This action is funded by the European Union

**ANNEX 3**

of the Commission Decision on the Annual Action Programme 2015 in favour of Kenya to be financed from the 11th European Development Fund

**Action Document for Support to Kenya Energy and Transport sectors**

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**INFORMATION FOR POTENTIAL GRANT APPLICANTS**

**WORK PROGRAMME FOR GRANTS**

This document constitutes the work programme for grants in the sense of Article 128(1) of the Financial Regulation (Regulation (EU, Euratom) No 966/2012), applicable to the EDF by virtue of Article 36 of Regulation (EU) 323/2015 in the following sections concerning grants awarded directly without a call for proposals: 5.4.1.11 “Grant – direct award (direct management).

| 1. Title/basic act/CRIS number | Support to Kenya Energy and Transport sectors  
| CRIS number: FED/2014/037-778  
| Financed under the 11th European Development Fund |
|---|---|
| 2. Zone benefiting from the action/location | Kenya |
| 4. Sector of concentration/thematic area | Sector 2 – Sustainable Infrastructure |
| 5. Amounts concerned | Total estimated cost: 21 100 000 EUR  
| Total amount of EDF contribution 20 000 000 EUR  
| This action is co-financed by potential grant beneficiaries for an indicative amount of 1 100 000 EUR |
| 6. Aid modality and implementation modalities | Project Modality  
| Implementation modality: Indirect management with Kenya, Grant – direct award, Direct management – procurement of services |
| 7. DAC code(s) | 210 – Transport and storage |
8. Markers (from CRIS DAC form)

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<tr>
<th>General policy objective</th>
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<th>Main objective</th>
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<td>Participation development/good governance</td>
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<td>☐</td>
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<tr>
<td>Gender equality (including Women In Development)</td>
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<td>☒</td>
<td>☐</td>
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<tr>
<td>Trade Development</td>
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<td>☐</td>
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<td>Reproductive, Maternal, New born and child health</td>
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</table>

<table>
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<tr>
<td>Climate change adaptation</td>
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</tbody>
</table>

9. Global Public Goods and Challenges (GPGC) thematic flagships

N/A

**SUMMARY**

The overall objective is to contribute to poverty reduction and accelerated and inclusive economic growth through more sustainable and efficient energy and transport sectors. The project purpose is to develop more efficient, climate and environmentally friendly energy services that are accessible to all as well as develop a more efficient and safe transport system for increased productivity and reduced negative impacts on environment and the climate. The results of the project will be the strengthened management of the energy and transport sectors, improved road safety and a pipeline of infrastructure projects that are ready to be financed.

The project includes three components:

- a **capacity development facility** for the transport and energy sector. In the transport sector, the support will be developed to complement and where applicable provide continuity to the current capacity building programme with a focus on governance and technical support as well as on urban mobility. In the energy sector, the need for capacity development support will be identified before an appropriate programme is implemented.

- a **support to Kenyan Road safety policy and programme**. Under this component, a grant to the National Transport and Safety Authority (NTSA) is foreseen with a primary focus on two fields of intervention: capacity building of NTSA, including support to upgrade the traffic accident database and strengthening of the traffic enforcement capacities.

- an **Investment project preparation facility**. Studies will be implemented under this component to assist the Ministries and implementing agencies to develop a pipeline of national and regional projects that are ready for financing in the transport and energy sectors. The identification of the projects will be in close consultation with potential financing partners.
1 CONTEXT

1.1 Country

1.1.1 Public Policy Assessment and EU Policy Framework

The main long term policy document guiding the development of Kenya is Vision 2030. Infrastructure is one of the foundations of Kenya's Vision 2030 and both energy and transport are key drivers for the realisation of the Vision's three pillars: economic, social, and political. The Second Medium Term Plan 2013-2017 (MTP II) for the implementation of Vision 2030 entails an infrastructure sector which includes transport and energy and focuses on sustaining and expanding Kenya’s physical infrastructure to ensure that it can support a rapidly-growing economy.

