AFRICAN DEVELOPMENT FUND

ADF/BD/WP/2019/212/Approved
17 December 2019
Prepared by: RDGE/AHHD/PGCL
Original: English

BOARD APPROVAL **Lapse-of-time Procedure** **17 December 2019**

FOR INFORMATION

MEMORANDUM

TO : **THE BOARD OF DIRECTORS**

FROM : **Vincent O. NMEHIELLE**
Secretary General

SUBJECT : **KENYA – TECHNICAL AND VOCATIONAL EDUCATION TRAINING AND ENTREPRENEURSHIP PROJECT***

ADF LOAN OF UA 26.90 MILLION

The above-mentioned **Proposal** and the **Draft Resolution** were submitted for your consideration, **on a Lapse-of-time basis**, on 3rd December 2019.

Since no objection was recorded by 5.00 pm on 17 December 2019, the said Proposal is considered as **approved** and the Resolution **adopted**.

Attch.

Cc: The President

*** Questions on this document should be referred to:**

Mrs. N. NWABUFO	**Ag. Director General**	**RDGE**	**Extension 8343**
Mr. G. PENN	**General Counsel**	**PGCL**	**Extension 3220**
Ms. H. C. DOROBA	**Officer-In-Charge**	**AHHD**	**Extension 4551**
Mr. J. COOMPSON	**Regional Manager**	**RDGE.2**	**Extension 8415**
Ms. A. M. MECCA	**Division Manager**	**PGCL.1**	**Extension 3309**
Ms. S. OLANG'O	**Team Leader**	**RDGE.2**	**Extension 8255**

SCCD: BWJ

AFRICAN DEVELOPMENT FUND

PROJECT: TECHNICAL AND VOCATIONAL EDUCATION TRAINING AND ENTREPRENEURSHIP PROJECT

COUNTRY: REPUBLIC OF KENYA

PROJECT APPRAISAL REPORT

December 2019

Appraisal Team	*Team Leader:* Susan Olang'o, Senior Social Development Officer, RDGE2 *Team Members:* Boukary Savadogo, Consultant/Education Specialist, RDGE Darlison Kaija, Principal Labour Economist, RDGE2 Patrick Owuori, Senior Procurement Officer, RDG0 David Mutuku, Principal Financial Management Specialist, RDGE4 Duncan Ouma, Senior Macroeconomist, RDGE0 Alain-Pierre Mbonampeka, Chief Regional program Officer, RDG4 Mona Sharan, Senior Gender Specialist, RDGE2 Kalekye Mwau, Disbursement Assistant, RDGE4 Faith Kamau, Regional principal Counsel, RDGE3 Elizabeth Aisu, Consultant/ Environmental & social Safeguards
	Regional Operations Manager: Joseph Coompson, RDGE2 Sector Manager: Hendrina Chalwe Doroba, AHHD1 *Sector Director:* Oley L.C. Dibba-Wadda, AHHD *Ag. Director General:* Nnenna Nwabufo, RDGE

Peer Reviewers	Keiko Takei, Chief Education Analyst, AHHD2 Olufunso Somorin, Principal Climate Change Officer, RDGE1 Rosemond OFFEI-AWUKU, Chief Development Economist, AHHD0 Mouhamed Gueye, Chief Development Economist, RDGN2 Christopher Mutasa, Principal Financial Analyst, RDGE2

AFRICAN DEVELOPMENT FUND

REPUBLIC OF KENYA

TECHNICAL AND VOCATIONAL EDUCATION TRAINING AND ENTREPRENEURSHIP PROJECT

RDGE/AHHD DEPARTMENTS

December 2019

TABLE OF CONTENTS

Currency Equivalents

April 2019

UA	1	=	KES 139,523
UA	1	=	EUR 1,23565
UA	1	=	USD 1,38825
USD	1	=	KES 101.09

FISCAL YEAR:

July 1 – June 30

Weights and Measures

1 metric ton	=	2204 pounds (lbs)
1 kilogram (kg)	=	2.200 pounds (lbs)
1 meter (m)	=	3.28 feet (ft)
1 millimeter (mm)	=	0.03937 inch (“)
1 kilometer (km)	=	0.62 mile
1 hectare (ha)	=	2.471 acres

ACRONYMS AND ABBREVIATIONS

ADB	African Development Bank
AfDB	African Development Bank Group
ADF	African Development Fund
CBET	Competence Based Education and Training
CDACC	Curriculum Development, Assessment and Certification Council
CSP	Country Strategy Paper
DP	Development Partner
DPF	Development Partnership Forum
DPG	Development Partners Consultative Group
EA	Executing Agency
EDPG	Education Donor Partner Group
EIRR	Economic Internal Rate of Return
ENPV	Economic Net Present Value
ESIA	Environmental and Social Impact Assessment
ESMP	Environmental and Social Management Plan
GoK	Government of Kenya
HCI	Human Capital Index
HDI	Human Development Index
IFMIS	Integrated Financial Management Information System
KEPSA	Kenya Private Sector Alliance
KES	Kenyan Shilling
KNQA	Kenya National Qualification Authority
KTTC	Kenya Technical Trainers College
MIS	Management Information System
MoE	Ministry of Education
MSEA	Micro & Small Enterprises Authority
MSMEs	Micro, Small and Medium Enterprises
MTP	Medium Term Plan
NESSP	National Education Sector Strategic Plan
PCR	Project/Program Completion Report
PCU	Program Coordination Unit
PWD	Persons with Disability
SDVTT	State Department of Vocational Education and Technical Training
SSD	Standard Solicitation Document
STEM	Science Technology Engineering and Mathematics
TTI	Technical Training Institute
TVET	Technical Vocational Education and Training
TVETA	Technical and Vocational Education and Training Authority
UA	Unit of Account

.

LOAN INFORMATION

Client's information

Recipient: Republic of Kenya
Executing Agency: State Department of Vocational and Technical Training, Ministry of Education

Financing plan

Source	Amount million UA	Instrument
ADF	26.90	Loan
GoK	4.18	Counterpart
Total Cost	**31.08**	

ADF loan key financing information

Currency	Unit of Account
Interest rate spread	1%
Commitment fee	0.5% per annum on the undisbursed loan amount
Service charge	0.75% per annum on amount disbursed and outstanding
Tenor	30 years (Including 5 years grace period)
Grace period	5 years
NPV (Base)	UA 12.78 million
EIRR (Base)	17.87%

Timeframe - Main Milestones (expected)

Concept Note Approval	March 2019
Project Appraisal	April/May 2019
Project Approval	December 2019
Effectiveness	March 2020
Completion	March 2025
Last Disbursement	June 2025

Project Summary

Project Overview	The objective of the proposed Technical and Vocational Education Training and Entrepreneurship (TVETE) project is to improve access, quality and relevance of technical education and entrepreneurship training for youth employment. The project targets trainees and trainers in Technical Training Institutes (TTIs), trainees living with disability, semi-skilled youth in Micro Small and Medium Enterprises (MSMEs), TVET quality assurance agencies and industry. The project will directly benefit 156,000 trainees (50% female), 2000 youth in MSMEs, 1000 TVET trainers and indirectly 6.9 million youth aged 15 – 25 years who qualify for tertiary education across the 47 counties in Kenya. The project will: (i) increase enrolment to TVET and expand inclusive access through expansion of workshops and classrooms in 11 TTIs, including 4 special needs TTIs, provision of 16 hostels (60% female); training equipment to 26 TTIs in Science Technology Engineering and Mathematics (STEM); (ii) improve the quality and relevance of TVET training through TVET institutional development and trainers' capacity building, promote demand-driven training in collaboration with industry, establishment of a Curriculum Development, Assessment and Certification Council (CDACC) publishing, printing and assessment center (iii) promote entrepreneurship development through training trainers and youth on entrepreneurship, reskilling youth in the MSME sector through recognition of prior learning, creating incubation centres in TTIs and providing start-up kits to young entrepreneurs. The total project cost is UA 31.08 million, starting March 2020 to March 2025.
Needs Assessment	Skills development through TVET is a critical enabler to Kenya's attainment of its development agenda and in addressing youth unemployment as elaborated in Kenya's Vision 2030, the Big Four Development Agenda and Third Medium Term Plan (MTP III 2018-2022). Youth unemployment remains high with nine out of every ten unemployed Kenyans being youth below 35 years. This is significant since about 80% of Kenya's population is below 35 years. Despite sustained economic growth, not enough jobs have been created but the bigger challenge for youth remains skills gaps and mismatch. The Government of Kenya (GoK) initiated reforms in the education system and in TVET in 2013 to revamp technical training through curriculum reforms. As a result, enrollment in TVET has more than doubled from 147,000 in 2014 to 360,000 in 2018/19. The capacity of the TVET system in both infrastructure and trainers however remains inadequate, estimated at about 300,000 per year against a target of one million youth. GoK has further adopted a 100% transition from primary to secondary schools to improve the Net Enrolment Rate from 51% in 2018. This will further increase pressure on the TVET system by 2022 when graduates from secondary education are expected to increase by 64%. In addition, gaps exist in linkage with industry and in skilled workforce in emerging sectors such as oil and gas, blue economy, renewable energy, agro processing which are expected to drive industrialization in Kenya. The proposed project combines infrastructure development to address supply aspects such as access; demand aspects related to quality of training and trainers as well as relevance to industry; and job creation through entrepreneurship and apprenticeships.
Bank's Added Value	Skills development through TVET is a priority for the Government of Kenya in building human capital for implementation of Vision 2030 and addressing youth unemployment. The Bank has extensive experience in skills development in Kenya and across the region. The proposed project builds on investments of the ongoing Bank financed TVET Phase II project in expanding access and addressing quality and relevance of training as well as job creation. The project aligns with the Bank's CSP (2019 – 2023) for Kenya, and directly contributes to the second pillar on enhancing skills and capacity development as an enabler for pillar one on industrialization.
Knowledge Management	The project will generate knowledge on (i) status of implementation of TVET reforms, successes and gaps; (ii) models for connecting TVET to the private sector and the larger economic system; (iii) improving youth employability and entrepreneurship (vi) skills mapping and skills gaps for growth sectors. The results of these studies will contribute to the body of knowledge for use in developing future interventions. The project will also involve skills transfer from consultants, suppliers and contractors to project staff, trainers and trainees.

