



United Nations Development Programme

Country: KENYA

Project Document

Project Title Central Bank of Kenya Capacity Building Support Project

UNDAF Outcome(s): 3.1: Equitable livelihood opportunities and food security with a focus on vulnerable groups enhanced and sustained

Expected CP Outcome(s): 3.1.2 Policies and programmes for trade and investment facilitation developed and implemented by 2013.
(Those linked to the project and extracted from the CPAP)

Expected Output(s): 3.1.2.3 The capacity of Central Bank of Kenya built in developing strategies and policies to enhance domestic and foreign direct investments.
(Those that will result from the project and extracted from the CPAP)

Implementing Partner: Ministry of Finance

Responsible Parties: Central Bank of Kenya

Brief Description

The project aims at improving the capacity of the Central Bank of Kenya in macro economic and monetary policy management, promoting and deepening of domestic debt markets and enhancing supervision and depository institutions' functions and inflation targeting by strengthening three Departments i.e. the Research Department; Monetary Operations & Debt Management; and the Currency Operations. The departments will be strengthened through provision of technical assistance in form of three Senior Technical Advisors attached to each department.

The overall project output will include a strengthened analyses and decision support capacity of the three Departments of CBK with the following specific outputs, (a) Strategy plans, (b) all staff of the three Departments trained in adapted models, tools, systems etc for economic analysis and decision guidance, (c) accurate macro economic forecasts and analyses, (d) Improved signalling component of government securities, (e) An agreed three-year staff training and development plan / program.

Project Period:	2009 – 2010 (2 years)
Key Result Area (Strategic Plan):	
Atlas Award ID:	
Start date:	January 2009
End Date:	December 2010
LPAC Meeting Date:	
Management Arrangements:	NEX

2009 AWP budget:	US \$ 297,050
Total resources required	US \$ 761,547
Total allocated resources:	US \$ 761,547
• TRAC	US \$ 110,000
• Other:	
o EC	US \$ 651,547

Agreed by (Implementing Partner): Central Bank of Kenya:

Date: 12/05/2009

Agreed by (Executing Agency): Ministry of Finance / Treasury:

Date: 26/05/2009

Agreed by UNDP:

Alex Guma

12/06/09

Date:

II. MANAGEMENT ARRANGEMENTS

Management

The Central Bank of Kenya will implement the project. In its role as the Implementing Partner, CBK will be responsible for the management and the delivery of programme activities to achieve specified results, as set forth in the Annual Work Plan. This includes planning and overall management of the project; reporting and accounting; and monitoring and evaluation of the project activities. UNDP will provide technical support for implementation and management of the activities under the Annual Work Plan. A Senior Technical Advisor will be engaged to backstop the project activities and to play a lead role in the development of subsequent programmes. CBK will carry out the day-to-day activities planned in the AWP in close collaboration with other collaborating parties. In order to effectively implement this project UNDP results based approach methodology will be adopted. This will increase the chances of achieving the desired outputs on time and within budget. That implies that a professionally trained project management team will run the project.

The Implementing Partner, shall be responsible for ensuring that the allocated resources for the Annual Work Plan are utilized effectively in funding the envisaged activities. It shall have a tracking system that will maintain records and controls for the purpose of ensuring the accuracy and reliability of the Annual Work Plan's financial information.

UNDP, as agreed with CBK, will provide support services when requested. The cost of these services, calculated on the basis of the universal price list will be recovered by the project.

It's proposed that a Project Board / Steering Committee will be established with representation from the partnering institutions (UNDP, MoF, CBK). This will be the policy decision-making body set to provide direction and guidance to the project. This Board will meet periodically and also monitor the project performance, including receiving and approving reports from the three Departments based on assigned roles. The Board will also ensure that the project maintains coherence with national policies and priorities, and is aligned with UN interventions as well as related on-going and planned bilateral and multilateral donor-funded programmes and initiatives.

The participating institutions will also focus capacities in ensuring performance assessment and documentation/tracking of results for purposes of facilitating sharing, policy direction and dissemination to shareholders. The Board will likewise act in retaining institutional memory for the departmental reform process thus widening the impact of the project through replication to other departments or institutions involved in monetary and fiscal policy support.

Collaboration:

The project proposes to work with and foster stronger partnerships and linkages with research institutions, universities, KIPRA, Central Bureau of Statistics, World bank, IMF, Financial Institutions, private sector support agencies, etc that have both direct and indirect impact on monetary and fiscal policy. Options will also be looked at involving at some stage the Central Banks of other countries as far as their experiences and partnership is concerned.

