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African Development Bank

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An IDEV **Country Strategy Evaluation**

Kenya: Evaluation of the AfDB's Country Strategy and Program (2014–2023)

Executive Summary

AFRICAN DEVELOPMENT BANK GROUP

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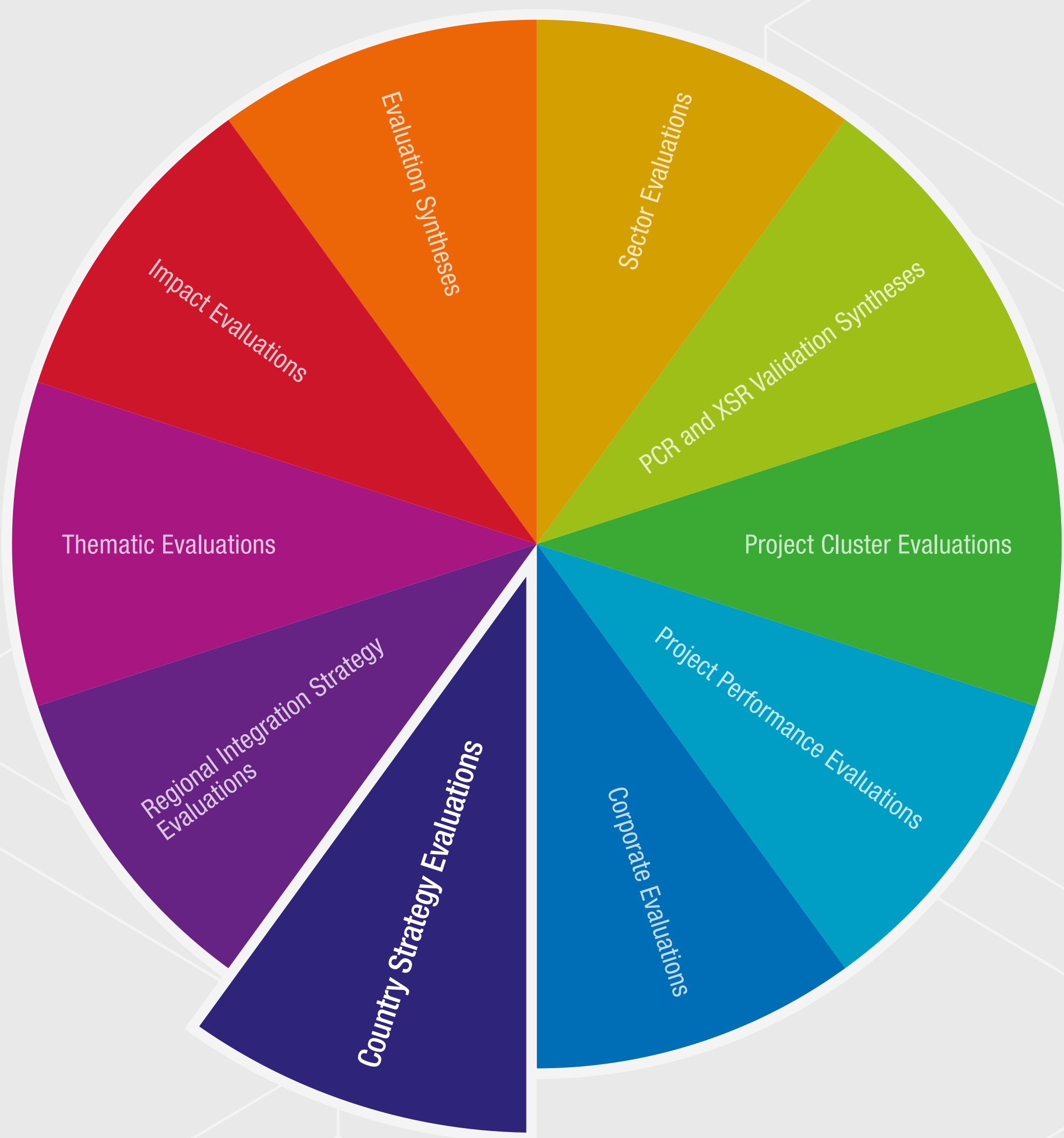