Results Based Logical Framework

<table>
<tr><td colspan="7">Country and Project Name: Kenya – Technical and Vocational Education Training and Entrepreneurship Project
Purpose of the Project: To improve access, quality and relevance of Technical Education and Youth Entrepreneurship Training for increased youth employment</td></tr>
<tr><th colspan="2" rowspan="2">RESULTS CHAIN</th><th colspan="3">PERFORMANCE INDICATORS</th><th rowspan="2">MEANS OF VERIFICATION</th><th>RISKS/MITIGATION MEASURES</th></tr>
<tr><th>Indicators</th><th>Baseline (2018)</th><th>Target (2025)</th><th></th></tr>
<tr><td>IMPACT</td><td>Employability of youth in Kenya enhanced</td><td>Youth unemployment rate (15 – 34 years)</td><td>39.1%</td><td>25% by 2030</td><td>KIBHS</td><td></td></tr>
<tr><td rowspan="2">OUTCOMES</td><td>Outcome 1: Access to TVET programs improved</td><td>1.1 % increase in TVET enrollment (50% women)
1.2 % of TVET trainees enrolled in engineering and applied science (50% women)
1.3 Gender Parity Index for enrollment in Public TVET Institutions</td><td>40%
63%

0.54</td><td>60%
80%

0.90</td><td rowspan="2">KIBHS
Tracer Studies
Economic Surveys
TVET MIS
CDACC reports
Project reports
Women/Youth Fund reports</td><td rowspan="2"><u>Risks</u>
Low perception of TVET

<u>Mitigation</u>
Develop a communication strategy for community and industry engagement</td></tr>
<tr><td>Outcome 2: Quality and relevance of TVET Improved</td><td>2.1 % of Bank supported TTIs implementing demand-driven curriculum in line with the new CBET
2.2 No. of direct jobs created through establishment of new youth-led enterprises and apprenticeships
2.3 % of TVET graduates employed
2.4 Employer satisfaction levels for TVET graduates</td><td>0

0

42
30</td><td>50%

1000

80
90</td></tr>
<tr><td rowspan="3">OUTPUTS*</td><td>Output 1: Infrastructure for quality training and assessment improved</td><td>1.1 No. of TTIs expanded (including 4 special needs TTIs)
1.2 No. of TTI workshops equipped (including 4 special needs TTIs)
1.3 No. of hostels constructed</td><td>8
59
8</td><td>11
26
16</td><td rowspan="3">Project reports
TVET MIS</td><td rowspan="3"><u>Risks</u>
1. Weak capacity of PCU and Staff reshuffles by the borrower
2. Startup delays

<u>Mitigation</u>
R1. Training and support supervision to the PCU, use of competent staff from TVET II PCU, use Technical Assistance, consultation on key staff with the borrower.
R2. Make use of advance contracting provisions to fast track implementation</td></tr>
<tr><td>Output 2: Capacity of TVET quality control and quality assurance managers and agencies strengthened</td><td>2.1 No. of TVET Trainers and managers trained (30% women)
2.2 No. of in-service teacher training Framework developed
2.3 No. of national framework for partnership with industry
2.4 No. of operational publishing, printing and centers established
2.5 No. of TVET inventories and learners' database records established</td><td>510
0
0
0
0</td><td>1500
1
1
1
2</td></tr>
<tr><td>Output 3: Training and support for Entrepreneurship and youth employment provided</td><td>3.1 No. of entrepreneurship incubation centers established
3.2 No. of youth trained on entrepreneurship/employability skills (50% Female)
3.3 No. of youth receiving start-up kits for enterprise development / apprentices (40% Female)
3.4 No. of youth in MSMEs reskilled and certified (F:M)
3.5 Policy on recognition of prior learning completed and adopted</td><td>0
0

0

0
0</td><td>3
2000

500

1000
1</td></tr>
</table>

	Output 4: Project Management and connected activities supported	4.1. No. of studies completed 4.3 No. of Steering Committee meetings 4.4 No. of quarterly reports submitted on time 4.5 No of audit reports submitted on time 4.6 Communication strategy completed and rolled out	0 0 0 0 0	5 4 p.a 4 p.a 1 p.a 1		
KEY ACTIVITIES	**COMPONENTS**					**INPUTS**
	Component 1: Promotion of inclusive access to Technical Education and Training: Construction expansion in 11 TTIs and provision of 16 hostels; Supply of training equipment to 26 TTIs, including 4 special needs TTIs **Component 2: Capacity Building of TVET Quality Control and Quality Assurance Structures:** Train TVET trainers on pedagogy, demand-driven CBET, entrepreneurship and governance; improve capacity of KTTC for in-service training and training of master trainers; establish a national framework for partnership with industry; establish a CDACC publishing, printing and assessment center; support TVETA and KNQA to establish a TVET inventory and Learners database respectively. **Component 3: Entrepreneurship training and youth employment:** Establish entrepreneurship incubation centers; Provide start-up kits for youth with promising business plans; Train trainers and youth on entrepreneurship; Promote apprenticeship in collaboration with industry; Reskill youth in MSMEs. **Component 4: Institutional Support and Project Management:** M&E and Research; day to day project implementation and coordination; communication strategy; Supervision of works.					see budget table below

Component	Budget (million UA)	Est.
Component 1	19.38	
Component 2	4.14	
Component 3	3.05	
Component 4	4.51	
Total	**31.08**	

**Output targets are directly attributable to the project and not cumulative*

INDICATIVE PROJECT IMPLEMENTATION SCHEDULE

Year	2019		2020				2021				2022				2023				2024			
Quarter	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
PROJECT CYCLE ACTIVITIES																						
Loan negotiations	■																					
Board approval		■																				
Signature of Loan Agreement		■																				
Publication of the GPN		■																				
Designation of PCU and establishment of Steering Committee		■	■																			
Fulfilment of first disbursement condition		■	■																			
Project launching			■																			
PROMOTION OF ACCESS TO TECHNICAL EDUCATION AND TRAINING																						
Study, Design review and supervision of Works				■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■		
Tenders and bid evaluations for Equipment and Works				■																		
Construction, expansion and rehabilitation Works for TTIs and hostels					■	■	■	■	■	■	■	■	■	■								
Supply of equipment for TTIs and hostels											■	■	■	■	■	■	■	■	■	■		
Installation of ICT equipment							■	■	■	■	■	■	■	■	■	■	■	■	■	■		
CAPACITY BUILDING OF TVET QUALITY CONTROL AND QUALITY ASSURANCE STRUCTURES																						
Establishment of CDAC printing, publishing and assessment center					■	■	■	■	■	■	■	■	■	■								
Support to KNQA and TVETA for TVET Inventory and Learners Data Base				■	■	■																
Consultancy for TVET communication and rebranding strategy				■	■	■																
Capacity building of KTTC				■	■	■	■	■	■	■												
Training of trainers on CBET, pedagogy, entrepreneurship and governance				■	■	■	■	■	■	■												
ENTREPRENEURSHIP TRAINING AND YOUTH EMPLOYMENT																						
Selection of Implementation Partners				■																		
Consultancies on market assessments and demand-driven training				■	■	■																
Consultancies on entrepreneurship and incubation centers				■	■	■																
Capacity building for Trainers in entrepreneurship				■	■	■	■	■	■	■												
Establishment of incubation centers in selected TTIs					■	■	■	■	■	■	■	■	■	■								
Development of criteria to select youth for incubation centers					■	■																
Training of youth entrepreneurs						■	■	■	■	■	■	■	■	■	■	■	■	■	■	■		
Provision of loans to youth entrepreeurs						■	■	■	■	■	■	■	■	■	■	■	■	■	■	■		
Follow up and monitoring.						■	■	■	■	■	■	■	■	■	■	■	■	■	■	■		
INSTITUTIONAL SUPPORT AND PROJECT MANAGEMENT																						
Project implementation and coordination				■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■		
Consultancy for M&E research, Gender, Private Sector Engagement				■	■	■																
Quarterly Progress Reports				■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■		
Annual workplans and budgets							■				■				■				■			
Annual financial audits								■				■				■				■		
Mid-term review													■									
Completion Report																					■	
Last disbursement																						■

REPORT AND RECOMMENDATION OF THE MANAGEMENT OF THE AfDB GROUP TO THE BOARD OF DIRECTORS ON THE PROPOSED ADF LOAN TO THE GOVERNMENT OF THE REPUBLIC OF KENYA TO FINANCE THE TECHNICAL AND VOCATIONAL EDUCATION TRAINING AND ENTREPRENEURSHIP PROJECT

Management submits the following report and recommendation on the proposed ADF loan of UA 26.9 million to finance the Kenya Technical and Vocational Education Training and Entrepreneurship Project.

I – STRATEGIC THRUST & RATIONALE

1.1 Project Linkages with Country Strategy and Objectives

1.1.1 Kenya has made considerable progress in development, enacting a new constitution in 2010 and acquiring a lower middle-income status in 2014. It is the 2nd largest economy in the Eastern Africa region after Ethiopia. Poverty index improved from 46.6% in 2005/06 to 36.1% in 2015/16. Despite this progress, Kenya faces a high youth unemployment which is attributable to inadequate jobs, inadequate skills and training as well as limitations to entrepreneurship. Kenyan youth aged 15 – 34 years make up 35% of the 46 million population but constitute 85% of the unemployed. The share of formal jobs remains low with 83% employment created within the informal sector, signaling a high rate of vulnerable employment. In its Third Medium Term Plan (MTP III 2018 - 2022), Kenya seeks to create 1.3 million jobs annually and to increase the share of formal jobs to 40%, mainly through an increase in manufacturing from 8% to 15%. This is in line with the Country’s long-term development blueprint, Vision 2030, which seeks to transform Kenya into a newly industrializing middle-income country providing a high quality of life to all its citizens in a clean and secure environment by 2030.

1.1.2 The Government of Kenya (GoK) has prioritized skills development and training through Technical Vocational Education and Training (TVET) as an enabler to achieving vision 2030, as a catalyst for industrialization and a key strategy to addressing youth employment. Skills development draws from Vision 2030’s social pillar on education and training which emphasizes enhanced equity and wealth creation opportunities for the poor. The TVET sector is however faced with a number of challenges including; poor perception, inadequate infrastructure, outdated training equipment, inappropriate curriculum that is not aligned to industry needs, inadequate number of qualified trainers and low enrollment. In order to reverse this trend, GoK initiated reforms in TVET through the TVET Act 2013, with a view to improving quality and relevance of training and employability of youth and to increase enrollment from the current 360,000 to 3 million by 2022. The need for increased investment in TVET has further been emphasized in the Education sector analysis conducted in 2018 and the National Education Sector Strategic Plan 2018 – 2022. In addition, the role of TVET in developing the relevant human capital for the attainment of GoK’s ‘*Big Four’* agenda on manufacturing, food security, affordable healthcare and affordable housing is underscored in the Third Medium Term Plan, 2018-2022.

1.1.3 **The project is also aligned with the Bank’s Kenya CSP 2019–2023, pillar 2.** The overall objective of the CSP is to support structural transformation to address perennial challenges of poverty, unemployment, income inequality and spatial socio-economic disparity through industrialization. The CSP Pillars are: Pillar 1 - Supporting industrialization; and Pillar 2 - Enhancing skills and capacity development. The project is also aligned with the Banks’ High 5s in developing human capital necessary for implementation of the High 5s; the human Capital strategy 2014 – 2018 and the Bank’s Ten Year Strategy (2013-2022) operational priority on skills and technology to create jobs and increase competitiveness; the Jobs for the Youth in Africa Strategy (2016-2025) in enhancing youth skilling, entrepreneurship and employability. The human Capital Strategy has been extended to 2022, awaiting final approval in September 2019.

1.2 Rationale for Bank's Involvement

1.2.1 **TVET provides a practical opportunity for education, training, innovation and lifelong learning which are essential for employability and increased productivity of a workforce.** Investing in Science Technology and Innovation (STI) through TVET as well as entrepreneurial skills can facilitate Kenya's transition to higher productivity sectors with higher employment elasticity such as agro-industries, manufacturing and specialized services. For Kenya to effectively progress its industrialization agenda and to improve its share of manufacturing through technological advancement, at least 15% of its youth population will require tertiary education. An estimated 92% of Kenyan youth aged 15 – 35 years have no vocational or professional training (MasterCard 2017). Those with training also continue to face a challenge of skills mismatch due to misalignment between training curriculum and industry needs. The *Future of Jobs Report 2018* indicates that 30% of employers in Kenya identify inadequate skilled workforce as a major challenge to their businesses. Quality tertiary education has the potential to increase employment of youth in the formal sector or as employers as illustrated in figure B-1 in Technical Annex B. Unemployed youth not only miss an opportunity to contribute to economic growth but also remain vulnerable to crime, radicalization, illegal immigration and an increasing trend of suicides.

