

United Nations Development Programme  
 Project of the Government of  
 Kenya  
 Annual Work Plan

11/11/2004  
 IIA - 34453  
 Project 36615

Title Strengthening Capacity of the External Resources  
 Department

Project Number: KEN/04/040/A/01/99

UNDAF Outcome: Enhanced capacities of key national and  
 local institutions for improved governance

Budget (in US\$)		
UNDP	2004	100,000
UNDP Total		100,000

A/C/UNDP sector & subsector

- 02 - General Development Issues
- 00 - National Development Planning
- 001 - Economic Management
- 001 - Macro-economic Policy and Planning

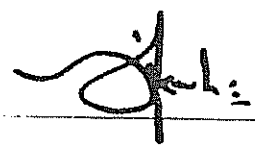
Implementing partners: Ministry of Finance

Estimated Start Date: 1 June 2004

Annual Project Summary – i) Outcome, ii) Outputs, iii) Activities, iv) Inputs.

i) The long-term outcome of this project is to enhance the capacity of the External Resources Department (ERD) to effectively and pro-actively intermediate between aid recipients and aid providers and in the process to have oversight, facilitate, coordinate, monitor and increase disbursement rates for donor inflows, and to capture and disseminate to donors and to Kenya Government comprehensive and readily accessible information regarding utilization of development assistance flows. ii) The main outputs of the project will be a) an interactive donor community/Treasury website established with the requisite equipment; b) enhanced Human Resource capacity through training c) identification of harmonization issues related to acceleration of disbursement rates. iii) The activities required to produce these outputs include: a) design and establishment of an interactive donor/Treasury website; c) establishing cost-sharing arrangements with donors to assist in the funding of the capacity-building requests; e) training of ERD personnel on website and ODA data management. iv) Inputs required to engage in the above activities include various consultancies, training and provision of equipment and accessories.

Approved on  
 behalf of

 Date: 17-7-04

Date

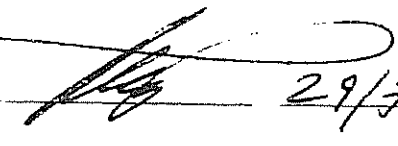
Name/Title

Ministry of  
 Finance

*Permanent Secretary*

Joseph K. Kinyua  
 Permanent Secretary

UNDP

 29/7/04

Paul Andre de la Porte  
 Resident Representative

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1 Situation Analysis:

The External Resources Department/Treasury (ERD) performs the accountability function of The Treasury regarding management of ODA resources pursuant to The Public Audit Act, 2003, and the External Loans and Credit Act (Cap 422) of the laws of Kenya. Accordingly, ERD is responsible for donor co-ordination; for negotiating and administering Agreements with donors concerning loans, grants and Technical Assistance. ERD is also responsible for monitoring and evaluating compliance with the terms and conditions of Agreements; and for approving disbursement of donor resources to implementing agencies; for ensuring that external resources are optimally utilized to achieve the intended objectives. A central role in the management of this mandate is to maintain data relating to donor inflows, disbursement and liquidation of such disbursements with donors.

The Permanent Secretary/Treasury stated at the workshop on *Domestication of the Rome Declaration* held in October, 2003 at the Kenya School of Monetary Studies that 70% of Kenya Government's development expenditure is funded by ODA. The "Minutes of the GOK / Donor Meeting Held on Friday, 12<sup>th</sup> March 2004 at KICC" include a statement by the Permanent Secretary/Treasury that out of the total amount of ODA absorbed in the current financial year for both grants and loans of KES35.80 billion, only KES10.90 billion had been disbursed by end February, 2004, reflecting a disbursement rate of 30.60%.

The Monterrey Consensus identified harmonization of donor / recipient practices to be a vital component in accelerating disbursement rates. However, while harmonization is being addressed through the Rome Declaration fora, it is useful to assess the performance of ERD in fulfilling this mandate. In so doing, it is necessary to evaluate ERD firstly, as a stand-alone Department, and, secondly, as a link in the middle of a long, complex data-reporting chain upon which it is highly dependant for the performance of its obligations

Desk Officers have weak formal education relating to ERD's core functions such as management of foreign aid. ERD has weak reporting system to capture direct payments made by donors or to capture external flows not channelled through the Kenya Government budget system. MIS systems need upgrading and networking to serve ERD and thereafter to link to other Departments in The Treasury. Development of an enhanced data system is required to capture external resources more efficiently.