In the transport sector, key institutional reforms were implemented during the last 20 years: a Road Maintenance Levy Fund was created in 1993 and the Kenya Roads Board was created in 2000. The 2007 Roads Act led to the creation of three road authorities: Kenya Highway, Urban and Rural Roads while prescribing a policy and regulatory oversight function for the Ministry of Transport and Infrastructure. More recently, the National Transport and Safety Authority (NTSA) was established in 2012 with a mandate covering road transport system planning, regulation as well as road safety policies. With regard to urban mobility, a Memorandum of Understanding was signed in October 2014 between the Government (Ministry of Transport & Infrastructure), the Nairobi City County and the other counties of the metropolitan area to pave the way for the establishment of the Nairobi Metropolitan Area Transport Authority (NAMATA). An Integrated National Transport Policy was endorsed in 2009 and a 50-year Integrated National Transport Master Plan is being prepared to provide the longer term framework for road sector development. A National Road Safety Action Plan 2009-2014 was endorsed and in 2014 the NTSA proposed a short term priority action plan 2014-2017. In recent years, development and maintenance financing of transport infrastructure have significantly increased. Total budget of the road sub-sector (development and maintenance) has increased from 46 billion KES in 2006/2007 to 117 billion KES in 2014/2015. Subsequent to the establishment of the Road Maintenance Levy Fund, the condition of the national road network has improved. In 2014, the Government launched the Annuity Programme which aims at mobilising funds from commercial banks to finance the construction and maintenance of roads. Through this scheme, a maintenance period is included in the works contracts.

In the Energy sector, Kenya has introduced some policy, regulatory and institutional changes to enhance energy access and promote investment in renewable energy and energy efficiency. The draft national energy policy (2014) and the Energy Bill (2014) recognize the need to promote development and use of renewable energy resources. A number of regulations are in place that can enhance adoption of energy access, energy efficiency and renewable energy in Kenya – among them the Liquefied Petroleum Gas (LPG) Regulations of 2009, improved biomass cook stoves regulations (draft), Energy Management Regulations of 2012, Solar Water Heating Regulations of 2012 and Energy Solar Photo Voltaic (PV) Regulations of 2012. The Government launched the 5000MW programme which aims to increase power generation by 5000MW within three years. Further, by the end of 2014 a taskforce has been established to determine the conditions to connect all Kenyans to electricity by 2030.

The 11th EDF National Indicative Programme 2014-2020 for Kenya, signed in June 2014, includes as second focal sector "Sustainable infrastructure". Two specific objectives shall be
pursued under this focal sector: "develop more efficient and environmentally friendly energy services that are accessible to all" and "develop a more efficient and safe transport system for increased productivity and reduced negative environmental impact".

1.1.2 Stakeholder analysis

The key stakeholders and direct beneficiaries of the project are the Ministry of Transport and Infrastructure, the Ministry of Energy and Petroleum, the road authorities, the National Transport and Safety Authority as well as the Nairobi City County. Other public bodies playing a role in the transport and energy sectors, such as other counties, the National Construction Authority (NCA) or the Kenya Institute for Public Policy Research and Analysis (KIPPRA) may also receive some support. Furthermore, the companies responsible for generation, transmission and distribution of energy supply are key stakeholders. Some form of support may be provided to private stakeholders in the transport and energy sectors.

Indirect beneficiaries will include all Kenyans who will benefit from improved transport and energy services but, in particular, pedestrians and public transport passengers who will benefit from improved road safety.

Infrastructure investments projects to be prepared under component 3 will impact people living and working in the vicinity of the projects. During design of these projects, Environmental and Social Impact Assessments will be conducted to ensure that opportunities to improve livelihoods are identified and measures taken to mitigate the negative impacts the project may have.

1.1.3 Priority areas for support/problem analysis

Despite the major recent improvements mentioned above, investment in transport infrastructure development and maintenance remains insufficient compared to the needs. The capacity of some existing infrastructure, such as the Northern Corridor or Mombasa Port, is inadequate compared to the growing transport demand. Parts of the county are remote as they are not efficiently connected to the transport network. In addition, the transport is hampered by non-trade barriers as well as by the poor quality of transport services, especially in the urban context.

As a result, transport times and costs are high and the lack of modern and efficient transport systems is a key contributor to the high cost of doing business, undermining competitiveness and adversely affecting trade and regional integration. It also increases the cost of providing social services and curtails access to markets, in particular to the remote parts of the country. The cost of doing business is a priority area for the Government and was the subject of the first Development Partners Forum meeting with the Deputy President.

Road safety is another challenge the Kenyan transport sector faces. The traffic death rate per 100,000 persons is 20.9, which is 4-fold the average rate recorded in developed countries. Pedestrians account for 50% of persons killed in road accidents, passengers for 25%.

A more efficient maintenance and effective axle load control regime are needed to ensure sustainability of the investments. In addition, social and environmental issues need to be addressed more systematically during implementation of transport projects.