Executive Summary

Introduction

This report summarizes the key findings, lessons, and recommendations of an evaluation of the African Development Bank Group's (AfDB or "the Bank") country strategy and program in Kenya from 2014 to 2023. Over this period, the Bank formulated two Country Strategy Papers (CSPs): the CSP 2014-2018 and the CSP 2019-2023. Each CSP focused on two key objectives. For the CSP 2014-2018, the objectives were to: (i) enhance physical infrastructure for inclusive growth; and (ii) develop skills for the emerging labor market in a transforming economy. For the CSP 2019-2023, the objectives were to: (i) support industrialization; and (ii) enhance skills and capacity development. Under these two CSPs, the Bank approved a total of 59 projects, amounting to Units of Account (UA) 2.96 billion. The Bank's interventions were mainly comprised of sovereign operations, which represented 78 percent of the portfolio (UA 2.3 billion), while non-sovereign operations accounted for the remaining 22 percent (UA 637.2 million). The Bank's interventions were spread across seven sectors. The transport sector received the largest share of the portfolio (32 percent), followed by water supply and sanitation (18 percent), finance (17 percent), power (13 percent), multi-sector (10 percent), agriculture (6 percent) and the social sector (4 percent).

The main purpose of this evaluation is to inform the design of the next CSP (the CSP for 2024-2028). Accordingly, the evaluation has three objectives: (i) to assess the Bank's contribution to Kenya's development results; (ii) to identify what worked in the Bank's programs, what did not, and why; and (iii) to make recommendations for future strategies and programs.

The evaluation framework is organized around four main Evaluation Questions that guided data collection:

i. Development results: What has been achieved by the Bank compared with what it set out to achieve? This area examines the relevance, coherence, effectiveness, and sustainability of the Bank's interventions, and cross-cutting issues. It also explores the effects of the COVID-19 pandemic and other global events (Russia's invasion of Ukraine[1], Horn of Africa droughts, global financial tightening of 2023, etc.) on the Bank's interventions and the country's development achievements.

ii. Managing the Bank's interventions: How and why were the development results achieved or not? This area focuses on efficiency, partnership, and managing for development results aspects of the Bank's support.

iii. Borrower's performance: This area assesses the contribution of project executing agencies, the sector ministries and others responsible for project/program design and implementation.

iv. Drivers of success and lessons: This area examines the key facilitating or constraining factors for achieving development results. This results in key lessons and recommendations to inform future strategies and programs.

Methodology

The evaluation used a theory-based approach to assess the extent to which the Bank's interventions under each pillar of its two CSPs designed and delivered a relevant response to Kenya's development challenges. The evaluation applied international standard evaluation criteria for relevance, coherence, effectiveness, sustainability, and efficiency. It used a four-point scale[2] to rate performance against these criteria. It used five methods to gather data: (i) desk reviews of key documents; (ii) portfolio reviews; (iii) interviews and focus group discussions; (iv) project results assessment; and (v) case studies of seven projects.

The evaluation encountered some limitations and challenges, which included: (i) limited availability of interviewees; (ii) incomplete institutional memory; and (iii) limited document availability. The evaluation team managed to overcome these limitations through triangulation of information from multiple sources, applying the evaluation criteria, and addressing the evaluation questions to a significant extent.

