KENYA
COUNTRY PARTNERSHIP FRAMEWORK
FY2023-2028

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The date of the last Country Partnership Strategy (CPS) was May 8, 2014, and updated through a Performance and Learning Review (PLR) dated June 19, 2017, and further extended through the WBG COVID-19 Crisis Response Approach Paper.

THE REPUBLIC OF KENYA

COUNTRY PARTNERSHIP FRAMEWORK

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ABBREVIATIONS AND ACRONYMS

AFD	French Development Agency
AfDB	African Development Bank
ASA	Advisory Services and Analytics
ASALs	Arid and Semi-Arid Lands
CBK	Central Bank of Kenya
CCTP	Consolidated Cash Transfer Program
CLR	Completion and Learning Review
CPF	Country Partnership Framework
CPIA	Country Policy and Institutional Assessment
CPS	Country Partnership Strategy
CSOs	Civil Society Organizations
CWSCR	Coastal Region Water Security and Climate Resilience Project
DfID	U.K. Department for International Development
DPF	Development Policy Financing or Development Policy Forum
DPG	Development Partners Group
DPO	Development Policy Operation
EAC	East African Community
EACC	Ethics and Anti-Corruption Commission
ECD	Early Childhood Development
ECF	Extended Credit Facility
E&S	Environmental and Social
EFF	Extended Fund Facility
EIB	European Investment Bank
EPRA	Kenyan Energy and Petroleum Regulatory Authority
EU	European Union
FAO	UN's Food and Agriculture Organization
FCV	Fragility Conflict and Violence
FDI	Foreign Direct Investment
FY	Fiscal Year
GBV	Gender-Based Violence
GDP	Gross Domestic Product
GER	Gross Enrollment Ratio
GESDeK	Program to Strengthen Governance for Enabling Service Delivery and Public Investment in Kenya
GEWE	Gender Equality and Women's Empowerment
GIZ	Gesellschaft für Internationale Zusammenarbeit (German: Society for International Cooperation)
GoK	Government of Kenya
GPE	Global Partnership for Education
GRID	Green, Resilient and Inclusive Development
HCI	Human Capital Index
HDI	Human Development Index
HLO	Higher Level Outcome
HSNP	Hunger Safety Net Program
IBRD	International Bank for Reconstruction and Development
ICT	Information and Communications Technology
IDA	International Development Association
IEG	Independent Evaluation Groups
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IFMIS	Integrated Financial Management and Information System
IMF	International Monetary Fund
INT	Integrity Vice-Presidency
IPF	Investment Project Financing
IPP	Independent Power Producers
KES	Kenyan Shilling
KenGen	Kenya Electricity Generating Company
KNBTS	Kenya National Blood Transfusion Service
KPLC	Kenya Power and Lighting Company
KWCSR	Kenya Water Security and Climate Resilience Project
LMIC	Lower-Middle Income Country
M&E	Monitoring and Evaluation
MDAs	Ministries, Departments and Agencies
MIC	Middle-Income Country
MIGA	Multilateral Investment Guarantee Agency

MSMEs	Micro, Small and Medium Enterprises
NDC	Nationally Determined Contribution
NEDI	North and North-Eastern Development Initiative
NERs	Net Enrolment Rates
NSNP	National Safety Net Program
OAG	Office of the Auditor General or Office of the Attorney General
OECD	Organisation for Economic Co-operation and Development
PforR	Program for Results
PFM	Public Financial Management
PHC	Primary Health Care
PIM	Public Investment Management
PLR	Performance and Learning Review
PPA	Project Preparation Advance Performance and Policy Actions
PPPs	Public-Private Partnerships
RBF	Results-Based Financing
RCF	Rapid Credit Facility
SCD	Systematic Country Diagnostic
SDFP	Sustainable Development Financing Policy
SMEs	Small and Medium Enterprises
SOEs	State-Owned Enterprises
SP	Social Protection
SSA	Sub-Saharan Africa
TA	Technical Assistance
TFP	Total Factor Productivity
TTL	Task Team Leader
TVET	Technical and Vocational Education and Training
UHC	Universal Health Coverage
UMIC	Upper Middle-Income Country
UNDP	United Nations Development Program
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
VAT	Value Added Tax
WASH	Water, Sanitation and Hygiene
WSS	Water and Sanitation Services
WBG	World Bank Group
WFP	World Food Programme
WHO	World Health Organization
WHR	Window for Host Communities and Refugees

Kainuk bridge along Kitale- Lodwar Road in Turkana County constructed under the Africa Regional Transport, Trade and Development Facilitation Project
Photo: KENHA

I. INTRODUCTION

1 **This Country Partnership Framework (CPF) sets out the World Bank Group's (WBG) strategy for supporting *Kenya's Vision 2030* and to reduce extreme poverty and increase shared prosperity over the period FY23-FY28.** Originally planned for FY21, the CPF was delayed by the onset of the Coronavirus Disease 2019 (COVID-19) pandemic[1] and the extra time allowed for an extended consultation process. It builds on the previous WBG Country Partnership Strategy (CPS) FY14-FY20 for Kenya, the experience of the pandemic, and its implementation should help lay the foundations for Kenya to become an inclusive and successful Upper Middle-Income country (UMIC).

2 **Kenya outperforms its peers in many respects, yet poverty and inequality have fallen more slowly in recent years.** Kenya stands out for its high levels of human capital with the third highest Human Capital Index at 0.55 in Sub-Saharan Africa (SSA), rapid increases in access to electricity (now at 75 percent), and the resilience of its economy in the face of multiple shocks. But the country is marked by significant disparities and corruption remains an important challenge. Kenya's international poverty rate[2] declined from 43.8 to 35.8 percent during 2005-19, but the poverty elasticity of growth, already trailing other Lower Middle-Income Countries (LMICs), also declined from 0.43 (2005-15) to 0.27 (2015-20). The Gini index fell between 2005 and 2015 but appears to have stagnated while Kenya's north and northeast counties remain significantly worse off with poverty rates just under 70 percent. The COVID-19 pandemic is estimated to have increased poverty by 4 percentage points. Adult vaccination rates are expanding steadily reaching 32.6 percent in July 2022. Kenya's demographic trends offer two early and critical dividends: a stabilizing share of children which can help free up fiscal space to tackle service gaps and quality; and a bulge in the cohort moving through working life who have benefited from significant human capital investments and who will face lower dependency ratios (see Box 1).

1 Given the disruptions and uncertainties brought on by the COVID-19 pandemic, the WBG COVID-19 Crisis Response Approach Paper (June 2020) extended CPFs ending between late 2020 and early FY22 for approximately one year.

2 US$1.90 in Purchasing Power Parity terms.

3 **To become an inclusive and successful UMIC, Kenya should try to avoid common Middle-Income Country (MIC) traps of low productivity and persistently high inequality, that could ultimately slow growth and threaten social stability.** Pivoting toward a more private sector-led growth model that emphasizes job creation, levels the field for competition and innovation, raises public spending efficiency, and captures the benefits of global and regional integration, could be key to accelerate inclusive growth. