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Prepared by
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Reviewed by
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IEGSD (Unit 4)

2. Project Objectives and Components

a. Objectives

The Project Development Objectives as articulated in the Project Appraisal Document (PAD, p. 5) was to:

"empower local communities of men and women to engage in sustainable and wealth creating livelihood activities and reduce their vulnerability to flooding."

The Project Development Objectives as articulated in the Financing Agreement (FA, p. 5) was to:

"empower local communities to engage in wealth creating activities, lower the incidence of poverty and reduce the vulnerability of the poor to adverse outcomes associated with recurrent flooding."

This review will assess the outcomes against the objectives as stated in the Financial Agreement.
b. Were the project objectives/key associated outcome targets revised during implementation?  
No

c. Will a split evaluation be undertaken?  
No

d. Components  
The Project included the following three components:

1. **Community Driven Development (appraisal cost: US$38.90 million, actual cost: US$43.60 million)**. The CDD component would support community prioritized investment projects to improve livelihoods and build demand and capacity development at the community and district levels. It included two sub-components:
   
   1.1 Prioritized Investments and Capacity Building at Community Level. This component would finance livelihoods-based micro-projects identified by communities and enhance their capacities to plan, manage and implement them.

   1.2. Local Level Development Support. This sub-component would fund priority investments at district level the implementation and impact of which were beyond the scope of individual communities. These inter-community investments would include development and/or improvement of market infrastructure in the urban centers, cattle sale yards, enhancement of health and education facilities for vulnerable groups, and improvement and development of rural infrastructure for enhanced access to markets.

2. **Flood Mitigation (appraisal cost: US$31.30 million, actual cost: US$15.40 million)**. Flood mitigation would focus on the Nzoia and Yala River Basins. The flood mitigation component would address four aspects in the Nzoia and Yala River Basins: (a) catchment management to address degradation; (b) the identification and preparation of options for mid-catchment structural protection; (c) options for immediate floodplain management; and (d) the establishment of a flood early warning system. It included four sub-components:

   2.1. Catchment Management. Key micro-catchments would be identified and prioritized for on-farm and off-farm catchment investments. Communities would be assisted to take advantage of the resources allocated for catchment management. In addition, the project would complement the ongoing Global Environment Facility (GEF) funded Western Kenya Integrated Ecosystem Management Project (WKIEMP) by scaling up interventions introduced under that project in the targeted micro-catchments.

   2.2. Multi-purpose Flood Management. This sub-component would focus on the identification and preparation of multi-purpose flood protection structures in the mid-catchment zone of the Nzoia River Basin. The project would invest in a detailed analysis of the various possible sites and options to develop an integrated flood management strategy. A communications strategy would be developed and implemented under this sub-component.

   2.3. Floodplain Management. The project would invest in flood mitigation structures, including the rehabilitation and strengthening the existing dikes, in order to provide protection against average seasonal river flows and floods up to a 10 year return event. Measures would be investigated to address high levels of sedimentation between the existing levies, and to increase the safe discharge capacity in order to reduce the storage and attenuation requirements in the mid-catchment reaches of the basin.
2.4. Flood Early Warning System. This sub-component would support the collection of information on rainfall and river levels in the catchment, as well as information from computer modeling and satellite imagery, with the objective of providing timely information to decision makers and communities. The development of capacity for flood disaster management and the development of national and local flood mitigation plans would also be supported.

3. Implementation Support (appraisal cost: US$15.80 million, actual cost: US$17.40 million). Included two sub-components:

3.1. Support to Policy Analysis, Advocacy and Local Development. This sub-component would support the identification and development of new opportunities for economic growth in the region. Analytical work on gender rights and women’s needs for agricultural and Natural Resource Management (NRM) technologies would be supported. Support to a comprehensive project-wide communication strategy would be resourced under this component.

3.2. Management, Monitoring, and Evaluation. This sub-component would fund the establishment and running of key coordination mechanisms in the Office of the President (OP), Ministry of State for Special Programmes. The District Steering Group in the ten project districts would be supported by a district project coordinator (DPC) and a small staff who would manage the development of annual work programs and fiduciary and safeguards management. Substantial training of district and project staff in various project management skills, fiduciary and accountability skills, environmental management, community participatory processes, watershed management, and communications would be included. The M&E system would comprise both an internal monitoring and information system and an external impact assessment system. The internal M&E system supported by project funds would include participatory assessments, qualitative report and score cards, expenditure tracking surveys, quantitative socio-economic household surveys and the collection of environmental indicators. For anti-malaria activities, the project would liaise with the Division of Malaria Control in the Ministry of Health for technical input.

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Project Cost. The total project cost was expected to be US$99.80 million. The actual cost according to the project portal was US$77.43 million (77% of the appraisal estimate). The difference was mainly due to disbursing only 49% of the funds earmarked for component 2.