Key Evaluation Findings

Relevance and design

The evaluation found the Bank's support to be well aligned with Kenyan policy, namely its Vision 2030 and its Medium-Term Plans. The Bank's goals were aligned with Vision 2030's objective to revitalize the economy by developing infrastructure and supporting the small and medium enterprise (SME) sector (economic pillar of Vision 2030). Furthermore, the Bank's agriculture and finance sector projects, and the importance given to industrialization, skills development and job creation, reinforced a focus on specific sectors, which were aligned with the six priority sectors identified in Vision 2030: Tourism; Agriculture, Livestock and Fishing; Wholesale, Retail and International Trade; Manufacturing; Business Process Outsourcing; and Financial Services. In addition, the evaluation found that the Bank's strategic priority areas at the country level were also well aligned with its own strategies and policies. Bank support to Kenya was found to be well aligned with the Bank's Ten-Year Strategy (2013-2022) and the High 5s.

Interviews and project results assessments also showed that the Bank aligned its support with the needs of beneficiaries and country institutions. Interviews with direct beneficiaries indicated that road and agriculture projects helped them in accessing markets and ensuring timely delivery of agricultural products. In the **water supply and sanitation** (WSS) sector, the water service providers and direct beneficiaries were found to have appreciated the Bank's support through the Kenya Towns Sustainable Water Supply and Sanitation Program, which improved services in multiple towns in Kenya. In the **energy** sector, many new customers connected to the electricity grid. In the finance sector, lines of credit (LoCs) were found to be relevant and met beneficiaries' needs for affordable financing. The Bank's interventions were also assessed as taking into account the Government's and implementing agencies' needs related to capacity building.

The evaluation also found that interventions were adapted over time to respond to changing country and global circumstances. The Bank responded quickly to global events by designing fast-disbursing Program-Based Operations (PBOs) in response to external shocks (e.g., the COVID-19 pandemic, Russia's invasion of Ukraine, economic and financial crises).

However, the evaluation found that the Bank's CSP 2019-2023 set overambitious objectives. For example, the CSP 2019-2023's objective was to promote structural transformation through supporting industrialization. Within the Kenyan economic context, industrialization mostly refers to a process of investment decisions taken by the private sector. Since the Government's role in industrialization is largely limited to enabling private sector activity, rather than directly driving private investment, it is questionable as to what extent the Bank's objective was realistic.

Overall, the **relevance** of the Bank's strategies and programs is rated **satisfactory**.

Coherence

The evaluation found significant internal synergy within each sector of support. The Bank provided successive budget support to tackle the impacts of the COVID-19 pandemic and support the economic recovery program. In addition, coordination and synergy in the **infrastructure** sectors were found to be strong. However, the evaluation identified weak collaboration between sectors in maximizing synergies and portfolio coherence. For instance, the Enable Youth project in the **agriculture** sector and finance projects could have complemented each other in linking trained youth participants to affordable credit from LoC funding, but did not.

The evaluation identified strong coordination with other Development Partners (DPs) at the project level. However, external coherence is a challenge at the sector level given the multiplicity of actors and the limited capacity of Kenyan counterparts to coordinate them. For instance, many DPs are now involved in skills development, including the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), the World Bank, Swiss Connect, the Korean Development Agency, the European Union (EU), and more recently the Canadian Aid Agency.

Overall, the **coherence** of the Bank's strategies and programs is rated **satisfactory**.

Effectiveness

Project results assessments and stakeholder interviews confirmed that the Bank's interventions in the **transport** and **energy** sectors helped reduce transport and energy costs, which are key enablers for private sector activity and industrialization. For example, the transit time from Mombasa Port to the Malaba border declined by 16 percent (above the target of 15 percent) from 68 hours in 2017 to 57 hours in 2019, and to the Busia border from 69 hours in 2017 to 66 hours in 2019 (NTCO, 2020). The Isiolo-Moyale axis saw an impressive travel time reduction to an estimated 6 hours from the initial two days before project construction.

In the **energy** sector, the Lake Turkana Wind Power project and the Kenya-Ethiopia electricity highway are currently providing 475 MW to Kenya's electricity generation capacity. Recent data on tariffs show that the cost of energy has effectively dropped, with industrial commercial tariffs from Commercial Industry 1 to Commercial Industry 5 having dropped between 9 and 14 percent since 2018, using off-peak energy. The implementation of this off-peak tariff was made possible in a large part due to the provision of cheap renewable off-peak wind energy such as that produced at night by the Lake Turkana Wind Power Project. In addition, the Last Mile Connectivity Project connected 531,979 additional households in phase 1 and 2 (against a target of 651,454 households).

