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The World Bank
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Report No: ICR00004272

IMPLEMENTATION COMPLETION AND RESULTS REPORT

IDA-48010 AND TF-97578

ON A

CREDIT

IN THE AMOUNT OF SDR 23.8 MILLION

(US\$ 35 MILLION EQUIVALENT)

AND ON A

GRANT FROM THE GLOBAL ENVIRONMENT FACILITY TRUST FUND

IN THE AMOUNT OF US\$ 5.0 MILLION

TO THE

REPUBLIC OF KENYA

FOR THE

KENYA COASTAL DEVELOPMENT PROJECT (P094692)

December 31, 2017

Environment & Natural Resources Global Practice
Africa Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective June 30, 2017)

Currency Unit = Kenyan Shilling

KES 105.484 = US\$1

US\$ 1.39 = SDR 1

FISCAL YEAR

July 1 - June 30

ABBREVIATIONS AND ACRONYMS

| | |
|---------|---------------------------------------------------------------|
| ALRMP | Arid Lands Resource Management Project |
| BDS | Business Development Services |
| BMU | Beach Management Unit |
| CDA | Coast Development Authority |
| CDD | Community Driven Development |
| CIDP | County Integrated Development Plan |
| CMA | Co-Management Area |
| CPS | Country Partnership Strategy |
| CVF | Coastal Village Fund |
| DPP | Department of Physical Planning |
| EA | Environmental Audit |
| EEZ | Exclusive Economic Zone |
| EIA | Environmental Impact Assessment |
| ESMF | Environmental and Social Management Framework |
| FM | Financial Management |
| FY | Fiscal Year |
| GDP | Gross Domestic Product |
| GEF | Global Environment Facility |
| GEO | Global Environmental Objective |
| GIS | Geographical Information System |
| GoK | Government of Kenya |
| HMP | Hazina ya Maendeleo ya Pwani |
| ICBIMS | Integrated Coastal Biodiversity Information Management System |
| ICR | Implementation Completion Report |
| ICZM | Integrated Coastal Zone Management |
| ISR | Implementation Status and Results Report |
| IDA | International Development Association |
| ISDS | Integrated Safeguards Datasheet |
| IPPF | Indigenous Peoples Planning Framework |
| KEFRI | Kenya Forestry Research Institute |
| KEMFSED | Kenya Marine Fisheries and Socioeconomic Development Project |

| | |
|-------|-----------------------------------------------------|
| KMFRI | Kenya Marine Fisheries Research Institute |
| KMMP | Kisite-Mpunguti Marine Protected Area |
| KWS | Kenya Wildlife Service |
| KWSTI | Kenya Wildlife Service Training Institute |
| METT | Management Effectiveness Tracking Tool |
| MoF | Ministry of Finance |
| MoFD | Ministry of Fisheries Development |
| MCS | Monitoring, Control and Surveillance |
| M&E | Monitoring and Evaluation |
| MLDP | Ministry of Lands (Department of Physical Planning) |
| MMPA | Malindi Marine Protected Area |
| MPA | Marine Protected Area |
| MPs | Management Plans |
| MSMEs | Micro, Small and Medium Enterprises |
| MTR | Mid-Term Review |
| MS | Moderately Satisfactory |
| MU | Moderately Unsatisfactory |
| NEMA | National Environment Management Authority |
| NRM | Natural Resources Management |
| OPCS | Operations Policy and Country Services |
| PAD | Project Appraisal Document |
| PMU | Project Management Unit |
| PDO | Project Development Objective |
| SDF | State Department of Fisheries |
| SDR | Special Drawing Right |
| SHNP | Shimba Hills National Reserve |
| TTL | Task Team Leader |
| VMG | Vulnerable and Marginalized Groups |
| WWF | World Wildlife Fund |

Regional Vice President: **Makhtar Diop**
 Country Director: **Diarietou Gaye**
 Senior Global Practice Director: **Karin Erika Kemper**
 Practice Manager: **Magdolna Lovei**
 Task Team Leader(s): **Dinesh Aryal, Veruschka Schmidt**
 ICR Main Contributor: **Michael G. Carroll**

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DATA SHEET

BASIC INFORMATION

Product Information

| | |
|------------------------|-----------------------------------------------|
| Project ID | Project Name |
| P094692 | KENYA COASTAL DEVELOPMENT PROJECT (P094692) |
| Country | Financing Instrument |
| Kenya | Specific Investment Loan |
| Original EA Category | Revised EA Category |
| Partial Assessment (B) | Partial Assessment (B) |

Related Projects

| Relationship | Project | Approval | Product Line |
|--------------|-------------------------------------------|-------------|----------------------------|
| Supplement | P108845-Kenya Coastal Development Proejct | 27-Jul-2010 | Global Environment Project |

Organizations

| | |
|---------------------|---------------------|
| Borrower | Implementing Agency |
| Government of Kenya | KEMFRI |

Project Development Objective (PDO)

Original PDO

The project development objective is to promote an environmentally sustainable management of Kenya's coastal and marine resources by strengthening the capacity of existing relevant government agencies and by enhancing the capacity of rural micro, small and medium-sized enterprises in selected coastal communities.

Revised PDO

To improve management effectiveness and enhance revenue generation of Kenya's coastal and marine resources.



FINANCING

| | Original Amount (US\$) | Revised Amount (US\$) | Actual Disbursed (US\$) |
|---------------------------------|-------------------------------|------------------------------|--------------------------------|
| World Bank Financing | | | |
| P094692 IDA-48010 | 35,000,000 | 30,054,759 | 29,704,529 |
| P108845 TF-97578 | 5,000,000 | 4,953,531 | 4,953,531 |
| Total | 40,000,000 | 35,008,290 | 34,658,060 |
| Non-World Bank Financing | | | |
| Borrower | 2,000,000 | 1,986,290 | 1,986,290 |
| Total | 2,000,000 | 1,986,290 | 1,986,290 |
| Total Project Cost | 42,000,000 | 36,994,580 | 36,644,350 |

KEY DATES

| Project | Approval | Effectiveness | MTR Review | Original Closing | Actual Closing |
|----------------|-----------------|----------------------|-------------------|-------------------------|-----------------------|
| P094692 | 27-Jul-2010 | 30-Jun-2011 | 24-Apr-2015 | 29-Oct-2016 | 30-Jun-2017 |
| P108845 | 27-Jul-2010 | 30-Jun-2011 | 24-Apr-2015 | 29-Oct-2016 | 30-Jun-2017 |



RESTRUCTURING AND/OR ADDITIONAL FINANCING

| Date(s) | Amount Disbursed (US\$M) | Key Revisions |
|----------------|---------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 21-Sep-2012 | 3.01 | Change in Project Development Objectives Change in Results Framework Change in Financing Plan Reallocation between Disbursement Categories Change in Disbursements Arrangements Change in Institutional Arrangements Change in Procurement |
| 06-Oct-2015 | 21.57 | Change in Results Framework Change in Components and Cost Cancellation of Financing Change in Financing Plan Reallocation between Disbursement Categories Change in Disbursements Arrangements Change in Institutional Arrangements Other Change(s) |
| 29-Sep-2016 | 29.28 | Change in Loan Closing Date(s) |

KEY RATINGS

| Outcome | Bank Performance | M&E Quality |
|-------------------------|-------------------------|------------------------|
| Moderately Satisfactory | Moderately Satisfactory | Substantial |

RATINGS OF PROJECT PERFORMANCE IN ISRs

| No. | Date ISR Archived | DO Rating | IP Rating | Actual Disbursements (US\$M) |
|------------|--------------------------|-------------------------|---------------------------|-------------------------------------|
| 01 | 19-Mar-2011 | Satisfactory | Satisfactory | 0 |
| 02 | 30-Nov-2011 | Satisfactory | Satisfactory | 1.14 |
| 03 | 07-May-2012 | Moderately Satisfactory | Moderately Satisfactory | 1.84 |
| 04 | 23-Feb-2013 | Moderately Satisfactory | Moderately Unsatisfactory | 3.63 |
| 05 | 26-Jul-2013 | Moderately Satisfactory | Moderately Unsatisfactory | 8.66 |
| 06 | 18-Jan-2014 | Moderately Satisfactory | Moderately Satisfactory | 8.65 |
| 07 | 08-Oct-2014 | Moderately Satisfactory | Moderately Satisfactory | 15.61 |



| | | | | |
|----|-------------|-------------------------|-------------------------|-------|
| 08 | 14-Apr-2015 | Moderately Satisfactory | Moderately Satisfactory | 16.40 |
| 09 | 27-Oct-2015 | Moderately Satisfactory | Moderately Satisfactory | 21.57 |
| 10 | 18-May-2016 | Moderately Satisfactory | Moderately Satisfactory | 29.28 |
| 11 | 22-Dec-2016 | Moderately Satisfactory | Moderately Satisfactory | 29.28 |
| 12 | 27-Jun-2017 | Moderately Satisfactory | Moderately Satisfactory | 30.06 |

SECTORS AND THEMES

Sectors

Major Sector/Sector (%)

Agriculture, Fishing and Forestry 100

| | |
|----------------------------------------------------------------|----|
| Agricultural Extension, Research, and Other Support Activities | 4 |
| Fisheries | 1 |
| Public Administration - Agriculture, Fishing & Forestry | 19 |
| Livestock | 1 |
| Other Agriculture, Fishing and Forestry | 75 |

Themes

Major Theme/ Theme (Level 2)/ Theme (Level 3) (%)

Private Sector Development 100

| | |
|------|-----|
| Jobs | 100 |
|------|-----|

Finance 4

| | |
|-------------------------|---|
| Finance for Development | 4 |
| Agriculture Finance | 4 |

Urban and Rural Development 83

| | |
|-------------------------------------------|----|
| Rural Development | 83 |
| Rural Markets | 4 |
| Rural Non-farm Income Generation | 47 |
| Rural Infrastructure and service delivery | 14 |
| Land Administration and Management | 18 |



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ADM STAFF

| Role | At Approval | At ICR |
|----------------------------------|-----------------------------|---------------------------------|
| Regional Vice President: | Obiageli Katryn Ezekwesili | Makhtar Diop |
| Country Director: | Johannes C.M. Zutt | Diarietou Gaye |
| Senior Global Practice Director: | Inger Andersen | Karin Erika Kemper |
| Practice Manager: | Idah Z. Pswarayi-Riddihough | Magdolna Lovei |
| Task Team Leader(s): | William Leeds Lane | Dinesh Aryal, Veruschka Schmidt |
| ICR Contributing Author: | | Michael G. Carroll |



I. PROJECT CONTEXT AND DEVELOPMENT OBJECTIVES

A. CONTEXT AT APPRAISAL

Context

1. Despite the considerable post-independence growth, which converted Kenya into the most prosperous country in East Africa in the 1980's, per capita GDP became stagnant during the '1990s and '2000s. Thus, at appraisal, poverty in Kenya was widespread, with 46 percent of the country's population living below the poverty line. Developed in 2008, the government's ambitious development blueprint (Kenya Vision 2030), was aimed at transforming the country into a newly industrializing middle-income country, providing a high-quality life to all its citizens by 2030. To achieve this goal, all sectors were expected to make significant efforts to bring the governance issues under control, address social inequities and provide the poor with sound opportunities to improve their income and living standards. This was consistent with the World Bank's 2010-2013 Country Partnership Strategy (CPS) focus on supporting sustainability based on economic, environmental and social principles. Of particular relevance was the focus on the coastal region and on tourism as a driver of future national growth, job creation, poverty reduction and wealth generation. Coastal tourism was directly and indirectly responsible for about 24 percent of the country's GDP, while about 70 percent of the per capita economic activity of the coastal region derived from tourism-related activities, placing tourism at the center of development.

2. The coastal region extends 150 km inland from the seafront, covering an area of 67,500 km² and constituting about 11.5 percent of the total area of the country. Coral reefs run parallel to the coastline, from Vanga to Malindi Bay, and mangrove forest, a vital part of the coastal ecosystem providing economic development and environmental services, covered about 500 km². The fishery sub-sector was an important contributor to the GDP, sustaining the livelihoods of many coastal and inland lake residents. In 2007, the average fish production was 156,000 metric tons, with inland fisheries contributing up to 95 percent, followed by marine fisheries (4 percent) and aquaculture (1 percent). In terms of biodiversity, the coastal region of Kenya has four marine parks and six marine reserves that incorporate important marine wildlife and habitats including coral reefs, seagrass beds and mangrove forests.

3. The Coast Province was one of the poorest in the country with over 62 percent of overall rural poverty, and consequently the central and local government agencies were not equipped to handle the investments needed to reduce poverty and improve environmental conditions. As a result, long-term neglect, resource overuse, and poor management and planning have had a major negative impact on the coastal environment. Overuse of fragile coral reefs by local residents and tourists, excessive fishing pressure in the inshore areas, inappropriate land use in coastal districts, and poor development management have severely degraded the value of coastal resources. In addition, organic pollution from human and solid waste produced by the major urban areas and tourist hotels has also affected the natural resources upon which the coastal economy is based. Furthermore, the benefits of exploiting valuable existing resources have not fully accrued to coastal residents or the national economy due to the lack of proper management. Limited domestic fishing occurred beyond territorial waters – most fishing within or close to the fringing coral reefs-- with a high prevalence of illegal coastal and offshore fishing due to inadequate public-sector capacity to monitor and control fishing. The Kenya Coastal Development Project (KCDP) was developed to address some of these challenges while contributing to the poverty alleviation goals. The World Bank's (WB) rationale for involvement was its significant experience in addressing poverty and development issues in Africa's coastal zones (the KCDP was the latest in a series of marine and freshwater projects developed in the coastal zones of Mozambique, Malawi, Uganda, Tanzania, Senegal, Guinea-Bissau, and Kenya), and its technical and financing capacity, which was expected to attract and harmonize