As a link in a chain, ERD is highly dependent upon the performance of other links to perform its obligations. ERD relies upon personnel at line Ministry level and at district level to prepare and deliver documentation in support of eligible expenditures to Ministry Headquarters, and in turn relies on Ministry Headquarters to translate such documentation into consolidated Statements of Expenditures. Because of disjointed reporting structures and the varying capacity, focus and skills of personnel at line Ministries and the district level, Statements of Expenditures are often slow in arriving, riddled with errors and the data reported often clashes with ERD's internal data.

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Based upon such Statements of Expenditures, ERD liquidates donor advances by way of preparing and delivering Consolidated Replenishment Claims to donors for reimbursement of advances, such other documentation as may be required to establish that tranche release benchmarks have been met and for related purposes.

The magnitude of the process is enormous. There are 73 districts treasuries and 8 sub-district treasuries per district. At a minimum, each district treasury serves 15 line Ministries through 2 bank accounts, a capital account and a development account. In addition, there may be, on average, between 3 and 10 donor-funded project bank accounts per line Ministry per district.

The officers in this chain have no training in foreign aid management and have difficulty in distinguishing donor funds from Kenya Government counterpart funds when project funds are remitted to the project account. Additionally, they have difficulty in allocating eligible expenditures between Kenya Government counterpart funds and donor funds and suffer the results of poor budgeting as most line Ministries are unable to distinguish between A-I-A and revenue together with a number of related difficulties.

Such data-reporting failures have potentially dangerous consequences beyond not managing ODA and donor relationships well. The adverse impact is far wider, in that erroneous financial data captured by ERD has a misleading impact on the budget process as well as the ability of The Treasury to predict economic trends and to formulate sound fiscal and monetary policies.

The Treasury has no mechanism for delivering to donors or to concerned parties within Kenya Government readily accessible, comprehensive and transparent information concerning ODA inflows, disbursement of such inflows, monitoring and evaluating data and related information.

The activities specified in this Annual Work Plan are meant to address the capacity building needs of ERD and web enabled data-reporting structures upon which ERD is dependent to perform its obligations.

## II - Project Implementation Strategies

### Building Capacity in ERD and Related Reporting Structures

#### ERD

This component will include workshops or short training courses focusing on enhancement of ODA data management and reporting, procurement, financial and expenditure management, negotiation skills and management of foreign aid for Desk Officers and selected personnel attached to line Ministries and Office of the Accountant-

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General. Another component will include training for a different set of officers in the Treasury focusing on enhancement of their Public Sector Expenditure Management skills in terms of budgeting, project planning, reporting, monitoring and evaluation. Formal courses for ERD Desk Officers on management of foreign aid and other subjects related to ERD's mandate would be supported as appropriate.

Interactive Donor Community / Treasury Database and Website

A database and website will be established and maintained by the Treasury for delivering to Donors and concerned parties within Kenya Government readily accessible, comprehensive and transparent information concerning ODA inflows and utilisation of such inflows. The database and website will provide information concerning disbursement rates, absorptive capacity, tranche release benchmarks, project/programme evaluation, sectoral and thematic groupings, projects funded and the amounts of such funding on a segmented and aggregate basis together with other matters critical to determining the impact and utilization of ODA. The website will be a useful contribution in the preparation of UNDP's Development Cooperation Report.

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Annual Work Matrix - Fiscal Year 2003 - 2004

Project Number:

Project Title:

Key Objectives	Key Activities/ Annual Outcomes	Monitoring Actions	Success Indicators	Q1	Q2	Q3	Q4	Collaborating Party	Source of Finance	Input Description	Budget Allocation
Enhanced Capacity at ERD	Training ERD officers in ODA negotiation, Public Sector Expenditure Management skills, aid management, monitoring and reporting of aid flows and regular data posting into the website.		Officers in ERD, line Ministries and Office of the Accountant-General trained			X	X	Ministry of Finance	UNDP Trac Funds	Local facilitation Consultancy and venue costs	35,000
Web enabled Database established at The Treasury.	Website design, establishing links with other units at ERD, and links with the donor community Purchase of computers and accessories Purchase and installation of a server Oracle RDBMS on the server at The Treasury				X			Ministry of Finance	UNDP Trac Funds	Local Consultancy	30,000
						X				Equipment	20,000
						X				Software	15,000

List all the activities to be undertaken during the year towards stated output.