In the **WSS** sector, about 1.5 million people were provided with access to safe WSS services, although this is well below the CSP's target of 4.3 million. Available data indicate that the number of people connected to safe pipe water increased to 63 percent, which is below the target of 66 percent. In sanitation services, an additional 1.47 million individuals gained access to sanitation facilities, which contributed to the increase in the proportion of people connected to sanitary facilities to 25.5 percent, slightly below the target of 26 percent.

In the **agriculture** sector, project results showed a reduction in food losses as the Bank financed aggregation facilities that were equipped with cold chain infrastructure to preserve the shelf life of fresh agricultural produce. For example, the Small-Scale Irrigation and Value Addition Project (SIVAP) exceeded expectations by reducing post-harvest losses of goat meat, achieving a notable reduction of 5,495 livestock units (livestock off-take per year), surpassing the target (4,913), and reduced poultry losses by 10,684, in line with the initial target. It also achieved a milk loss reduction of 180,435 liters (target of 195,535 liters). In terms of agricultural productivity, SIVAP has already achieved its objectives for crops such as French beans (11 tons per hectare) and watermelon (25 tons per hectare), and it is on track to meet its objectives for green maize, bananas, and tomatoes. The evaluation identified that irrigation projects constructed through the Bank's projects also attracted horticulture companies to engage farmers in contract production.

In the **finance** sector, the Bank achieved satisfactory results at intervention level. Interviews with AfDB staff indicated that targets regarding job creation are expected to have been reached, or to be on course to be reached, by the end of the projects. For example, project documents showed that the Diamond Trust Bank LoC resulted in 3,000 permanent jobs created and sustained by the subprojects of the LoC. However, the monitoring data did not allow to conclude on the share of jobs that were created per type of business (small, medium, corporate), and sometimes did not differentiate between jobs created within the intermediatory banks or within subprojects. Furthermore, the evaluation found that LoCs have only marginally benefited micro-enterprises. The majority of beneficiaries, primarily SMEs, were favored due to the predominant lack of focus on micro-enterprises among the banks to which the AfDB extended LoCs. Micro-enterprises themselves demonstrated limited engagement with these banks to access credit.

In the **multi-sector**, the Bank was found to have played a positive role in providing fiscal space for government public investments and promoting reforms related to industralization and private sector development. The overall fiscal balance as a percentage of Gross Domestic Product (GDP) narrowed, from -8.1 percent in 2020 to -6.9 percent in 2022 (slightly short of the target of -6.6 percent). However, the Bank did little to address the more governance-related bottlenecks affecting infrastructure development in Kenya, such as corruption.

The Bank supported **skills development** through training in Technical Vocational Education and Training (TVET) institutions. The Bank visibly contributed to the development of infrastructure and equipment for skills development at post-secondary education level. In addition, the number of Technical Training Institutes with a complete set of the required equipment in engineering and applied sciences reached 33 as per the initial target. The proportion of employed TVET graduates was 77 percent compared with the target of 60 percent. Interviews, however, showed that only limited efforts were made to ensure that the training provided was aligned with the needs of the labor market. Representatives from the private and public sectors were not involved adequately in curriculum development, equipment choice (in line with curricula), and training through enterprise attachment, for both students and teachers.

Overall, the evaluation rated the **effectiveness** of the Bank's strategies and programs as **satisfactory**.

Knowledge and policy advice

The Bank's policy dialogue in Kenya was mainly focused on addressing fiscal risks by enhancing revenue mobilization and expenditure rationalization, and on debt risks by improving debt management. This was largely undertaken through PBOs: the Competitiveness and Economic Recovery Support Program (CERSP) I and II. However, the evaluation found that the full potential of the dialogue associated with PBOs was not realized. The Bank developed a dialogue with the Government of Kenya (GoK) through the CERSP I and II regular supervision missions, but this dialogue occurred more at a technical than a political level. It was also largely limited to project-related issues, with little effect on broader, socio-economic development-enhancing reforms.