1.2.2 GoK initiated reforms to revamp TVET in 2013 through curriculum reforms to Competency-Based Education and Training (CBET) that is driven by industry needs. The Government with support from partners such as AfDB is increasing access to technical training by expanding and improving TVET infrastructure. GoK also introduced measures to lower the cost of training through capitation for each trainee and expanded access to higher education loans for TVET trainees. As a result, enrollment in TVET has more than doubled from 147,000 in 2014 to 363,000 in 2019 (Kenya Economic Survey 2019). **Despite this progress, the capacity of TVET in Kenya is still inadequate to effectively skill the estimated one million unskilled new entrants into the labour market** annually and to re-tool the existing workforce to be globally competitive. The shortage in infrastructure is demonstrated in the growing number of Technical Training Institutions (TTIs) adopting temporary training structures such as tents to meet demand. The pressure on the TVET system is further projected to increase by 2022 owing to the Ministry of Education's strategy on 100% transition from primary to secondary education. The number of graduates form secondary school is anticipated to increase by 64% between 2018 and 2022 to 3.8 million, necessitating early planning for adequate learning facilities and provision of trainers in TVET.

1.2.3 The informal sector in Kenya generates 83% employment and often acts as an entry into employment for majority of youth. The sector is however characterized by low productivity and low wages with majority of youth in the sector having acquired skills on the job through informal apprenticeship. Skills development has the potential to catalyze transition from informal to formality. However, Kenya does not yet have a policy for recognition of prior learning that would facilitate assessment and certification of these youth to accelerate transition to formality. According to the World Development Report 2019, formal employment in Kenya has potential to raise income for workers 1.5 times higher annually than informality.

1.2.4 **The proposed project is expected to build on prior Bank investment in the TVET sector in the current context of deep reforms to better align the educational system with the country's development needs.** The Bank project builds on investments made by the Bank through TVET Phase one and Phase II projects as a key financier of TVET in Kenya over the last nine years. TVET Phase one and phase two projects financed the foundation for the TVET reforms in curriculum development, infrastructure, trainers' capacity and development of standards. Implementation of the reforms has just begun with the full roll out of the new CBET curriculum expected to start in September 2019. The proposed project is thus expected to consolidate Bank's investment in infrastructure development and to accelerate implementation of the demand-driven CBET, promoting entrepreneurship and apprenticeship with strengthened engagement of the private sector. Additional information on education sector reforms is included in *Technical Annex A2*.

1.3 Development Partner Coordination

1.3.1 **There is a strong coordination framework for Development Partners in the Education Sector in Kenya.** Sector partners are organised and coordinated under a number of fora, including: (i) the TROIKA Plus Forum with the key development partners - co-chaired by the Principal Secretaries of the State Departments within the Ministry of Education; (ii) The Education Donor Partner Group (EDPCG) which includes all partners in the education sector and feeds into the TROIKA Plus agenda and action plan; (iii) the Joint Subsector Working Group (JSSWG) on TVET and Youth Employment with Heads of Development Agencies - chaired by the Deputy President; (iv) the Technical Working Group on TVET and Youth employment which feeds into the JSSWG - chaired on a rotational basis; and (v) the Permanent Working Group on TVET which brings together the private sector and stakeholders in TVET. The Bank is a member of all the coordination groups on TVET. The partner groups provide a forum for sharing of best practices, lessons, collaboration and harmonisation of investments to avoid duplication. The fora also provide a platform for discussion of sector priorities and new project ideas before implementation. The proposed TVETE Project was presented to the Technical Working Group on TVET and to partners across TROIKA Plus and EDPCG at preparation and appraisal.

1.3.2 **The TVET sector has seen a growing interest of development partners over the last five years.** Most partners' interventions support soft components such as curriculum reforms, governance and rebranding of TVET. The main partners involved in infrastructure development in TVET are summarized in table 1.3 below. The proposed project will complement and build on projects financed by other development partners on rebranding TVET and implementing CBET curriculum. The French Development Agency (AFD) has expressed intent to co-finance the TVETE project using the co-financing framework with the Bank but they are still negotiating with GoK.

Table 1.1: Contributions of DPs to TVET in Kenya

DP Funding source	Area of involvement
AfDB	8 new TTIs, 4 special needs TTIs and equipping 59 TTIs in phase one and two
China	Equipping of 134 TTIs
World Bank	Establishing 6 Centers of Excellence
Netherlands	Equipping of 10 TTIs with smart classrooms
Global Affairs Canada	Curriculum implementation in 10 National Polytechnics
German Development Cooperation	Development of 3 Centres of Excellence and Curriculum development
USAID	Support to Governance in Vocational Training Centres at County level

II – PROJECT DESCRIPTION

2.1 Project Objective

2.1.1 The development objective of the project is to improve employability and competitiveness of Kenyan youth through quality and relevant Technical Education and Entrepreneurship Training. The specific objectives are;

(i) To increase inclusive access to technical education and training through expansion of infrastructure and training equipment, including to trainees with special needs;

(ii) To improve the quality and relevance of technical education and training through a demand-driven CBET curriculum, capacity building of TVET actors, partnership with industry and entrepreneurship;

(iii) To facilitate evidence-based decision making in TVET through research.

2.2 Project Components

2.2.1 **For the achievement of its objective, the project will finance activities under four components as summarized in Table 2.1.** These activities were designed to support the main focus areas of the project, namely inclusive access to TVET, improvement of TVET quality and relevance and promotion of youth employability and entrepreneurship. Detailed description of the components is available in Technical Annex C1.

Table 2.1 Summary of Project Components

Component	Activities Description
Component 1 - Promotion of Inclusive Access to Technical Education and Training ***Budget - UA 19.36 million***	• 11 engineering and applied sciences workshops and labs constructed • 26 engineering and applied sciences workshops and labs equipped in 24 TTIs • 1 Institute for peace and environmental studies equipped • 16 hostels constructed (50% females) in 8 TTIs • Boost TVET contribution to the construction of affordable housing by developing a center of excellence in metal work at the Kamkunji TTI in collaboration with the Kamkunji Jua Kali Metal cluster; and a center of Excellence for woodwork at the PC Kinyanjui TTI in collaboration with the Ngong Road cluster • Build on prior Bank investments on leather technology at the Machakos Technical Training Institute for the Blind to create a center of excellence
Component 2 - Capacity Building of TVET Quality Control and Quality Assurance Structures ***Budget - UA 4.14 million***	• 1000 TVET trainers trained in CBET and emerging sectors such as agro-processing, renewable energy/ upskilled to degree level. • A framework for in-service training for TVET trainers developed • A framework for linkages between industry and TVET established to support demand-driven training and apprenticeships • 1 printing publishing, research and assessment unit constructed, equipped and operational • TVET inventory and a national learners' database established. • Communication strategy for stakeholder engagement developed to support rebranding of TVET
Component 3 - Entrepreneurship Training and Youth Employment Budget **- *UA 3.05 million***	• Technical assistance for implementation of the entrepreneurship component and to develop a comprehensive framework for implementation. • 3 enterprise development incubation centers established in 3 TTIs as a pilot • Entrepreneurship curriculum reviewed • 200 TVET trainers trained as trainers on entrepreneurship • 2000 youth (50% female) trained on entrepreneurship • 500 youth entrepreneurs/ apprentices provided with start-up kits or financial support • National policy and framework for recognition of prior learning developed • 1000 youth in MSMEs trained/ reskilled and certified • Establish linkages between TVET graduates and special funds in Kenya such as the Youth Enterprise Development fund and Women Enterprise Fund; explore establishment of a network of angel investors and mentors to support the youth ventures

Component 4 - Institutional Support and Project Management ***Budget - UA 4.52 million***	• Project management, M&E and research (The planned studies include; establishment of incubators, tracer studies, status of implementation of TVET Reforms, skills mapping, gender analysis, communication strategy) • Consultancy for design review, supervision of works and feasibility study for pipeline development

2.3 Technical Solution Retained and Other Alternatives

2.3.1 **The process of formulating the proposed project entailed intensive consultations with stakeholders to determine the best possible technical solution for its design.** Though the primary focus of the project is on the education and training sector, there is also a deliberate effort to deal with issues of youth employability. Therefore, the project builds on the achievements of other projects funded by the Bank and other partners in the related sectors such as the Bank's funded TVET II and Enable Youth Projects. The project integrates entrepreneurship and incubation within the TVET system, with a view to generating lessons for potential national scale up. The project equally integrates the informal sector training needs within the formal TVET system to promote lifelong learning.

2.3.2 **A careful consideration of all technical options for the new project determined that the best option would be to design TVETE Project as a stand-alone investment operation within the GoK's NESSP.** In terms of technical design, a number of options were explored focusing on expanding access versus improving quality and relevance. On implementation modalities, the alternative options were: (i) a Phase III of the ongoing Phase II TIVET Project; (ii) a sector budget support; and (iii) results-based financing. The alternative technical solutions that were explored and the reasons for their rejection are summarized in the following table:

Table 2.2: Alternatives Considered

Alternative	Brief Description	Selected Option / Reasons for Rejection
Priority Interventions	A number of options were discussed which included expansion to new TTIs, sector specific skills, ICT based training and focus on vocational training institutions.	Owing to budget limitations and to the fact GoK is already constructing new TVET institutions that can be operationalized in the near future, the focus on new TTIs was rejected and an alternative that promotes improvement of already existing TTIs and integrates quality and relevance aspects was adopted. As opposed to a narrow sector approach, a TVET system strengthening approach was adopted to enhance inclusive access more broadly with stronger focus on STEM. ICT-based training and a focus on lower level vocational training centers (VTCs) was rejected due to budget constraints. However, the VTCs will be clustered around TTIs to provide mentorship.
Phase III of TVET Project	This alternative would be to wait for the completion of the TIVET II Project and then design a follow-up new project.	The TIVET II Project was designed within the framework of the old 8-4-4 education system whereas this new project is based on the new 2-6-6-3 system. Furthermore, the need for support of the reforms is urgent to address the shortage in infrastructure and trainers as well as to address a number of key issues related to entrepreneurship development. The alternative was thus rejected due to timing.
Sector budget support and results-based financing (RBF)	This alternative would be to allocate loan resources to the GoK education budget or to milestones in the case of RBF	The requirements for a sector budget support are not in place. There is also the risk that allocated resources may not be used for the planned activities in a timely manner. The framework to facilitate full use of the borrower procurement system in the case of RBF is not yet in place

2.4 Project Type

2.4.1 **The proposed project is an investment operation that targets specific needs in the TVET system.** Given the current context and planned development of the country's economy and the educational system, this type of operation offers many advantages including: (i) the certainty that resources will be used for their intended purposes; and (ii) the timeliness of the proposed interventions to support current reforms in the sector.

2.5 Project Cost and Financing Arrangements

2.5.1 **The project total costs, net of taxes and customs duties, is UA 31.08 million. ADF contribution is UA 26.9 million and GoK counterpart funding is UA 4.18 million.** The total project cost includes UA 23.90 million (77%) in foreign exchange and 7.18 million in local currency. Also included in the total cost are physical contingencies estimated at UA 1.47 million (4.7% of total cost) and price contingencies of UA 1.48 million (4.8% of total cost). The estimates are based on existing designs that have been adopted by GoK. The detailed costs are available in Technical Annex B2.