Financing. The project was to be financed through a standard IDA credit (40 years maturity with 10 years grace period) worth US$86.00 million. Actual amount disbursed according to the ICR (Annex 1) was US$81.06 million representing 94.3% of the appraisal amount.

Borrower Contribution. The Borrower and local communities were expected to contribute US$6.80 million and US$7.20 million, respectively. Actual amounts reported by ICR (Annex 1) were US$6.01 million and US$6.18 million for the borrower and local communities, respectively.

Dates. The project was expected to close on June 30, 2015, however, it closed 9 months later on March 31, 2016. According to the ICR (p. 5, para 20) this extension was "to allow effective project completion." The project was restructured three times, all of which were level two restructuring. The first was on June 29, 2012 (amount disbursed was US$22.44 million) in order to introduce changes to the institutional arrangements; adjustments and measures required due to the GAP and fiduciary challenges; changes to outcome and performance indicators; reallocation of credit in favor of civil works for flood management (sub-component 2.3); reduction in allocation of grants for catchment management (sub-component 2.1).
The second restructuring was on October 2, 2014 (amount disbursed US$65.55 million) in order to transfer sub-component 2.3 to another project and drop its indicator; and the consequent reallocation of credit to increase the financing for catchment management (sub-component 2.1); grants for CDD micro-projects (sub-component 1.1); and goods & equipment for support to local development sub-projects (sub-component 1.2). The third restructuring was on July 5, 2015 (amount disbursed was US$78.19 million) in order to extend the closing date by nine months to March 2016. The Midterm Review was carried out on June 21, 2012 compared to an original date of September 15, 2010, about one year and nine months later than expected.

3. Relevance of Objectives & Design

a. Relevance of Objectives

Western Kenya is the most flood prone region in Kenya. Such flooding is a result of a combination of poor land-use practices, deforestation and pollution in the watershed catchment areas. Also, the accumulation of silt in the lower sections of the main rivers causes floods in areas such as Budalang’i and Bunyala. Floods occur during the long rainy seasons but are now more frequent than before due to natural resource degradation. Such frequent flooding creates problems in water supply and sanitation, agriculture, health, education, communication, and transport. While communities have invented many ways to cope with the floods, recurrent interruption of economic activity and loss of assets divert scarce resources from alternative and more productive uses.

At appraisal, objectives were highly relevant and in line with the Government's Investment Program for the Economic Recovery Strategy for Wealth and Employment Creation which was centered on three interlinked pillars: promoting economic growth, reducing poverty and inequality, and promoting good governance. Objectives were also in line with three out of four pillars of the Bank's Country Assistance Strategy for Kenya (2004) which aimed to help Kenya achieve its developmental objectives through four key areas of support including: (i) strengthening public sector management and accountability; (ii) reducing vulnerability and strengthening communities; and (iii) investing in people. Objectives were also in line with 2007 CAS progress report which emphasized economic growth and poverty reduction with enhanced attention to equity and governance.

At project completion objectives continue to be highly relevant to the Government's Vision 2030 which focused on investing in people, women, youth, and vulnerable communities. Objectives continue to be in line with several outcomes of the World Bank’s Kenya Country Partnership Strategy for FY2014-2018 including: (i) greater agricultural productivity, (ii) improved social service delivery for vulnerable groups, particularly women, (iii) improved capacity to manage risks from climate change, and (iv) greater citizen feedback on the quality of service delivery.

Rating
High
b. **Relevance of Design**

Design included a broad, complex and overly ambitious statement of objectives that focused on empowering local communities. Empowerment would be assessed in terms of the extent to which communities or groups specify goals for project-supported activities, implement these activities successfully (including the management of their own contributions), and manage and maintain the resulting assets. The Results Framework did not provide clear links between project inputs, outputs and expected outcomes; and there was a notable absence of a clear and simple theory of change and impact pathways.

To achieve the stated objectives, design featured a holistic approach with distinct components for flood mitigation and Community-Driven Development (CDD), which also included sub-components on Natural Resources Management (NRM), support to local development, and malaria prevention; activities that were all relevant for poverty reduction in Western Kenya. The first component would contribute to achieving the objectives through promoting a CDD approach that would support community prioritized investment projects to improve livelihoods and build demand and capacity development at the community and district levels. Supporting livelihoods-based micro-projects and interventions was expected to improve delivery of essential services and enable communities to diversify their economic activities. The second component would contribute to achieving the objectives through supporting flood mitigation activities; these were highly relevant given the increase in frequency and intensity of floods in Kenya, and the immense costs to lives and livelihoods, which are often borne by the poor and the vulnerable, women and children. The third component would contribute to achieving the stated objectives through identification and development of new opportunities for economic growth in the region; and supporting analytical work on gender rights and women’s needs for agricultural and Natural Resource Management technologies.