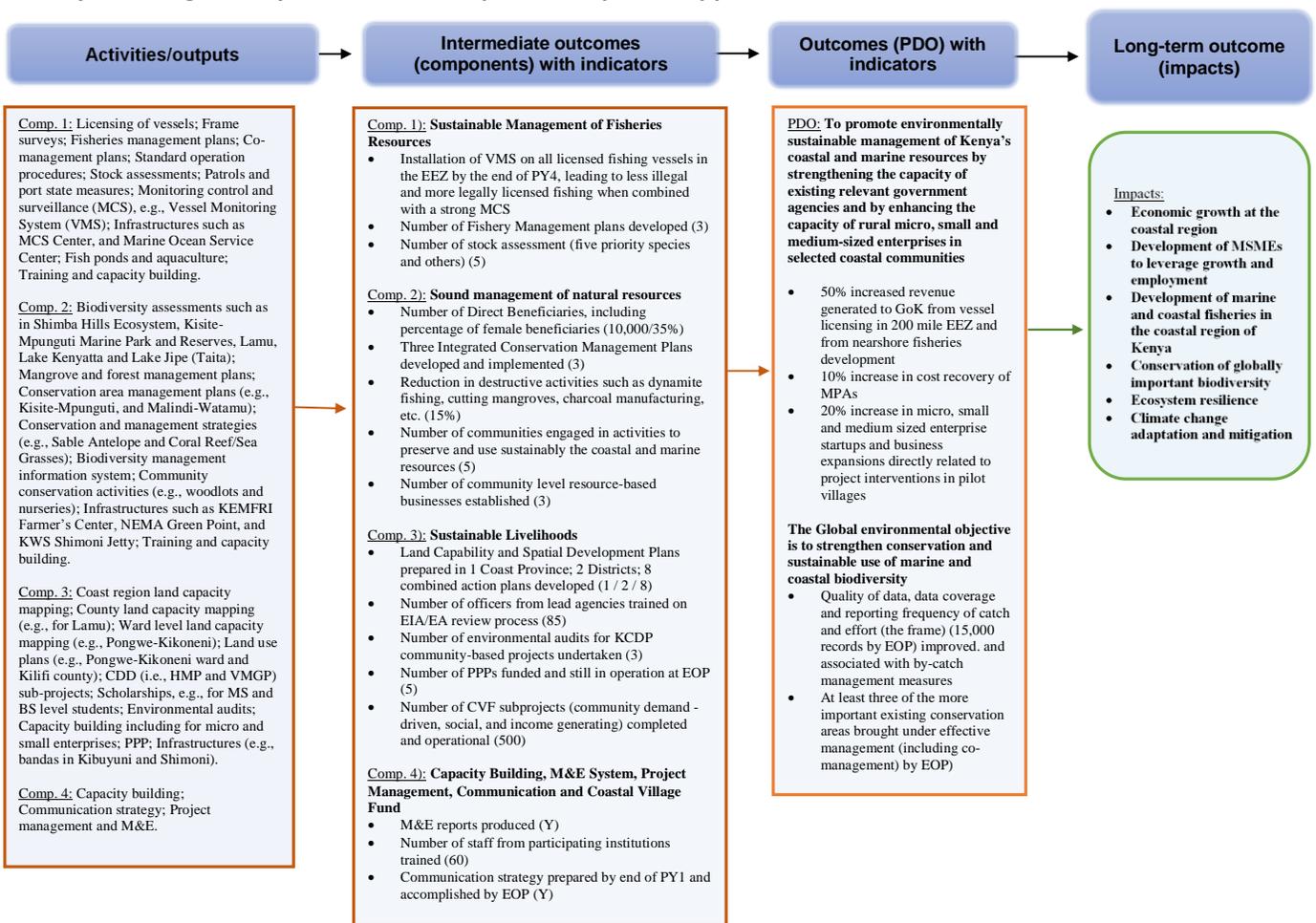


additional financing from other development partners and technical organizations.

Theory of Change (Results Chain)

4. While the initial aim of the KCDP was to build the capacity of implementing agencies to effectively deliver services towards improved natural resources management, and ultimately increased revenue for the Government of Kenya (GoK) and improved livelihood of the coastal communities, the theory of change was not explicitly described or illustrated in the Project Appraisal Document (PAD) or any other project document. However, as can be interpreted from the results framework, the underlying assumptions supporting the theory of change to be pursued by the project were that the promotion of coastal tourism should integrate environmental and social values in order to be sustainable. For this, the challenges facing the coastal region’s overall development and its tourism needed to be addressed in an integrated manner. These included: (i) contradictory regulatory and legal frameworks, (ii) a weak institutional framework, (iii) inadequate infrastructure, (iv) poor coordination and marketing of the tourism product globally and domestically, (v) poor management of the region’s natural resources associated with levels of poverty; and (vi) limited participation of coastal people in the development of the sector.

Theory of Change: Kenya Coastal Development Project at Appraisal





5. Addressing the degradation of natural resources and shifting resource use to a more rational pattern, required the sustainable utilization of the coastal areas. Such a strategy required interventions aimed at involving capture fisheries, particularly in the deeper near-shore areas that were considered poorly exploited by artisanal fishermen, increasing mariculture, reducing illegal offshore fishing, better understanding land capability and land use, infrastructure improvements, capacity building, assessment of markets, and improving technology for value addition.

Project Development Objectives (PDOs)

6. The original Project Development Objective (PDO) as stated in the PAD and Financing Agreement was “to promote environmentally sustainable management of Kenya’s coastal and marine resources by strengthening the capacity of existing relevant government agencies and by enhancing the capacity of rural micro, small and medium-sized enterprises in selected coastal communities”. The Global Environment Objective (GEO) as presented in both, the PAD and associated Financing Agreement was “to strengthen conservation and sustainable use of marine and coastal biodiversity”.

Key Expected Outcomes and Outcome Indicators

7. In order to assess the achievement of the project’s development objectives, the PAD-stated compound PDO and GEO of the project have been broken down, resulting in the following specific key expected outcomes and respective indicators:

| Expected Outcome | Indicators |
|--------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Promote environmentally sustainable management of Kenya’s coastal and marine resources by: | |
| 1. Strengthening the capacity of existing relevant government agencies | 50% increased revenue generated to GoK from vessel licensing in 200 mile EEZ and from near shore fisheries development 10% increase in cost recovery of MPAs |
| 2. Enhancing the capacity of rural micro, small and medium enterprises in selected coastal areas | 20% increase in micro, small and medium sized enterprise startups and business expansions directly related to project interventions in pilot villages |
| 3. Strengthen conservation and sustainable use of marine and coastal biodiversity | Quality of data, data coverage and reporting frequency of catch and effort (the frame) (15,000 records by EOP) improved. and associated with by-catch management measures At least three of the more important existing conservation areas brought under effective management (including co-management) by EOP) |

Components

8. As described in the original Project Results Framework, the project would be implemented through the following four (4) main components:

- **Component 1 (US\$8.88 million) - Sustainable Management of Fisheries Resources:** Implemented through three sub-components: (i) governance and management of offshore and coastal fisheries resources; (ii) research on fish stocks, fish value addition and market chain enhancement; and (iii) fish production through sustainable aquaculture development. Actual disbursement at project closing was US\$8.56 million, equivalent to 96.5 percent of the original allocation.
- **Component 2 (US\$9.04 million) - Sound Management of Natural Resources:** Implemented through two sub-components, namely: (i) biodiversity & natural resources Assessment and Information Systems; and (ii) capacity Building, Research, Extension and Tourism Enhancement. Following a Level 2 restructuring in



2015, several project activities were cancelled, resulting in a reduced budget allocation of US\$4.52 million. Actual disbursement at project closing eventually was US\$6.93 million, equivalent to 77 percent of the original amount.

- **Component 3 (US\$12.20 million) - Support for Alternative Livelihoods:** Implemented through three subcomponents, namely: (i) spatial Planning; (ii) environmental governance; and (iii) microenterprise development.
- **Component 4 (US\$11.35 million) - Capacity building, Monitoring and Evaluation (M&E) System, Project Management and Communication, and Coastal Village Fund (CVF):** Implemented through two subcomponents, namely: (i) project management, capacity building and M&E; and (ii) the Coastal Village Fund (CVF). Following the Level 2 restructuring in 2015, Components 3 and 4 were merged and project activities cancelled, resulting in a reduced combined budget allocation of US\$18.58 million. Actual disbursement at project closing eventually stood at US\$18.72 million, equivalent to 79 percent of the original allocation US\$23.55 million (US\$12.20 million plus US\$11.35 million).

B. SIGNIFICANT CHANGES DURING IMPLEMENTATION (IF APPLICABLE)

Revised PDOs and Outcome Targets

9. The project has undergone three significant restructurings, which introduced major changes to all key elements of the project, including the PDO, components, indicators, targets and financing.

10. In September 2012, only 15 months after project effectiveness, a Level 1 Restructuring was processed and approved by the Board. The project had disbursed US\$3.47 million, including US\$2.95 million from IDA and US\$0.52 from GEF, or 8.16 percent and 10.4 percent, respectively. The restructuring aimed at expediting implementation, through streamlining of activities, and included the simplification of the PDO, which became “to improve management effectiveness and enhance revenue generation of Kenya’s coastal and marine resources”; the GEO remained unchanged. The Results Framework was revised and simplified to include more relevant, measurable and better-defined outcome indicators. The institutional arrangements were changed to allow for the implementation of the Development Fund of the Coast or “*Hazina Ya Maendeleo Ya Pwani*” (HMP) by the Kenya Marine Fisheries Research Institute (KMFRI), replacing the Coastal Village Fund originally planned to be implemented by the Arid Lands Resource Management Project II (ALMRP II), which was cancelled due to corruption allegations after KCDP was approved, and thus represented one of the reasons for restructuring KCDP. Even though Kenya had started implementing its devolution process, the overall project implementation responsibilities remained at the ministry- and agency-level. Furthermore, funds were reallocated between categories to cover unbudgeted costs associated with safeguards requirements and the management costs for the HMP. The restructuring finally included changes in activities to be supported under each component, and adding Force Account and Community Participation as procurement methods. The modifications were also intended to define those project activities to be fully financed by the GEF grant, while retaining the original project design and component structure.¹

11. In October 2015, addressing the comprehensive independent assessment and subsequent agreements reached during the Mid-Term Review (MTR), through a Level 2 Restructuring, a series of substantial changes were introduced. These included a partial cancellation of US\$4.59 million from the IDA credit (reducing the IDA

¹ World Bank: Restructuring Paper on Proposed Project Restructuring of KCDP Approved on August 9, 2012



contribution to US\$ 30,413,780),² the reallocation of funds among components and disbursement categories, a realignment of implementation arrangements, and the revision of outcome indicators and targets. In addition, project components were reduced to three by essentially merging Components 3 and 4.

12. In September 2016, the closing date was extended by 8 months, from October 31, 2016 to June 30, 2017.

13. The GEO: “strengthening conservation and sustainable use of marine and coastal biodiversity” remained unchanged throughout the different restructurings. Similarly, the scope and ambition of the project were not affected by the restructurings.

Revised PDO Indicators

Level 1 Restructuring September 2012

| <i>Original PDO Level Results Indicator</i> | | <i>Revised PDO Level Results Indicator</i> | <i>Comments/Rationale for Change</i> |
|---------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. | 50% increased revenue generated to GoK from vessel licensing in 200 mile EEZ and from near shore fisheries development | Increased revenue generation to GOK from near shore and EEZ fisheries | Same indicator, but improved clarity of formulation and annual fluctuation corrected by using US\$/yr based on three-year average for combined near shore and EEZ. |
| 2. | 10% increase in cost recovery of MPAs | Dropped | Sustainability aspect already covered by increased revenues in the above indicator |
| 3. | 20% increase in micro, small and medium sized enterprise startups and business expansions directly related to project interventions in pilot villages | Dropped | Not a direct aspect of the PDO |
| 4. | Direct Project Beneficiaries (number), of which female (%) | | Mandatory core indicator moved from the intermediate level as required by OPCS |
| 5. | At least three of the more important existing conservation areas brought under effective management (including co-management) by EOP | Conservation/target areas with management plan in place, implemented and showing improvement in management as shown by effectiveness tracking tool by EoP. | Same indicator, but improved clarity of formulation |

Level 2 Restructuring October 2015

| <i>Original PDO Level Results Indicator</i> | <i>Original Target</i> | <i>New/Revised PDO Level Results Indicator</i> | <i>New/Revised Target</i> | <i>Comments/Rationale for Change</i> |
|---------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|-----------------------------------------------------------------------------------------|
| 1. | Conservation/target areas with management plan in place, implemented and showing improvement in management as shown by effectiveness tracking tool by EOP | Revised: Number of conservation areas brought under effective management (including co-management) as defined by Management Effectiveness Tracking Tool (METT) score of at least 55 | Baseline: 0 End Target: 3 | Same indicator, but improved clarity of formulation |
| 2. | N/A | New: Areas outside protected areas brought under improved management (ha). | Baseline: 0 ha End Target: 30 ha | To indicate the impact of the Project outside conservation areas including buffer zones |
| 3. | N/A | New: Number of coastal households with annual earnings of US\$50 or more from commercial NRM activities supported by the project. | Baseline: 0 End Target: 1,000 | To indicate the economic/livelihood outcomes |
| 4. | Revenue generation to GOK from near shore and EEZ | US\$1 million Unchanged | US\$3.18 million | To make the target consistent with |

² World Bank Mission Aide Memoire – KCDP MTR Mission, April 13 - 24, 2015



| | | | | | |
|----|-------------------------------------------------------------|---------------------------|-----------|-----------------------------|------------------------------------------------------------|
| | fisheries | | | | implementation progress |
| 5. | Direct project beneficiaries (number), of which female (%). | 1,000 of which female 35% | Unchanged | 10,000 of which female 45%. | To make the target consistent with implementation progress |

Revised Components

14. As part of the post MTR second restructuring, project implementation was reorganized into three main components:

- **Component 1: Sustainable Management of Fisheries Resources:** The broad objective of this component was “to increase revenue earning potential of the GoK through sound monitoring, control and surveillance and a transparent process of licensing of foreign vessels”. The component also aimed at promoting research for value addition and overall improvement of the fisheries’ sector governance. These objectives were pursued through three key interventions/sub-components: (a) Governance and management of off-shore and coastal fisheries resources; (b) Advanced research on coastal and near shore fish stocks and technologies and value addition; and (c) Increased fish production.
- **Component 2: Sound Management of Natural Resources:** The main aim of this component was “to improve the management and regeneration of natural resources and biodiversity in the coastal region and marine environment as well as provide assistance to communities in the development of eco-tourism ventures”. The component was planned to be implemented through the following five key interventions/sub-components: (a) Development of a coastal biodiversity information system; (b) Improved biodiversity management systems, guidelines and strategies; (c) Capacity building and institutional support and minor infrastructural development to improve management effectiveness; (d) Improved research and technology for extension services; and (e) Enhanced tourism and cultural heritage.
- **Component 3: Building Coastal Capacity for Sustainable Natural Resource Use and Management:** Resulting from the restructuring of the original Components 3 and 4, this component aimed at “building the capacity for natural resources management” through the following five operational sub-components: (a) Integrated spatial planning and land capability; (b) Environmental governance and integrated coastal management; (c) Development of micro, small and medium enterprises Investments; (d) Capacity building; and (e) Development Fund of the Coast or “Hazina Ya Maendeleo Ya Pwani” (HMP) - providing grants to communities, including support to Vulnerable and Marginalized Groups (VMGs).