2.5.2 The GoK contribution **is** equivalent to 13.45% of total project cost. This contribution which is essentially in kind, covers such items as staff salaries, taxes, office space, transport and communications. The following tables provide a summary of the project costs.

Table 2.3: Project Cost Summary by Components

COMPONENTS	**UA (million)**			**Component as % Total**	**% of Foreign Currency**
	Foreign Currency	Local Currency	**Total Costs**		
Component 1: Promotion of access to Technical Education and Training	15.72	1.75	**17.47**	56%	90
Component 2: Capacity Building of TVET Quality Control and Quality Assurance Structures	2.98	0.75	**3.73**	12%	80
Component 3: Entrepreneurship Training and Youth Employment	2.22	0.55	**2.77**	9%	80
Component 4: Institutional Support and Project Management	0.62	3.54	**4.16**	13%	15
Base Cost	21.54	6.59	28.13		77
Physical Contingency	1.18	0.29	**1.47**	5%	80
Price Contingency	1.18	0.30	**1.48**	5%	80
TOTAL COST	23.9	7.18	31.08	100.00%	77

Table 2.4: Summary of Project Costs by Category of Expenditure (UA million)

CATEGORY	**Foreign Currency**	**Local Currency**	**Total (UA)**	**Category % of Total**	**% of Foreign**
001: Goods	11.52	0.11	**11.63**	37.4%	96%
002: Works	9.87	1.29	**11.16**	35.9%	89%
003: Services	2.23	3.81	**6.04**	19.4%	40%
004: Operating Costs	0.00	1.85	**1.85**	6.0%	00%
005: Miscellaneous	0.28	0.12	**0.40**	1.3%	70%
TOTAL	**23.90**	**7.18**	**31.08**	**100.0%**	**77%**

Table 2.5: Sources of Finance (million)

SOURCE	Foreign Currency	Local Currency	Total (UA)	% of Total Cost
ADF Loan	23.90	3.00	**26.90**	87%
GoK	0.0	4.18	**4.18**	13%
Total	**23.90**	**7.18**	**31.08**	100.0%
Percentage	**77%**	**23%**	**100%**	

Table 2.6: Expenditure Schedule by Component in (UA million)

YEAR OF EXECUTION	2020	2021	2022	2023	2024	TOTAL
COMPONENT	**15%**	**20%**	**25%**	**25%**	**15%**	
Component 1: Promotion of access to Technical Education and Training	2.91	3.88	4.84	4.84	2.91	**19.38**
Component 2: Capacity Building and TVET Quality Assurance Structures	0.62	0.83	1.03	1.03	0.62	**4.14**
Component 3: Entrepreneurship Training and Youth Employment	0.46	0.61	0.76	0.76	0.46	**3.05**
Component 4: Institutional Support and Project Management	0.68	0.90	1.13	1.13	0.68	**4.51**
TOTAL (UA)/YEAR	**4.67**	**6.22**	**7.76**	**7.76**	**4.67**	**31.08**

Table 2.7 Expenditure Schedule by Category of Expenditure (UA Million)

COMPONENT	Year 1	Year 2	Year 3	Year 4	Year 5	TOTAL
	15%	20%	25%	25%	15%	100%
001: Goods	1.74	2.33	2.91	2.91	1.74	**11.63**
002: Works	1.67	2.23	2.79	2.79	1.67	**11.16**
003: Services	0.91	1.21	1.51	1.51	0.91	**6.04**
004: Operating Costs	0.28	0.37	0.46	0.46	0.28	**1.85**
005: Miscellaneous	0.06	0.08	0.10	0.10	0.06	**0.40**
TOTAL	**4.67**	**6.22**	**7.76**	**7.76**	**4.67**	**31.08**

2.6 Project Target Area and Population

2.6.1 **The proposed project activities will benefit youth across all the 47 counties in Kenya due to the centralized placement system by the Kenya Universities and Colleges Central Placement System.** The primary beneficiaries of the project are approximately 6.9 million youth (50% female) aged 15 – 25 years who qualify to enroll for tertiary education. For new project sites that are to be equipped, selection was made through a rigorous process based on the overall GoK's program for national coverage. For the existing sites, selection was based on progressive development into centers of excellence in STEM as initiated from TVET phase I.

2.6.2 **The project will benefit a large spectrum of trainees, trainees with special needs, women, youth in MSMEs and key stakeholders such as parents, communities and potential employers of graduates.** Current enrolment in public Technical Vocational Centres (TVCs) stands at 278,000 with 40% female. The national enrolment target for TVET is 3 million by 2022. To contribute to the achievement of this target, upon completion, expected enrolment in 26 project target TVCs, will be 156,000 up from 32,000, with at least 50% female. Out of this figure, 2000 will have received additional training in entrepreneurship and business creation, while another

1000 who have learned on the job in MSMEs will be reskilled and certified. Other direct beneficiaries are: (i) trainees in existing TTIs, including female trainees and trainees with special needs, who will have access to more functional training facilities with state of the art equipment and workshops, more learning resources and better trained trainers; (ii) 1000 TVET trainers and instructors who will receive additional technical, pedagogical and entrepreneurship training; and (iii) technical trainer training institutes and the institutions in charge of quality control and assurance whose capacity will be reinforced.

2.6.3 **The project will also touch several groups of in-direct beneficiaries.** These are: (i) the 9 million youth of age 15+ in the target constituencies who will get a chance to enrol in the schools; (ii) parents and communities who will spend less resources on student transport and housing and will have less security concerns for their children; (iii) prospective employers of TTIs graduates whose needs are fully integrated in training programs; and (iv) the larger Kenyan economy with an improved TVET system that fully plays its role as an enabler of the country's development agenda.

2.7 Participatory Process for Project Identification, Design and Implementation

2.7.1 **The project was formulated through a participatory process designed to elicit the views of TVET stakeholders, actors, decision makers and potential beneficiaries.** The process started at project identification and continued through appraisal. It will also be a key characteristic of project implementation with the active involvement of key stakeholders in execution of activities and project oversight. **As part of the participatory consultative process, meetings and working sessions were organized with key actors and stakeholders of TVET in both the Nairobi area and in a representative sample of counties and constituencies.** In the Nairobi area, meetings were held with the relevant GoK officials and TVET authorities and specialists, the Medium and Small Enterprises Authority (MSEA), the Kenya Private Sector Alliance (KEPSA), TVETA, CDACC, KTTC. An MSEA development centre was visited to interact with young artisans working in welding and metal work. The field visits targeted counties and constituencies in the Nairobi area, the Coast, Rift Valley, Western, Eastern, Central and Nyanza. On the visited sites, meetings were held with local government officials, project beneficiaries, communities, school principals, trainers and trainees. Focus group discussions were organized to discuss key issues and targets, including issues of gender and trainees with disabilities.

2.7.2 **Consultations were also held with development partners.** The preparation mission in October 2018 met the Canadian High Commission, DFID, the French Embassy, the Netherlands Embassy, USAID, ILO, UNESCO, and UNICEF. To complete the consultations initiated by the preparation mission, the appraisal mission held meetings with the World Bank and the French Cooperation Agency, AFD that also participated in the appraisal mission.

2.8 Bank Group Experience, Lessons Reflected in Project Design

2.8.1 The Bank Group operations in Kenya commenced in 1967 and since then, the Bank Group has committed up to UA 3.8 billion covering investments, knowledge and policy dialogue, and technical assistance. As of August 2019, the Bank's portfolio in Kenya consisted of 39 operations —26 public sector projects and 13 private sector operations, with a net total commitment of UA 2.29 billion. The latest Country Portfolio Performance Review (2018) assessed the performance of the portfolio as satisfactory with an overall rating 3.03, with the Implementation Progress (IP) and Development Objectives (DO) ratings of 3.0 and 3.07 respectively on a scale of 0 - 4. Although 32% of the portfolio is flagged for 1st disbursement delay, slow disbursement and procurement, there is neither a project-at-risk nor a potentially problematic project. Key time-bound measures are planned or being taken to address the challenges to this end, including: (i) through regular meetings with the official authorities of Government and Executing Agencies to resolve pending matters or actions; and (ii) through strict enforcement on adherence to no-objection letters, as well as plans to promote timely award of contracts and implementation progress. There are no outstanding conditions precedent for first disbursement of loans to the social sector.

2.8.2 Since 1983, the Bank has financed six national operations in the education and training sector in Kenya. The first three operations focused mostly on basic education. From 1983 to 1991, the Secondary Trainers Training project supported the expansion and improvement of three regional teacher training colleges with a view to turning out 900 qualified trainers on an annual basis. From 1994 to 2000, the Kenya Education II Project had a more holistic approach and had components of Primary Teacher Education, Secondary Science Education, and Support for Kenya Education Staff Institute, and facility renovation, equipment and technical assistance for technical training institutes. The holistic approach was continued under the Education III Project which aimed to (i) increase physical access and improve the conditions for the teaching of Science and Mathematics across 350 secondary schools in poorer areas of the country; (ii) provide more access and learning opportunities in secondary schools and non-formal education centers to disadvantaged children and those with special educational needs to acquire appropriate basic education; and (iii) contribute to the development of a more relevant and appropriate national TVET system, through the strengthening of support services, and the revitalization of 10 youth polytechnics for more effective vocational skills training. In addition to the six national projects, Kenya has also been included in some multinational education projects such as the African Virtual University Project, Phases 1 and 2, the Pan African University Project, and the Education for Sustainable development project.

2.8.3 **From 2009, the focal sub-sectors for the last three projects are TVET and HEST,** following increased Government spending on basic education and a growing need for skills. The TVET Phase 1 project with ADF Loan of UA 25 million was implemented from 2009 to 2015. This project supported the construction of eight new TTIs, equipped 25 TTIs; trained 130 TVET trainers. The project's PCR was rated satisfactory (3.2). In 2013, the Bank approved the Support to Higher Education, Science and Technology (HEST) Project with an ADF Loan of UA 28 million to contribute to the improvement of quality and relevance in engineering faculties in line with Kenya's *Vision 2030* priorities for science, technology and innovation (STI) and human resource priorities of the East Africa Community (EAC). The TVET Phase II project was approved in 2015 (ADF Loan UA 41 million) and is scheduled to be completed by 2021. Phase II builds on the gains of Phase I and addresses gaps on gender and disability. It supports the equipment of 33 TTIs and 4 special needs TTIs; training of trainers, curriculum review and development, sponsorship for 3000 youth into TVET and quality assurance. Its implementation is on good track for completion at the scheduled date and current disbursement is 48% with projections to 60% by December 2019.

2.8.4 **The proposed new project would be the 7th Bank operation in the education sector and 3rd in TVET. Its design benefitted from the lessons and experience gained from the previous operations.** It will build on the achievements of TVET Phase I and II on infrastructure development and quality improvement as well as on the Bank-financed ENABLE Youth project in scaling up entrepreneurship in other areas and sectors besides agribusiness. The key lessons learned from past projects in the education and training sector in Kenya are the following:

i. Some of these projects experienced implementation delays due in part to inadequate project readiness at appraisal and particularly relating to lack of prior preparation of works designs and equipment specifications.

ii. Projects with a dedicated PCU and competent staff with adequate knowledge on Bank processes and 100% seconded to the project with no additional responsibilities have a higher rate of success.

iii. To provide advice and guidance, and ensure adequate oversight, the implementation arrangements need to be strengthened with the addition of a Project steering committee comprising key stakeholders.

iv. There is a need for inclusivity for people with disability and women through specific interventions targeting these groups such as training sign language interpreters for integrated TTIs as well as deliberate target of women.

v. Procurement packaging for specialized training equipment should aim to attract original equipment manufacturers for efficiency savings and standardization and to reduce transaction costs for managing large numbers of contracts.

vi. It is necessary to have the right balance between infrastructure development and quality in order to achieve maximum impact.