Gender

The evaluation found that, overall, the Bank adequately mainstreamed gender in each sector of intervention, despite some shortcomings. For example, in TVET, the gender balance for students was satisfactory, although this was not the case in relation to tutors. Within the engineering and applied sciences programs, 2,342 women were trained in entrepreneurship skills, well exceeding the target of 1,000 women. However, in the staff trained at Master and PhD levels under the TVET Phase I project, women represented 26 and 21 percent, respectively, which was below the target of 30 percent. Other interventions in agriculture, infrastructure and access to finance also presented a fair degree of social inclusiveness. Women (and youth) were particularly well represented in the access-to-finance project, though data were lacking for some projects on the gender balance of end beneficiaries (clients in the beneficiary banks). However, none of the supported sectors was found to have conducted a gender analysis in relation to the position of women within the sector and the specific constraints that they faced in terms of reaching gender equality.

Environment and climate change

The Bank's program was found to have made a significant contribution to environmental preservation and particularly to climate change mitigation by focusing on clean renewable energy. For example, the program funded solar energy production through the Kopere 40 MW Solar Project, geothermal energy production through the Quantum Power Menengai 35 MW Geothermal Development project, and wind power production through the Lake Turkana Wind Power project. In addition, the Bank supported the establishment and implementation of the Green Economy Strategy and Implementation Plan 2016–2030. The Bank also supported irrigation and value addition in the agriculture sector, which helped farmers, particularly in arid and semi-arid areas, to build resilience to climate change.

Sustainability

The evaluation found the infrastructure and equipment put in place through the Bank's investments to be technically sound. During the interviews and site visits, the evaluation team noted no issues with the technical soundness of any of the investments, whether in transport, power, WSS, TVET or agriculture. Similarly, infrastructure from past AfDB interventions and previous phases of programs was still in use.

In addition, the Government's financial capacity to maintain infrastructure and related equipment was, or is likely to be, satisfactory in the energy, TVET and agriculture sectors. In road transport, however, while the capacity to maintain the road network increased, gaps still exist compared with the maintenance needs of the total road network in the country. Also, there are concerns regarding the high level of non-revenue water in the WSS sector. In addition, inadequacy in compensating the people affected by projects was encountered in the transport sector. Despite these shortcomings, the likelihood of **sustainability** of the Bank's strategies and program is rated **satisfactory** overall.

Efficiency

Most of the Bank's interventions encountered delays in project start-up and during implementation. The evaluation found that the project start-up process, particularly from its approval to signature, was lengthy. The project data show that about 76 percent of the operations between 2014 and 2023 were considered delayed, by an average of five months. Although the evaluation found little evidence on cost-benefit analysis after projects' completion, interviews with partners yielded general concerns over the high cost of investment in infrastructure projects. On balance, the **efficiency** of the Bank's strategies and programs was rated **partly unsatisfactory**.

In terms of **partnerships and leverage**, the Bank mobilized resources from other Development Partners and the private sector. In **managing for development results**, the evaluation found that shortfalls still exist at the CSP pillar level although results measurement and reporting are clear at the operations level.

Lessons

Lesson 1: Job creation and industrialization, as strategic objectives in the second CSP, proved to be overly ambitious for a program that provided an average of less than 0.2 percent of GDP in annual approvals during the 2014-2023 period.

The evaluation team found that the Bank registered considerable progress in several aspects of infrastructure development and private sector development. In retrospect, these two areas may have been more appropriate as strategic pillars for the support that the Bank planned and delivered over the past decade. Industrialization and job creation are affected by many more factors than the Bank support could reasonably address.