Design was complex with largely disconnected components and sub-components, for example, there was no clear link between the Common Interest Groups, Support to Local Development Groups, NRM groups, malaria interventions and flood mitigation. The different components and sub-components functioned as a collection of three separate projects (CDD, Support to Local Development and Flood mitigation) rather than as an integrated and holistic project. Design also suffered from the lack of clarity on the implementation mechanisms for some activities such as malaria interventions, community foundations and multipurpose dam designs. Relevance of malaria intervention and community foundations to achieving the stated objectives was not clear. Design lacked a coordination mechanism with Ministry of Health to effectively implement the malaria intervention which also suffered from lack of clarity with regards to intervention funds, the roles and responsibilities of the malaria intervention teams.

**Rating**

Modest

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**4. Achievement of Objectives (Efficacy)**
Objective 1

Objective
PDO: empower local communities to engage in wealth creating activities, lower the incidence of poverty and reduce the vulnerability of the poor to adverse outcomes associated with recurrent flooding.

The stated PDO included two sub-objectives that would be rated separately:
(a) empower local communities to engage in wealth creating activities, lower the incidence of poverty
(b) reduce the vulnerability of the poor to adverse outcomes associated with recurrent flooding

Rationale
Sub-objective (a) empower local communities to engage in wealth creating activities, lower the incidence of poverty. Rated modest.

Outputs

• The project provided grants to 2,231 community micro-projects, reaching an estimated 532,716 men and 671,777 women (ICR, p. 31). A total of 414 Youth micro-projects were funded to benefit 13,743 young men and 15,291 young women, including 8,629 young people from vulnerable and marginalized groups (ICR, p. 31).
• The project trained 380 Pool Mobile Advisory Teams (MAT) selected from the communities as local facilitators to implement the Participatory Integrated Community Development (PICD) process and provide project implementation support at the community level. As a result of the PICD training, 2,265 Community Action Plans (CAP) and 117 Youth Action Plans (YAP) were developed, funded and implemented (ICR, p. 31).
• 5854 dairy cows were supplied by the project (ICR, p. 32). The number of dairy goats increased from 6,378 to 10,697 benefiting 12,143 households. Poultry flock size increased from 119,070 to 523,569 benefiting 109, 227 households.
• By project completion, a total of 128 malaria intervention teams were trained to support the implementation of 414 community malaria interventions that benefited a total of 117, 215 men and 159,176 women (ICR, p. 33).
• The project funded 128 Support to Local Development (SLD) projects on infrastructure and public goods including: 42 bridges, foot bridges and culverts, 24 water projects, 10 production workshops, 13 small scale irrigation schemes, 2 market stalls, 9 youth training centers, 1 mini-hydropower, 3 disease management centers, 1 center for the visually impaired, 2 cotton ginning facilities, 3 eco toilets; and 9 other miscellaneous projects. These benefited a total of 582,501 men and 671,226 women, well above the target of 400,000 people (ICR, p. 35).
• The project funded 107 value addition infrastructures including: 26 milk collection and cooling units, 21 animal feed production units, 21 food processing lines, 13 poultry production and chick hatcheries, modern slaughter house, 10 coffee processing infrastructures, 4 rice milling and storage units among others (ICR, p. 35). These benefited a total of 645,015 people (338,432 women and 306,583 women, well beyond the baseline values of 100,000 people).

Outcome
• The project reached about one million beneficiary (target: two million) who benefitted from project-funded grants for income generation and livelihood support (ICR, p. viii). While community value addition investments such as milk collection and cooling centers, poultry and animal feeds could potentially have provided additional income to households in the targeted communities, the ICR provided no evidence on this. The provided evidence in the ICR showed an incremental increase of 44% (target: 25%) in average monthly income for direct project beneficiaries (ICR, p. vii). However, income figures were collected at the CIG level rather than households. Moreover, these figures were not differentiated by beneficiaries, project interventions and type of activities. The ICR did not include any quantitative evidence on the magnitude of increases in income for the beneficiary households and did not clearly identify the causal link between project interventions and any increase in income. Also, data on income was inconsistent and lacked key parameters such as yields, production, prices, consumption and costs, and was not adjusted for inflation (ICR, p.12, para 52). The household impact assessment survey conducted in 2014 reported that project beneficiaries increased their average monthly income from Ksh 6,011 to Ksh 15,869, a 263% increase; and incomes were also 182 % higher than the non-beneficiaries, whose average monthly income was estimated at Ksh 8,691. However, most project interventions were implemented in 2013-2014, and could not possibly raise income to such magnitude in only one or two years which casts doubt on the credibility and plausibility of these findings.

• Identification, selection and planning of SLD projects was done by the sub-county and county steering committees rather than through a community driven approach as envisioned, with no active participation of the beneficiary communities. Also, there were no appropriate mechanisms to link investments with county development plans and on-going initiatives. Only 61% of SLD projects included a Community-Driven Development Committee in planning, implementation and monitoring, well below the target of 80% (ICR, p. 36) casting doubt on the extent of empowering local communities. SLD projects suffered from the lack of feasibility studies and the absence of detailed business plans. Most SLDs did not have As-Build Drawings and Operation and Maintenance manuals. The absence of qualified engineers and technical staff in the project coordination units was another major weakness that could have potentially impacted quality of investments. Furthermore, SLD projects were fragmented and dispersed, lacking economies of scope and scale. They were not linked to specific value chains or existing investments by public or private sector businesses which casts doubt on their relevance and sustainability. By project completion, only 95 out of the 235 SLDs were completed and operational, 55 were completed but not functional, 59 were ongoing and two have not commenced. In addition, most completed value addition projects lacked sufficient raw materials to function optimally, for example, only 27% of milk collection and cooling centers were functioning optimally, the animal feeds production facility lacked raw materials, and most food processing plants did not pass the certification standards from the Kenya Bureau of Standards. This casts doubt on the realized benefits of these SLD projects.

• The project also aimed to protect pregnant women and children under the age of five years from malaria, by changing behaviors and promoting the use of insecticide treated nets. There was no collaboration between the project and the Ministry of Health, which limited the project’s capacity to
implement and monitor malaria interventions (ICR, p. 20), and the impact of these interventions was not clearly identified in the ICR.

- Finally, the absence of an impact evaluation at the end of the project combined with a weak and poorly designed M&E system made it impossible to confirm the percentage increase in income which was the main indicator to assess lowering incidence of poverty. Therefore achievement of this sub-objective is rated negligible.

Sub-objective (b) reduce the vulnerability of the poor to adverse outcomes associated with recurrent flooding. Rated substantial.

**Outputs**

- The project funded 1,117 NRM activities and trained 1,105 groups that raised and planted 10,709,371 tree seedlings, of which about 7.8 million survived. These groups also rehabilitated 1,679 acres of land, (target: 30,000 acres). They established 38 kms of soil conservation structures (terraces, grass strips and trash lines) with an overall 40% achievement compared to the baseline targets (ICR, p. 37).
- 74 Water Resources User Associations (WRUAs) were established in selected project sites considered as hot spots for erosion and land degradation (target: 106). These WRUAs involved about 1,148,770 people (529,613 men and 610,333 women) who implemented various activities to protect 279 springs (target: 400) and improve access to quality and quantity of water for domestic use (ICR, p. 37). The WRUAs also implemented micro-catchment protection activities that resulted in a significant reduction of sediment load in the rivers in the targeted micro catchments. Sediment loads were reduced by 23% against a target of 5% from 180 tons/day in 2008 to 139 tons/day in 2013 (ICR, p. 37).
- The project funded the rehabilitation and repairs of breached dyke sections at Makunda and Mukhobola in 2008. According to the ICR (p. 13) since the completion of these flood protection structures only one flooding event happened on December 3, 2011, the last day of rainfall season; and the dykes has held for the entire rainfall period, which had the highest amount of rainfall since 1935.
- The project developed and implemented an innovative and highly impactful flood early warning system. The system was completed with the installation of state-of-the art flood prediction equipment, production and dissemination of daily flood bulletins to a large number of influential stakeholders.
- The project supported the formation of a community based Disaster Risk Reduction Extension Service Provider group comprising of 40 members in order to build disaster-resilient communities (ICR, p. 38). This group conducted a participatory hazard and vulnerability mapping of the flood plain area, and developed strategies for rapid response in case of floods. The Group networked with international humanitarian organizations such as the United Nation Office for the Coordination for Humanitarian Affairs, World Vision, Map Action that have used them as trainers of trainers in other communities.

**Outcome**

The project aimed to reduce the impact of recurrent flooding through improving discharge capacity in certain areas of the Nzoia river and establish a functional flood early warning system and improve catchment management. The project exceeded the target of reducing the proportion of households affected by floods to 5% from the baseline values of 25% (ICR, p. 12). For about five years, flooding did not occur in the
floodplains of Nzoia River, while it continued in other areas, despite the same amount and intensity of rainfall in the relevant catchments. One flooding incident occurred in the floodplains of Nzoia River on the December 3rd 2011, but it did not cause any fatalities as the communities were warned early enough through the flood early warning system and community radio established by the Project. The provided evidence also showed a significant reduction (23% compared to a Target of 5% reduction) in sediment loads in the targeted micro catchments from 180 tons/day in 2008 to 139 tons/day in 2013. The evidence provided point to a substantial achievement of this sub-objective despite scaling back of some activities.

