya has ratified all major treaties but human rights abuses are extensive (latest documented by the UN report on extra-judicial killings by the Kenyan Police) and impunity strife. A draft constitution which would significantly enhance the governance landscape in Kenya was approved in August 2010.

- Anti-corruption with implementation of prevention and control measures, as well as follow-up with a view to improving the country's standing in the international corruption league table.

Kenya ranks 147 in Transparency International's Corruption Perception Index together with Bangladesh. The civil service is perceived as corrupt and inefficient, with top officials accused of ethnic favouritism. In the last year alone, the Kenyan newspapers have exposed mismanagement and possible misuse of GoK funds by ministers and GoK officials related to food aid, education aid and fuel . Kenya has an anti-corruption commission (KACC), which Denmark has supported in the past, but which has not been effective. No prosecutions have been achieved for grand corruption scandals despite significant evidence being adduced in public hearings. The high degree of corruption is one of the main reasons for the relatively low level of Foreign Direct Investments to Kenya. (see DFID Kenya Governance Assessment 2008 and ODI Power and Change analysis for Kenya 2008).

Poverty reduction policies

- Solid poverty reduction strategy and the will to implement it.

Kenya has introduced a vision for the development of the country till 2030 called Vision 2030. Vision 2030 is supported by five years Medium Term Plans (MTP). The 2008-2012 MTP has comprehensive analysis of the development needs and

prioritised support. However the monitoring and evaluation framework is weak.

The MTP is supported by sector wide strategic plans, most of which have been formulated. However, commitment to implementing key governance reforms within the current MTP are lagging behind, in particular in areas such as justice and police reform.

- Positive experiences with development cooperation generally and budget support specifically, as well as ongoing documentation of concrete development results.

Denmark has a long development experience with Kenya. In the last five years emphasis has been on supporting the governance sector through GJLOS and public sector management basket funds. While there has been some progress within PSR and PFM, reforms under GJLOS have come to a stalemate. There is no previous Danish experience with the provision of budget support or SBS to Kenya. Other donors, including the World Bank, have so far refrained from the provision of direct budget support. An alignment study has been commissioned by Denmark.

Public finance management

- The Finance Act process, with publication of budget and accounts, as well as parliamentary consideration.

The 2008 PEFA report assess that the budget has become a more ‘credible’ instrument in terms of budget allocation, revenue collection and distribution of resources. However the report also finds a need for improving allocative efficiency. Furthermore functional reporting does not take place. Parliament is involved in the budgeting process, albeit at a very late stage but in accordance with the constitution.

Overall Kenya has improved its performance in the budget process since 2006, most significantly in the budget credibility (scoring: A) with some setbacks related to the extent of unreported government operations (scoring: D).

- Rules for public procurement broadly in accordance with international standards.

A new public procurement regulation was gazetted in 2005 and operationalised in 2007. The regulation makes it mandatory to use open tenders for procurement with clear separation of duties of accounting officers, tender committee, evaluation committee as so forth. The PEFA 2008 found that efforts were being made to comply with the regulations but that there are ‘non-compliance challenges’. There are still cases of state employees acting behind front companies and leaking of qualified information.

- Presence of an independent National Audit Office or similar functioning inspection body.

Kenya has a National Audit Office (KENAO) with a mandate of authorization of issues from exchequer account and audit of all Government accounts, Courts, commissions and bodies (see below)

- Expert appraisal of quality and capacity in public finance management.

The PEFA 2008 report also found that the Internal Control system, including commitment control, has not been very effective and found evidence of the occurrence of many deficiencies. Furthermore, the report highlights poor status of annual financial statements reflecting mismanagement and poor control. Furthermore poorly functioning Parliamentary oversight as a consequence of a weak constitution will need to be addressed as part of the constitutional review.

Progress has however occurred in PFM, including the initiation of the rollout of IFMIS after the successful rollout of IPPD. Outdated legislation has or is in the process of being revised, such as the Government Financial Management Act and the Public Procurement Act.

Partnership

- Mutual observance of agreed obligations.

In the PFM sector there has in the past been good cooperation though the PFMR programme. However the utilisation of the funds have not been optimal and opportunities for enhanced alignment and harmonisation through alignment should be explored in the future.

- Consensus among all budget support donors regarding approach (incl. rules for transfer and monitoring) and conditions for general budget support.

No budget support has been provided by like-minded donors so far.