Lesson 2: Strong counterpart involvement, an emphasis on strategic investments, and a long period of engagement with key institutions in the infrastructure sectors, contributed to impressive results in these sectors.

The benefits from continuity and multi-pronged engagement were assessed to be particularly notable in the transport sector, in which the Bank's technical assistance (TA) contributed not only to important connectivity investments but also to transforming policies and practices within the sector. In the energy sector, path-breaking public-private partnerships (PPPs) demonstrated a pathway to energy independence and a clean energy future. The evaluation found that the trust built up by the Bank and key counterpart agencies over time enabled it to play a catalytic role in these key sectors.

Lesson 3: The problem of start-up and implementation delays has long confounded project implementation in Kenya, leading to efficiency losses. Experience suggests that private sector involvement in infrastructure delivery can help to overcome a number of these constraints to project efficiency.

The Bank and the government are well aware of the problems resulting from project delays and insufficient counterpart funding. This, in part, contributed towards solid support for PPPs in infrastructure delivery. The Bank's experience in this area has been broadly positive, particularly in terms of reducing delays and securing sufficient counterpart funding. More attention to ex-post rate of return assessment may help bring to light the efficiency losses resulting from protracted project delays. Bank portfolio reviews have focused on these issues, but the problems tend to be at a higher level that goes beyond what can be addressed by any specific sector or project team.

Lesson 4: Strong cross-sectoral dialogue and coordination with all development stakeholders, including the private sector and CSOs, bolster the employment prospects of those who receive skills training.

Bank financing for skills and higher education has been relatively successful in augmenting the hardware needed in various tertiary training institutes. However, weak linkages between skills training and entrepreneurship development have limited the extent to which these job training investments were able to generate productive employment. Solid dialogue with economic actors at all stages of an intervention, beyond simple consultation, is conducive to efficient socio-economic processes, such as industrialization or job creation.

Lesson 5: The Kenyan finance context is conducive to private sector development but does not cater sufficiently well for microentrepreneurs.

While the CSP 2019-2023 primarily targets SMEs, the CSP 2014-2018 adopted a broader perspective by including micro-enterprises as potential beneficiaries. However, in practice, the evaluation found that the Bank's emphasis centered predominantly on tier-1 and some tier-2 banks that prioritize SMEs. This leaves a significant financing gap for micro-enterprises, despite their significant presence in the economy and substantial financial requirements. This is a key challenge if Kenya is to foster an inclusive growth process and bring more small-scale firms into the manufacturing sector.

Lesson 6: While results measurement and reporting are clear at the operations level, shortfalls exist at the CSP pillar level.

Measuring progress towards higher-level CSP objectives, including socio-economic development, industrialization, skills development, and job creation, is essential to align the Bank's actions more closely with its overarching goals, ensuring that its development efforts contribute meaningfully to the higher-level CSP objectives. While the project-level monitoring was generally satisfactory, there is a need to establish a seamless bridge between project-level achievements and the broader strategic outcomes. This framework will bridge the gap between individual project achievements and broader strategic outcomes, allowing for a more holistic assessment of how these projects collectively advance the CSP's socio-economic, industrial, and skills development objectives.

Lesson 7: Gender mainstreaming efforts in various sectors of intervention demonstrated some success in terms of representation but lacked a comprehensive approach addressing structural gender inequity and socio-cultural constraints.

While the Bank ensured a significant proportion of female beneficiaries in projects, a gender analysis specific to each sector's unique challenges and constraints was missing. This approach limited the effectiveness of gender-related activities and failed to address the root causes of gender inequality. To address this problem, a more holistic and sector-specific gender strategy that goes beyond quotas and tackles the structural issues contributing to gender inequity is necessary.

Recommendations

The evaluation proposes the following recommendations for the next Kenya CSP (2024-2028).

Recommendation 1: Adopt a holistic orientation in designing the Bank's country strategy.