As regards the energy sector, Kenya’s power system consists of the national grid and several mini-grids serving areas located far from the national grid. Yet, only about 29% of households in Kenya have access to grid electricity and over 68% of people in Kenya still rely on traditional biomass for cooking and heating. The connection rate stands at around 15% in the
rural areas. Kenya lags behind its economic peers in household electrification and per capita energy consumption leading to unequal accessibility of energy services. Vulnerability of energy supplies and dependence on imported fuels, traditional biomass and hydro power has left Kenya prone to price volatility, supply instability and interruptions in dry periods which cause physical hardship and economic burden. Large investments in Geothermal and some in wind and solar energy are slowly reducing the Country's dependence on fuel imports and hydro power. However for the coming years inadequate, low quality and highly priced energy supply still contribute significantly to the prevailing high cost of doing business in the country. As such the two main challenges concern inadequate electricity generation that in turn is too expensive.

A number of strategies have been put in place in the country as part of ongoing efforts to improve access to modern energy services, increase generation capacity, strengthen transmission and distribution systems, as well as improve energy security.

Furthermore, in spite of the need for investment, neither the transport nor the energy sector have a pipeline of bankable infrastructure projects adequately prepared and ready to be financed. This results in long lead times for project preparation even when financing becomes available.

2 RISKS AND ASSUMPTIONS

<table>
<thead>
<tr>
<th>Risks</th>
<th>Risk level</th>
<th>Mitigating measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of political will to implement institutional and policy reforms to strengthen sector context</td>
<td>M</td>
<td>A continued and where possible intensified policy dialogue at the different levels of Government. In the transport sector, this process should be facilitated as the EU took the chair of the Development Partners Transport Sector Working Group in July 2014;</td>
</tr>
<tr>
<td>Lack of ownership of the beneficiaries</td>
<td>M</td>
<td>Close dialogue with the beneficiaries at the design and formulation stage. Moreover, regarding technical assistance, a flexible approach will be adopted;</td>
</tr>
<tr>
<td>Insufficient resources (in terms of number of staff, equipment, information systems, institutional framework of the beneficiaries of Technical Assistance)</td>
<td>M</td>
<td>Include conditions in the Financing Agreement and adopt a realistic and flexible approach in the design and implementation of the technical assistance programme so as to remain responsive to needs and priorities of the beneficiary;</td>
</tr>
<tr>
<td>Insufficient private/public funds available to finance prepared pipeline of bankable projects</td>
<td>L</td>
<td>Close coordination with public and private stakeholders in the sector to anticipate in which areas and for which priorities funding is available for newly developed bankable projects;</td>
</tr>
<tr>
<td>Climate change presents risks to infrastructure assets</td>
<td>L</td>
<td>The update of infrastructure design standards to ensure that future infrastructure is developed to be resilient to anticipated climate change and extreme events, as well as strengthening of the maintenance and repair regimes</td>
</tr>
</tbody>
</table>

Assumptions

Cf. logical framework
3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

An evaluation of the EU Kenya Cooperation (2006-2012) conducted in 2014 identified several key recommendations to improve EU cooperation in the infrastructure sector. These include the need to improve coordination with other development partners (DPs), strengthen policy dialogue, encourage internal synergies within EU funded projects, develop and implement a more result-oriented approach, explore and scale up innovative modalities of delivering finance and ensuring better project designs.

The evaluation found that the EU had a comparative advantage in the transport sector and recommended that future strategy should continue support to roads but with a broader focus on providing infrastructure to the poor, which addresses clear priority needs and enhances synergies.

On the specific technical assistance component, the European Court of Auditors special report 17/2012 as well as the 2008 European Commission Backbone Strategy for Technical Cooperation recommend that there is credible government ownership of the planned activities, evidenced by an appropriate level of human and budgetary resources available nationally both during and after the programme.

3.2 Complementarity, synergy and donor coordination

The on-going EU support (9th -10th EDF) entails:

- in the transport sector: support to rehabilitation/construction of sections of two regional corridors, rural and tourist roads programme as well as urban roads in Nairobi; a 3-year capacity building programme to the transport/roads sector institutions; a detailed design study for a corridor of the bus rapid transit system in Nairobi. Commitments total EUR 237 000 000.

- in the energy sector: support to eight local projects implemented by non-governmental organisations (NGOs), financed under the ACP-EU Energy Facility. Commitments total 10 million EUR. Under the Infrastructure Trust Fund support is provided to six projects in the field of renewable energy covering geothermal, solar and wind generation, LPG, energy efficiency and regional interconnection. Commitments total 103 million EUR.