2.8.5 **The lessons learned have been considered in the design of the project.** The following table gives a summary of the actions taken to incorporate these lessons into the proposed project.

Table 2.8: Incorporation of Lessons Learned in Project Design

Lessons learned	Integration in project design
Project readiness at appraisal	GoK ensured ready designs at appraisal and uptake of advance contracting to fast track implementation.
Put in place a dedicated PCU with competent staff	GoK to second a Project Coordination Unit (PCU) staffed with competent staff with adequate knowledge of Bank processes and fully dedicated to the project with no additional responsibilities.
Provide PCU with oversight and guidance	To provide advice and guidance, and ensure adequate oversight, the implementation arrangements are strengthened with the addition of a Project Steering Committee comprising key sector stakeholders.
Ensure inclusivity for people with disability and women.	Trainees with disabilities and girls targeted by project
Procurement of specialized training equipment	Equipment of similar nature for example mechanical engineering will be procured as one Lot for all intended TTIs for standardization
Balance between infrastructure development and quality	While Component 1 is on Infrastructure to promote access, Components 2 and 3 focus on quality and relevance

2.9 Key Performance Indicators

2.9.1 **The key performance indicators of the project are listed in the result based logical framework (RBLF).** Outcome indicators will help to measure the extent to which the project is contributing to improved learning and youth employability. Output indicators will help to measure the efficiency and effectiveness of the project's physical investments as well as capacity development activities. **Three groups of key performance indicators (KPIs) were selected for the project.** They include: (i) access indicators; (ii) quality and relevance indicators; and (iii) employability indicators. These groups of KPIs were selected in accordance with the nature of the project as an operation to support skills development and youth employability and taking into consideration commonly accepted international standards in measuring the performance.

III – PROJECT FEASIBILITY

3.1 Economic and Financial Performance

3.1.1 **The project has positive economic benefits. The intended investment in the TVET Project has positive Net Present Value (NPV) of UA 12.78 million at a discount rate of 12%.**

The internal rate of return of the project is 17.87%[1]. Furthermore, the strength of linkage between the level of education and earnings is a determining factor in deciding whether to invest in education or not. Based on the 2014-2018 data on private rate of return to schooling in Kenya, post-secondary education (university and college – including TVET) has the highest rate of return for investment in education. At the national level, post –secondary rate of return on education averages at 24.4%, while the rate of return for secondary education and primary education are 23.4% and 7.7% respectively[2]**.**

3.1.2 The financial simulation applied several key assumptions. First, costs are projected based on budget allocations to the TVET institutions with an escalation factor of 5% to account for inflation, the Bank's intervention will meet part of the cost. The escalation factor is based on the Central Bank's inflation target band of 5± 2.5%. Second, completion of TVET training improves life time earnings for graduates. Third, TVET trainees undertaking certificate and diploma courses pay an annual fee directly to the institutions. Fourth, the Bank's intervention will increase graduation rate and thus reduces wastage within the system. Fifth, the stream of benefits and cost are discounted at 12%, projected for a period of 30 years in line with the project tenor, and a grace period of 5 years. Sixth, 15% of TVET graduates remain unemployed every year. This is slightly below the national youth unemployment rate which averages at about 19% for the period 2000-2022.

3.2 Environmental and Social Impacts

Environmental Impacts

3.2.1 **The project falls within category 2 in the Bank's environmental categorization system** since Component one of the project seeks to support expansion of: (i) construction of engineering and applied sciences workshops, laboratories and classrooms in 11 existing TTIs. (ii) Construction of 16 hostels (50% females) in 8 existing TTIs. The summary of the ESMP was prepared and disclosed on the Bank's website on 1st August 2019. The construction of additional learning facilities mentioned above is not expected to have adverse environmental and social impact and in line with the Bank's ESAP procedures the project will require an ESMP. In addition, the Environmental Impact Assessment studies for the existing institutions have been prepared and ESMPs developed during the TVET II. Therefore, during the additional expansion works the same ESMPs can be used to mitigate the potential negative impacts. However, there is need to update the ESMP with site specific information and an addendum summary of the ESMP disclosed on the Bank's website.

3.2.2 *Involuntary Resettlement:* **There are no Project Affected Persons (PAPs) or compensation anticipated under this project.** The construction of new workshops and trainees' hostels is to be done on already existing TTIs which have sufficient land. The civil works for the project is located on existing sites, government-owned land and on land already secured by the County or Constituency leadership. Access to the project sites is through public right of way (ROW) and existing roads hence, land acquisition and encroachment on private property will not occur. There are no anticipated impacts on encroachment on ecologically and culturally protected areas because the civil works are located on the existing public TVET institutions and there are no culturally protected areas in the location of the Project.

---

[1] *The financial simulation is based on a number of key assumptions, highlighted in Table 1 in ANNEX B6.*

[2] *National Education Sector Plan (NESP) 2013-2018*

3.2.3 *<u>Main environmental and social benefits</u>*: **Several positive benefits are expected from implementation of the proposed project.** They include: (i) provision of employment opportunities during both construction and operation phases of the project; (ii) creation of business opportunities for local residents; (iii) national cohesion due to intermingling with trainees from other parts of the country as this will be a national project; (iv) access to affordable technical skills; and (v) development in the areas through construction of education and training facilities, hostels and other social amenities. Community participation in the overall project cycle is emphasized as this is expected to enhance community ownership of the project, encouragement of the youth within the project area to join the TTIs, provision of private facilities like hostels and security to the TTIs. In addition, use of local materials and available local labor during construction should be emphasized not only as a means of economically empowering communities but also as a way of enhancing project ownership and provision of security.

3.2.4 *<u>Negative</u> Impacts:* The civil works anticipated during the construction activities are: (i) site clearing and earthworks such as excavation and site grading; (ii) laying of foundations; (iii) casting of ground floor slab; (iv) construction of floor beams and floor slabs; (v) construction of roof beams and roofing; (vi) pipe network for the sanitation and water facilities for the laboratories and workshops; (vii) architectural components and finishes; and (viii) transportation of materials to, from and within the site. Social negative impacts such as spread of diseases like Sexually Transmitted Infections (STIs) such as HIV&AIDS during construction due to social cohesion between the workers and communities and during implementation between trainees and the communities. The anticipated environmental impacts are temporary, localized, relatively in small area and can be easily avoided or minimized with the implementation of mitigation and monitoring measures which are detailed in the environmental and social management plan (ESMP).

3.2.5 ***Climate Change:* The project was screened for climate risks and categorized as category 3, with measures to** enhance adaptation measures. Tree planting Practical risk management and adaptation options will be integrated into the project design and implementation plans; this was particularly emphasized during the project appraisal. The project will support skills development in renewable energy solutions such as solar power which will contribute to national climate change mitigation targets. The design of the new TTIs will include installation of roof water harvesting and storage tanks to ensure self-sufficiency in water supply, as outlined in the National Adaptation Plan. TTIs under construction will also adopt green technology such as solar lighting, energy saving cooking stoves, use of natural lighting, planting of trees within and around the compound, solar street lighting, and walkways in the design. These can help reduce the carbon footprint of the project and contribute to implementing Kenya’s nationally determined contributions targets under the Paris Agreement. Climate smart agricultural technologies, water harvesting, and improved crop varieties / livestock breeds could can also offer training in tree nurseries for trainees as a business option. These options were explored during project appraisal. Detailed analysis is available in Technical Annex B7.

<u>Gender Equality</u>: **The proposed category using the gender marker system is category II due to the expected outcomes on female employment and enrollment.** Increasing enrollment and improving retention of women in TVET institutions remains a challenge. Women tend to drop out of secondary and post-secondary education at higher rates compared to men. About 38% of male population above 25 years has completed lower secondary education as compared to 28% of females. TVET Phase II includes development of strategies to increase female enrollment, especially in STEM. The TVETA strategic plan (2018-2022) includes a strategic objective to promote gender equity and equal opportunities in TVET. The project will expand the choice of professional specializations offered to accommodate career choices available to women. It will also offer flexible training opportunities and scholarships to female candidates. As safety concerns in remote areas adversely affect enrolment and retention of women, the project will prioritize

construction of secure boarding and sanitation facilities for female trainees. To address socio-cultural barriers such as the pressure for early marriage, early child bearing and lack of support from male partners influence education and career decisions for women, the project will incorporate courses for improving life skills among women and men in the curriculum. Emphasis will be placed on delaying marriage and childbearing, preventing HIV/STDs and preventing sexual harassment on campus. The project will also mainstream support for persons with disability. Additional information is available in Technical Annex B7.

Social

3.2.6 Cross cutting benefits: **The project is expected to benefit the youth, women, persons with disability and the MSME sector.** The socio-economic benefits of the project include reduced poverty and dependence among the youth. High unemployment has negative effects on the quality of life for youth including; crime, high HIV prevalence, unplanned pregnancies and early marriages, dangers of illegal migration among others. The project will also improve productivity in the MSME sector by providing training and certification to youth in MSMEs, establishing centers of excellence for sharing of equipment for production and providing standards to improve the quality of products.

3.2.7 Long-term economic impact of investment in education in Kenya at any level cannot be over emphasized. This is because knowledge and skills are required to drive and sustain the growing service and industry sectors in the country. In 2017, the service sector constituted more than half of Kenya's GDP (56%), followed by agriculture at 24% (having declined progressively from 29% in 2000) and Industry at 18%. In addition, education and skills are positively related to innovation, productivity and growth. Technical education has a direct and positive impact on youth employability and poverty reduction. According to Kenya Integrated Household Budget Survey (KIHBS), 55% of Kenya's population is in the working age bracket, out of which 7.4% are unemployed. About 85% of the unemployed are aged below 35 years while 18% are aged between15-24. Unemployment among the youth is more than double the national unemployment rate. In terms of education attainment of the unemployed, 30% have attained primary education, 35% secondary, 11% college and 9% university. Thus, investment in education has the potential to propel the youth to higher levels of education and skills, increase productivity and competitiveness, and bridge the gap between the supply and demand in the labor market in Kenya. It will also build the capacity of trainers and instructors in TVET institutions. Technical training also plays important role in equipping the youth with skills that are practically relevant and vital for the thriving informal sector in Kenya, which contributes 83% of total private sector employment.

IV – IMPLEMENTATION

4.1 Implementation Arrangements

4.1.1 **The Executing Agency (EA) for the proposed project will be the State Department for Vocational and Technical Training (SDVTT) under the Ministry of Education.** The State Department is headed by a Principal Secretary under the overall leadership of the Cabinet Secretary for Education. The EA will establish a Project Coordination Unit (PCU) to manage the day to day project implementation. The team will comprise a Project Coordinator and three Implementation Specialists or Project Officers in charge of each project component. An M&E Specialist, Procurement Specialist and a Project Accountant/Financial Specialist will complete the Team. The Project Coordinator, the three Implementation Specialists, M&E Specialist, the Procurement Specialist and the Project Accountant/Financial Specialist will be seconded by the GoK on full time basis and paid for by counterpart funds. The project will get seconded staff from the Department of Gender and the Department of Industrialization for gender, M&E and private sector engagement for which the EA does not have adequate capacity or assign focal points for these areas from within the Ministry of Education and train them to build in-house capacity for sustainability. The project team will also be supported by short term consultants who will conduct various studies under the project.