Other important partners are development partners engaged in related complementary activities (such as policy dialogue, macro economic support, financial systems) through the existing development partner's coordination mechanism. At the operational level, partnerships can be established with project management offices/implementing agents through sharing of information and experiences and possibly joint activities where feasible. This will enable project management to reflect the preferences of the development partners that will ultimately engage in contributing to the decision making process and implementation support.

The day-to-day management of operations of this project will be under the Director, Human Resources as senior implementer. Individual target Departments together with the Senior Technical Advisors will set out the technical direction of the project components / activities at the departmental levels. Each Department will be supported by a Senior Technical Advisor at the start of the project.

Project Outcomes:

The project will contribute in achieving the following UNDAF outcome: Enhanced policy framework and institutional and human capacities in the Central Bank of Kenya to participate in local, regional and global trade with a pro poor focus. More specifically, this will mean: -

- 1) Deliberate poverty – reducing development oriented monetary and fiscal policies.
- 2) Deepened financial sector providing investment support to the micro small medium enterprises (MSMEs) in Kenya for balanced development.

Project outputs:

The following project outputs are envisaged in realising the above outcomes: Analyses and decision support capacity of the targeted Departments of Central Bank of Kenya Strengthened. Specifically the following should be realised: -

- i. Strengthened and developed analytical capacity of the Research Department and macroeconomic analysis through:
 - Analysis of data for economic analysis and forecasting, utilizing, where necessary, contacts with the MOF, KNBS and KIPPRA;
 - Creating and developing further the monetary block model and working with the MOF and KIPPRA in improving their medium term

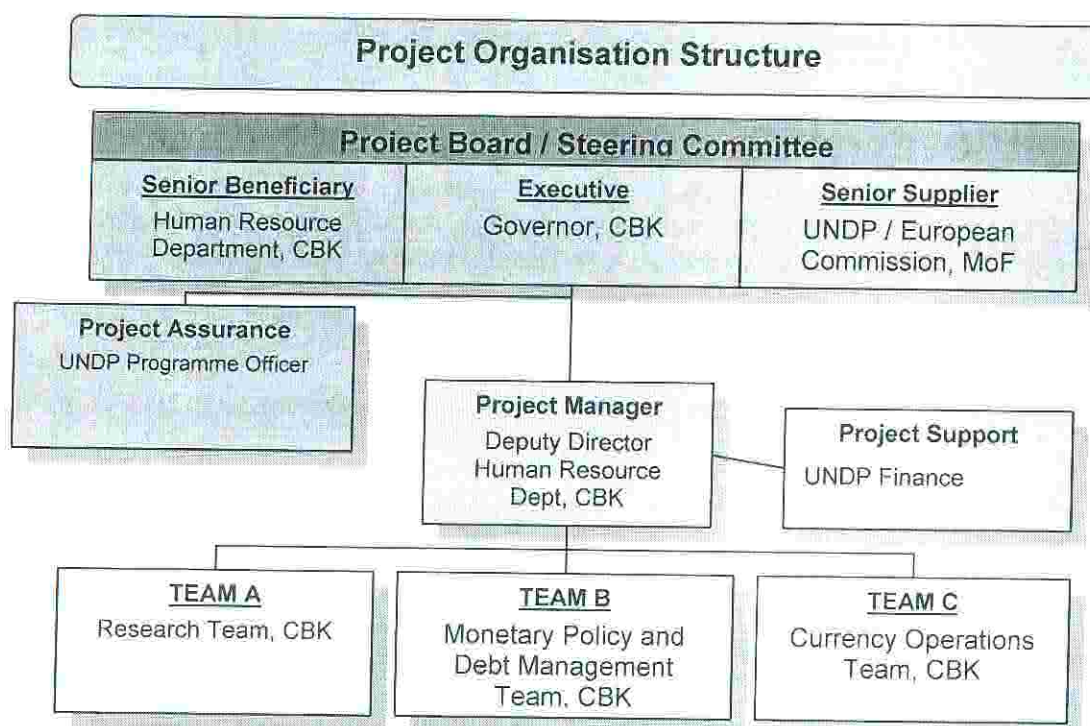
macroeconomic forecasts, including the continued development of reliable databases requisite for the preparation of forecasting models;