Other Changes

15. Implementation of KCDP’s Community Driven Development (CDD) activities: A significant change was required to implement activities supporting beneficiary communities. According to the original project design, the World Bank-funded Kenya Arid Lands Resources Management Project II (ALRMP II) would have been responsible for implementing the Coastal Village Fund (CVF). Specifically, the Project was to use established ALRMP II capacity, experience, implementation tools and local presence at district and community levels to identify and implement community subprojects, provide necessary training and disburse funds. Following the premature closing of the ALRMP II on December 31, 2010, the Development Fund of the Coast, or Hazina ya Maendeleo ya Pwani (HMP) formally replaced the CVF as part of the 2012 restructuring. Under the new HMP, responsibility for implementing and overseeing the overall implementation of CDD activities was given to the Kenya Marine Fisheries Research



Institute (KMFRI) - the agency responsible for implementing Component 4 and coordinating overall project implementation - in collaboration with other implementing agencies (i.e., Kenya Forestry Research Institute (KEFRI), Kenya Wildlife Service (KWS), State Department of Fisheries (SDF), National Environment Management Authority (NEMA), the Department of Physical Planning (DPP), and Coast Development Authority (CDA)). This necessary change in the project's institutional arrangements also resulted in (i) the reallocation of 26 percent of funds for KMFRI to deliver this new function; (ii) establishing and equipping County Liaison Offices in each of the six coastal counties; (iii) hiring staff for each of these offices; and (iv) developing and installing a management information system to allow the handling, processing, monitoring and reporting of HMP activities. However, it is important to note that with multiple implementing agencies and continued project implementation challenges, the devolution of project management from national to county level was not considered in order to avoid further complexities in project implementation. Nevertheless, the county representation in project implementation was strengthened with regular project updates to participating county governments and integrating some of the project activities into county integrated development plans, which also strengthened the sustainability of project outcomes.

Rationale for Changes and their Implication on the Original Theory of Change

16. Changes introduced by the two major restructurings were mainly aimed at addressing the weaknesses of project design, resolving issues related to readiness for implementation, and, as part of the MTR, introduce realistic adjustments to activities and targets in light of pre-MTR performance and the limited implementation time prior to project closing. The different sub-components represented stand-alone institutional priorities rather than a coherent set of activities. As a result of this, the institutional changes introduced were critical to address the minimal integration or synergy between different components, or even sub-components. These formal changes were operationally significant and highly relevant to the final outcome of the project, but as they did not modify the overall PDO and components, implications on the envisaged theory of change pursued were minimal.



II. OUTCOME

A. RELEVANCE OF PDOs

17. Initially, the objective of the project was well aligned with the development goals of both IDA and the GEF as well as the Kenya Vision 2030 and the Constitutional Reform approved in 2010, which aimed at narrowing long-term, deeply entrenched regional disparities and increasing the responsiveness of the government. County governments started playing the primary on-the-ground role in delivering services (in the agriculture, water, environment, urban, and health sectors), while the national government retained a policy-making, regulatory, and research role. Kenya’s decentralization has been among the most rapid and ambitious processes globally, with new governance challenges and opportunities rising as the country builds a new set of county governments. In the coastal counties, KCDP played a role in supporting the initial work program of the newly created county governments relating to the fisheries sector. Furthermore, the World Bank Country Partnership Strategy (CPS) 2010-2013, highlighted that “sustainable growth calls for policies that address the economic, environmental and social principles of development. These policies need to be agreed and implemented on a cross-sectoral basis, with good governance and a spatial focus where possible”. This was the basis of the KCDP, which promoted spatial-focused interventions to promote environmentally sustainable and socially inclusive growth, and contributed to strengthening of environmental governance both in institutions and in communities, who are engaged in promoting growth, livelihoods and value addition. In addition, fisheries continued to have a significant role in employment generation, food security, and rural development.

18. At completion, KCDP’s objectives continued to be well aligned with the current CPS FY14-18, as updated during the Performance and Learning Review in 2017, whose overarching goal is sustainable reduction in poverty and increased shared prosperity. Aligned both with Kenya’s Vision 2030 and its Medium-Term Plan, the CPS highlights three priority areas of engagement: (i) competitiveness and sustainability – growth to eradicate poverty; (ii) protection and potential – human resource development for shared prosperity; and (iii) building consistency and equity – delivering a devolution dividend. The project contributed to the competitiveness and sustainability pillar of the CPS through development of a more robust marine and coastal fishery economy, thereby addressing the government’s growth and poverty reduction strategies. By focusing on the coastal region, the project is expected to contribute to economic prosperity, employment, and livelihood of the coastal communities, where deep-rooted poverty and inequality are still a major concern for the government.

Assessment of Relevance of PDOs and Rating

19. **Rating – Substantial:** The relevance of the project’s PDO is rated as Substantial given that it was well aligned with the priorities of the GoK, the World Bank, and the GEF at appraisal, and revised accordingly to maintain this relevance. The PDO became even more relevant at completion, mainly as a result of its consistency with the ongoing devolution process from the central to local governments and the high priority recently given by GoK to the development of the Blue Economy.³ Moreover, the objective and activities of the project have been largely in line with the mandate of various implementing agencies and have been broadly aligned with the respective strategies

³ Driven by a growing population and the need for sustainable growth in ocean-related economic activities, the GoK has made a strong commitment towards improving the management of its marine fisheries by developing its Blue Economy. Several relevant State Departments have been established in 2016, with the State Department for Fisheries and Blue Economy (SDF-BE) tasked to coordinate economic ocean activity and protect marine ecosystem. In addition, a new Fisheries Management and Development Act is being implemented, and the Kenya Fisheries Service (KeFS) was established as a new national fisheries agency to bolster management of the fisheries sector and lead the national coordination of blue economy development.



included in the County Integrated Development Plans (CIDPs) of the six coastal counties comprising the project area.

B. ACHIEVEMENT OF PDOs (EFFICACY)

Assessment of Achievement of Each Objective/Outcome

20. **Rating before restructuring – Modest.** Following the delayed project effectiveness in June 2011, the project had only been under implementation for approximately 15 months before the PDO was revised. Only 10 percent of project proceeds had been disbursed, with only limited progress towards achieving the PDO.

21. **Rating after restructuring – Substantial.** The PDO of the project has been broken down into the following specific key expected outcomes and respective indicators:

22. **PDO Outcome 1: To improve management effectiveness of Kenya’s coastal and marine resources.** This outcome was expected to be achieved mainly through enhancing the capacity and functions of public institutions responsible for the management of natural resources, including Protected Areas (PAs) through the financing provided by the GEF, and by enhancing the capacity of rural micro, small and medium enterprises (MSMEs) in conducting business activities in selected coastal areas. Consistent with this, the project financed a series of interventions which contributed to the achievement of this outcome.

23. Management effectiveness of Kenya’s coastal and marine resources including improved biodiversity conservation was achieved through strengthened capacity and functions of the public institutions responsible for the management of natural resources including PAs:

- a) Three highly relevant coastal areas including Kisite/Mpunguti Marine National Park (KMMNP) in Kwale County, Malindi Marine Park Reserve (MMPR), and Shimba Hills National Reserve (SHNR), were brought under effective management, as measured by the Management Effectiveness Tracking Tool (METT)⁴ score (PDO indicator #1 – fully achieved). The support provided by GEF for the provision of infrastructure, equipment and capacity building resulted in significant improvements in the management of these areas. The METT was developed by World Bank and WWF to help track and monitor progress in the achievement of worldwide targets related to PA management effectiveness. Using this instrument, the three PAs recorded important improvements in relation to their baseline METT index (SHNR score increased from 54 to 58; KMMNP from 51 to 58; and MMPR from 52 to 56). Project activities that contributed to the improved METT score included use of night vision cameras to enhance surveillance and security, implementation of the Strategic Adaptive Management (SAM) program, implementation of community projects that supported both biodiversity conservation and community livelihoods, the development or updating of management plans, capacity building for all levels of staff, and investments in infrastructure such as the construction of a tourist-dedicated jetty for KWS in the KMMNP and a nature trail at Sheldrick Falls in SHNR. In addition, the participatory demarcation of boundaries in the KMMNP and MMPR served the objective of communicating the MPA boundaries to the wider community, thus minimizing conflicts. In SHNR, a 6-Km electric fence was established in a human/wildlife conflict hotspot. In addition, management effectiveness in three marine protected areas (Mombasa, Watamu, and Kiunga) was improved. These investments, as well as conducting

⁴ The METT was developed by the World Bank-WWF Alliance for Forest Conservation and Sustainable Use in 1999 and adapted and used by many global and national organizations. It is a rapid assessment tool for protected area (PA) or conservation area (CA) management with three main sections: datasheets of key information, an assessment form containing a questionnaire with four potential scores for each of 30 questions including notes, justifications and steps to improve management (if necessary), and financial sustainability assessment. PA managers may use METT (or an adapted version) to plan for and report on the management effectiveness of a PA.



comprehensive biodiversity assessments (expected to feed into the Integrated Coastal Biodiversity Information Management System (ICBIMS)) and monitoring have enhanced management effectiveness in all six PAs, therefore contributing towards both the overall common GEO and PDO objective.

- b) Acknowledging that PAs in the coastal region cover only a small proportion of the areas in need of conservation actions, an additional set of interventions was introduced at MTR aimed at bringing areas outside PAs under effective management. At project closure, the management of 50 hectares of land outside of PAs was improved (PDO indicator #3 – fully achieved). Project activities contributing towards this outcome included the establishment of seed stands covering an estimated 50 hectares in several locations in Kilifi County (Gede), Lamu County (Mpeketoni and Witu), and Mombasa County (Comensum and Amani Jipange Mangrove Conservation community-based organizations). KEFRI has now taken up the cost of maintaining the seed sources (seed stands and orchards) established by the project. Project support to co-management activities has also been instrumental in achieving this outcome. Undertaken by both KMFRI (marine ecosystems) and KEFRI (terrestrial ecosystems), the process of strengthening co-management was initiated by conducting need assessments in eight community-managed areas along the coast, which resulted in the development of Co-Management Area (CMA) Plans. In addition, a pilot restoration program of seagrass and degraded coral reefs was initiated in 2014 and implemented successfully in the Wasini CMA by the local Beach Management Unit (BMU). Although the ecological or socio-economic value of these initiatives (either in terms of biodiversity conservation, fisheries productivity or tourism revenue) still has to be proven, the success in implementing this initiative can be attributed to the consistent support to the BMU, which received training on diving and coral transplanting on concrete blocks and sea grass restoration, and provision of diving and snorkeling gear. The Wasini CMA has also been demarcated with buoys and community youth received training on Monitoring, Control and Surveillance (MCS) allowing them to work collaboratively with KWS, the institution managing coastal and biodiversity resources. Improved co-management in the project area was further supported by the establishment of improved catch-related data quality and coverage, and database management associated with catch statistics on over-exploited native species, expected to include up to 15,000 new entries per year.
- c) Construction of modern facilities for KMFRI headquarters, and a Monitoring, Control and Surveillance (MCS) Center at the KeFS offices in Mombasa, which included the installation of an advanced Vessel Monitoring System (VMS), has strengthened capacity and functions of the respective institutions. Although it only became fully operational during the last year of the project, the VMS contributed towards the monitoring of the fishery which consequently increased management effectiveness. At project closing, a total of 38 vessels had been licensed, and KeFS has made it a requirement for all vessels fishing within the Kenyan EEZ to be linked to the VMS through onboard transponders, a measure expected to further increase revenue collection and to provide additional benefits, including reduction of illegal fishing, enhanced regional compliance and collaboration, and provision of scientific data for improved management of fisheries resources within the EEZ. Further strengthening of capacity and functions was achieved through the construction of the NEMA Green Point in Lamu, and the KEFRI Farmers Resource Center in Lamu.
- d) The development of a draft MCS strategy and database (with further support from WWF and the Indian Ocean Tuna Commission - IOTC), and improved participation of Kenya in, and compliance with, and contribution to relevant international initiatives such as Fish-i Africa, IOTC, Fish Crime, and Interpol's Environmental Security Programs. Additionally, the project undertook a legal review and gap analysis of the legal framework of Kenya's fisheries sector. The objective of the review was to provide support for the development of regulations specific for the marine sector as well as enable adaptation and adoption of



various international fisheries-related instruments. Due to initial procurement delays, although the review was concluded, the parliamentary approval process is still pending.

- e) Capacity was further strengthened through the development of valuable knowledge-related public goods. This included marine frame surveys, Catch Assessment Surveys (CAS), the identification of stock status of key species and the subsequent development of management plans for lobster, prawns, small purse seine and aquarium species, development of co-management plans, and integrated spatial planning and land capability mapping (at regional, county and ward levels), all of which not only have contributed to improving management effectiveness and sustaining the revenue generation efforts, but also represent a solid base for consolidation and expansion of sectoral revenue, one of the main pillars of the country's decision to pursue the challenges and benefits of the Blue Economy.

24. The capacity of MSMEs was strengthened through training provided to 521 SMEs, of which 213 developed business plans, representing 107 percent in relation to the target of 200 entrepreneurs. Of the fully trained SMEs, there was almost equal gender participation, with 52 percent and 48 percent of male and female beneficiaries, respectively. Indirect beneficiaries are estimated at approximately 350,000 people accruing benefits from various training provided in a number of topics, including SMEs development, BMU organization, tourism services, Integrated Coastal Zone Management (ICZM) and Environmental Impact Assessment (EIA), and biodiversity assessments. Important to note that the project also supported a significant number of scholarships and internship for the coastal youth. By project end, a total of 121 young students from coastal communities had been sponsored to participate in Bachelor's and Master's Degree courses in several universities as well as certificate courses at the Kenya Forestry College (KFC) and the Kenya Wildlife Service Training Institute (KWSTI).

25. In addition, project interventions comprised a combination of capacity building (i.e., awareness creation, governance, development of business plans, business and financial management and governance, book keeping and record keeping); infrastructure for enterprise development and for community services; and support to communities in the establishment and development of socially and environmentally friendly commercial enterprises. Benefits in terms of improved livelihoods were derived from a wide range of coastal and marine income earning interventions, mainly from sale of poles (woodlots), tree seedlings, fishing and aquaculture (finfish and milkfish), seaweed farming, waste management and eco-tourism, poultry farming, and water supply, among others. The improved management effectiveness of coastal and marine resources made possible for the income earning interventions to be successful.

26. End of project assessments and beneficiary surveys suggest that most interventions have achieved the intended results and therefore contributed to the overall outcome. However, given that the bulk of activities linked to this outcome were delivered during the last three years of the project due to the initial delays, the long-term sustainability of the support provided to SMEs and BMUs may be affected by a number of factors, including overall commercial viability, limited access to markets and financing, and inadequate skills regarding business planning, financial management, and record-keeping. Should direct support to beneficiary groups had started earlier in the life of the project, KCDP could have supported market research to allow for more informed decisions regarding market demand for products and/or services; and support for market access to encourage sustainability of established enterprises.

27. *PDO Outcome 2: To enhance revenue generation of Kenya's coastal and marine resources.* The project's second PDO outcome can be seen as complementary to the first outcome, as its actions and results are mostly aimed at promoting the sustainability of the improved management effectiveness of marine and coastal resources



through enhanced revenue generation by both the public and private sectors. To achieve this, the project not only supported a number of public and private revenue-generating initiatives, but most importantly contributed to the development of a significant set of complementary tools and instruments which have undoubtedly improved the sectoral knowledge base and the potential sustainability of project interventions.

28. One of the key anticipated sources of public sector revenue was the licensing of fishing vessels in the 200-mile EEZ and from near shore fisheries development. The expected sources of revenue increase included the licensing of (i) foreign vessels fishing in the EEZ, (ii) fish exports and imports, (iii) fishing registration, (iv) local fishermen, and (v) fish processing and aquarium dealers. At closing, the project has reported a cumulative combined revenue from these sources of about US\$4.09 million - which represents an overachievement of approximately 28.5 percent in relation to the original target of US\$3.18 million, and a major increase compared to the June 2011 baseline of US\$0.68 million. This commendable achievement can be attributed to the effective implementation of a number of relevant activities, specifically undertaking regular patrols and frame surveys, which were used to enhance the licensing of vessels used in in-shore areas, and conducting awareness campaigns. The installation of the VMS indirectly supported revenue generation as a licensing condition.

29. Regarding the efforts to enhance private sector revenue generation, the project supported a series of initiatives which provided technical and financial assistance for local communities to initiate or expand commercial ventures. These included (i) support to livelihood-improving initiatives through HMP, which generated revenue equivalent to US\$660,000; (ii) the development and implementation of co-management plans for the Malindi-Ungwana Bay and the Shimoni-Vanga Area; (iii) fish landing and marketing infrastructure to several fishing communities in southern Kenya (Kibuyuni, Shimoni) and Faza in Lamu County; and (iv) development of community SMEs aquaculture projects (seaweed, artemia, tilapia and milkfish trials). Although at project closing all SME initiatives were reported as operational, the revenue generated has not been quantified, while their long-term viability will require further training and technical support, particularly regarding business management and marketing skills. In addition, the revised post MTR results framework included an indicator on the number of coastal households with annual earnings of US\$50 or more from commercial natural resource management activities supported by the project. Although the number of 642 households reached represents a shortcoming related to the target of 1000 households, the coverage and potential livelihood improvements achieved are considered significant in light of the short implementation period for this activity.

30. *GEO outcome: To strengthen conservation and sustainable use of marine and coastal biodiversity.* The project featured a commendable blend of PDO and GEO. Due to the particular nature of the resources comprising the project area, this complementarity allowed for environmental outcomes to become an integral part of overall project achievements. As such, through its GEO, KCDP supported the implementation of significant activities within several marine and terrestrial protected areas, promoted effective management beyond the protected areas, and most importantly developed and implemented pilot co-management schemes in the project's marine ecosystems, as described in the above assessment.

31. Overall, the project benefited a total of 73,660 people, against a target of 10,000 beneficiaries, including members of 320 Vulnerable and Marginalized Groups (VMGs). The target was overachieved by 600 percent, while female beneficiaries accounted for 46 percent of the direct beneficiaries (PDO indicator #2 – fully achieved).



C. EFFICIENCY

Assessment of Efficiency and Rating

32. **Rating – Modest:** The analysis conducted at appraisal showed that the proposed interventions were economically and financially feasible. The potential benefits of the marine fisheries component had a Net Present Value (NPV) equivalent to US\$1.3 million (KES 98.7 million) at a discount rate of 12 percent, and the Internal Rate of Return (IRR) was 31 percent. At project closure,⁵ using the same discount rate of 12 percent and the marine fisheries component revenue flows from the monitoring and evaluation report,⁶ the NPV was equivalent to US\$2.8 million, and the IRR 47 percent. Further, an incremental cost analysis assessed the incremental costs to justify the added value of doing GEF supported investments (US\$5 million) over the business as usual scenario and to inform the “reasonableness” of the proposed GEF financing. GEF-funded activities towards sustainable management of fisheries resources and sound management of natural resources (i.e., components 1 and 2), had an absorption rate of 88 percent at the end of the project. The borrower’s project evaluation report provides evidence that the project had significant benefits, both at global and national levels. The quantifiable benefit streams were estimated using project-based data, and as presented in the subsequent sections, the benefits outweighed the costs. The main limitation to this analysis was that there were several activities in each component whose benefit streams could not be quantified ex-ante; hence non-quantifiable benefits of these components are also discussed.

33. **Quantifiable benefits.** According to the PAD, the investments towards establishing a VMS and strengthening MCS were to improve the regime for monitoring fishing licenses in the Kenyan EEZ, with estimated revenues from increased vessel licensing of approximately US\$2.1 million (KES 159 million). By the end of the project, the revenues reports were cumulatively US\$4.09 million, which exceeded the targeted amount. The increase in revenue was largely driven by improved licensing of vessels through frame surveys, enforcement patrols, and sensitization. In addition, the HMP window aimed at supporting community-identified and implemented micro-projects, by focusing on small scale livelihood-enhancing interventions. Groups receiving grants were expected to contribute in cash and in-kind, and designed to maximize returns on the community’s input of labor, time, materials and cash. At the end of the project, a total of 151 HMP sub-projects had been financed, with an estimated US\$660,000 (KES 69 million) generated from various income-generating activities. As discussed previously, the revised results framework also measured the number of coastal households with annual earnings of US\$50 or more from commercial natural resource management activities supported by the project. Finally, the Project’s MSME objective was to assist in establishing joint ventures between communities and the private investor, in order to create a business environment that attracts more investments. The target was to identify, train and assist 200 MSME’s and further help them develop business plans. The project surpassed the target since 213 MSMEs were trained, in developing business plans. However, there were no PPPs established between the MSMEs and local banks to ensure sustainability of the projects after the KCDP. In addition, the selected projects should have been subjected to a rigorous commercial viability criterion in order to ensure sustainability and eventually attracting private investors at the end of the KCDP project.

34. **Non-quantifiable benefits.** The Project had several activities which included community capacity strengthening activities, and direct stakeholder support in extension-related activities and pilot projects, however,

⁵ Some of the elements that were considered in the ex-post economic analysis summarized in this ICR do not necessarily represent economic benefits in a conventional sense. For example, public revenues from fishing license fees, represent transfers from private citizens to the State, and no economic benefits were generated in the process. Nevertheless, in order to maintain consistency with the ex-ante economic analysis conducted at appraisal, the ex-post analysis in this ICR used the approach and terminology as employed in the PAD.

⁶ Y1- 0.68 m, Y2- 1.38 m; Y3-2.18m Y4-3.18m- Source: M&E report 2017



estimating the benefits of such projects ex-ante and consequently ex-poste is difficult. Non-quantifiable benefits include those resulting from improved management of natural resources and restoration of degraded marine resources. Under the KCDP, three target areas were brought under effective management: Kisite- Mpunguti in Kwale County, area under management increased from 51 to 58 percent; Malindi Marine Park in Kilifi County, area under management increased from 52 to 56 percent; and Shimba Hills in Taita Taveta County, area under management increased from 54 to 58 percent. This surpassed the average target of 55 percent in all cases by 1.8 - 5.4 percent. Even though it is difficult to estimate the benefits of MPAs, empirical evidence on the benefits of MPA⁷ shows that on average, a 1 percent increase in MPA results in an increased growth rate of fish populations by about 1 percent, implying that protecting MPAs is a worthwhile investment. In addition, the Project carried out various capacity building activities at the government, county, and community levels, which have led to both a stronger enabling environment and increased capacity to sustainably manage coastal and marine resources.

35. **Efficiency in design and implementation of the project.** The project's effectiveness was delayed by one year as a result of delayed fulfillment of the project's conditions for effectiveness, and overall project implementation was slow up until MTR in 2015 (see Section III for more details). However, the project was restructured twice which were instrumental to accelerated project implementation progress and completion of project activities, particularly those associated with infrastructure. The financial absorption rate significantly increased, particularly following the cancellation of funds as part of the restructuring after the MTR in 2015. As most targets remained unchanged, the cancellation of funds contributed significantly to overall project efficiency. The absorption rate increased from 30 percent in 2015, to 88 percent in 2017, equaling US\$20.57 million in disbursements, and comparing to US\$12.17 million that had been utilized prior to MTR, during the first 4 years of project implementation. The expenditure on travel and Daily Subsistence Allowance (DSA) is also important in determining the level of efficiency of a project. There is no threshold for determining an optimal DSA to total expenditure ratio, however, high rates of DSA to total expenditure tend to imply signs of inefficiency. DSA as a proportion of total KCDP expenditure was approximately 30 percent, which is considered high. However, there are a couple of attributing factors that need to be recognized. First, the project covered a wide geographical area that necessitated long distance travel expenditures, and second, the project decided to utilize technical resources from the various implementing agencies rather than consultants to conduct studies, assessments, and field work, in an effort to strengthen technical capacity. By excluding DSA that can directly be associated with research activities and technical assistance provided to communities under the HMP and VMG activities, expenditures associated with DSA represent only 6 percent of total KCDP expenditures.

D. JUSTIFICATION OF OVERALL OUTCOME RATING

36. **Rating: Moderately Satisfactory.** This overall outcome rating is based on the substantial relevance of the project's PDO, the substantial efficacy of project outputs in reaching its intended results, and the modest efficiency achieved by the project. The relevance of the PDO is demonstrated by the decision of GoK to pursue the upscaling and replication of KCDP interventions through an ambitious Blue Economy agenda, which will be fully supported by the World Bank's Kenya Marine Fisheries and Socioeconomic Development Project (KEMFSED) currently under its initial stages of preparation.

37. Project outputs comprised a balanced combination of capacity building, public and private infrastructure, development of valuable regulatory and knowledge-related public goods, and support to communities in the establishment or strengthening of small-scale commercial enterprises. These interventions not

⁷ Heal, G. and Rising J. (2014). "Global Benefits of Marine Protected Areas" NBER Working Paper No. 19982

only have contributed to improving the role of government agencies and local communities in the management effectiveness and sustainable use of coastal resources, but also to improve the revenue generation of both the public sector and local communities. Although a substantial portion of these outputs were delivered in the latter part of the life of the project and therefore may not be fully verified at project closing, the initial benefits registered and the commitment of sectoral agencies and local county governments to sustain project interventions, provide adequate assurance that project outputs will further consolidate the achievement of the intended outcomes.

38. Despite disbursements of only 10 percent at the time of the Level 1 restructuring in 2012, the overall outcome rating is based on a split rating, to be consistent with OPCS Guidelines. The rating takes into account the original and formally revised targets, weighing pre- and post-revision performance by the share of actual disbursements before and after the restructuring. The second and third restructurings did not warrant a split rating. Project outputs comprised a balanced combination of capacity building, public and private infrastructure, development of valuable regulatory and knowledge-related public goods, and support to communities in the establishment or strengthening of small-scale commercial enterprises. These interventions not only have contributed to improving the role of government agencies and local communities in the management effectiveness and sustainable use of coastal resources, but also to improve the revenue generation of both the public sector and local communities. Although a substantial portion of these outputs were delivered in the latter part of the life of the project and therefore may not be fully verified at project closing, the initial benefits registered and the commitment of sectoral agencies and local county governments to sustain project interventions, provide adequate assurance that project outputs will further consolidate the achievement of the intended outcomes.

| | | Before Restructuring | After Restructuring |
|-------------------------------|-----------------------------------------------|---------------------------|-------------------------|
| Relevance of Objective | | Substantial | |
| Efficacy (PDO) | | Modest | Substantial |
| Efficiency | | Modest | |
| 1. | Outcome Ratings | Moderately Unsatisfactory | Moderately Satisfactory |
| 2. | Numerical value of the outcome ratings | 3 | 4 |
| 3. | Disbursement | US\$3.47 million | US\$30.74 |
| 4. | Share of Disbursement* | 10% | 90% |
| 5. | Weighted Value of the Outcome Rating | 0.3 | 3.6 |
| 6. | Final Outcome Rating | Moderately Satisfactory | |

*Combined IDA Credit and GEF Grant

E. OTHER OUTCOMES AND IMPACTS

Gender

39. At design, the project made reasonable and explicit consideration to inclusiveness and equity of women, youth and vulnerable groups. In this regard, the original results framework in the PAD included a trackable indicator of achievement of 35 percent of female beneficiaries within the total number of direct beneficiaries. As a result of gender pro-activeness by the PMU (evidenced by the disaggregation of relevant indicators) and subsequent support from Bank supervision, this target was fully achieved in relation to female participation in the project. Of the total direct and indirect beneficiaries, female beneficiaries accounted for 46 percent surpassing the revised target of 45 percent. Moreover, of the fully trained 213 MSMEs, there was almost equal gender



presentation with 52 percent males and 48 percent females. Gender representation was also satisfactorily achieved in the highly relevant support provided to undergraduate training on environmental and social disciplines. Specifically, of the 29 students from local communities that were awarded scholarships, 57 percent were male and 43 percent were female. In addition, representative female participation was verified in the over 200 Vulnerable and Marginalized Groups (VMGs) supported by the project. There was also a strong gender balance in all training events supported by the project.

Institutional Strengthening

40. Despite the project's institutional complexity, the overall capacity building efforts were mostly successful and supportive of the PDO and GEO by enhancing skill development⁸ and providing relevant equipment to all seven participating government agencies (and to some extent to staff of the six counties, both local staff and those transferred from central ministries as part of the devolution process), and by improving the capacity of micro, small and medium sized enterprises in coastal communities.

41. As a result of the project's nature (and interventions), in addition to capacity building, collaboration and cooperation between implementing agencies has improved considerably- especially in the last three years of implementation. Besides technical capacity of staff which has been enhanced through project training, learning tours, and participation of seconded staff in the PMU agencies exhibited improved cooperation, involving component managers in management decision-making, and most importantly through the adoption of joint work planning. These were major factors contributing to improved effectiveness and efficiency in project implementation, and are expected to be institutionalized beyond the arrangements of KCDP, and further expanded to incorporate the county governments (a relative shortcoming of the project) as key players in the development of a sound Blue Economy, consistent with GoK's devolution process. Synergy and collaboration with other development agencies and projects represents a key factor towards project efficiency, sustainability, and leveraging of resources. Although the PAD did not provide any indicative framework for synergy and collaboration with other stakeholders, during implementation the PMU proactively engaged a wide range of collaborators, including universities, NGOs, bilateral partners and Government institutions.

Mobilizing Private Sector Financing

42. The project supported the preparation of suitability maps for aquaculture, high value forest trees and 46 agricultural crops, creating a valuable source of information for potential private sector investors, if adequately disseminated. In addition, beneficiary communities contributed their counterpart share of 10 percent of subproject costs (of which 5 percent in cash) despite the poverty levels prevalent in the region. End of project surveys and field visits suggest that the majority of projects linked to tourism are generating acceptable levels of revenue. However, although the PMU structure included a private sector specialist, the project does not formally register any relevant output with regard to this important element of the project implementation and its subsequent sustainability. In this respect, the lack of private sector engagement (and financing) during implementation could represent a significant factor affecting the viability of productive MSMEs and community subprojects, particularly given the difficulties experienced in many cases regarding access to markets, and the financial limitations of most beneficiaries. To address this shortcoming, the project could have reached out more actively to the considerable number of microfinancing organizations operating in the coastal region.

⁸ A comprehensive training program allowed an estimated 63 public officials selected from the implementing agencies to engage in graduate and undergraduate courses relevant to the objectives of the project.



Poverty Reduction and Shared Prosperity

43. Although not an explicit objective, the project included a number of interventions directly targeted to poor fishers and farmers of the coastal region as well as VMGs living in the project area, which according to end of project assessments, have generated significant livelihood improvements to beneficiary households and communities. As mentioned earlier, an estimated 73,660 poor community members benefited directly from project activities.

44. Community livelihood interventions (HMP) included training and capacity building especially in business management, and financial support through small grants to groups within local communities, which also included demand driven social welfare and local environmental management interventions. In addition to the financial support provided, direct beneficiaries earned an estimated KES 69 million (equivalent to almost US\$700,000) from various income-generating activities including aquaculture, seaweed farming, tree seedlings, woodlots (poles), eco-tourism enterprises, and crop and livestock production. Livelihood and infrastructural development for VMGs, although introduced into the project work plan only after the MTR (June 2015), was aimed at VMGs living in extreme poverty. Subprojects were successfully implemented in various sectors including social infrastructure (health and education) and livelihoods (livestock and subsistence crops).

45. Despite the late start of this safeguard-related activity, the success of the 80 subprojects benefitting over 200 marginalized communities was largely attributed to improved work planning approach (centralization of project financial budgeting, common work planning and budgeting, adoption of the RRI approach); the support by departments of public works (national and county government) in the design and supervision of civil works; the participatory approach used, whereby VMGs could prioritize their own needs; as well as the fact that the demand-driven interventions were fully consistent with their livelihood needs. In addition, other relevant county government departments (mainly health, livestock and education) were also involved in the implementation of VMG subprojects.

III. KEY FACTORS THAT AFFECTED IMPLEMENTATION AND OUTCOME

A. KEY FACTORS DURING PREPARATION

46. Project design closely followed the structure of other WB-funded projects in coastal areas of Africa. The PAD clearly states that “there was nothing new and untested in the design of the KCDP and its technical design and implementation management arrangements are based on similar, successful, coastal and natural resource management operations in Kenya, other countries in East and West Africa, and elsewhere”.⁹ Inconsistent with this statement, the extensive preparation process (2006-2009) appears to have been insufficient to adequately identify and address Kenya’s particular conditions and requirements for a successful coastal development project. As a result project design and subsequent quality at entry were affected by shortcomings related to (i) limited adequacy and robustness of basic sectoral information upon which the project was conceptualized; (ii) a not clearly articulated and disseminated development model or theory of change; (iii) the intervention mix in terms of planned activities, outputs, and anticipated outcomes; (iv) the definition and clarity of indicators; (v) the realism of project

⁹ World Bank-supported Tanzania Marine and Coastal Environmental Management Project - MACEMP (P082492); World Bank-financed South West Indian Ocean Fisheries – SWIOFP (P072202); World Bank-supported Lake Victoria Environmental Management Project – LVEMP (P090680); Asian Development Bank-supported Coral Triangle Initiative in East Asia, Asian Development Bank-supported Coastal Resources Management Project in Sri Lanka)



timeline, geographical scope, institutional arrangements and implementation capacity; and (vi) the readiness for implementation, as demonstrated by the inclusion of six conditions of effectiveness.

B. KEY FACTORS DURING IMPLEMENTATION

47. Initially, the project faced a number of challenges leading to an extended period of slow implementation progress, which resulted in low achievements in relation to set targets during the first 2-3 years of the project. Main factors were:

- a) Quality at entry deficiencies, reflected in the loss of almost one full year (July 27, 2010 to June 30, 2011) since Board approval due to major, albeit foreseeable delays in the fulfilment of the various conditions for effectiveness;
- b) The premature closing of the Kenya Arid Lands Resource Management Project II (ALRMP II), designated in the PAD to implement the project's grants to communities, which delayed considerably the implementation of community support initiatives;
- c) The institutional changes caused by the Constitutional devolution process and the establishment of Counties;
- d) Delays caused by the design and processing of two comprehensive restructurings in 2012 (to address quality at entry issues), and in 2015 (following the MTR);
- e) Poor and disjointed work planning by the various implementing agencies prior to the MTR;
- f) Slow procurement, primarily due to limitations in staff capacity and low responsiveness of the procurement committee; and
- g) Factors beyond the control of the project such as insecurity in coastal areas, especially in Lamu County, and major disruptions related to the National Elections of 2012.

48. Some of the important shortcomings of project design and implementation readiness were proactively addressed through the first restructuring. Preparation of the Level 1 restructuring began as part of the first supervision mission, and was approved by the Board within 18 months of project effectiveness. The details of the restructuring are described in Section 1. The second project restructuring was the result of a comprehensive MTR, which included a detailed independent assessment of project implementation progress. This equally proactive and well-designed Level 2 restructuring addressed the technical and operational recommendations of the MTR and included a partial cancellation of US\$4.6 million, the realignment of implementation arrangements, the revision of project components and indicators, and a substantial change in the disbursement of funds, promoting the elaboration of joint workplans by the implementing agencies. A third, minor restructuring was processed to extend the closing date of the project by 8 months, to June 30, 2017.

49. In addition to the factors addressed as part of the restructurings, overall implementation and performance was consistently affected by the complexity of institutional arrangements. Although this is to a large extent a logical consequence of attempting to implement a comprehensive coastal development strategy (a major challenge common to coastal interventions), the changes empowering the PMU to take a leading role in managing project interventions proved that the negative impact of such complexity could be reduced. Furthermore, following the constitutional devolution to counties, a deeper reform of institutional arrangements could have potentially



facilitated more active engagement of the local governments located in the project area. However, the devolution was a gradual process requiring time and resources, and taking account of the project challenges at the time, the project implementation was retained at the ministry- and agency-level to avoid adding further complexities, and involvement of local governments was strengthened, especially through capacity building. Despite being essential to achieve satisfactory results, the improvements included in the project as part of the second restructuring were not timely enough to ensure sustainable implementation and consolidation of project interventions, particularly those activities supporting communities. For this to occur, more time was needed to build, and monitor results, of stronger elements of capacity building and support in three main areas: (i) market research to allow for more informed decisions by beneficiaries regarding market demand and channels for their target products and/or services; (ii) support for market access/linkages so as to facilitate sustainability of established and commercially oriented HMP and SMEs; and (iii) training on business management and access to financial resources in the case of SMEs, and to supplement capacity building and provision of startup grants in the case of HMP projects. This would have been particularly important for commercial-oriented or value addition interventions such as seaweed farming, aquaculture and eco-tourism ventures.

IV. BANK PERFORMANCE, COMPLIANCE ISSUES, AND RISK TO DEVELOPMENT OUTCOME

A. QUALITY OF MONITORING AND EVALUATION (M&E)

M&E Design

50. The PAD strongly emphasized the need to establish a robust M&E system for the project. In this regard, it stated that “a long-term M&E strategy is needed to detect project-related changes in coastal areas, identify the likely causes of these changes and the lessons learned, and recommend interim and long-term adaptive and management responses applicable to KCDP implementation and future interventions in the Coast”. Despite the identification of these critical functions, in the original results framework, a number of indicators were considered at restructuring to have weaknesses in terms of definition and interpretation. Part of the reason for the poorly defined M&E systems and indicators of achievement in the original results framework can be attributed to the failure to fully involve an M&E specialist during project preparation. The project’s M&E greatly benefited from the revised implementation arrangements where the role of the PMU was enhanced and implementation workplans were jointly prepared by the various participating institutions. In addition, following the restructuring, the project’s results framework was revised to include a total of 19 monitorable indicators of achievements, five of which were PDO level indicators and the remaining 14 were intermediate level indicators. Unlike in the case of the original design, the majority of the indicators of achievement in the revised framework were well defined, clear and fully compliant with the definitions of specific, measurable, attainable, realistic, and time-bound (SMART).

M&E Implementation

51. The project’s M&E greatly benefited from the revised implementation arrangements, as the collection and flow of information became more timely, reliable and consistent with reporting requirements. As a result, detailed quarterly and annual reports were produced by the M&E specialist of the PMU, containing in a standardized format both the quantitative progress and qualitative assessment of each indicator of the results framework. In addition, the conclusions and recommendations of the independent MTR were greatly supported by the available M&E information, which was complemented by assessments using the Rapid Result Initiatives (RRI) methodology.



M&E Utilization

52. Although the project M&E system effectively started in 2014 following the recruitment of a qualified M&E specialist at the PMU, M&E functions gradually improved and provided valuable information to inform decision-making by project management. As an example, an internal evaluation report in 2014/2015 indicated that business oriented sub-projects in fisheries, natural resource and HMP sub-components had no requisite business management skill training and warned that this would adversely affect the sustainability of such projects. On the basis of this, training on business development services (BDS) was introduced and offered in partnership with Strathmore Business School. As a result, almost 200 additional enterprises received training in BDS – thereby increasing the number of SMEs trained from 318 to 512. Subsequent to the MTR, the M&E system of the project became fully functional and was an effective tool to monitor project progress, inform management decisions, and support the Bank’s supervision requirements. At project closing, the quality and accurateness of the independent Borrower Completion Report was significantly enhanced by the physical and financial information provided by the M&E system, including the detailed quantification of all targets linked to the indicators of the Results Framework. Further to the project specific M&E system, it should be noted that KCDP also supported the establishment of a number of monitoring tools, ranging from the sophisticated system for monitoring of vessels fishing in the Kenya’s EEZ (the VMS) to the development of methods and protocols to conduct regular monitoring of fish species and biodiversity, for which the respective responsible agencies have committed continued support.

Justification of Overall Rating of Quality of M&E

53. **Rating – Substantial:** Despite the initial deficiencies in terms of design of the indicators for the M&E system, the retrofitting conducted, and the significant improvement achieved in terms of implementation and utilization, made the M&E system an important tool for monitoring of project performance (i.e., physical and financial indicators) and managerial decision-making by both the PMU and World Bank supervision team. The design of the revised M&E system contained adequate indicators to monitor progress toward the PDOs and the TOC, and was implemented by the PMU using effective M&E arrangements and data collection procedures.

B. ENVIRONMENTAL, SOCIAL, AND FIDUCIARY COMPLIANCE

54. **Environmental Safeguards:** Given KCDPs predominantly environmental nature, the project was classified as a Category B for environmental risks. As such, no major issues related to environmental safeguard compliance were recorded during the life of the project. Furthermore, many project interventions were aimed at improving the management of marine and terrestrial natural resources and biodiversity of global significance. Institutionally, the project included the participation of the National Environmental Management Authority (NEMA) and the Kenya Wildlife Service (KWS), which ensured that, beyond specific implementation functions, the key environmental and biodiversity protection agencies of the country received considerable strengthening through targeted capacity building and training. Project implementation also included annual environmental and social audits aimed at improving compliance with safeguard requirements of KCDP interventions in line with the country’s Environmental Management and Coordination Act (EMCA) Cap387 and the Environmental and Social Management framework (ESMF) for the project put in place at the inception. Three audits were conducted in 2015, 2016 and 2017. The 2015 and 2017 audits covered all KCDP sub-projects while the 2016 was specifically focused on the environmental impact of woodlots.

55. **Social Safeguards:** Project preparation included a comprehensive Environmental and Social Management Framework (ESMF) and Indigenous Peoples Planning Framework (IPPF). Project implementation took into full consideration the guidelines and requirements to comply with the identified social safeguards, particularly



in relation to the selection, participation and gender balance of project beneficiaries. However, after procurement-related delays, the ESMF was revised in 2015 to improve environmental and social management of project activities and to ensure all relevant Bank safeguard policies were complied with. Similarly, due to major delays in the recruitment of the consultancy for the identification of Vulnerable and Marginalized Groups (VMGs) and design of the corresponding support mechanisms for these communities, technical and financial support to VMGs was only implemented during the last two years of project implementation, thus limiting the technical support and capacity building received by VMG beneficiaries.

56. Despite this, VMG activities reached all identified marginalized communities located in remote areas of the project counties. Communities assisted by KCDP activities included the Waata, Wakifundi, Wachwaka, Wailwana, Mnyoyaya, Wasanye and Awer people through a total of 80 demand-driven subprojects. These were identified after a social assessment and an action plan was prepared jointly by VMG representatives, County and KCDP staff. A total of 11 subprojects provided social infrastructure (mainly dispensaries and educational facilities) while the 69 livelihood improvement subprojects supplied improved small ruminants, inputs for crop production, and fishing gear. Despite limited supervision due to remoteness, the independent end of project surveys conducted indicate a high level of satisfaction by VMG beneficiaries, further demonstrated by the fact that no major complaints were received through the grievance redress mechanism developed by the project (which in fact also included the establishment of grievance committees). It should be noted, that one subproject involving the rehabilitation of a pedestrian bridge in the Bombi area was approved as a VMG subproject but was not completed prior to the closing date. At the time of the ICR mission (October 2017), Kenyan authorities provided written confirmation that an additional Ksh 40 million (equivalent to US\$390,000) had been allocated by Treasury to finance the remaining works to complete the bridge, as well as strengthen sustainability aspects of the VMG subprojects.

57. **Procurement:** During the early stages of project implementation, procurement-related delays were identified as a bottleneck to overall project performance. Key factors causing delays were: limited staff capacity in the procurement unit (i.e., lack of experience in the implementation of World Bank-financed operations, lack of a fulltime procurement officer assigned to the project), limited technical capacity of implementing agencies to develop procurement documents (e.g., ToR, designs, specifications), and poor coordination by the PMU of activities undertaken by the many implementing agencies. To address these challenges, procurement functions and processes were eventually reorganized, including the strengthening of the procurement planning and administrative processes by hiring of a fulltime project procurement officer, centralized processing of procurement activities through the PMU, use of indefinite delivery contracting arrangements, and processing of contracts and contracts award through KMFRI. Enhanced procurement training and capacity building for PMU staff was also undertaken in addition to increased World Bank hand-holding support and oversight, eventually significantly improving procurement performance. Although this was only done in the early stages of 2015 as part of the MTR, significant improvements were subsequently verified in the preparation and implementation of procurement plans, especially with regards to the implementation of civil works as noted in the World Bank's Aide Memoire of November 2015. Further delays in the implementation of the procurement plan were experienced in late 2016, caused by challenges related to budget utilization. However, implementation was back on track early 2017 through improved activity coordination, better planning and enhanced procurement performance.

58. Procurement deficiencies and the delays in addressing them were undoubtedly a major contributing factor to the limited implementation progress, especially in the initial years of the project. The subsequent



backloading of critical project activities during the last two years of implementation, coupled with slow decision making, affected not only the provision of project support to communities, but also the delivery of key products and instruments, such as the biodiversity management information system, the hardware and software for fisheries monitoring, the installation of the VMS, and the consultancies for the development of SME business plans and VMG identification and interventions.

59. **Financial Management (FM):** Generally, adequate FM arrangements were maintained throughout Project implementation, resulting in ratings of S and MS throughout most of the project life. The PMU had qualified FM staff assisted by a project accountant, and each of the sub-implementing agencies had a qualified project accountant. The Project was in compliance with the World Bank's financial reporting requirements with the quarterly Intermediate Financial Reports (IFRs) and annual audited financial statements submitted to the WB within the stipulated timelines, and deemed to be in content and form acceptable to the World Bank. The internal control arrangements were also deemed to be effective. The Project had a comprehensive FM Procedures Manual and complied with Kenya's Public Financial Management (PFM) laws and regulations. Due to procurement-related delays, the Project was not able to install an accounting software at the PMU as planned in the beginning of project implementation. However, the project managed to perform its FM obligations using a manual accounting system until it procured and installed an off-the-shelf accounting software in mid-2015.

60. Concerning the results of external and internal audit procedures, no major issues were reported throughout the life of the project, although a number of minor issues were raised by auditors from the Auditor General's office in their management letters. In general, the auditor's opinions were mostly related to omissions rather than impropriety by KCDP implementing agencies, which did not result in any loss or misuse of project funds. The project experienced one case of ineligible expenditure, an amount of KES 2,736,470 (US\$ 28,000 equivalent) incurred by KWS, however, the funds were promptly refunded to the Bank by the GoK. There were no outstanding audit issues at project closure. Implementing agencies promptly responded to and addressed any FM issues flagged during WB FM supervision reviews and the GoK internal and external audit reports. For example, in 2016, inaccurate FM data and delays in preparing cashflow projections slowed down the finalization of the annual work program and budget approval. However, the PMU, together with the implementing agencies and support from the WB, promptly addressed the issues to ensure continued project implementation.

61. Disbursement of project funds was consistent with the slow implementation progress experienced initially, and remained below financial projections until the MTR. However, due to the managerial and institutional improvements introduced by the second project restructuring (as well as the cancellation of US\$4.59 million from IDA), total disbursements accelerated and at project closing (including the grace period) represented over 99 percent of both the IDA credit and the GEF grant. Specifically, at the end of the grace period, the Project had disbursed US\$29.26 million (99 percent) and US\$5 million (100 percent), of the IDA credit and GEF grant, respectively.

C. BANK PERFORMANCE

Quality at Entry

62. Quality at entry was a determining factor in the overall implementation, performance and outcome of the project. Regardless of the substantial relevance of the project for GoK and the World Bank, and despite the extended three-year preparation process, further supported through Japan's Policy and Human Resources Development (PHRD) (US\$650,000) and GEF (US\$228,000), some key elements of project design were not



adequately addressed. As described in the PAD, project design perhaps relied heavily on the World Bank's experience in other coastal development projects and did not fully adapt such experiences to the operational and institutional conditions of Kenya, in particular the weakness of the organizational, administrative and governance structure of the project. This, combined with the limited borrower ownership of project design (essential for a project with the institutional complexity of KCDP) and the equally limited progress in developing the necessary operational instruments to support implementation (M&E system, fiduciary procedures, operational manual, safeguard compliance), resulted in inadequate readiness for implementation, partly illustrated by the inclusion of a number of conditions of effectiveness in the financial agreement, which not only required almost one year to be fulfilled, but also limited the World Bank's dedication to routine supervision activities.

Quality of Supervision

63. The World Bank provided comprehensive support to the project throughout the implementation period. A significant portion of the World Bank's supervision efforts was dedicated to the preparation and processing of the two major restructurings required by the project, which to some extent may have impacted the team's dedication to regular supervision tasks. The World Bank teams demonstrated commendable proactiveness and candor to engage the client and World Bank management in the complexity and implications of undertaking such comprehensive restructurings. Early in the life of the project, the first restructuring was focused on addressing the overall weaknesses of project design, while the second restructuring was the result of the comprehensive independent MTR promoted by the World Bank, which was aimed at incorporating substantial operational and fiduciary adjustments required to accelerate implementation and attempt to achieve the project's outcomes. Even though Kenya had started implementing its devolution process, the overall project implementation responsibilities remained at the ministry- and agency-level. The devolution transition was a gradual exercise requiring time and resources, and taking account of the project's challenges at the time, the task team adequately decided not to devolve the project management to the county-level, to avoid further complexities. Instead, county representation in project implementation was strengthened, resulting in some of the project activities having been integrated into county integrated development plans.

64. Throughout the life of the project, the World Bank conducted a total of 12 full supervision mission, which were complemented by numerous fiduciary and technical missions, the latter comprised of highly qualified specialists in key project areas such as fisheries development, biodiversity and infrastructure, which provided sound advice and guidance on implementation matters to the PMU and the respective implementing agencies. Due to security restrictions, missions were often not granted clearance to visit sensitive project sites. The World Bank's supervision efforts were led by two different Task Team Leaders (TTL), who provided a smooth transition due to a significant overlap period, including their joint participation in the MTR. Missions not only provided extensive progress reviews and assessments as well as recommendations to address key implementation challenges as documented in the Aide Memoires, but also complied in a timely manner with internal World Bank reporting requirements through the filing of issues-oriented Implementation Status and Results (ISR) Reports. In the opinion of the client, as expressed by the Directors of implementing agencies during the ICR mission, World Bank supervision was instrumental to the resolution of implementing bottlenecks and consequently the significant improvement in project performance and achievements. That notwithstanding, World Bank support could have been further enhanced by ensuring more continuity and in-country presence of supervision TTLs and teams. Activities of KCDP where the client considered that the World Bank could have provided stronger supervision support included procurement, infrastructure development, entrepreneurship and community development



Justification of Overall Rating of Bank Performance

65. **Rating – Moderately Satisfactory:** Based on the above assessment of the Bank throughout the different phases of the project cycle, and the outcome rating achieved, the overall rating of Bank performance is rated as Moderately Satisfactory, resulting from the combined rating of Moderately Unsatisfactory for Quality at Entry and Satisfactory for Quality of Supervision.

D. RISK TO DEVELOPMENT OUTCOME

66. Although the project did not conduct systematic and regular assessments of risks, relevant mitigation measures for pre-identified and emerging risks were adequately taken into consideration, in particular the security situation in certain project areas was appropriately reflected in revisions to project implementation plans. At project closing, the main risks to the project's development outcomes are related to the implications of the backloading of many important project activities. The late implementation of many community, SME and VMG subprojects, as well as public investments such as the VMS, increase the vulnerability of these activities. Due to this, the effective continuity and in some cases the viability of project interventions will strongly rely on Government capacity to provide adequate technical assistance (to communities) and operations and maintenance costs to ensure the functionality of public instruments supported by the project. Both risks appear to be minimized by the commitment of the government and counties to provide the necessary support beyond project closing. After project closing, the National Treasury has allocated KES 40 million (i.e., US\$380,000) towards strengthening the sustainability mechanisms of the VMG subprojects. In addition, the presence of several coastal initiatives financed by bilateral partners, and the World Bank's decision to support GOK's efforts towards developing its blue economy through the KEMFSED project are expected to reduce the above described risks and ensure the long-term impact of the project's outcomes.

V. LESSONS AND RECOMMENDATIONS

67. The Implementation of KCDP has generated a series on valuable technical and operational lessons, which can be applied to coastal development projects or projects with a strong focus on community development.

- a) In countries with decentralization policies (or constitutional devolution, as in Kenya) strong and proactive involvement of local governments may require additional institutional arrangements and capacity building efforts, but it is essential to enhance local ownership, support implementation requirements, and provide commitment to the long-term sustainability of project interventions.
- b) Projects with spatial development focus especially on coastal areas to be sustainable, the design phase must assess the appropriateness of the relevant policy and regulatory framework, and if needed, incorporate support to develop improved policies and/or instruments to ensure that project investments are mainstreamed in public-sector mandates.
- c) In projects with multiple institutions and a broad stakeholder base, a sound, well designed communication strategy is not only a good practice but can be instrumental in ensuring adequate collaboration among institutions and to identify opportunities for stakeholder cooperation. The communication strategy and other communication tools (e.g., video, website) that were prepared under KCDP provided the project with a brand and identity, which served as incentives for good collaboration.
- d) An additional requirement for complex institutional projects is the establishment of an appropriate work planning and budgeting approach which includes the centralization of financial resources and budgeting



under the PMU, the adoption of joint workplans, and the active involvement of component managers in the decision-making process triggering coherence in planning, management and also enhanced teamwork among project staff. The use of joint workplans had a particularly positive impact on the collaboration of the various implementing agencies.

- e) The alternative of direct implementation by technical staff of activities such as studies, management plans or other tasks requiring considerable field work can be a cost-effective measure compared to the time-consuming process of recruiting consultants. However, such alternative may not be efficient and cost-effective, and may result in low product quality, and the risk of developing DSA dependency among public employees. Where implemented, capacity building should be identified as part of project preparation and delivered as a pre-requisite to engaging staff of implementing agencies in technical work.
- f) For projects that include seconded staff from other government ministries/agencies as part of the PMU, clear arrangements must be in place confirming that these staff are fully released from their parent institutions for the agreed period. During project implementation, PMU staff were often performing their normal duties in addition to their responsibilities under KCDP.
- g) Business-related training of prospective or newly established SMEs can be of limited effectiveness if conducted in the absence of financial support to investments, particularly when high levels of poverty predominate among SME members.
- h) Project implementation of the KCDP benefitted significantly from early restructuring. Early project restructurings can be instrumental in reverting potentially severe quality at entry limitations to achieve project objectives, including weak borrower ownership, inadequate institutional arrangements, and absence of basic implementation instruments.
- i) KCDP experience clearly indicates that strong elements of capacity building are essential to complement financial support to and MSMEs beneficiaries in (i) value addition, market research and marketing skills to facilitate informed decisions regarding the market conditions, challenges and opportunities and (ii) business management and administration skills to facilitate enterprise operation, improved financial management and access to financing.



ANNEX 1. RESULTS FRAMEWORK AND KEY OUTPUTS

A. RESULTS INDICATORS

A.1 PDO Indicators

Objective/Outcome: To improve management effectiveness of Kenya’s coastal and marine resources

| Indicator Name | Unit of Measure | Baseline | Original Target | Formally Revised Target | Actual Achieved at Completion |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|-------------|-----------------|-------------------------|-------------------------------|
| Number of conservation areas brought under effective management (including co-management) as defined by Management Effectiveness Tracking Tool (METT) score of at least 55 | Number | 0.00 | 3.00 | 3.00 | 3.00 |
| | | 01-Jun-2011 | 01-Jun-2011 | 05-Oct-2015 | 30-Jun-2017 |

Comments (achievements against targets): Target achieved (100%): The protected areas brought under effective management are Shimba Hills, Kisite-Mpunguti and Malindi. The METT score for the Shimba Hills increased from 54 to 57; the score for Kisite-Mpunguti increased from 51 to 57; and the score for Malindi increased from 52 to 57. The activities that have contributed to the increases in the METT score include biodiversity assessments; the use of night vision cameras to enhance security; development/review of management plans; staff training; boundary marking/fencing of protected areas, and implementation of projects that enhance conservation and community welfare. The data was collected annually.

| Indicator Name | Unit of Measure | Baseline | Original Target | Formally Revised Target | Actual Achieved at Completion |
|------------------------------|-----------------|----------|-----------------|-------------------------|-------------------------------|
| Direct project beneficiaries | Number | 0.00 | 1000.00 | 10000.00 | 73660.00 |



| | | | | | |
|----------------------|------------|-------------|-------------|-------------|-------------|
| | | 01-Jun-2011 | 01-Jun-2011 | 05-Oct-2015 | 30-Jun-2017 |
| Female beneficiaries | Percentage | 0.00 | 35.00 | 45.00 | 46.00 |
| | | 01-Jun-2011 | 01-Jun-2011 | 05-Oct-2015 | 30-Jun-2017 |

Comments (achievements against targets): Target achieved (740%): Over 73,000 people have directly benefited from the project to date, which exceeds the end-target of 10,000. Benefits have been drawn from woodlots, tree nurseries, ICZM training, and Environmental Impact Assessment (EIA) training, SME capacity building, staff capacity building, HMP sub-projects, scholarships and internship for coastal students, sea seed farming, aquaculture, fin fish farming, BMU training, beach inspectors workshops, fish quality control, processing and marketing, community managed areas, tour guide training, biodiversity assessment training, school enrolment in classrooms supported by the project, and street paving users and clients of Kinondo banking hall. Approximately 46 percent of the beneficiaries are female against a target of 45 percent. In addition to the direct beneficiaries referenced here, indirect beneficiaries from HMP activities are estimated to be approximately 350,000 people. Data was collected bi-annually. The number of beneficiaries was measured by counting all individuals that have benefited directly from KCDP through grants, scholarships and training, community sub-projects, and through access to and/or use of goods and services from project financed sub-projects.

| Indicator Name | Unit of Measure | Baseline | Original Target | Formally Revised Target | Actual Achieved at Completion |
|-----------------------------------------------------------------|-----------------|-------------|-----------------|-------------------------|-------------------------------|
| Areas outside protected areas brought under improved management | Hectare(Ha) | 0.00 | 30.00 | | 50.00 |
| | | 05-Oct-2015 | 05-Oct-2015 | | 30-Jun-2017 |

Comments (achievements against targets): Target achieved (170%): The management of 50 hectares of land outside protected areas (i.e., in Gede, Mpeketoni, Witu, and Comensum and Amani) has been improved through the establishment of seed stands and rehabilitation/restoration of degraded areas, which has exceeded the end-target of 30 hectares. Data was collected annually.

Objective/Outcome: PDO Outcome 2: To enhance revenue generation of Kenya’s coastal and marine resources.

| Indicator Name | Unit of Measure | Baseline | Original Target | Formally Revised | Actual Achieved at Completion |
|----------------|-----------------|----------|-----------------|------------------|-------------------------------|
|----------------|-----------------|----------|-----------------|------------------|-------------------------------|



| | | | | Target | |
|-------------------------------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Revenue generation to GOK from near shore and EEZ fisheries | Amount(USD) | 0.68 | 1.00 | 3.18 | 4.09 |
| | | 01-Jun-2011 | 01-Jun-2011 | 05-Oct-2015 | 30-Jun-2017 |

Comments (achievements against targets): Target achieved (129%): US\$ 4.09 million in revenue has been generated from near shore and EEZ fisheries through licensing of foreign fishing vessels, fishermen licenses, fishing registration, fish processing licenses, aquarium dealer licenses and inshore water revenue collection, which exceeds the target of US\$3.19 million. Frame survey information was used to enhance the licensing of vessels used in in-shore areas. Enforcement patrols and sensitization were also carried out contributing to increase in revenue generation. The data was collected annually.

| Indicator Name | Unit of Measure | Baseline | Original Target | Formally Revised Target | Actual Achieved at Completion |
|-----------------------------------------------------------------------------------------------------------------------------|-----------------|-------------|-----------------|-------------------------|-------------------------------|
| Number of coastal households with annual earnings of US\$50 or more from commercial NRM activities supported by the project | Number | 0.00 | 1000.00 | | 642.00 |
| | | 05-Oct-2015 | 05-Oct-2015 | | 30-Jun-2017 |

Comments (achievements against targets): Target partly achieved (64%): This indicator was introduced following the mid-term restructuring in 2015. Through commercial natural resource management activities supported by the KCDP, households have earned US\$50 or more from selling sea weed, fin fish, poles, and tree seedlings, or from waste management and ecotourism. Data was collected annually.