4.1.2 **The EA will also establish a Steering Committee to provide oversight and strategic guidance for the project.** The composition of the SC will reflect the professional landscape of TVET and youth employment. The Steering Committee shall consist of representatives from (i) Ministry of Education (MoE), (ii) Ministry of Labor and Social Services; (iii) Ministry of Public Service, Youth and Gender (iv) National Treasury; (v) Kenya National Federal of Jua Kali Association, Kenya Association of Manufacturers (KAM) or relevant private sector stakeholders. The Steering Committee will hold quarterly meetings for an indicative schedule of 4 meetings per school year. Its meeting agenda will include: reviewing project implementation progress discussing issues flagged by Project Team or other stakeholders; making recommendations to address identified issues; providing advice and guidance for continued improvement of project activities.

4.1.3 **To facilitate the implementation of the project, the EA will partner with different organizations in their areas of expertise.** These will include organizations such as Kenya Private Sector Alliance and Micro Small and Medium Enterprise Authority with specialized knowledge and expertise in the project key activities, e.g., linking TVET to the private sector or promoting youth entrepreneurship. Potential partner organizations that were identified during the project appraisal are listed in the Technical Annex B3.

Implementation Schedule

4.1.4 **The project will be implemented over a period of five years following fulfillment of conditions for first disbursement expected by March 2020.** The five-year period is to allow for implementation of soft components such as curriculum reforms, policy dialogue, private sector engagement and entrepreneurship. The implementation schedule is summarized in the following table:

Table 4.1: Summary of project Implementation Schedule

Activity	**Date**
Appraisal Mission	March 2019
Board Approval	December 2019
Project Start	March 2020
Mid-Term Review	June 2022
Project Completion	March 2025
Last Disbursement	June 2025

Procurement Arrangements

4.1.5 Procurement Arrangements: **Procurement of goods, works and services, financed by the Bank for the project, will be carried out in accordance with the Procurement Framework for Bank Group Funded Operations**, dated October 2015 as may be amended from time to time (the "Procurement Framework") and following the provisions stated in the Financing Agreement. Each contract for goods, works, consulting and non-consulting services required for the Project shall be procured in accordance with the methods prescribed in the Procurement Plan, as detailed in the Technical Annex B.5. Specifically, Procurement would be carried out following:

(a) Borrower Procurement System (BPS): Specific Procurement Methods and Procedures (PMPs) under BPS comprising its Laws and Regulations the Public Procurement and Asset Disposal Act, 2015, using the national Standard Solicitation Documents (SSDs) or other SDs agreed during project negotiations" under the defined thresholds for goods (UA 300,000), works (UA 3,000,000), non-consulting services (UA 300,000) and consulting services (UA 200,000);

(b) Bank PMPs: Bank standard PMPs, using the relevant Bank Standard or Model SDs, for contracts that are either: (i) above the above-captioned thresholds, or (ii) in case BPS is not relied upon for any category of procurement; and

(c) Third Party PMPs: Third Party PMPs, using the relevant Third-Party Standard or Model SDs shall not be used.

4.1.6 **The assessment of procurement risks at the country, sector, and program levels and of procurement capacity at the executing agency, were undertaken for the project**. The results of the assessment are detailed in the Technical Annex B.5, and they have informed the decisions on the procurement arrangements for the project.

4.1.7 **The Borrower undertakes to execute the following remedial actions while using the BPS during the implementation of the Project:**

(a) Finalize and disseminate the Regulations required by the Public Procurement and Asset Disposal Act, 2015 upon ratification by Parliament; and

(b) Create a central repository or database and publish the relevant procurement information in accordance with Section 9(1) (m) of the Public Procurement and Asset Disposal Act, 2015 (as amended by December 2021).

4.1.8 **The Borrower shall cause the Public Procurement Regulatory Authority to carry out a procurement audit in accordance with BPS on an annual basis.** The annual procurement audit report shall be submitted to the Bank no later than six (6) months after the end of each financial year.

4.1.9 **Advance Contracting:** In order to expedite timely implementation, Advance Contracting is recommended for procurement of Equipment for 15 new GoK constructed TTIs.

Financial Management and Audit Arrangements

4.1.10 <u>Financial Management and Disbursement:</u> **The project will make use of the country's PFM with the Head of Accounting at the Ministry being responsible for the Financial Management (FM) of the project.** In line with the Government of Kenya (GoK) systems, the Principal Secretary, State Department of TVET within the Ministry of Education will be the Accounting Officer. The ministry's internal audit will also cover the project.

4.1.11 **The Ministry's FM is led by a Head of Accounting (reporting functionally to the Accountant General's office) who normally appoints accountants to manage the day to day financial operations of the Bank funded projects.** They are guided by the GoK financial regulations and procedures. For this project, the Ministry will appoint a Project Accountant who will be responsible for maintaining financial records and financial reporting for the project. The project will use the Integrated Financial Management Information System (IFMIS) to capture and report on all of its financial transactions based on the International public Sector Accounting Standards (IPSAS) cash basis. It is expected that all project transactions should be captured in the IFMIS system and manual systems should be avoided as much as possible except for maintaining extra information on the project. The Ministry has thirteen (13) accounts staff to assist the project staff in transactions authorization and approval process.

4.1.12 **Budgeting for the project will follow the GoK rules and procedures on budgeting.** The total project budget will be included in the Ministry's annual budget and included in the National budget. The project will follow the GoK financial year of 1st July to 30th June and its financial statements will be audited by the Auditor General. The audit terms of reference will be agreed between the GoK and the Bank by negotiations. The audit report, complete with a Management Letter and responses, will be submitted to the Bank within six months of the end of the financial year. The Ministry will also be required to submit Financial Reports together with the Quarterly Project Progress reports to the Bank no later than 45 days after the end of each quarter. The format of the quarterly reporting will be the same as the annual financial statements.

4.1.13 **The Ministry is implementing two other Bank funded projects, the Support to the Enhancement of Quality and Relevance in Higher Education, Science and Technology (HEST) and the Support to Technical, Industrial, Vocational and Entrepreneurship Training project Phase II (TIVET II).** The last two years' audit reports for these projects were delivered on time and both had qualified opinions. The main weaknesses reported has been poor contract management where ordered project equipment was not delivered, or were delivered but did not meet specifications, some of the equipment were rejected and weak monitoring by the Ministry. Relating to financial reporting, there have been errors related to the preparation of the financial statements and unexplained variances.

4.1.14 **The Ministry's audit report for the year 2018 was issued with a qualified opinion due to various weaknesses including overdue staff impersts and delayed construction of Technical Institutions funded by the Bank.** To provide oversight and assist in strengthening the Project Internal control mechanism, the Ministry's internal audit department will include the project in its annual audit planning and the project's audit reports will be shared with the Bank as needed. This is an area which requires improvement because the Ministry has not been performing specific project internal audits.

Disbursement Arrangements

4.1.15 **For disbursement purposes, the project will use the Bank's direct payment method as explained in the disbursement handbook.** This method will be used for all payments to contractors or service providers upon recommendations of their satisfactory performance by the project authorized officials. The bank's disbursement Letter will be issued stipulating key disbursement procedures and practices. The two ongoing projects have been using only this method, which has been found to be satisfactory.

4.1.16 **The project funds will be tax exempt**. The EA will ensure that they have sought and obtained the necessary tax exemptions in time, in order to minimize delays in payments, and hence project implementation.

4.2 Monitoring and Evaluation (M&E)

4.2.1 **The monitoring, evaluation and reporting of project activities and results will be done by the project implementation team, which will include an M&E specialist.** The project will develop an M&E framework for data collection, results tracking and reporting. The MoE will be responsible for monitoring the implementation of the project and supervising implementation of the ESMP in each project site. As a key resource for its monitoring activity, the Project will utilize the TVET MIS which was established under the Bank-financed TVET Phase II project. The project will also make use of provisions in the NESSP that include a NEMIS to provide monitoring data for each sub-sector. In the NESSP, it is stated that NEMIS is currently in operation and has been supporting digital registration of all learners/trainees and its source of data is the school. NEMIS will be expanded to collect more data related to NESSP indicators and include learners from other sub-sectors, including TVET.

4.2.2 **To comply with the Bank's requirements for project implementation, the PCU will prepare and submit Quarterly Progress Reports (QPR).** These reports will provide an overview of progress made, identify difficulties and challenges, and propose solutions and way forward. The Steering Committee will also monitor project activities in line with its terms of reference.

4.2.3 **The Bank will monitor the implementation of project activities through regular supervisions, sector reviews and dialogue.** After two years of implementation, the Bank and the GoK will hold a mid-term review to evaluate project performance and agree on needed corrective measures, if any.

4.3 Governance

4.3.1 **The Bank's CSP has delved into the governance situation in Kenya, focusing on areas such as political governance and economic and financial governance, among others.** It states that while significant progress has been registered in the last few years in the Kenya's PFM arena with all the key legislation being put in place, challenges persist in the governance aspects related to public sector management and accountability. Some of the major areas for concern include: fund misappropriation; public procurement; public service; land administration; and customs administration. **Against this background, the country has made significant strides by instituting legislation criminalizing corruption.** It has shown great commitment by strengthening its institutions to fight corruption and has established a multi-agency framework that brings together relevant law enforcement agencies in its fight against corruption. In the use of public financial resources, key mechanisms that have been put in place include an e-procurement system to ensure more transparency and fairness in procurement processes; and the Integrated Financial Management Information System (IFMIS), which is mandatory for all government and donor funded projects to enhance accountability and ensure project funds are used for intended purposes, among other measures.

4.3.2 **In the education and training sector, there are policy and operational guidelines to support good governance and management of institutions and resources.** The GoK has a program to strengthen and improve public institutional management in the TVET sub-Sector, taking into account the ongoing reforms and the growing number of TVET institutions, with new Principals, Councils, and Boards of Governors (BOGs) being put in place in conformity the TVET Act of 2013. This program aims to strengthen the managerial leadership of Principals of TVET institutions, Councils, Board of Management and other leaders at the institutional level in leadership and management. Key activities include the following: (i) Build capacity of managers in TVET institutions on governance, financial management and accountability; (ii) Conduct one Public Expenditure Tracking Survey (PETS)/Service Delivery Surveys in TVCs and VTCs; and (iii) Develop and implement a scheme of service for non-training staff in TVET institutions.

4.3.3 **The project will support and reinforce the GoK's efforts to promote good governance.** The project will also support the roll out of the TVET quality assurance standards which were developed with Bank support under the ongoing TVET II Project. In all project activities, the Bank's applicable rules and procedures as well as best practices will be used. Project staff will be trained in these rules and procedures as well as in other areas that contribute to good governance.