Support to transport is also foreseen under the 11th EDF Regional Indicative Programme (RIP), through the African Investment Facility. Two projects have been earmarked for potential support under this envelope: rehabilitation of the Lesseru – Nakodok road and Mombasa Port upgrading. Other support to the Kenyan Energy and Transport sector is foreseen under the 11th EDF NIP second focal sector "Sustainable infrastructure". A first project "Contribution to the African Investment Facility to support the Kenyan Energy and Transport sectors" has been proposed to develop a pipeline of bankable projects through relevant studies and provide additional funds to complement those foreseen under the RIP for project implementation. Close coordination between these projects will be ensured.

In addition, the ITF board approved in December 2014 a grant to the project upgrading a section of the Northern Corridor (Mombasa-Mariakani) to be financed by Kreditanstalt für Wiederaufbau (KfW) and the European Investment Bank (EIB).
Several other Developments Partners are active in the transport and energy sectors:

- in the transport sector: 10 DPs are active, of which all provide support to infrastructure development, mainly roads but also airports and ports. The World Bank and Japan International Cooperation Agency (JICA) also provide Capacity Development support and the World Bank is willing to support National Transport and Safety Authority's Priority Action Plan. Furthermore, several Development Partners already support urban mobility projects, including the World Bank, the African Development Bank (AfD), JICA, United National Environment Programme (UNEP) and UN-Habitat.

- in the energy sector: 14 Development Partners are active, of which 51% in energy generation, 27% in transmission and 10% in distribution.

In the context of joint programming exercise in Kenya, the EU and MS agreed that transport and energy are priority sectors for joint programming. As such, the EU and the EIB, KfW and AfD have committed themselves to jointly programme activities in these two sectors, and where applicable will include other MS.

In addition, coordination between Development Partners is ensured in both sectors through Working Groups:

- the EU chairs the Development Partner-Transport Sector Working Group since July 2014. Several meeting have been held since that date, with a specific focus on urban mobility issues which is in most need of coordination given the large number of actors in this field. With regard to this specific programme, exchanges have been conducted to avoid overlapping and ensure proper coordination between EU support and other Development Partners support.

- the Access to Energy donor group coordinates the interventions of off-grid as well as grid connection projects. In the field grid connection ("the last mile") large initiatives of AfD, World Bank, AfDB are coordinated and the development of a connection policy is led by the Ministry of Energy and Petroleum. AfD, KfW/Gesellschaft für Internationale Zusammenarbeit (GIZ), UK Department for International Development (DfID), World Bank and International Finance Centre (IFC) harmonise their projects in the field of minigrids, while all major European donors as well as the United States Agency for International Development (USAID) (look into initiatives to finance "stand alone systems". A specific task force to coordinate Development Partners' support to "access to energy" was recently established.

3.3 Cross-cutting issues

Cross cutting issues will be addressed in all 3 components.

In Component 1 and 2, capacity development in the beneficiary institutions will include measures to strengthen their procedures in dealing with cross cutting issues.

As regards Component 3, environmental and social issues will be a key part of the project designs in terms of reducing and mitigating the negative environmental and social impact of infrastructure projects, as well as climate-proofing the proposed projects. Gender issues will also be integrated in the project, according to EU guidelines on "Mainstreaming gender equality to the project approach" as well as the recommendations of the "Action plan for
accelerated Gender Equality, Women's Empowerment and Gender Mainstreaming in Country Programming" currently being developed in Kenya.

4 DESCRIPTION OF THE ACTION

4.1 Objectives/results

The overall objective of the project is to contribute to poverty reduction and accelerated and inclusive economic growth through more sustainable and efficient energy and transport sectors.

The specific objective of the project is to develop more efficient climate and environmentally friendly energy services that are accessible to all as well as develop a more efficient and safe transport system for increased productivity and reduced negative impacts on environment and the climate.

The expected results of the project are:

- improved governance in the energy and transport sectors as a result of better institutional and organisational management;
- increased capacity of the Government to improve road safety;
- pipeline of sustainable infrastructure projects adequately prepared and ready for financing.

4.2 Main activities

The EU support programme will deliver the expected results through three components:

Component 1: Capacity Development facility to the energy and transport sector

This component aims at enhancing capacities of stakeholders in the energy and transport sectors and addressing the institutional issues identified in problem analysis. Targeted stakeholders will be public bodies, both at centralised and local level, as well as private stakeholders.