Rating
Modest

5. Efficiency

Economic and Financial Analysis

ex ante

- The analysis did not provide an overall Economic or Financial Rates of Return (ERR and FRR), but attempted to provide estimates for different components of the project.
- The FRR of selected SLM interventions was expected to be between 25% and 45% depending on the adoption rate (5% or 10% or 20%) of the SLM activities.
- The economic rate of return and NPV for flood mitigation activities were estimated at 21% and US$4.9 million, respectively over a period of 25 years.
- For CDD micro projects the financial rate of return ranged from 9% for bee keeping to 151% for indigenous vegetables while the economic rate of return ranged from 4% for beekeeping to 51% for Ocimum processing.

ex post

- The economic rate of return (ERR) was calculated at 35% over a 20 year period with a social discount rate of 10%.
- It was envisioned that the project would reach 2 million beneficiaries, however, there were uncertainties over the actual number of beneficiaries reached by the project making it difficult to estimate the actual cost of reaching each beneficiary.
- The 2012 restructuring doubled the financial allocation for civil works to support the rehabilitation of 20 km of existing dykes for flood plain management. However, the 2014 restructuring dropped this sub-component (except for the 1.3 km of river training already completed) without a significant reallocation from civil works. This casts doubt on the efficiency in the use of financing for civil works – both for SLD and flood mitigation infrastructure.
• With material cases of financial malpractices, fraud and corruption, the absence of empirical data on financial, economic, social and impact analysis of project activities combined with the shortcomings of the monitoring and evaluation system, and implementation challenges, efficiency is rated modest.

Administrative and Institutional Efficiency
The project experienced a 30 month of informal suspension of activities after an audit confirmed material cases of financial and fiduciary malpractices. The project also had its closing date extended by 9 months. There were delays in the project inception phase due to post-election violence, insecurity and political instability that prevented the newly recruited staff to work in rural communities. Furthermore, funding and implementation of SLD projects suffered from government bureaucratic financial management and procurement procedures which often lacked integrity and transparency. According to the ICR (p. 36) there were material cases of embezzlement, fraud and corruption. The implementation of the project suffered from the procurement related delays where in many cases goods and services were not delivered to communities. Despite high level of disbursements post MTR, financial management reviews noted that project funds were not utilized efficiently and effectively. There were cases of manipulation of records and reports as project financial reports materially differed from records and documents; and up to 30% of payments were not supported (ICR, para 96). All of the afore mentioned shortcomings would delay the benefit stream, reduce the NPV and the financial rate of return.

Efficiency Rating
Modest

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

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* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

Relevance of objectives was rated high while relevance of design was rated modest. Efficacy of the first sub-objective was rated modest because the ICR lacked any quantitative evidence on the magnitude of increase in income for the beneficiary households. Also, the causal link between project interventions and any increase in income was not clearly identified in the ICR. Efficacy of the second sub-objective was rated substantial because the evidence provide in the ICR point to the success of the project in reducing the vulnerability of the poor to adverse outcomes associated with recurrent flooding despite scaling back on some activities. Efficiency was
rated modest because of the absence of empirical data on financial, economic, social and impact analysis of project activities and material cases of financial malpractices, fraud and corruption. Also, there were shortcomings with regard to the institutional and administrative efficiency.

a. **Outcome Rating**

   Moderately Unsatisfactory

7. **Rationale for Risk to Development Outcome Rating**

Risk to Development Outcome is rated high due to the following four risks that were also reported by the ICR (p. 21):

- There was no plans for a second phase for the project after the maximum period of eight years for normal Bank operations. CDD projects were expected to benefit from a second phase to consolidate results, scale up success, and move to more empowering and transformative path. Financial malpractices, fraud, corruption and integrity issues experienced during implementation prevented the consideration of a second phase that could have strengthened CIGs and linked them to markets, financial services, and potentially transformed them into business opportunities and enterprises.
- By project completion there were no mechanisms in place to promote government ownership and commitment to maintain and continue supporting project investments. While county governments demonstrated willingness to continue strengthening and community micro-projects (particularly livestock) and value addition activities, budgetary constraints might become an impediment in many cases. Furthermore, the necessary arrangements to ensure that the project activities and assets were handed over to county and sub-county governments were not completed.
- Constraints such as inefficiencies in public extension services, access to markets, access to credits and financial services were major bottlenecks for the sustainability and scaling up of community micro-projects. These constraints might hinder the ability of communities to maintain and continue with the micro-projects and income generating activities.
- There is uncertainty on the sustainability of the project financed infra-structure activities where many were not completed and/or lacked essential components and equipment to make them operational. These activities suffered from the absence of feasibility studies and detailed business plans. Uncertainties were exacerbated by the lack of private sector participation and the low financial viability. In addition, the project lacked a systematic process to integrate these infrastructures into the county development programs, or to hand them over to the communities or private sector to ensure their operation and maintenance. Finally, budgetary constraints might undermine the sustainability of flood mitigation works.