A.2 Intermediate Results Indicators

Component: Sustainable Management of Fisheries Resources

| Indicator Name | Unit of Measure | Baseline | Original Target | Formally Revised Target | Actual Achieved at Completion |
|----------------|-----------------|----------|-----------------|-------------------------|-------------------------------|
|----------------|-----------------|----------|-----------------|-------------------------|-------------------------------|



| | | | | | |
|----------------------------------------------------------------------------|--------|---------------------|----------------------|--|----------------------|
| Number of vessels licensed to fish in the Kenyan waters with VMS installed | Number | 0.00 01-Jun-2011 | 20.00 01-Jun-2011 | | 44.00 30-Jun-2017 |
|----------------------------------------------------------------------------|--------|---------------------|----------------------|--|----------------------|

Comments (achievements against targets): Target achieved (220%): The newly installed and operationalized Vessel Monitoring System (VMS) has registered six local, and 38 foreign vessels.

| Indicator Name | Unit of Measure | Baseline | Original Target | Formally Revised Target | Actual Achieved at Completion |
|-----------------------------------------------------------|-----------------|---------------------|---------------------|-------------------------|-------------------------------|
| Number of species with Fishery Management plans developed | Number | 0.00 01-Jun-2011 | 3.00 01-Jun-2011 | | 3.00 30-Jun-2017 |

Comments (achievements against targets): Target achieved (100%): Fish management plans including ring net management, lobster and aquarium Management plans were completed. The final plans were reviewed, verified by stakeholders, and distributed to stakeholders at various levels.

| Indicator Name | Unit of Measure | Baseline | Original Target | Formally Revised Target | Actual Achieved at Completion |
|---------------------------------------------------------------|-----------------|---------------------|---------------------|-------------------------|-------------------------------|
| Number of key exploited species with stock status established | Number | 0.00 01-Jun-2011 | 5.00 01-Jun-2011 | 3.00 21-Sep-2012 | 5.00 30-Jun-2017 |

Comments (achievements against targets): Target achieved (166%): Selection and prioritization of key commercial species using SICA framework. For the five prioritized species (i.e., lobster, aquarium, small and medium pelagic, seganus suta, and prawns), standard operation procedures for stock assessments have been developed, and actual stock assessments have been completed including the preparation of fact sheets.



Component: Sound management of natural resources

| Indicator Name | Unit of Measure | Baseline | Original Target | Formally Revised Target | Actual Achieved at Completion |
|---------------------------------------------------------------------|-----------------|-------------|-----------------|-------------------------|-------------------------------|
| Target areas with annually updated geo-referenced biodiversity data | Hectare(Ha) | 0.00 | 15000.00 | 10000.00 | 25000.00 |
| | | 01-Jun-2011 | 01-Jun-2011 | 21-Sep-2012 | 30-Jun-2017 |

Comments (achievements against targets): Target achieved (250%): Through biodiversity assessments in protected areas (i.e., Shimba Hills Ecosystem, Kisite-Mpunguti Marine Park and Reserve and its environments) and outside protected areas (i.e., Lamu, Lake Kenyatta, Lake Jipe (Taita)), geo-referenced biodiversity data has been generated, and subsequently used to develop a coastal biodiversity information system to support the management of marine and coastal resources. The data was collected annually.

| Indicator Name | Unit of Measure | Baseline | Original Target | Formally Revised Target | Actual Achieved at Completion |
|-------------------------------------------------|-----------------|-------------|-----------------|-------------------------|-------------------------------|
| Number of Management Plans developed or updated | Number | 0.00 | 3.00 | | 4.00 |
| | | 01-Jun-2011 | 01-Jun-2011 | | 30-Jun-2017 |

Comments (achievements against targets): Target achieved (133%): Four management plans including the Mangrove Management Plan, the Witu Forest Management Plan, the Kisite Mpunguti and Malindi Marine Management Plans, have been completed. The Mangrove Management Plan has been integrated into County Integrated Development Plans, and is being implemented by the government through the Kenya Forest Service. In addition, two conservation and management strategies have been developed for Coral Reef and Sea Grass Beds, and Sable Antelopes. The Coral Reef Strategy is currently being implemented through the Climate Change Adaptation Program, and the Sable Antelope Strategy is being implemented through the Kenya Wildlife Service and WWF. The plans were considered developed, when the process of developing the plans was commenced through KCDP, and continued throughout implementation, until the plan was accepted and endorsed by the relevant government authority.

| Indicator Name | Unit of | Baseline | Original Target | Formally Revised | Actual Achieved at |
|----------------|---------|----------|-----------------|------------------|--------------------|
|----------------|---------|----------|-----------------|------------------|--------------------|



| | Measure | | | Target | Completion |
|-----------------------------------------------------------------------------------------|---------|-------------|-------------|--------|-------------|
| Biodiversity management information system is developed, populated and updated annually | Yes/No | N | N | | Y |
| | | 21-Sep-2011 | 21-Sep-2012 | | 30-Jun-2017 |

Comments (achievements against targets): Target achieved (100%): The biodiversity management information system has been developed, installed, and populated. The system is being used by stakeholders towards improving the management and conservation of the marine and coastal resources. Since the installation of the system was only completed towards the end of the project, the system has not been updated (as per the envisaged annual update).

| Indicator Name | Unit of Measure | Baseline | Original Target | Formally Revised Target | Actual Achieved at Completion |
|--------------------------------------------------------------------------------|-----------------|-------------|-----------------|-------------------------|-------------------------------|
| Number of successful community based interventions documented and disseminated | Number | 0.00 | 5.00 | 10.00 | 10.00 |
| | | 01-Jun-2011 | 01-Jun-2011 | 21-Sep-2012 | 30-Jun-2017 |

Comments (achievements against targets): Target achieved (100%): Ten successful community-based interventions were documented, and the associated report was disseminated to stakeholders at a workshop held in 2017. Examples of successful community-based interventions include waste management activities implemented by the Watamu Marine Association, mangrove conservation implemented by the Jimbo Environmental Group, or turtle rehabilitation implemented by the Watamu Turtle Watch.

Component: Building Coastal Capacity for Sustainable Natural Resource Use and Management

| Indicator Name | Unit of Measure | Baseline | Original Target | Formally Revised Target | Actual Achieved at Completion |
|-----------------------------|-----------------|----------|-----------------|-------------------------|-------------------------------|
| Number of regions and wards | Number | 0.00 | 11.00 | 6.00 | 6.00 |



| | | | | | |
|------------------------------------------------------|--|-------------|-------------|-------------|-------------|
| with coastal land capability plans or maps developed | | 01-Jun-2011 | 01-Jun-2011 | 05-Oct-2015 | 30-Jun-2017 |
|------------------------------------------------------|--|-------------|-------------|-------------|-------------|

Comments (achievements against targets): Target achieved (100%): Six coastal land capability plans/maps were developed including (i) the coastal region land capability mapping; (ii) county land use plans for Kilifi and Lamu; and (iii) action area plans for Pongwe Kikoneni, Bomeni, and Kipini East. In addition, 26 tree species capability mappings were completed.

| Indicator Name | Unit of Measure | Baseline | Original Target | Formally Revised Target | Actual Achieved at Completion |
|-------------------------------------------------------------------------------------------|-----------------|---------------------|----------------------|-------------------------|-------------------------------|
| Number of officers from lead agencies trained on ICZM & EIA (including EIA certification) | Number | 0.00 01-Jun-2011 | 85.00 01-Jun-2011 | | 84.00 30-Jun-2017 |

Comments (achievements against targets): Target achieved (99%): Eighty-four of the targeted eighty-five officers have been trained in Environmental Impact Assessments (EIA) and Integrated Coastal Zone Management (ICZM). The indicator's end-target is considered achieved.

| Indicator Name | Unit of Measure | Baseline | Original Target | Formally Revised Target | Actual Achieved at Completion |
|-------------------------------------------------------------------------------|-----------------|---------------------|---------------------|-------------------------|-------------------------------|
| Annual environmental and social audits for KCDP supported projects undertaken | Number | 0.00 01-Jun-2011 | 3.00 01-Jun-2011 | | 3.00 30-Jun-2017 |

Comments (achievements against targets): Target achieved (100%): Three environmental and social audits for KCDP supported sub-projects were completed, and approved, with one of them having being on tree promotion activities.

| Indicator Name | Unit of Measure | Baseline | Original Target | Formally Revised Target | Actual Achieved at Completion |
|----------------|-----------------|----------|-----------------|-------------------------|-------------------------------|
|----------------|-----------------|----------|-----------------|-------------------------|-------------------------------|



| | | | | | |
|---------------------------------------------------------------------|--------|-------------|-------------|--|-------------|
| Entrepreneurs identified, trained, and with business plan developed | Number | 0.00 | 200.00 | | 213.00 |
| | | 21-Sep-2012 | 21-Sep-2012 | | 30-Jun-2017 |

Comments (achievements against targets): Target achieved (107%): Following substantial delays, this indicator's end-target has been achieved. 521 entrepreneurs have been trained under the KCDP, of which 213 have developed business plans. Progress and training reports documented the training.

| Indicator Name | Unit of Measure | Baseline | Original Target | Formally Revised Target | Actual Achieved at Completion |
|----------------------------------------------------|-----------------|-------------|-----------------|-------------------------|-------------------------------|
| Number of HMP subprojects completed or operational | Number | 0.00 | 500.00 | 200.00 | 230.00 |
| | | 01-Jun-2011 | 01-Jun-2011 | 21-Sep-2012 | 30-Jun-2017 |

Comments (achievements against targets): Target achieved (115%): Overall, 230 HMP sub-projects were completed and are operational, including 79 sub-projects targeted at Vulnerable and Marginalized Groups (VMGs). Progress reports and sub-project reports confirmed the outcome.

| Indicator Name | Unit of Measure | Baseline | Original Target | Formally Revised Target | Actual Achieved at Completion |
|--------------------------------------------------------------------------------------------------------------------|-----------------|-------------|-----------------|-------------------------|-------------------------------|
| Performance monitoring reports (with progress on agreed indicators) produced on time and with satisfactory quality | Yes/No | N | Y | | Y |
| | | 01-Jun-2011 | 01-Jun-2011 | | 30-Jun-2017 |

Comments (achievements against targets): Target achieved (100%): M&E reports, including financial management reports, were regularly developed and submitted to assess progress and inform decision-making processes.



| Indicator Name | Unit of Measure | Baseline | Original Target | Formally Revised Target | Actual Achieved at Completion |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|------------------|------------------|-------------------------|-------------------------------|
| Communication strategy in place | Yes/No | N 01-Jun-2011 | Y 01-Jun-2011 | | Y 30-Jun-2017 |
| Comments (achievements against targets): Target achieved (100%): A communication strategy for the KCDP was developed and implemented. In addition, the project developed a website and dedicated Facebook both, which have both been updated regularly. http://www.kcdp.co.ke | | | | | |



B. KEY OUTPUTS BY COMPONENT

| Objective/Outcome 1 - To improve management effectiveness of Kenya’s coastal and marine resources | |
|---------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Outcome Indicators | <ol style="list-style-type: none"> 1. Direct project beneficiaries 2. Areas outside protected areas brought under improved management |
| Intermediate Results Indicators | <ol style="list-style-type: none"> 1. Number of species with fishery management plans developed 2. Number of key exploited species with stock status established 3. Number of HMP (community) subprojects completed or operational 4. Number of regions and wards with Coastal Capability plans or maps developed |
| Key Outputs by Component (linked to the achievement of the Objective/Outcome 1) | <ol style="list-style-type: none"> 1. A total of 73,660 beneficiaries received technical and financial assistance through HNP and VMG subprojects, training, and support to SMEs, of which 46% were females 2. Management was improved in 50 has of four important sites outside of protected areas 3. Fish management plans were developed for ring-net management, lobster and aquarium species 4. Stock status assessments were conducted for five key species (lobster, aquarium species, pelagics, prawns, and siganus sp) 5. The project supported a total of 231 community subprojects through the HNP (162 subprojects) and VMG (69 subprojects) schemes. Predominant HNP community subprojects included water supply (54), waste and sanitation (28), woodlots (26), and health and education facilities (25), while VMG subprojects were mostly demanded for the provision of small ruminants (61). 6. Six land capability assessments were prepared for the entire coastal region, Kilifi and Lamu Counties, and Bomeni, Pongwe Kikoneni and Kipini areas 7. In collaboration with county governments, adaptive research was conducted by KMFRI to improve fishing gear, including basket traps, prawn gear, and dropline. 8. Co-management arrangements were supported for a total of 13 Beach Management Units (BMU) including four newly established and nine existing BMUs 9. In addition to a comprehensive short-term training program for project beneficiaries, formal training on NRM management and environmental degrees was provided to a total |



| | |
|-----------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | <p>of 183 individuals, of which 130 (mostly youth) were from coastal communities and 53 were staff from the seven project’s implementing agencies</p> <p>10. Public sector performance and governance was improved through the provision of key infrastructure and equipment, including the Fisheries Monitoring, Control and Surveillance Center (MCS), the development and operation of the Vessel Monitoring System (VMS) and the construction of expanded facilities for the KMFRI Resource Center</p> |
| <p>Objective/Outcome 2 - To enhance revenue generation of Kenya’s coastal and marine resources</p> | |
| <p>Outcome Indicators</p> | <ol style="list-style-type: none"> 1. Revenue generation by GOK 2. Number of coastal households with annual earnings of US\$50 or more from commercial NRM activities |
| <p>Intermediate Results Indicators</p> | <ol style="list-style-type: none"> 1. Number of vessels licensed to fish in Kenyan waters with VMS installed 2. Entrepreneurs identified, trained and with business plans developed 3. Number of HMP subprojects completed |
| <p>Key Outputs by Component (linked to the achievement of the Objective/Outcome 2)</p> | <ol style="list-style-type: none"> 1. Through vessel licensing, frame surveys, patrols, port state measures and awareness campaigns, accumulated revenue collected amounted to US\$4.09 million 2. Through commercial NR-based activities such as seaweed, milkfish, shrimp and artemia farming, wood poles and tree nurseries, a total of 642 households generated an income of at least US\$ 50.00 3. By project closing, a total of 44 fishing vessels (38 foreign and 6 local) operating in Kenya’s EEZ had been registered, licensed and monitored through the VMS 4. The project provided training to over 500 small-scale entrepreneurs, of which 213 developed business plans 5. The project provided financing for the implementation of 231 community subprojects, including 69 targeted at Vulnerable and Marginalized Groups (VMG) 6. Private infrastructure for income generation through value addition was supported in Shimoni (fish banda and ice plant), Faza (ice plant) and Kibuyuni (fish banda), as well as 39 community ponds for various aquaculture ventures, and facilities for seaweed harvesting and processing 7. Suitability Maps were prepared for 26 tree species adapted to coastal conditions, |



| | |
|----------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | expected to be valuable tools for County government planning and commercial feasibility assessments by private investors |
| Objective/Outcome 3 - To strengthen conservation and sustainable use of marine and coastal biodiversity | |
| Outcome Indicators | 1. Number of Protected Areas brought under effective management |
| Intermediate Results Indicators | <ol style="list-style-type: none"> 1. Target areas with annually updated geo-referenced biodiversity data 2. Number of Management Plans developed or updated 3. Biodiversity Management information system is developed, populated, and updated annually |
| Key Outputs by Component (linked to the achievement of the Objective/Outcome 3) | <ol style="list-style-type: none"> 1. Through the provision of infrastructure and equipment, three Protected Areas (Kisite-Mpunguti, Malindi, and Shimba Hills) were supported to improve overall management performance, as verified by the higher individual METT score achieved 2. Biodiversity assessments were conducted for a total of 25,000 ha. Including the Kisite Mpunguti and Shimba Hills protected areas, as well as biodiversity relevant areas in Lamu, Lake Kenyatta and Lake Jipe 3. The project supported the preparation or updating of four Management Plans, including the Mangrove Management Plan for the entire coastal area, and the plans for Kisite-Mpunguti, Malindi and Witu Forest 4. Conservation and management strategies were prepared for Coral Reef and Seagrass Beds, for turtles and for Sable Antelopes 5. A Biodiversity Information System for the coastal region was developed and installed 6. Relevant biodiversity conservation infrastructure supported by the project included the Sheldrick Falls nature trail and the Lukore fence at Shimba Hills, the Shimoni jetty at Kisite-Mpunguti Marine Area, and boundary demarcation buoys in five priority sites |