In the transport sector, the support will be designed to complement and where applicable provide continuity to the current Institutional Capacity Building programme scheduled to end in December 2015. Specific needs for further support have been identified in the context of the Mid-Term Evaluation of the programme as well as in high level strategic discussion on the programme.

As a result, the following areas have been identified for future support:

- governance and technical support to the transport sector in continuity with the current capacity building programme and with a focus on private-public partnership (PPPs) and asset management and the strengthening of the Management Information Systems.
- support in the urban mobility area, with a focus on:
  - strengthening the institutional framework and planning capabilities including establishment/strengthening of Nairobi Metropolitan Area Transport Authority
(NAMATA), strengthen planning of sustainable urban mobility development and development of a multimodal transport model for Nairobi Metropolitan area.

- technical support for the implementation of a Bus Rapid Transit System in Nairobi including support on developing appropriate infrastructure and operational issues, including engagement of the key actors in the private sector;
- support on prioritisation of sustainable urban mobility including capacity building on public transport, non-motorised transport, traffic management and efficient road network.

In the well-established **energy sector**, the EU is a new donor and more time is needed to identify in which areas and through which modalities EU support can best add value in the field of Energy. The funding available under the investment project preparation facility (Component 3) may be used for identification and formulation studies and energy needs assessments that should provide a better insight in the scope for capacity building activities. The Ministry of Energy & Petroleum has indicated the need for capacity building in the fields of modelling and PPPs. Needs in relation to access to energy, renewable energy and energy efficiency, which are important features of the Sustainable Energy for All initiative (SE4ALL), will also be investigated.

Specific attention will be given to existing capacities, readiness for change and demand of the beneficiaries in order to ensure ownership of the support and formulation of an exit strategy for the project. The opportunities to integrate twinning arrangements to complement the traditional TA approach will be explored.

**Component 2: Support to Kenyan road safety policy and programme**

This component will support the Government to develop its capacity and build on the recently scaled up initiatives to improve road safety.

The **National Transport and Safety Authority** (NTSA) was established in 2012. The NTSA is a body corporate autonomous from the Kenyan Government, hence a direct grant can be awarded to the NTSA.

The NTSA prepared a **Priority Action Plan** (2014-2017) which includes strategic objectives and specific activities. Support will be provided to NTSA to implement parts of its Priority Action Plan and further develop it as may be required.

Within the Priority Action Plan, the EU support will be primarily focused on two of the five specific components identified as the main priority by the NTSA:

- **capacity building of NTSA**, including support to upgrade the traffic accident database;
- **strengthening traffic enforcement capacities**. The NTSA is planning to establish a road safety enforcement unit, made up of a core of trained officers employed by NTSA and traffic and administrative police officers on secondment from their original units. Foreseen EU support include, inter alia, training and provision of equipment to enforcement units.
EU areas of support have been identified in coordination with the foreseen support from the World Bank which includes information and communication technology equipment for NTSA and development of a National Road Safety Action Plan.

Specific attention will be given to the expected impact of the activities and foreseen risk and mitigation measures, especially with regard to governance and enforcement issues. Specific attention will also be given to the sustainability of the support and the formulation of an exit strategy. Support may also be provided to the Road Authorities responsible for implementing parts of the NTSA Priority Action Plan.

**Component 3: Investment project preparation facility**

This component will assist the Ministries and the implementing agencies in the energy and transport sector to develop a **pipeline of national and regional infrastructure projects that are ready for financing**. It will entail conducting the necessary studies to develop and finalise the most promising investment projects exploring both traditional and innovative financing mechanisms. The type of preparatory work may include prefeasibility, feasibility and detailed design studies or complementary (environmental/social) studies or updating of existing studies.

The output of this component will primarily be used to prepare projects for funding under the 11th EDF NIP/RIP to be implemented either through the African Investment Facility (AFIF) or with grant funding provided directly to the beneficiary.

The selection of the projects to be developed through this facility will be guided by several criteria. In the first instance, the project will need to be aligned with the overall and specific objectives of the EU focal areas as defined in the 11th EDF NIP/RIP. This includes the draft 11th RIP "Infrastructure envelope" Specific objective 1 "Improved connectivity and efficiency and resilience of regional infrastructure networks" to facilitate trade and regional economic integration. The energy projects will need to be consistent with at least one of the three objectives of SE4ALL (energy efficiency, energy access and renewable energy). In line with the first focal sector of the 11th EDF NIP, preference will also be given to projects located in marginalised areas.