- Strengthening the central role of the Bank's macroeconomic forecasts for MTEF and policy dialogue;
 - Assisting with the integration of monetary policy impact into macroeconomic forecasts and establishing a monitoring process so that forecasts can be continuously evaluated and improved;
 - Developing a research agenda for CBK and the Research Department in areas weak in policy or require policy changes or enhancement.
 - Maintaining regular and full cooperation, communication, and assistance between the Banks, MOF, and KIPPRA in policy dialogue.
 - Regional integration and convergence of policies and analysis especially in EAC.
 - Monitoring and analyzing monetary policy and macroeconomic developments and policy implementation, and in conjunction with Bank's departments, develop policy options to address deviations from monetary targets agreed with MOF.
 - Assisting in the preparations of monetary program, basic ingredients, direction and assessment.
 - Assisting in the development of the bond market, legal prerequisites and financial market development.
- ii. Strengthened and developed analytical capacity of the Monetary Operations and Debt Management Department through:
- Improving the signalling component of government securities. There are general weaknesses in operations of the department in terms of how the Bank can update its strategies to take advantage of developments in financial markets, and how its policies can help foster such development.
 - Ensure effective implementation of policy. A guide to practical use of policy instruments in monetary operations. Implementing monetary policy under a variety of challenging institutional and policy environments.
 - Monetary operations and strategies.
- iii. Trained and Developed relevant staff of the Research, Monetary Operations and Debt Management Departments:
- Development of staff training and development plans
 - Developing a seminar schedule (at least on a quarterly basis) and identify appropriate practitioners and lecturers to bring the latest economic theories and knowledge and its application to the Bank, with particular focus on their

usefulness for Kenya's economic analysis and including the analysis of the latest economic developments;

- Identifying study tours and internships in other Central Banks (and other relevant bodies);
- An agreed timetable for a two-year training program, including seminars, internships and study tours within two months after signature of the contract
- Setting up links with foreign Central Banks (and other relevant bodies) to facilitate longer term co-operation;
- Identifying appropriate external courses run by academic and professional institutions in areas relevant to the needs of the Bank;
- Setting up a road map for continuous training.

III. PROJECT ORGANIZATION STRUCTURE



Project Board:

The Executive will be a representative from the Central Bank of Kenya (Governor). The Senior User will be the representative of the Human Resource Department, while the Suppliers will be the Ministry of Finance, UNDP and the European Commission. See organogram for details.

Project Management – Main Responsibilities:-

Project Board:

1. Overall direction and guidance for the Project
2. Monitor and control progress
3. Review of each completed stage
4. Commitment of project resources
5. Delivery of Project results and objectives

Project Assurance – role to be assumed by UNDP Programme Officer:

1. Adherence to the business case (on behalf of the Executive)
2. Monitor the compliance with user needs and expectations (on behalf of Senior User)
3. Supplier Assurance carried out by spot-check of deliverables and outputs
4. Review of Deliverables via Quality Reviews

Project Manager (Deputy Director, Human Resource Department, CBK):

1. Produce the Project Initiation Document (PID)
2. Day-to-day management of the Project
3. Identify and obtain any support and advice required for the management, planning, and control of the project
4. Reporting progress through regular updates (e.g. meeting, email briefing, etc.)
5. Responsible for project monitoring
6. Delivery of the projects deliverables as outlined in the Project Initiation Document (PID)

The Project Technical Teams will work closely with the Project Manager in the implementation process.

Project Support

Project support will provide administrative support during the implementation of the programme.

Reporting, Monitoring and Evaluation

At the end of the first month the Advisors will submit inception reports showing a work plan of significant tasks to be undertaken during the contract period, which should be acceptable to the Governor. In addition he/she will submit a short (maximum 3 pages) monthly updates of the inception report to Governor which will show achievements over the previous month, work program for the next month and problems encountered, as well as progress towards achieving the goals set in the inception report.

Reporting will start from the CBK's Departments – Research; Monetary Operations and Debt Management; and Currency Departments, through periodic progress meetings undertaken by the project staff, where each Senior Technical Advisor will compile and provide an individual task progress report on what has been undertaken related to the project activities. The Central Bank of Kenya will compile/document and submit duly signed progress reports to UNDP. UNDP expects quarterly reports from implementing institutions based on agreed quarterly work plans. UNDP will in turn compile and forward progress reports to the European Commission and key stakeholders depending on the agreed reporting format and time. The reporting modalities of UNDP to the

European Commission will be articulated in the Cost Sharing Agreement to be signed between the European Commission and UNDP before the start of the project.

