

# TERMS OF REFERENCE

## *KENYA INFF OVERSIGHT COMMITTEE*

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### Background

Kenya has made a commitment to implement the Sustainable Development Goals (SDGs). It has integrated SDGs with baseline indicators into national and subnational planning, including the third five-year national Medium Term Plan (MTP III) and the County Integrated Development Plans (CIDPs) for 2018-2022, and has institutionalized roles and responsibilities for the implementation of these SDG-aligned development plans. In addition, it has prepared and presented two Voluntary National Reviews (VNRs) to the United Nations High-level Political Forum on Sustainable Development (HLPF) in 2017 and 2020, reporting progress made in the creation of an enabling environment for the SDGs implementation, and progress on all the 17 Goals since 2017, as well as identifying challenges and sharing the best practices in the country with the international community.

However, financing the implementation of policies and programmes to achieve the SDGs has been challenging in Kenya. The key challenge is lack of an integrated approach to financing the SDGs, given the huge public finance gap for SDGs achievement in the Decade of Action. This has resulted in insufficient synergies and trade-offs between SDG-oriented policy areas (e.g., industrialization, environment, employment), impacting adversely on mobilizing private finance towards the SDGs.

Mobilizing public and private financial resources required to achieve the SDGs faces significant challenges, ranging from designing and implementing financing policies, through managing complex financing instruments, to effective coordination of diverse stakeholders for a common goal. Challenges in public finance still exist, despite significant strides in strengthening public financial management systems, including through tax reforms. The high public debt level of 58% of GDP in 2019 means a significant share of revenue is and will be spent on debt service payments. Meanwhile, private sector is yet to fully exploit SDG-oriented investment opportunities due to a combination of factors, including rigid business environment, lack of coherent investment policies, and lack of institutional back-up and coordination, among others.

The ongoing COVID-19 pandemic has been compounding various aspects of socio-economic development in Kenya, causing serious consequences on the economy, education, health, unemployment, gender inequality, tourism, agriculture, manufacturing and trade among others. The government has adopted a number of containment measures, including social distancing and heightened restrictions in most non-essential social spaces to gatherings, encouragement of teleworking where possible, establishment of isolation facilities, and limitations on public transportation passenger capacity. These containment measures have also had a significant impact on the economy. Kenya's GDP growth is projected to decline to -0.3% in 2020 from 5.4% in 2019, according to the IMF.

The government has taken various fiscal measures to mitigate the pandemic impact, e.g., reallocation of an earmarked Ksh40 billion budget (0.4% of GDP) in health sector, social protection and funds for expediting payments of arrears to businesses; reallocation of a Ksh56.6 million (0.5% of GDP) economic stimulus package that includes a new youth employment scheme, provision of credit guarantees, fast-tracking payment of VAT refunds and other government obligations, increased funding for cash transfers, and several other initiatives; and a package of tax relief measures for affected businesses and persons. These relief measures have been compressing the already limited fiscal space, diverting financing resources from development projects towards tackling COVID-19.

Given the context above, it is crucial for Kenya to establish an Integrated National Financing Framework (INFF) with holistic, foresighted and risk-informed planning and financing strategies for its sustainable recovery and development priorities at both national and subnational levels. This Development Finance Assessment project, as a solid assessment of the financing landscape and relevant policy and institutional landscape at national and subnational levels, is part of the joint efforts of the UN Country Team in Kenya to support the country in putting in place such an INFF. The goal will be to provide solutions to and recommendations on strengthening the financing system in Kenya to not only use existing financial resources more effectively and efficiently but also mobilize additional financing for achieving the SDGs.

*This TOR outlines the purpose and role of the oversight committee with a particular focus on the process of designing and operationalising the integrated national financing framework. It will be revisited and updated as necessary once the INFF is operational.*

## Role of the INFF Oversight Committee

The oversight committee is the body charged with leading the integrated national financing framework (INFF). They will guide the process of designing and operationalising the INFF and use it on an ongoing basis to manage and coordinate policies across public and private finance.

The oversight committee will guide a series of assessment and diagnostic exercises that compile and generate evidence on financing needs, trends, risks and binding constraints. They will use this to inform the design of a financing strategy for mobilising resources for and promoting alignment with national sustainable development priorities, deepens the integration of public and private financing policies with national sustainable development objectives, and builds coherency across financing policy areas. They will determine any necessary institutional adaptations, for example to monitoring and review frameworks, structures for internal government coordination or collaboration and dialogue with external actors. The oversight committee will use these structures to deliver the financing strategy once the INFF is operationalised, working closely with responsible policymakers across government as well as representatives of the private sector and other non-state actors.

The oversight team fulfils a critical function, guiding the development and eventual implementation of an Integrated National Financing Framework. The oversight team will be responsible for leading, guiding and shaping the Roadmap for developing an INFF and implementing it. Collaboratively the team will determine the scope and focus of the four building blocks to an INFF – focused on (i) analysis and diagnosis; (ii) developing a financing strategy; (iii) monitoring and review; and (iv) governance and coordination. The oversight team will play a leading role in facilitating and guiding the process and in developing, championing and taking forward the implementation of actions contained in the Roadmap.