In terms of ownership, only projects that are explicitly endorsed by the relevant Ministries and implementing agencies may be considered. In addition, dedicated regular meetings will be held with the European Financing Institutions to jointly identify the studies to be financed under this facility. As such, the projects will be selected on the basis of interest expressed by potential financing partners. These will also be closely associated during all stages of project development.

The number of Detailed Design studies to be managed during the entire project implementation period under this facility is expected to be around 3. All studies will be completed before 2020 to allow all potential investment projects to be approved before the deadline of signature for the 11th EDF.

4.3 **Intervention logic**

Cf. attached logical framework
5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in Article 17 of Annex IV to the ACP-EU Partnership Agreement.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.2 will be carried out and the corresponding contracts and agreements implemented, is 72 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission’s authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute non-substantial amendment in the sense of Article 9(4) of Regulation (EU) 2015/322.

5.3 Implementation of the budget support component

N/A

5.4 Implementation modalities

5.4.1.1 Grant: direct award - Component 2 "Support to Kenyan road safety policy and programme" (direct management)

(a) Objectives of the grant, fields of intervention, priorities of the year and expected results

The overall objective of the grant is to support the National Transport Safety Authority (NTSA) to improve road safety in Kenya.

Two fields of intervention are primarily foreseen:

- capacity building of NTSA, including support to the upgrade of the traffic accident database;
- strengthening traffic enforcement capacities.

Type of actions eligible for financing includes inter alia technical assistance, training, studies and provision of supplies.

Main expected results are:

- the NTSA is able to implement an adequate policy to improve road safety thanks to enhanced capacities;
- improved understanding of road safety as a result of the setting up of an operational traffic accident database;
- road enforcement is improved thanks to the strengthening of traffic enforcement unit.

(b) Justification of a direct grant

Under the responsibility of the Commission’s authorising officer responsible, the grant may be awarded without a call for proposals to the Kenyan National Transport and Safety Authority (NTSA).

Under the responsibility of the Commission’s authorising officer responsible, the recourse to an award of a grant without a call for proposals is justified because the NTSA has a de jure
monopoly over the implementation of road safety policy in Kenya. The NTSA is the sole stakeholder having the mandate to develop and implement the national road safety strategy in Kenya (cf. National Transport and Safety Act attached). For this reason, the NTSA is the only suitable stakeholder to implement the activities proposed for this project on road safety.

(d) Essential selection and award criteria
The essential selection criteria are the financial and operational capacity of the applicant.

The essential award criteria are relevance of the proposed action to the objectives of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

(e) Maximum rate of co-financing
The maximum possible rate of co-financing for this grant is 80%.

In accordance with Articles 192 of Regulation (EU, Euratom) No 966/2012 applicable by virtue of Article 37 of regulation (EU) 2015/323, if full funding is essential for the action to be carried out, the maximum possible rate of co-financing may be increased up to 100%. The essentiality of full funding will be justified by the Commission’s authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

(f) Indicative trimester to conclude the grant agreement
1st trimester 2016.

5.4.1.2 Procurement (direct management) – Part of component 3 "Investment project preparation facility"

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<th>Subject in generic terms, if possible</th>
<th>Type (works, supplies, services)</th>
<th>Indicative number of contracts</th>
<th>Indicative trimester of launch of the procedure</th>
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<td>Complementary study to the on-going centrally managed study on Nairobi Bus Rapid Transit network (funded under the 10th EDF NIP)</td>
<td>Services</td>
<td>1</td>
<td>T4 2015</td>
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</tbody>
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5.4.1.3 Indirect management with Kenya – Component 1 "Capacity Development facility to the energy and transport sector" and part of component 3 "Investment project preparation facility"

A part of this action with the objective of "to develop more efficient climate and environmentally friendly energy services that are accessible to all as well as develop a more efficient and safe transport system for increased productivity and reduced negative impacts on environment and the climate" may be implemented in indirect management with Kenya in accordance with Article 58(1)(c) of the Regulation (EU, Euratom) No 966/2012 applicable by virtue of Article 17 of Regulation (EU) 2015/323 according to the following modalities:

The partner country will act as the contracting authority for the procurement and grant procedures. The Commission will control ex ante all the procurement and grant procedures.
Payments are executed by the Commission.