The communication details in terms of the stakeholders, information required, information provider, frequency and method of communication in regard to sharing information or lessons learnt, progress reporting, stage reviews / controls, evaluation, audit will be contained in the separate Communication Plan to be developed (Annexed) to ensure that all stakeholders are informed of the project progress and other project issues, as scheduled.

The performance of the project will be tracked on a regular basis and in a consistent manner through an effective monitoring and reporting system to be designed and validated by the participating institutions at the inception of the project. This system will also guide the review of implementation strategies, the rationalisation of costs and benefits. The following considerations will guide the design of the monitoring and reporting system:

- Flexibility and demand responsiveness.
- Results-based management of the project.
- Monitoring of impact and performance based on indicators and milestones, reflecting intended results of the project.
- Monitoring of risks.
- Ensuring accountability in the use of project resources.
- Streamlining reporting. These reports will measure progress against key indicators, also taking into account cross-cutting issues as will be agreed in the guiding principles.

IV. MONITORING FRAMEWORK AND EVALUATION

In accordance with the programming policies and procedures outlined in the UNDP User Guide, the project will be monitored through the following:

Within the annual cycle

- On a quarterly basis, a quality assessment shall record progress towards the completion of key results, based on quality criteria and methods captured in the Quality Management table below.
- An Issue Log shall be activated in Atlas and updated by the Project Manager to facilitate tracking and resolution of potential problems or requests for change.
- Based on the initial risk analysis submitted (see annex 1), a risk log shall be activated in Atlas and regularly updated by reviewing the external environment that may affect the project implementation.
- Based on the above information recorded in Atlas, a Quarterly Progress Reports (QPR) shall be submitted by the Project Manager to the Project Board

through Project Assurance, using the standard report format available in the Executive Snapshot.

- a project Lesson-learned log shall be activated and regularly updated to ensure on-going learning and adaptation within the organization, and to facilitate the preparation of the Lessons-learned Report at the end of the project
- a Monitoring Schedule Plan shall be activated in Atlas and updated to track key management actions/events

Annually

- **Annual Review Report.** An Annual Review Report shall be prepared by the Project Manager and shared with the Project Board and the Outcome Board. As minimum requirement, the Annual Review Report shall consist of the Atlas standard format for the QPR covering the whole year with updated information for each above element of the QPR as well as a summary of results achieved against pre-defined annual targets at the output level.
- **Annual Project Review.** Based on the above report, an annual project review shall be conducted during the fourth quarter of the year or soon after, to assess the performance of the project and appraise the Annual Work Plan (AWP) for the following year. In the last year, this review will be a final assessment. This review is driven by the Project Board and may involve other stakeholders as required. It shall focus on the extent to which progress is being made towards outputs, and that these remain aligned to appropriate outcomes.

Quality Management for Project Activity Results

Replicate the table for each activity result of the AWP to provide information on monitoring actions based on quality criteria. To be completed during the process "Defining a Project" if the information is available. This table shall be further refined during the process "Initiating a Project".

OUTPUT 1: The Capacity of Central Bank of Kenya built in developing strategies and policies to enhance domestic and foreign investments		
Activity Result 1 (Atlas Activity ID)	<i>Short title to be used for Atlas Activity ID</i>	Start Date: End Date:
Purpose	<i>What is the purpose of the activity?</i>	
Description	<i>Planned actions to produce the activity result</i>	
Quality Criteria <i>how/with what indicators the quality of the activity result will be measured?</i>	Quality Method <i>Means of verification. What method will be used to determine if quality criteria has been met?</i>	Date of Assessment <i>When will the assessment of quality be performed?</i>

V. LEGAL CONTEXT

This document together with the CPAP signed by the Government and UNDP which is incorporated by reference constitute together a Project Document as referred to in the SBAA [or other appropriate governing agreement] and all CPAP provisions apply to this document. Consistent with the Article III of the Standard Basic Assistance Agreement, the responsibility for the safety and security of the implementing partner and its personnel and property, and of UNDP's property in the implementing partner's custody, rests with the implementing partner.

The implementing partner shall:

- a) put in place an appropriate security plan and maintain the security plan, taking into account the security situation in the country where the project is being carried;
- b) assume all risks and liabilities related to the implementing partner's security, and the full implementation of the security plan.