a. **Risk to Development Outcome Rating**

   High
8. Assessment of Bank Performance

a. Quality-at-Entry

- The proposed project supported the Bank’s 2004 Country Assistance Strategy (CAS) and the 2007 CAS Progress Report. It also supported the Government’s efforts to achieve four of its Millennium Development Goals (MDGs).
- The project was funded through a Specific Investment Loan (SIL), with the life span of eight years to allow for the full development of human and physical capacities needed to address comprehensively the developmental challenges facing western Kenya (PAD, p. 5).
- Design of the project took just over a year. It benefitted from a mix of expertise in CDD, NRM, social and environmental safeguards, economics, social anthropology, water engineering and management from the Bank, Government ministries at national and local levels, non-governmental organizations as well as private sector. The design was also supported by Monitoring and Evaluation (M&E) experts from Cornell University, USA (ICR, p. 42).
- Design benefitted from lessons, experiences and successful approaches of previous Bank’s funded projects such as the Arid Lands Resource Management Project (phases one and two), the Kenya HIV/AIDS Project, and the Western Kenya Integrated Ecosystem Management Project. Notable lessons emphasized from these projects included: the need for intense community participation and capacity building at the local level, micro-catchment focus to concentrate interventions, strong social accountability mechanisms, and investment in livelihoods and income generating activities, and in community infrastructures and value addition.
- Design featured a holistic approach, however, project components and sub-components were largely disconnected and insufficiently described to help in implementation. For example, there was no clarity on implementation mechanisms for some activities such as malaria interventions, community foundations and multipurpose dam designs.
- Seven risks were identified at the appraisal stage (PAD, p. 19), however, the risk management strategies were not effective in preventing financial, procurement and fiduciary risks.
- M&E suffered from design and implementation weaknesses (see section 10 a, b).

Quality-at-Entry Rating
Moderately Unsatisfactory

b. Quality of supervision

- The project’s inception stage was delayed by about six months due to the 2008 post-election violence in Kenya. Further delays were caused by an informal project suspension by the Government that lasted 30 months from September 2009 to June 2012. These disruptions contributed to high staff turnover as the
the project lost more than 50% of its field staff and critical technical staff such as the M&E coordinators (ICR, p. 50).

- Supervision benefitted from a committed Task Team Leader who was based in Kenya. The Bank’s team conducted frequent implementation supervision missions. Supervision missions were well-staffed with diverse expertise to address the relevant technical aspects, safeguards of the projects and emerging issues. Supervision missions provided technical support in developing project operation manuals on Participatory Integrated Community Development, establishment of the social accountability and integrity systems, and development of a robust monitoring and evaluation system with geo-referencing and mapping of project interventions.

- To speed up implementation after the suspension period, the Bank team adopted the Rapid Results Initiative (RRI) in 2013. While RRI improved implementation speed particularly for micro-projects, it created considerable pressure to spend and meet spending targets in a short period of time. According to the ICR (p. 60) this compromised the quality of implementation and encourage corruption, procurement fraud and embezzlement of project funds.

- Supervision provided intensive financial management reviews, however, effectiveness was constrained by the national context of financial malpractices, fraud and corruption in Government departments.

- Supervision suffered from notable shortcomings in identification and resolution of project weaknesses and challenges. These weaknesses included: technical and feasibility studies and business plans for SLD projects, methodological and analytical rigor for baseline and household impact evaluation studies, absence of economic and financial analyses following the selection of community enterprises and SLD after the MTR, more critical review of project targets, reported achievements and impact pathways, consistency in ratings, and effective and timely communication on critical decisions such as suspension, project closure, financial management reviews, and performance ratings. Finally, supervision missed an opportunity at the Midterm Review to refine the PDO and improve the alignment of indicators to better assess the project outcomes.

- The MTR added new M&E indicators bringing the total to 27 intermediate outcome indicators which proved to be overwhelming for the M&E capacity of the project to collect and regularly report on these.

**Quality of Supervision Rating**
Moderately Unsatisfactory

**Overall Bank Performance Rating**
Moderately Unsatisfactory

### 9. Assessment of Borrower Performance

#### a. Government Performance

According to the ICR (p. 23) the Government was committed in supporting the design and implementation of the project. It took proactive steps to address governance, financial management and
accountability issues by establishing and implementing a Governance Action Plan—which aimed to strengthen compliance, monitoring systems, and finance management oversight. The national treasury provided 25 internal auditors to complement the work of the Bank's financial management team on the audit. However, the Government procurement and financial management system caused frequent and long delays (8 months to transfer funds and procurement of project goods), despite specific recommendations by the Bank's team. The project suffered from the lack of adequate Government oversight due to the absence of an independent and functional multi-stakeholder project steering committee at the national or regional levels. The ability of the project to communicate and reach more stakeholders was undermined by the Government communication protocols. At project closing, there were no arrangements/mechanisms to transition project activities and assets and integrate them into the country's development plan. Finally, the implementation of the project was undermined by the inability of the Government to sanction corruption, procurement fraud and embezzlement of funds and lack of accountability. This encouraged recurrence of financial malpractices that caused significant losses and negatively impacted the achievement of the PDO.