In accordance with Article 190(2)(b) of Regulation (EU, Euratom) No 966/2012 and Article 262(3) of Delegated Regulation (EU) No 1268/2012 applicable by virtue of Article 36 of Regulation (EU) 2015/323 and Article 19c(1) of Annex IV to the ACP-EU Partnership Agreement, the partner country shall apply procurement rules of Chapter 3 of Title IV of Part Two of Regulation (EU, Euratom) No 966/2012. These rules, as well as rules on grant procedures in accordance with Article 193 of Regulation (EU, Euratom) No 966/2012 applicable by virtue of Article 17 of Regulation (EU) No 2015/323, will be laid down in the financing agreement concluded with the partner country.

<table>
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<tr>
<th>Component</th>
<th>Type of financing (works, supplies, or service contract, grant, programme estimate)</th>
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<tbody>
<tr>
<td>Component 1: Capacity Development facility to the energy and transport sector</td>
<td>Service contracts</td>
</tr>
<tr>
<td>Component 3: Investment project preparation facility</td>
<td>Service contracts</td>
</tr>
</tbody>
</table>

5.5 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

The Commission’s authorising officer responsible may extend the geographical eligibility in accordance with Article 22(1)(b) of Annex IV to the ACP-EU Partnership Agreement on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realization of this action impossible or exceedingly difficult.
5.6 Indicative budget

<table>
<thead>
<tr>
<th>Component</th>
<th>EU contribution (amount in EUR)</th>
<th>Indicative third party contribution, in currency identified</th>
</tr>
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<tbody>
<tr>
<td>5.4.1.1 Direct Grant (direct management) Component 2: Support to Kenyan road safety policy and programme</td>
<td>4 300 000 EUR</td>
<td>1 100 000 EUR</td>
</tr>
<tr>
<td>5.4.1.2 Procurement (direct management) Component 3: Investment project preparation facility</td>
<td>1 500 000 EUR</td>
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<td>5.4.1.3 Indirect management with Kenya Component 1: Capacity Development facility to the energy and transport sector Component 3: Investment project preparation facility</td>
<td>5 500 000 EUR</td>
<td>N.A.</td>
</tr>
<tr>
<td>5.4.1.3 Indirect management with Kenya Component 1: Capacity Development facility to the energy and transport sector Component 3: Investment project preparation facility</td>
<td>6 500 000 EUR</td>
<td>N.A.</td>
</tr>
<tr>
<td>5.9 – Evaluation, 5.10 - Audit</td>
<td>200 000 EUR</td>
<td>N.A.</td>
</tr>
<tr>
<td>5.11 – Communication and visibility</td>
<td>To be funded from other sources</td>
<td>N.A.</td>
</tr>
<tr>
<td>Contingencies</td>
<td>2 000 000 EUR</td>
<td>N.A.</td>
</tr>
<tr>
<td>Totals</td>
<td>20 000 000 EUR</td>
<td>1 100 000 EUR</td>
</tr>
</tbody>
</table>

5.7 Organisational set-up and responsibilities

For components 1 and 3, the project will be implemented according to the ex-ante decentralised management mode. The National Authorising Officer in his overarching capacity of the Contracting Authority shall provide the relevant delegations to streamline operational implementations. Delegated Contracting Authorities will be the Ministry of Transport and Infrastructure and Ministry of Energy and Petroleum.

The project supervisors, under the authority of the Contracting Authority, will be in charge of the day to day procurement and monitoring of the contracts. The project supervisors will be the respective departments/authorities benefitting from the support.

One of the studies foreseen under component 3 is a complementary study to the on-going centrally managed study on Nairobi Bus Raid Transit network (CTR 359-176, funded under the 10th EDF). To ensure continuity, this will study will be implemented through direct management mode.

For component 2, a direct grant will be awarded to the NTSA who will be in charge of the implementation of the component.
Three **accompanying measures** are identified to be implemented by the Government during the project implementation period to optimize the impact of the project:

- to establish a sound institutional framework to implement the devolution process in the transport sector;
- to establish a sound institutional framework to enable the successful implementation of urban mobility projects in Nairobi Metropolitan Area;
- to provide sufficient resources (in terms of staff, equipment, information system etc) to the beneficiaries of the Capacity development facility and to the NTSA to enable them to fully benefit from the programme.

A **steering committee**, bringing together representatives from the EU, the Kenyan Government, the NTSA and other stakeholders involved in the project implementation, will be established and meet at least on a yearly basis to ensure proper monitoring of all components of the project.

### 5.8 Performance monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner’s responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the logframe matrix. The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

### 5.9 Evaluation

Having regard to the importance and the nature of the action, a **final evaluation and possibly a mid-term evaluation and an ex-post evaluation** will be carried out for this action or its components via independent consultants contracted by the Commission.