UNDP reserves the right to verify whether such a plan is in place, and to suggest modifications to the plan when necessary. Failure to maintain and implement an appropriate security plan as required hereunder shall be deemed a breach of this agreement. The implementing partner agrees to undertake all reasonable efforts to ensure that none of the UNDP funds received pursuant to the Project Document are used to provide support to individuals or entities associated with terrorism and that the recipients of any amounts provided by UNDP hereunder do not appear on the list maintained by the Security Council Committee established pursuant to resolution 1267 (1999).

All nationally executed annual work plans may be audited once in their lifetime. The objective of the audit is to provide the United Nations Development Programme Administrator with the assurance that United Nations Development Programme resources are being managed in accordance with:

- The financial regulations, rules, practices and procedures for the annual work plan or project;
- The annual work plan activities, management and implementation arrangements, monitoring, evaluation and reporting provisions; and
- The requirements for implementation in the areas of management, administration and finance.

The United Nations Development Programme may audit non-United Nations implementing agency annual work plans by sub-contracting private auditors to carry out the audit exercise. Funds for audit expenses will be budgeted within the annual work plan. In the event of such an audit, the implementing agency will ensure that auditors are

given all records and information that they will need to perform a meaningful performance audit. The implementing agency will ensure that final accounts of the year under audit are submitted to United Nations Development Programme and for government implementing institutions to the Controller and Auditor-General (or an appointed sub-contractor), by the end of January of the following year. It is the responsibility of the implementing agency to ensure that all audit observations are attended adequately

VI. VISIBILITY AND PUBLICATION

Unless UNDP and / or the European Commission requests or agrees otherwise, the Executing Agency (Ministry of Finance) and Implementing Agency (Central Bank of Kenya) shall take all appropriate measures to publicize the fact that the project has been funded by the European Commission and UNDP. Information given to the press, project beneficiaries, all related publicity materials, official notices reports and publications, shall acknowledge that the activity was carried out with funding from the noted institutions and shall display in an acceptable way the respective logos. In addition, all publications must be reviewed by concerned parties before publication, and shall bear the appropriate organizations disclaimer.

One month after the start of the project, a visibility strategy will be developed by the Implementing Agency and submitted to the EC and UNDP.

Appendix: II - Initial Risk Log

The major risk comes in if the funding of this project is withdrawn thereby stalling the project. But the most important outcome for this support is to strengthen the institution to mitigate such risks. The details of the risks are:-

No.	Description	Type	Impact & probability	Countermeasures/ Management responses	Owner
1.	Political interference – frequent transfers of staff in the Research and other concerned Departments or the Governor within the context of Coalition Governments portfolio balance.	Political	Lack of continuity of project causes erosion of the vision or institutional memory; lack of continuity / attainment of staff capacity development targets.	Design and implement high impact project awareness and mobilization activities such as periodic national forum with key government officials. The recruited Advisors should facilitate the Human Resource Department to identify capacity gaps in targeted capacity areas including interventions. Then the HR Dept develops an action plan upon which reforms and technical support to CBK will be aligned. That will shift reforms from the being persons specific to institutional based.	Project Board Project Management
2.	Insufficient coordination and delivery of the project activities by the Research and other target Departments at CBK.	Strategic / operational	Delivery and Sustainability of project results would be negatively affected.	Project to recruit Technical Advisors with wide national, regional and global experiences. Develop Strategic Plans for the Research and other target Departments through a consultative process.	Project Board

No.	Description	Type	Impact & probability	Countermeasures/ Management responses	Owner
3.	Inadequate /delays in mobilizing resources to support project activities including staff capacity development.	Financial	Inability to implement planned project activities / interventions.	Rationalize interventions based on quick impact prioritization of activities. Widen partnership network for resource mobilization and systematically generating and executing fundraising plans.	Project Management
4.	Non conformance to project assurance targets (quality, time, cost – value for money)	Operational	Inability by the Research or other target Departments staff to undertake training or are not trainable or to cope with the tasks and mandate assigned.	Close monitoring of the performance of the staff, project progress and designated technical backstopping of CBK by UNDP.	Project assurance.
5.	Project management arrangement not functioning as intended.	Operational	Ineffective project management that would have negative effect on achievement of project results.	Review of the project management structure, processes and systems so as to effect appropriate actions to ensure effective project management and flows.	Project Board