**Government Performance Rating**
Moderately Unsatisfactory

**b. Implementing Agency Performance**

The project was implemented by the by the State Department of Special Programmes in the Ministry of Devolution and Planning, Office of the President. It operated through a national coordination unit in Nairobi, a regional coordination team in Kakamega, Western Kenya and coordination offices in the five counties and ten sub-counties. The project suffered from high staff turnover during the 2009 suspension. Project staffing was skewed toward administration and finance (79 out of 123) to the expense of technical areas. There was noticeable absence of staff with rural infrastructure engineering expertise to coordinate the support to local development sub-component, supervise and ensure quality of proposal reviews, design and implementation of civil works (ICR, p 24). The implementing agency suffered from the recurrence of material cases of financial malpractices involving project staff - a severe shortcoming. Despite high level of disbursements post MTR, financial management reviews noted that project funds were not utilized efficiently and effectively (ICR, p. 24). There were cases of manipulation of records and reports as project financial reports materially differed from records and documents; and up to 30% of payments were not supported. The implementing agency did not devote adequate resources and nor did it allow enough time for the CDD approach to drive a transformative process of social change. Community mobilization and capacity building activities suffered from inadequate funding and at 200 - 600 members, CIGs were too large for effective participation and sharing of benefits.

**Implementing Agency Performance Rating**
Moderately Unsatisfactory

**Overall Borrower Performance Rating**
Moderately Unsatisfactory

10. M&E Design, Implementation, & Utilization

a. M&E Design
M&E design benefitted from evaluation experts from Cornell University and Bank’s M&E experts who were involved in setting up the project's M&E system. The result framework included detailed indicators, baseline values and targets. Design also included quasi-experimental impact evaluation designs that would account for before and after differences, with and without project impacts, with single and double difference comparisons. Indicators at the household and CIG levels were to be tracked through data collection and reporting tools, and were expected to be linked to the project intermediate outcomes and PDO indicators. However, the project had a broad and complex PDO and the M&E design did not provide specific and measurable indicators that clearly linked outputs to outcomes and ultimately to the achievement of PDO. The M&E system also was not designed to filter multiple counting and capture spillovers to non-CIG members within and outside the target communities. Another weakness was the focus of the M&E system on predetermined quantitative indicators and the lack of a systematic process to capture and document qualitative and process outcomes of CDD, such as empowerment, social capital, gender dynamics, accountability and social development.

b. M&E Implementation
M&E implementation was weak. The project suffered from a high turnover of project M&E coordinators. M&E activities focused on project implementation performance and reporting at the activity and output levels, however, it failed to connect outputs to outcomes and results, and to connect and link the multiple project interventions to results. Baseline and household impact studies were weak and lacked "conceptual, methodological and analytical credibility, internal and external validity (ICR, para 34)." At the MTR the results framework was substantially revised in terms of PDO indicators, intermediate outcome indicators and targets. However, the revision created 27 intermediate outcome indicators that overwhelmed the M&E system, and made it difficult to track these and regularly report on them (ICR, p. 7). A notable shortcoming was the failure to undertake an end-line survey and impact evaluation as planned during the last year of project implementation due to the suspension of procurements.

c. M&E Utilization
The M&E utilization was limited as it only allowed for routine administrative reporting, rather than for informing decisions, making corrective action and communicating with project stakeholders. The GIS was not dynamic and did not allow updating of project interventions. With the absence of an end-line survey and impact evaluation, assessment of the achievement of the PDO relied only on the project's M&E data.
M&E Quality Rating
Modest

11. Other Issues

a. Safeguards

The project was classified as Category 'B' under Environmental Assessment (OP/BP 4.01) and triggered the following safeguard policies: Natural Habitats (OP 4.04), Forests (OP 4.36), Physical Cultural Resources (OP 4.11), Indigenous Peoples (OP 4.10), Involuntary Resettlement (OP 4.12) and Projects on International Waterways (OP 7.50). An Environment and Social Management Framework, Resettlement Framework Paper and Indigenous Peoples Planning Framework were prepared to address the adverse environmental and social impacts.