The evaluation has revealed that the strategic objectives of job creation and industrialization, while ambitious, were not fully aligned with the actual support provided, which was limited in scale. Key points for consideration include:

- Focusing the interventions and strategies in core areas where progress has been considerable, such as infrastructure and private sector development.
- Linking skills development efforts more strongly to labor market (and stakeholder) requirements.
- Pursuing the provision of knowledge support to help the GoK clarify and operationalize its strategies that the Bank aims to contribute towards.

Recommendation 2: Strengthen intersectoral coordination to obtain higher-level development results more effectively and efficiently.

Socio-economic development, industrialization, skills development and job creation are fundamentally interconnected and span across multiple sectors. To enhance the Bank's effectiveness and efficiency, it is crucial to improve interaction and coordination with a comprehensive range of economic actors from all sectors, starting with relevant government and parastatal agencies. This coordination will benefit future programs. Key actions may include:

- Undertaking a detailed stakeholder mapping at sector level.

- Developing structured interactions around a clear agenda with a long-term perspective with all concerned ministries, private sector representatives, and CSOs.

Recommendation 3: Develop a strategic dialogue with the GoK, education providers (especially TVET institutions) and industry to catalyze private sector development and job creation.

Dialogue with economic actors (GoK, education providers and industry) at all stages of the operations is essential for efficient skills development and job creation. The priority actions may include:

- Developing a strategic dialogue with the GoK, education providers and industry around policy, legal, institutional, and regulatory reforms.
- Engaging with the GoK at a high level to find lasting solutions to persistent project implementation issues (such as counterpart funding, tax exemptions, and submission of legal opinion).
- Undertaking studies on the Kenyan labor market and its needs.

Recommendation 4: Integrate comprehensive progress towards higher-level CSP outcomes within the Bank's results measurement system.

To guide the Bank's action and measure its results in pillars of action, corresponding objectives need to be integrated within the Bank's country results measurement system in a holistic way. The key priority actions may address:

- Establishing a comprehensive set of indicators and corresponding baseline covering the higher-level pillar-related outcomes that are traceable to AfDB action.
- Using existing statistical reporting systems and identifying proxies for the strategic results that the Bank intends to contribute towards.

Recommendation 5: Review and redefine the Bank's approach to gender in Kenya.

Adopting a quota-based approach to gender-i.e., determining the proportions of women who should benefit from support-proved insufficient to address gender gaps in Kenya. The priority actions here may include:

- Identifying the structural causes of gender inequality in Kenya and their links with the various CSP pillars and sectors.
- Undertaking gender analysis at the sector level.
- Determining a set of cross-cutting actions through which the AfDB will strive to address gender in a systematic and structured way. ■

IDEV

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About this evaluation

Independent Development Evaluation (IDEV) conducted an evaluation of the African Development Bank Group's (AfDB or "the Bank") country strategy and program (CSP) in Kenya for the period of 2014-2023. The primary purpose of the evaluation is to provide recommendations for the design of the next CSP (2024–2028).

Over this period, the Bank formulated two Country Strategy Papers (CSPs): CSP 2014–2018 and CSP 2019–2023, and its interventions were mainly comprised of sovereign operations, which represented 78 percent of the portfolio (around US$3 billion), while non-sovereign operations accounted for the remaining 22 percent (around US$847 million), spread across seven sectors.

The Bank's goals were found to be aligned with Kenya's Vision 2030's objective to revitalize the economy by developing infrastructure and supporting the Small Medium Enterprise sector (economic pillar of Vision 2030). Overall effectiveness was rated satisfactory as the Bank was found to have made reasonable contributions at the sector, pillar, and CSP levels. Most of the Bank's interventions encountered delays in project start-ups and during implementation. In addition, little evidence was found on cost-benefit analysis after project completion, interviews with partners expressed general concerns over the high cost of investment in infrastructure projects.

Among others, the evaluation recommended the adoption of a holistic orientation in designing the Bank's country strategy, review, and redefinition of the Bank's approach to gender in Kenya, and strengthening of intersectoral coordination to obtain higher-level development results more effectively and efficiently.

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