4.4 Sustainability

4.4.1 **Several key elements contribute to the sustainability of the achievements and outcomes of the project.** A strong basis for sustainability stems from the fact that the project and TVET rank high in the GoK's list of priorities and form an integral part of the GoK's development agenda. **Alongside GoK, communities in all project areas have demonstrated a strong sense**

of ownership and commitment for the project. At county and constituency levels, communities and leaders have mobilized to participate in the formulation of the project and are well prepared to accompany its implementation. Among other actions, they have prepared to participate in funding, providing support to trainees including hostels where viable and contributing to management and maintenance of facilities and equipment. This is a strong contributor to sustainability.

4.4.2 **The private sector is another key stakeholder that will contribute to project sustainability.** Representatives of this sector, including employers were some of the actors met during project appraisal. They helped the project team to identify training and other capacity building needs of the sector and provided advice on project design and activities. The project will support development of a national PPP framework to strengthen participation of the private sector in TVET. The sector will participate in the Steering Committee, provision of internships, apprenticeships, curriculum development, and teacher training and job opportunities. The private sector is also a potential financier of youth ventures and training through grants, loans and bursaries. Strong partnership with the private sector through value proposition and strong sector skills councils also provides an avenue for exit from TVET as private sector investments increase.

4.4.3 **Another key group for project sustainability comprises TVET trainers and trainees, the main target population of the project.** Trainers and trainees have been involved in the process of project formulation and have shown a strong interest in the project in the context of a rising and renewed interest in TVET and entrepreneurship training. This strong interest ensures that the supported institutions will have excellent enrollment rates, which ensures the long-term sustainability of these institutions. Moreover, in improving their capacity and effectiveness in their profession, trainers strengthen the effectiveness of the educational system and its contribution to national development. As for trainees, by getting skills in demand in the national economy, they will be well prepared for active life and employment and this will contribute to sustainability.

4.4.4 **The project will focus on public TTIs established by GoK to facilitate sustainability.** The personnel, maintenance and operations costs for the TTIs are met by GoK through grants and capitation. In addition, the institutions collect fees from trainees to complete support from GoK. The project will facilitate training of TTI managers on strategic management including development of business plans to generate income alongside training. The equipment procured for most TTIs can be used for both training and industry thereby generating additional income for the institutions, especially for maintenance of the equipment. The equipment can be used by entrepreneurs from the MSME sector at a subsidized fee to improve their products.

4.5 Risk Management

4.5.1 **Some risks have been identified and discussed during project appraisal.** Considering the identified risks, mitigation measures have been considered and integrated into the design of the project. These risks are summarized in the following table:

Table 4.2: Risks and Mitigation Measures

Risk	Probability/ Impact	Mitigation measures
Low perception of TVET	Low probability/ moderate impact	Develop a communication strategy for community and industry engagement.
Operational risks resulting from capacity of PCU, staff reshuffles by the borrower and start-up delays	Medium probability/ moderate impact	Training and support supervision to the PCU, use of competent staff from TVET II PCU, provision of TA, consultations with Borrower on key staff. Make use of advance contracting provisions to fast track implementation
Fiduciary risk	Low probability/ high impact	Make use of the direct payment method and incorporate interim financial reports in quarterly progress reports.

4.6 Knowledge Building

4.6.1 **The project will generate knowledge on several key areas related to building the human capital needed to support the GoK's development agenda.** These knowledge areas include: (i) status of implementation of TVET reforms to inform policy review; (ii) skills mapping by sector to determine skills gaps in priority sectors; (iii) Tracer studies to provide knowledge on best practices for skills development and youth employment; (iv) data from the incubation centers will provide valuable insights on integration of entrepreneurial skills in TVET. The project will also build the capacity of staff in the State Department of TVET on gender and private sector engagement. In addition, skills transfer to trainers, trainees and technicians on construction and use of training equipment will be incorporated in contracts for works and goods.

V – LEGAL INSTRUMENTS AND AUTHORITY

5.1 Legal Instrument

5.1.1 The financing instrument will be an ADF loan agreement between the Republic of Kenya (the "Borrower") and the African Development Fund (the "Fund").

5.2 Conditions Associated with Bank's Intervention

A. Conditions Precedent to Entry into Force of the ADF Loan Agreement:

(i) The loan agreement shall enter into force subject to fulfillment by the Borrower of the provisions of Section 12.01 of the General Conditions Applicable to Loan and Guarantee Agreements of the African Development Fund.

B. Conditions Precedent to First Disbursement of the Loan:

The obligations of the Bank to make the first disbursement of the Loan shall be conditional upon the entry into force of the loan agreement and fulfillment in form and substance acceptable to the Bank of the conditions set out below:

(i) Submission of evidence of the establishment of the Project Coordination Unit (PCU) to be responsible for implementing the Project, composed of the following key personnel : (a) Project Coordinator, (b) three (3) Implementation Specialists or Project Officers in charge of each Project component respectively, Procurement Specialist and Project Accountant/Financial Specialist, whose skills and qualifications are acceptable to the Fund.

C. **<u>Other Conditions</u>**: The Borrower shall:

a) Make appropriations in its annual budgets for its counterpart contribution, with the first appropriation being made no later than fiscal year 2020/2021; and

b) Submit evidence of the establishment of the Project Steering Committee which will include representatives from (i) Ministry of Education (MoE), (ii) Ministry of Labor and Social Services; (iii) Ministry of Public Service, Youth and Gender (iv) National Treasury; (v) KEPSA, MSEA or relevant private sector stakeholders.

5.3 Compliance with Bank Policies

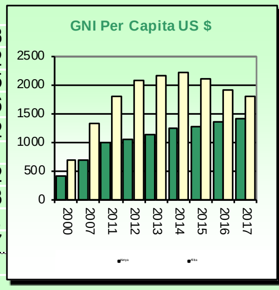
5.3.1 This project complies with applicable Bank policies.

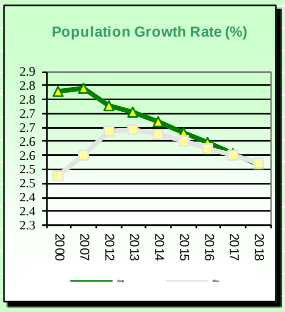
VI – RECOMMENDATION

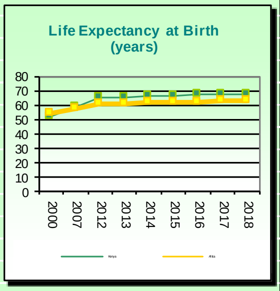
Management recommends that the Board of Directors approve the proposed ADF loan of UA 26.90 million to the Republic of Kenya for the purposes and subject to the conditions stipulated in this report.

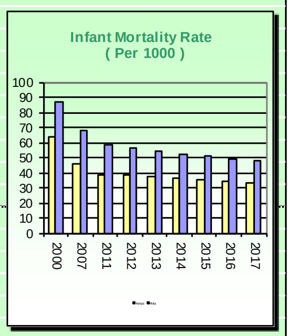
APPENDIX I: Kenya's Comparative Socio-Economic Indicators

	Year	Kenya	Africa	Develo-ping Countries	Develo-ped Countries
Basic Indicators					
Area ('000 Km²)	2018	580	30,067	92,017	40,008
Total Population (millions)	2018	51.0	1,286.2	6,432.7	1,197.2
Urban Population (% of Total)	2018	27.0	42.5	50.4	81.5
Population Density (per Km²)	2018	87.3	43.8	71.9	31.6
GNI per Capita (US $)	2017	1 460	1 767	4 456	40 142
Labor Force Participation *- Total (%)	2018	67.2	65.9	62.1	60.1
Labor Force Participation **- Female (%)	2018	62.5	55.5	47.6	52.2
Sex Ratio (per 100 female)	2018	98.8	99.8	102.3	99.3
Human Develop. Index (Rank among 189 countries)	2017	142	...	...	...
Popul. Living Below $ 1.90 a Day (% of Population)	2007-2017	36.8	...	11.9	0.7
Demographic Indicators					
Population Growth Rate - Total (%)	2018	2.5	2.5	1.2	0.5
Population Growth Rate - Urban (%)	2018	4.3	3.6	2.3	0.7
Population < 15 years (%)	2018	40.1	40.6	27.5	16.5
Population 15-24 years (%)	2018	20.3	19.2	16.3	11.7
Population >= 65 years (%)	2018	2.7	3.5	7.2	18.0
Dependency Ratio (%)	2018	78.7	79.2	53.2	52.8
Female Population 15-49 years (% of total population)	2018	25.6	24.1	25.4	22.2
Life Expectancy at Birth - Total (years)	2018	67.5	63.1	67.1	81.3
Life Expectancy at Birth - Female (years)	2018	69.9	64.9	69.2	83.8
Crude Birth Rate (per 1,000)	2018	30.5	33.4	26.4	10.9
Crude Death Rate (per 1,000)	2018	5.6	8.3	7.7	8.8
Infant Mortality Rate (per 1,000)	2017	33.6	47.7	32.0	4.6
Child Mortality Rate (per 1,000)	2017	45.6	68.6	42.8	5.4
Total Fertility Rate (per woman)	2018	3.7	4.4	3.5	1.7
Maternal Mortality Rate (per 100,000)	2015	510.0	444.1	237.0	10.0
Women Using Contraception (%)	2018	64.2	38.3	61.8	...
Health & Nutrition Indicators					
Physicians (per 100,000 people)	2010-2016	20.4	33.6	117.8	300.8
Nurses and midwives (per 100,000 people)	2010-2016	158.2	123.3	232.6	868.4
Births attended by Trained Health Personnel (%)	2010-2017	61.8	61.7	78.3	99.0
Access to Safe Water (% of Population)	2015	63.2	71.6	89.4	99.5
Access to Sanitation (% of Population)	2015	30.1	39.4	61.5	99.4
Percent. of Adults (aged 15-49) Living with HIV/AIDS	2017	4.8	3.4	1.1	...
Incidence of Tuberculosis (per 100,000)	2016	348.0	221.7	163.0	12.0
Child Immunization Against Tuberculosis (%)	2017	89.0	82.1	84.9	95.8
Child Immunization Against Measles (%)	2017	89.0	74.4	84.0	93.7
Underweight Children (% of children under 5 years)	2010-2016	11.0	17.5	15.0	0.9
Prevalence of stunding	2010-2016	26.0	34.0	24.6	2.5
Prevalence of undernourishment (% of pop.)	2016	24.2	18.5	12.4	2.7
Public Expenditure on Health (as % of GDP)	2014	3.5	2.6	3.0	7.7
Education Indicators					
Gross Enrolment Ratio (%)					
Primary School - Total	2010-2017	105.3	99.5	102.8	102.6
Primary School - Female	2010-2017	105.5	97.4	102.0	102.5
Secondary School - Total	2010-2017	...	51.9	59.5	108.5
Secondary School - Female	2010-2017	...	49.5	57.9	108.3
Primary School Female Teaching Staff (% of Total)	2010-2017	50.2	48.7	53.0	81.5
Adult literacy Rate - Total (%)	2010-2017	78.7	65.5	73.1	...
Adult literacy Rate - Male (%)	2010-2017	83.8	77.0	79.1	...
Adult literacy Rate - Female (%)	2010-2017	74.0	62.6	67.2	...
Percentage of GDP Spent on Education	2010-2015	5.3	4.9	4.1	5.2
Environmental Indicators					
Land Use (Arable Land as % of Total Land Area)	2016	10.2	8.0	11.3	10.4
Agricultural Land (as % of land area)	2016	48.5	38.2	37.8	36.5
Forest (As % of Land Area)	2016	7.8	22.0	32.6	27.6
Per Capita CO2 Emissions (metric tons)	2014	0.3	1.1	3.5	11.0