ANNEX 2. BANK LENDING AND IMPLEMENTATION SUPPORT/SUPERVISION

A. TASK TEAM MEMBERS

| Name | Role |
|----------------------------------|--------------------------------------------------|
| Preparation | |
| William Leeds Lane | Senior Environmental Specialist (former TTL) |
| Xavier Vincent | Senior Fisheries Specialist |
| Nyambura Gihagui | Senior Social Development Specialist |
| Henry Amena Amuguni | Financial Management Specialist |
| Dahir Elmi Warsame | Senior Procurement Specialist |
| Joel Munyori | Procurement Specialist |
| Luis M. Schwarz | Senior Finance Officer |
| Christiaan Johannes Nieuwoudt | Financial Analyst |
| Maria Elizabeth Carneiro | Finance Assistant |
| Clemencia R. Onesty | Portfolio Officer |
| Nightingale Rukuba-Ngaiza | Senior Counsel |
| Stephen Mukaindo | Counsel |
| Supervision/ICR | |
| Dinesh Aryal, Veruschka Schmidt | Task Team Leader(s) |
| Ann Jeannette Glauber | Lead Environmental Specialist (former TTL) |
| Anna Corsi | Senior Land Administration Specialist |
| Maria Paulina Mogollon | Senior Private Sector Development Specialist |
| Joel Buku Munyori, Tesfaye Ayele | Senior Procurement Specialist(s) |
| Henry Amena Amuguni | Senior Financial Management Specialist |
| Gibwa A. Kajubi | Senior Social Safeguards Specialist |
| Johanna Michaela Weber | Private Sector Specialist |
| Tobias Von Platen-Hallermund | Environmental Safeguards Specialist (Consultant) |
| Agnes Yvonne Mkamaghanga Masaka | Team Member |
| Lilian Wambui Kahindo | Social Safeguards Specialist |



| | |
|-----------------|--------------------------------------|
| David Japp | Fisheries Specialist (FAO) |
| Jason Rubens | Community Fisheries Specialist (FAO) |
| Jo Sciortino | Infrastructure Specialist (FAO) |
| Michael Carroll | ICR Main Author |

B. STAFF TIME AND COST

| Stage of Project Cycle | Staff Time and Cost | |
|------------------------|---------------------|----------------------------------------------|
| | No. of staff weeks | US\$ (including travel and consultant costs) |
| Preparation | | |
| FY06 | 7.513 | 48,622.03 |
| FY07 | 4.925 | 27,578.03 |
| FY08 | 17.447 | 100,956.55 |
| FY09 | 11.318 | 80,751.81 |
| FY10 | 25.126 | 198,220.69 |
| FY11 | 0 | - 0.54 |
| Total | 66.33 | 456,128.57 |
| Supervision/ICR | | |
| FY11 | 15.781 | 80,422.43 |
| FY12 | 31.680 | 124,213.90 |
| FY13 | 30.500 | 122,256.11 |
| FY14 | 20.683 | 108,683.15 |
| FY15 | 27.391 | 161,116.29 |
| FY16 | 24.301 | 129,729.78 |
| FY17 | 24.625 | 156,997.96 |
| FY18 | 8.913 | 70,094.67 |
| Total | 183.87 | 953,514.29 |



ANNEX 3. PROJECT COST BY COMPONENT

| Components | Amount at Approval (US\$M) | Actual at Project Closing (US\$M) | Percentage of Approval (US\$M) |
|----------------------------------------------------------------------------------|-----------------------------------|------------------------------------------|---------------------------------------|
| 1. Sustainable Management of Fisheries Resources | 7.41 | 8.56 | 115 |
| 2. Sound Management of Natural Resources | 9.05 | 6.93 | 77 |
| 3. Building Coastal Capacity for Sustainable Natural Resource Use and Management | 20.64 | 18.72 | 91 |
| 4. Removed/merged with component 3. | 2.90 | 0 | 0 |
| Total | 40.00 | 34.21 | 86 |



ANNEX 4. EFFICIENCY ANALYSIS

Background and limitations of Analysis. The analysis conducted at appraisal showed that the proposed interventions were economically and financially feasible. The potential benefits of the marine fisheries component had a Net Present Value (NPV) equivalent to US\$1.3 million (KES 98.7 million) at a discount rate of 12 percent, and the Internal Rate of Return (IRR) was 31 percent. At project closure,¹⁰ using the same discount rate of 12 percent and the project revenue flows from the monitoring and evaluation report,¹¹ the NPV was equivalent to US\$2.8 million, and the IRR 47 percent. Further, an incremental cost analysis assessed the incremental costs that would be eligible for GEF financing (US\$5 million). GEF-funded activities towards sustainable management of fisheries resources and sound management of natural resources (i.e., components 1 and 2), had an absorption rate of 88 percent at the end of the project. The borrower's project evaluation report provides evidence that the project had significant benefits. The quantifiable benefit streams were estimated using project-based data, and as presented in the subsequent sections, the benefits outweighed the costs. The main limitation to this analysis was that there were several activities in each component whose benefit streams could not be quantified ex-ante; hence non-quantifiable benefits of these components are also discussed.

Quantifiable benefits from the Exclusive Economic Zone (EEZ) and Fisheries Development. According to the PAD, the investments towards establishing a VMS and strengthening MCS were to improve the regime for monitoring fishing licenses in the Kenyan EEZ. The 'without project scenario' estimated that revenues from EEZ and fisheries development would be US\$ 0.8 million (KES 61.8 million), this amount was approximately 11 percent lower than the historical average for the period 2000-2008. In the 'with project scenario' there would be a more efficient system with increasing number of licenses, improved MCS and more offshore patrols and joint offshore patrols including interlinking the Vessel Monitoring, consequently increasing the license fees resulting in total revenues increasing to approximately US\$2.1 million (KES 159 million). The project had a NPV at a 12 percent rate of US\$1.3 million (KES 98.7 million) and internal IRR of 31 percent, making it a viable project. By the end of the project, the revenues reports were cumulatively US\$4.09 million, which exceeded the targeted amount. Using the same discount rate of 12 percent and the project revenue flows from the monitoring and evaluation report, the NPV was equivalent to US\$2.8 million, and the IRR is 47 percent. The increase in revenue was largely driven by improved licensing of vessels through frame surveys, enforcement patrols, and sensitization.

Quantifiable benefits from improved livelihoods. The HMP (Hazina ya Maendeleo ya Pwani) window aimed at supporting community-identified and implemented micro-projects, by focusing on small scale livelihood-enhancing interventions. Groups receiving grants were expected to contribute in cash and in-kind, and designed to maximize returns on the community's input of labor, time, materials and cash. At the end of the project, a total of 151 HMP sub-projects had been financed, with an estimated US\$660,000 (KES 69 million) generated from various income-

¹⁰ Some of the elements that were considered in the ex-post economic analysis summarized in this ICR do not necessarily represent economic benefits in a conventional sense. For example, public revenues from fishing license fees, represent transfers from private citizens to the State, and no economic benefits were generated in the process. Nevertheless, in order to maintain consistency with the ex-ante economic analysis conducted at appraisal, the ex-post analysis in this ICR used the approach and terminology as employed in the PAD.

¹¹ Y1- 0.68 m, Y2- 1.38 m; Y3-2.18m Y4-3.18m- Source: M&E report 2017



generating activities. Some of the income sources included: the sale of seaweed estimated at a cumulative total of KES 1.3 million; sale of fin fish estimated at a cumulative total of KES 157,000; sale of Casuarina tree poles (woodlots) estimated at a cumulative total of KES 4.6 million; sale of tree seedlings estimated at a cumulative total of KES 4.5 million; earnings from waste management ventures estimated at a cumulative total of KES 640,000; earnings from eco-tourism related enterprises estimated at a cumulative total of KES 650,000, and additional earnings from improved quality of marine fish estimated at a cumulative total KES 5.7 million. The revision of the results framework following the MTR included an indicator targeting the number of coastal households with annual earnings of US\$50 or more from commercial natural resource management activities supported by the project. The target number of households was 1000, of which 642 households were eventually reached by the end of the project (approximately 64 percent).

Micro-credit Access and Sustainability of MSMEs. The MSME investments' objective was to assist in establishing joint ventures between the community and the private investor, in order to create a business environment that attracts more investments. The target was to identify, train and assist 200 MSME's and further help them develop business plans. The project surpassed the target since 213 MSMEs were trained, in developing business plans. However, there were no PPPs established between the MSMEs and local banks to ensure sustainability of the projects after the KCDP. In addition, the selected projects should have been subjected to a rigorous commercial viability criterion in order to ensure sustainability and eventually attracting private investors at the end of the KCDP project.

Non-quantifiable benefits. The Project included community capacity strengthening activities, and direct stakeholder support in extension-related activities and pilot projects, however, estimating the benefits of such projects ex-ante are difficult. Non-quantifiable benefits include those resulting from improved management of natural resources and restoration of degraded marine resources. Under the KCDP, three target areas were brought under effective management: Kisite- Mpunguti in Kwale County, area under management increased from 51 to 58 percent; Malindi Marine Park in Kilifi County, area under management increased from 52 to 56 percent; and Shimba Hills in Taita Taveta County, area under management increased from 54 to 58 percent. This surpassed the average target of 55 percent in all cases by 1.8 - 5.4 percent. Even though it is difficult to estimate the benefits of MPAs, empirical evidence shows that on average, a 1 percent increase in MPA results in an increased growth rate of fish populations by about 1 percent, suggesting that protecting MPAs is a worthwhile investment. In addition, the Project carried out various capacity building activities at the government, county, and community level, which have led to increased capacity to sustainably manage coastal and marine resources.

Design and implementation of the project: The project's effectiveness was delayed by one year as a result of delayed fulfillment of the project's conditions for effectiveness, and overall project implementation was slow up until MTR in 2015 (see Section III for more details). However, several project restructurings targeted at simplifying and modifying the results framework, and extending the overall project life time, allowed for accelerated project implementation progress and completion of project activities, particularly those associated with infrastructure. The financial absorption rate significantly increased, particularly following the restructuring after the MTR in 2015. The absorption rate increased from 30 percent in 2015, to 88 percent in 2017, equaling US\$20.57 million in disbursements, and comparing to US\$12,17 that had been utilized prior to MTR, during the first 4 years of project implementation.

The expenditure on travel and Daily Subsistence Allowance (DSA) is also important in determining the level of efficiency of a project. There is no threshold for determining an optimal DSA to total expenditure ratio, however, high rates of DSA to total expenditure tend to imply signs of inefficiency. DSA as a proportion of total KCDP expenditure



was approximately 30 percent, which is considered high. However, there are a couple of attributing factors that need to be recognized. First, the project covered a wide geographical area that necessitated long distance travel expenditures, and second, the project decided to utilize technical resources from the various implementing agencies rather than consultants to conduct studies, assessments, and field work, in an effort to strengthen technical capacity. By excluding DSA that can directly be associated with research activities and technical assistance provided to communities under the HMP and VMG activities, expenditures associated with DSA represent only 6 percent of total KCDP expenditures.



ANNEX 5. BORROWER, CO-FINANCIER AND OTHER PARTNER/STAKEHOLDER COMMENTS

REPUBLIC OF KENYA



MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHERIES
STATE DEPARTMENT FOR FISHERIES AND THE BLUE ECONOMY
OFFICE OF THE PRINCIPAL SECRETARY

Email:psfisheries@kilimo.go.ke
Telephone:2718870

KILIMO HOUSE
CATHEDRAL ROAD
P.O. Box 58187/00200
NAIROBI

When replying please quote;
Ref. MOALF/SDF/FF/4A

19th December, 2017

Verushaka Schmidt
Task Team Leader for KCDP
World Bank
DAR-ES-SALAAM

Dear Veru,

**KENYA COASTAL DEVELOPMENT PROJECT (KCDP): COMMENTS ON
THE IMPLEMENTATION COMPLETION AND RESULTS (ICR) REPORT**

The above subject refers.

I wish to acknowledge the receipt of the Implementation Completion and Results Report for the Kenya Coastal Development Project (KCDP).

The KCDP teams have reviewed the report and made comments in the document for your consideration.

Further to this, our substantive input on the report includes the following:

1. **Review of the PDO indicators:** There is need to review the indicators to ensure compliance with the agreements made during the 2012 and 2015 restructuring of KCDP. To support this the extracts of the restructuring paper for 2012 and the Aide Memoire of April 2015 have been annexed to this letter for your review and adjustment of this section of the report.



2. **In – kind Contribution of the Government of Kenya**: It is important to reflect the contribution of the Government of Kenya through staff time and contributions made to the project and this is annexed for your consideration.

Overall, the report provides a good assessment of the project status and we look forward to the follow on work in support of the Blue Economy Sector.

Thank you.

Yours *Sincerely,*

Prof. Micheni Japhet Ntiba, CBS
PRINCIPAL SECRETARY

Encl.

Copy to:

Dr. Kamau Thugge, CBS
Principal Secretary
National Treasury
NAIROBI



| No. | Contribution Cost for 7 years (Kshs) | Unit of costing | KEFRI | KMFRI | KWS | NEMA | CDA | SDF | DPP |
|-----------------------------------|----------------------------------------------------------------------------------------------------------------------|---------------------------------------|-------------------|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| 6. | Quality seedlings from KEFRI research nurseries in Kitui, Kibwezi, Maseno and Gede for establishment of seed sources | Number of seedlings | 3,555,555 | | | | | | |
| 7. | Regular internal auditing for compliance | Travel expenses | 7,462,000 | 10,000,000 | 1,400,000 | | 500,000 | | |
| 8. | Attendance of both Technical Implementation and Project Steering Committee meetings and monitoring visits | Percentage time spend on project work | 700,000 | | 840,000 | | | 3,661,710 | 2,327,940 |
| Total in kind contribution | | | 67,355,555 | 234,434,725 | 97,236,200 | 24,552,000 | 53,425,600 | 83,843,328 | 27,116,474 |

TOTAL APPROXIMATE IN-KIND CONTRIBUTION = KSH. 582,963,882 IE USD 5,829,639