To fulfil these functions the oversight committee will:

- Guide and oversee a series of activities during the process of operationalising the INFF, through the initial scoping and inception phase to the set-up and operationalisation of the INFF building blocks
- Convene actors from across government, the private sector and other actors
- Champion the added-value of the INFF
- Work with policymakers to design, commit to and implement the reforms needed to operationalise the INFF
- Work with development partners to access technical support for the INFF process
- Build capacity within national ministries to carry out the functions of the INFF once operational

## Institutional setting

The INFF Oversight Committee will be housed within the National Treasury and Planning

## Membership

The Oversight Committee membership will be comprised of the following

- *The National Treasury and Planning, (PS, Planning, the Chair of the oversight team, Alternate Chair, DG, Public Debt Management Office (PDMO), State Department for Planning.*
- *Ministry of Industrialization and Enterprise Development*
- *Kenya Revenue Authority*
- *Central Bank of Kenya*
- *UN Resident Coordinator*
- *UNDP Resident Representative*
- *EU Delegation*
- *IMF*
- *World Bank*
- *USAID*
- *Capital Markets Authority*
- *Public Private Partnership Unit*

Other representatives that may be included, depending on the scope of the INFF are:

- *Relevant line ministries and agencies*
- *Leadership of key public entities*
- *Council of Governors*
- *Parliamentarians*
- *Private sector representatives: e.g. chamber of commerce, industry federation, stock exchange*
- *Development partners, including International Financial Institutions and Multilateral Development Banks*
- *Representatives of civil society, NGOs or faith-based organizations, foundation, etc*

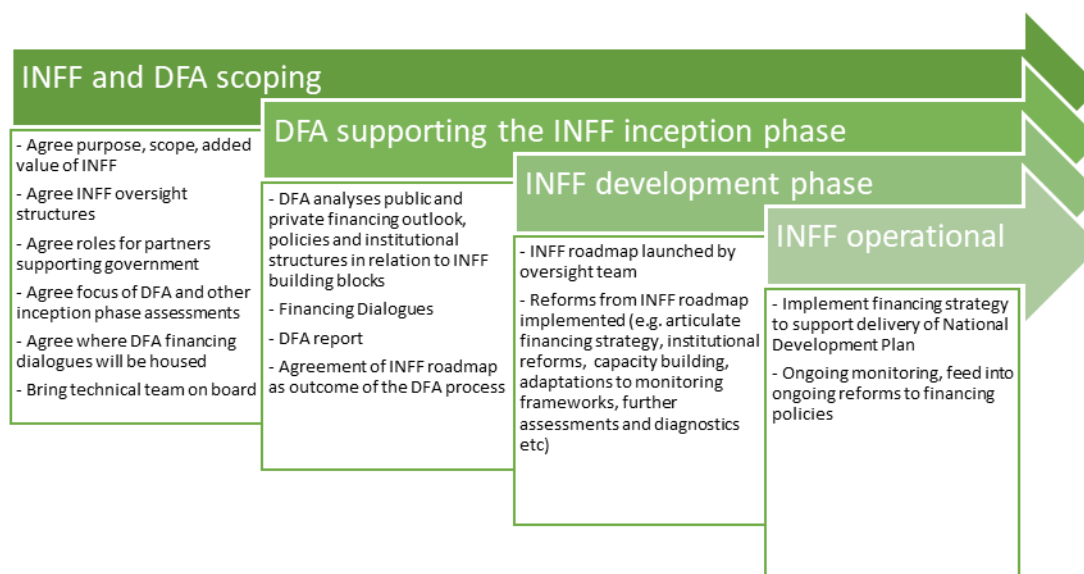
## Specific responsibilities

The specific responsibilities of the oversight committee include the following

- Determine the scope and specific objectives of the Roadmap for developing an INFF, including linkages with wider planned or ongoing reforms
- Oversee and feed into the development of a stakeholder map and engagement strategy
- Provide access to policy documents and data and convene and facilitate outreach to a broad constituency of stakeholders
- Oversee the work of the technical support to provide quality assurance and ensure that it stays within the agreed parameters, with the support of UNDP/UNCT and EU Delegation
- Provide oversight and feedback on the development of an INFF Roadmap
- Facilitate discussions at the consultation and validation workshops and launch of the INFF Roadmap, with the support of UNDP/UNCT and EU Delegation
- Champion the Roadmap among government actors and wider stakeholders
- Implement and oversee the implementation of the INFF Roadmap

## Process

The process of operationalising an INFF has four sequential phases, summarised as follows:



## Expected outcomes

The role of the Oversight Team is to lead the process of designing and operationalising the INFF. The expected outcomes within this process include:

### *INFF inception phase activities*

- Completion of assessments and diagnostics during the INFF inception phase:
  - *Activities to be undertaken during the inception phase can be listed here, for example:*
  - *Completion of a DFA lead by UNDP. The DFA will play a central role in the inception phase, bringing together analysis from across the financing landscape in relation to the INFF building blocks and facilitating the development of the INFF Roadmap*
- Agreement on an INFF Roadmap that will specify the steps to be taken to fully operationalise the INFF

### *INFF development phase activities*

- Articulation of a financing strategy that will sit at the heart of the INFF and bring together policies designed to mobilise public and private financing for national sustainable development
- Adaptation of monitoring frameworks to effectively track public and private financing for sustainable development priorities
- Development of capacity to effectively deliver the financing strategy
- Adaptation of governance and coordination structures
- Launch of financing strategy as the initialisation of INFF operations

### *INFF operations*

- Delivery of the financing strategy for more effective mobilisation of financial resources and sustainable development impact in line with national development priorities

**Note that this section of the TOR may be revisited and updated once the INFF Roadmap has been agreed at the end of the INFF inception phase.**