Sources : AfDB Statistics Department Databases; World Bank: World Development Indicators; UNAIDS; UNSD; WHO, UNICEF, UNDP; Country Reports. *last update : Febuary 2019*

*Note : n.a. : Not Applicable ; ... : Data Not Available. * Labor force participation rate, total (% of total population ages 15+)*
*** Labor force participation rate, female (% of female population ages 15+)*

<u>APPENDIX II</u>: BANK'S PORTFOLIO IN KENYA

25 November 2019

Kenya

Project name	Window	Approval Date	Final Disb. Date	Net loan	Disb. Ratio
Agriculture Sector					
GREEN ZONES DEVELOPMENT SUPPORT PROJECT-PHASE 2	ADB Loan	12/03/2018	6/30/2024	4.19	0.00
GREEN ZONES DEVELOPMENT SUPPORT PROJECT-PHASE 2	ADF Loan	12/03/2018	6/30/2024	29.69	3.53
SMALLSCALE IRRIGATION & AGRICULTURE VALUE CHAIN DEVELOPMENT	ADB Loan	11/18/2015	6/30/2022	28.74	23.12
SMALLSCALE IRRIGATION & AGRICULTURE VALUE CHAIN DEVELOPMENT	GAFSP TF Grant	11/18/2015	6/30/2022	16.56	7.14
ENABLE YOUTH KENYA	ADF Loan	01/11/2018	6/30/2023	21.27	0.68
Sub Total				**100.44**	**9.0%**
Finance Sector					
SUBORDINATED LOAN TO COMMERCIAL BANK OF AFRICA LIMITED	ADB Loan	01/25/2017	10/5/2020	36.32	50.00
KENYA COMMERCIAL BANK LIMITED	ADB Loan	10/25/2017	2/1/2025	72.63	100.00
IMPERIAL BANK KENY IN RESPECT OF COMMERZBANK RPA	ADB Loan	05/03/2016	(blank)	0.599	100.00
DIAMOND TRUST BANK LOC I	ADB Loan	11/18/2016	3/28/2020	36.32	20.00
DIAMOND TRUST BANK LOC I	ADB Loan	11/18/2016	3/28/2020	18.16	100.00
CREDIT BANK KENYA LIMITED SME LOAN	ADB Loan	07/17/2019	(blank)	5.84	0.00
KENYA MORTGAGE REFINANCE COMPANY (KMRC)	ADB Loan	05/15/2019	(blank)	72.76	0.00
Sub Total				**164.03**	**71.2%**
Multi-Sector					
MIC-TAF-TECHNICAL ASSISTANCE TO THE PRESIDENT DELIVERY UNIT	ADB Grant	07/18/2018	8/31/2020	1.20	40.29
Sub Total				1.20	40.29%
Power Sector					
ADF PRG MENENGAI	ADF Loan	10/22/2014	12/30/2021	9.22	0.00
KENYA - LAST MILE CONNECTIVITY PROJECT	ADF Loan	11/19/2014	12/31/2019	90.00	80.2
LAST MILE CONNECTIVITY PROJECT - 2	ADB Loan	06/27/2016	6/30/2021	97.42	58.84
THIKA THERMAL POWER PROJECT	ADB Loan	12/07/2011	1/15/2014	22.57	100.00
KOPERE 40 MW SOLAR PV IPP	ADB Loan	11/27/2018	(blank)	13.28	0.00
KOPERE 40 MW SOLAR PV IPP	SCF	02/27/2019	(blank)	8.48	0.00
MENENGAI GEOTHERMAL DEVELOPMENT PROJECT	ADF Loan	12/14/2011	2/29/2020	80.00	97.42
MENENGAI GEOTHERMAL DEVELOPMENT PROJECT	SCF	12/14/2011	2/29/2020	5.45	71.17
MENENGAI GEOTHERMAL DEVELOPMENT PROJECT	SCF	12/14/2011	2/29/2020	12.71	82.18
LAKE TURKANA WIND POWER PROJECT	ADB Loan	04/26/2013	9/15/2017	92.36	100.00
QUANTUM POWER MENENGAI 35 MW GEOTHERMAL IPP	ADB Loan	06/06/2018	(blank)	21.52	0.00
QUANTUM POWER MENENGAI 35 MW GEOTHERMAL IPP	CTF	06/06/2018	(blank)	14.59	0.00
Sub Total				**295.18**	**75.2%**
Social Sector					
SUPPORT TO HIGHER EDUCATION SCIENCE AND TECHNOLOGY TO ENHANC	ADF Loan	11/14/2012	3/31/2020	28.00	93.67
SUPPORT TO TVET AND TRAINING FOR RELEVANT SKILLS DEVELOPMENT	ADF Loan	07/01/2015	6/30/2021	41.00	48.46
Sub Total				**69.00**	**66.8%**
Transport Sector					
NAIROBI OUTER RING ROAD PROJECT IMPROVEMENT PROJECT	ADF Loan	11/13/2013	12/31/2019	77.04	94.29
NAIROBI OUTER RING ROAD PROJECT IMPROVEMENT PROJECT	ADF Grant	11/13/2013	12/31/2019	0.49	88.94
MOMBASA-MARIAKANI ROAD HIGHWAY PROJECT	ADF Loan	03/11/2015	6/30/2021	80.00	33.55
Dualling of Kenol – Sagana- Marua	ADB Loan	09/26/2019		143.41	
Dualling of Kenol – Sagana- Marua	AGTF	09/26/2019		25.09	
SIRARI CORRIDOR ACCESSIBILITY & ROAD SAFETY IMPROVEMENT PROJ	ADB Loan	03/30/2016	12/31/2020	165.61	37.98
SIRARI CORRIDOR ACCESSIBILITY & ROAD SAFETY IMPROVEMENT PROJ	EUITF Grant	03/30/2016	12/31/2020	8.06	17.61
Sub Total				**331.26**	**49.6%**

Project name	Window	Approval Date	Final Disb. Date	Net loan	Disb. Ratio
Water Sup/Sanitation Sector					
THWAKE MULTIPURPOSE WATER DEVELOPMENT PROGRAM (PHASE 1)	ADF Loan	10/30/2013	12/30/2021	61.68	86.95
THWAKE MULTIPURPOSE WATER DEVELOPMENT PROGRAM (PHASE 1)	ADF Grant	10/30/2013	12/30/2021	1.21	74.50
KENYA TOWNS SUSTAINABLE WATER SUPPLY AND SANITATION PROGRAM	ADB Loan	11/09/2016	12/31/2021	276.88	11.74
KENYA TOWNS SUSTAINABLE WATER SUPPLY AND SANITATION PROGRAM	ADF Loan	11/09/2016	12/31/2021	5.13	15.34
KENYA TOWNS SUSTAINABLE WATER SUPPLY AND SANITATION PROGRAM	ADF Grant	11/09/2016	12/31/2021	0.51	31.59
KENYA TOWNS SUSTAINABLE WATER SUPPLY AND SANITATION PROGRAM	ADB Grant	11/09/2016	12/31/2021	1.20	17.66
THWAKE MULTIPURPOSE WATER DEVELOPMENT PROGRAM I - ADDITIONAL	ADB Loan	11/14/2018	6/30/2023	155.13	0.00
THWAKE MULTIPURPOSE WATER DEVELOPMENT PROGRAM I - ADDITIONAL	AGTF Loan	11/14/2018	6/30/2023	34.79	0.00
NAIROBI RIVERS BASINS REHABILITATION RESTORATION: SEWERAGE I	ADB Loan	12/11/2018	5/31/2023	47.85	0.00
NAIROBI RIVERS BASINS REHABILITATION RESTORATION: SEWERAGE I	ADF Loan	12/11/2018	5/31/2023	2.91	0.00
Sub Total				**587.3**	**15%**
Total National Operations				**1,548.4**	**41.8%**
Multinational					
KENYA-DROUGHT RESILIENCE & SUSTAINABLE LIVELIHOOD PROGRAM IN	ADF Loan	12/19/2012	6/28/2020	37.41	42.05
MULTINATIONAL-GEF RURAL LIVELIHOODS ADAPTATION TO CLIMATE CH	GEF Grant	12/15/2016	5/31/2021	2.03	2.67
KENYA - LAKE VICTORIA MARITIME COMMUNICATIONS AND TRANSPORT	ADF Loan	10/24/2016	4/30/2021	3.77	0.38
ETHIOPIA-KENYA ELECTRICITY HIGHWAY(KENYA)	ADF Loan	09/19/2012	6/30/2020	75.00	70.94
KENYA - TANZANIA INTERCONNECTION (KENYA)	ADF Loan	02/18/2015	12/30/2021	27.50	43.98
SUPPLEMENTARY FINANCING : ETHIOPIA - KENYA ELECTRICITY HIGHW	ADB Loan	12/14/2018	12/31/2021	21.43	0.00
EAST AFRICA CENTERS OF EXCELLENCE KENYA	ADF Loan	10/03/2014	12/31/2021	25.00	12.59
KAPCHORWA - SUAM - KITALE AND ELDORET BYPASS ROADS PROJECT (	ADB Loan	03/29/2017	12/31/2022	59.56	23.35
KAPCHORWA - SUAM - KITALE AND ELDORET BYPASS ROADS PROJECT (	ADF Loan	03/29/2017	12/31/2022	35.11	21.46
Sub Total				**286.7**	**37.4%**
National and Multinationals				**1,835.16**	**41.1%**

APPENDIX 3: Map of Kenya

AFRICAN DEVELOPMENT FUND

BOARD OF DIRECTORS

Resolution N° F/KE/2019/146

Adopted by the Board of Directors, on a lapse-of-time basis, on 17th December 2019

Loan to the Republic of Kenya to finance part of the costs of the Technical and Vocational Education Training and Entrepreneurship Project (TVETE)

THE BOARD OF DIRECTORS,

HAVING REGARD TO: (i) Articles 1, 2, 11, 12, 14, 15, 16, 26 and 30 of the Agreement Establishing the African Development Fund (the "Fund" or "ADF"); (ii) the Report on the Fourteenth General Replenishment of the Resources of the Fund ("ADF-14") ; (iii) the applicable ADF-14 Country Resource Allocation; and (iv) the appraisal report contained in Document ADF/BD/WP/2019/212/Approval (the "Appraisal Report");

NOTING the availability of sufficient resources to enable the Fund to commit the amount of the Loan;

DECIDES as follows:

1. To award to the Republic of Kenya (the "Borrower"), from the resources of the Fund, a loan of an amount not exceeding the equivalent of Twenty-Six Million, Nine Hundred Thousand Units of Account (UA 26,900,000) (the "Loan") to finance part of the costs of the Technical and Vocational Education Training and Entrepreneurship Project (TVETE);

2. To authorize the President to conclude a loan agreement between the Fund and the Borrower (the "Loan Agreement") on the terms and conditions specified in the General Conditions Applicable to the African Development Fund Loan Agreements and Guarantee Agreements (Sovereign Entities), the Appraisal Report and, in particular:

    (i) The ADF-14 Loan Financing Terms applicable to Blend, Gap and Graduating Countries; and

    (ii) The Loan will be amortized in equal and consecutive semi-annual instalments payable on 15 May and 15 November of each year;

3. The President may cancel the Loan if the Loan Agreement is not signed within ninety (90) days from the date of approval of the Loan by this Board; and

4. This Resolution shall become effective on the date above-mentioned.