**Environmental and Social Safeguards.** All the 3384 community livelihoods projects were screened for environmental and social impacts and were in full compliance with the Bank guidelines. The ICR (para 37) stated that: "the project achieved 100% compliance with environmental and social safeguards requirements, with environmental and social impact assessment conducted and environmental management plans developed for all infrastructure and value addition projects." No details were provided on mitigation measures.

b. Fiduciary Compliance

**Financial Management.** Financial Management (FM) suffered from severe shortcomings and was generally weak throughout implementation. The project had two in-depth FM and fiduciary reviews in August 2009 and in December 2015. The 2009 FM review revealed major breakdown of internal control systems, cases of suspected fraud and corruption, and ineligible expenditures amounting US$ 0.80 million in 2009. These findings triggered investigations by the World Bank Group Integrity Vice Presidency (INT). The key risks identified in 2009 consisted of noncompliance with project FM and procurement procedures. There were material cases of fraud and corruption. Weaknesses identified in the reports included: grants (non-existent micro-projects, value-for-money, and misappropriation of funds), staff allowances and per diems (overstated payments, insufficient supporting documents, fictitious trips etc.), workshops (non-existent events, overstated participants, overstated payments etc.), training, operating costs and procurement. On the heels of the 2009 FM review, the Government of Kenya suspended the project for 30 months. The Government developed a governance action plan (GAP) to strengthen the internal control systems through the recruitment of an independent integrated fiduciary and procurement agency, and the strengthening of the social accountability mechanisms. Despite these measures, weakness in FM continued and allegations of malpractices resurfaced in 2015. The 2015 FM review confirmed systemic and pervasive material cases of FM weaknesses including: breakdown in systems of internal controls including an override of FM procedures by the Project management and fiduciary staff; procurement-related irregularities in civil works and equipment contracts with indications of conflict of interest, collusive and other irregular practices; misuse of community grants, including misappropriation of funds through irregular involvement of Project staff in disbursement and procurement at the
community level; anomalies in operating costs, including unsupported/insufficiently supported expenditures, noncompliance with Bank and Government procedures, and evidence of irregular payments; and weak management oversight and lack of effective M&E systems. Despite these severe FM malpractices, international financial and audit firms regularly reviewed the project and issued clean audits which casts doubt on the credibility of these reports. On the other hand, it was the social accountability and integrity mechanisms established as part of the CDD process that reported cases of financial malpractices and procurement fraud.

**Procurement.** There were cases of procurement fraud, misuse of community grants, including misappropriation of funds through irregular involvement of Project staff in disbursement and procurement at the community level, procurement-related irregularities in civil works and equipment contracts with indications of conflict of interest, collusive and other irregular practices. The 2009 FM audit report revealed that the project was in noncompliance with procurement procedures (ICR, p. 9). The ICR did not report separately on procurement activities, but discussed procurement as an integral part of fiduciary problems.

c. Unintended impacts (Positive or Negative)

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d. Other

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**Note**
When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006. The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.
13. Lessons

The ICR included seven lessons. The following are emphasized with some adaptation of language:

- **Design of CDD projects needs to be guided by an explicit theory of change and impact pathways that reduce complexities into manageable components that are clearly aligned to a specific and clear development objective.** It is possible in CDD projects to simplify complexities by identifying key leverage points and a set of enablers that need to be activated to achieve more realistic and less ambitious outcomes within a limited period of time. Designing projects with medium time frames to produce early outcomes that can then be scaled up in subsequent phases seem more realistic, than longer timeframes that tend to result in delayed implementation.

- **In designing and implementing CDD projects it is important to address market linkages and inclusive value chains to achieve the desired outcomes.** Market access was a cross-cutting challenge across CIGs as they increased production. Economic and financial analysis revealed a clear pattern between farm models, with a declining rate of return as the distance to the market increased. The ICR found that a number of CIGs were evolving toward business entities, and attempting to create market linkages and links with financial service providers. The project has contributed to establishing a strong foundation to move small-scale farmers up the value chain and engage in wealth creating activities that would create the conditions for rural transformation in Western Kenya.

- **M&E design and implementation as well as methodological and analytical robustness are critical in assessing project outcomes.** The project suffered from a weak evidence base. Baseline and impact studies lacked methodological and analytical robustness to provide credible evidence. While the design of the M&E system was robust, its implementation was limited to performance measurement and reporting at the activity and output levels, but failed to connect outputs to outcomes and results, and linking the multiple project interventions to results. It did not capture process outcomes and qualitative impacts that are more appropriate for CDD interventions. Technical feasibility studies and thematic studies were not conducted for community infrastructure and value addition projects. Economic and financial analyses were not updated after the selection of micro-projects and enterprises, and at the MTR that was a major restructuring. There was no impact evaluation at the end of the project. These weaknesses, common to many development projects, could be minimized by forging effective partnerships with reputable program evaluation organizations, research centers and universities.

14. Assessment Recommended?
15. Comments on Quality of ICR

The ICR provided good coverage of project activities and reported candidly on most project shortcomings. The discussion of outcomes was focused on the achievement of the outcome indicators rather than the achievement of the PDO. The absence of a final impact assessment combined with a poor M&E system undermined the ICR as it was very difficult to assess the project's outcomes. The ICR included seven lessons that reflected the project's experience.

The ICR could have improved on the following points:

- Provide more information on procurement.
- Discuss each Safeguard policy and provide a specific statement of compliance rather than a general statement.

a. Quality of ICR Rating
   Substantial