The final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision).

The mid-term evaluation will be carried out if a need emerged during implementation and for example if problems arise during implementation.

The Commission shall inform the implementing partner at least one month in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.
The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Indicatively, one contract for evaluation services shall be concluded under a framework contract at the end of the project implementation period and, if need be, another contract at mid-term of the project implementation period.

5.10 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

Indicatively, one contract for audit services shall be concluded under a framework contract in the second year of the project implementation period.

5.11 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

Communication and visibility activities for this project will be implemented as part of a centrally managed contract covering all EU cooperation activities in Kenya in order to increase coherence in the EU's communication strategy. This contract is fully funded from other sources, hence no budget for Communication and Visibility is foreseen within this project. Care will be taken that substantial visibility will be given to all activities described in this Action Document.

APPENDIX

Indicative Logframe Matrix
APPENDIX - INDICATIVE LOGFRAME MATRIX

The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action without an amendment to the financing decision. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for listing the activities as well as new columns for intermediary targets (milestones) when it is relevant and for reporting purpose on the achievement of results as measured by indicators.

<table>
<thead>
<tr>
<th>Intervention logic</th>
<th>Indicators</th>
<th>Baselines (incl. ref year)</th>
<th>Targets (incl. ref year)</th>
<th>Sources and means of verification</th>
<th>Assumptions</th>
</tr>
</thead>
</table>
| **Overall objective:** Impact | - gross domestic product (GDP) per capita  
- Poverty index  
- Annual per capita energy consumption | 1246 USD in 2013  
39% in 2012  
155 kWh in 2014 | 2270 USD in 2020  
30% in 2020  
200 kWh in 2020 | Ministry of Finance  
Ministry of Energy & Petroleum | |

| Specific objective: Outcome | - Number of additional people with access to modern energy  
- Additional MW generated from renewable energy sources  
- Percentage of paved road network in good condition  
- Reduction of travel time along selected transport routes  
- Number of injuries/deaths in traffic accidents | 0 in 2015  
0 in 2015  
40% in 2013  
0 in 2015  
3000 per year in 2013 | 300,000 in 2020  
40MW in 2020  
42% in 2016  
46 % in 2020  
25% in 2020  
2850 per year in 2016  
2700 per year in 2018 | Ministry of Energy & Petroleum  
Ministry of Transport and Infrastructure | |
<table>
<thead>
<tr>
<th>Outputs</th>
<th>Intervention logic</th>
<th>Indicators</th>
<th>Baselines (incl. ref year)</th>
<th>Targets (incl. ref year)</th>
<th>Sources and means of verification</th>
<th>Assumptions</th>
</tr>
</thead>
</table>
|         | Result 1 - Improved governance in the energy and transport sector as a result of better institutional and organisational management; | - Documented working procedures and manuals for various systems and procedures in Ministries/Agencies/Authorities  
  - PPP frameworks developed and/or strengthened  
  - Modelling systems developed and operational | Not in 2015  
  0 in 2015  
  0 in 2015 | 50% in 2017  
  2 in 2017  
  1 in 2017  
  1 in 2018 | Records from NAMATA, Nairobi City County, Energy Regulatory Commission, Kenya Power, Ministry of Transport & Infrastructure, Ministry of Energy & Petroleum  
 Medium Term Reviews  
 End of Term Evaluations  
 Modelling scenarios produced | Establishment and operationalisation of Nairobi Metropolitan Area Transport Authority |
|         | Result 2 - Increased capacity of the Government to improve road safety; | - Documented working procedures and manuals for various systems and procedures in NTSA  
  - Human resources training plan developed and implemented in NTSA  
  - Number of traffic accidents recorded in new traffic accident database.  
  - Implementation (%) of areas 1 & 2 of NTSA 4 year priority action plan | Not in 2015  
  0% in 2015  
  0% in 2015 | 50% in 2017  
  50% in 2018  
  4,000 in 2017  
  10,000 in 2019  
  16,000 in 2021  
  20% in 2017  
  50% in 2019  
  75% in 2021 | NTSA records  
 Medium Term Reviews  
 End of Term Evaluations | NTSA departments adequately staffed and operational |
|         | Result 3 - Pipeline of sustainable infrastructure projects adequately prepared and ready for financing. | - Number of sustainable infrastructure projects ready for financing | None in 2015  
  1 in 2018  
  1 in 2019  
  1 in 2020 | | Studies formally approved by Ministry of Transport & Infrastructure or Ministry of Energy & Petroleum |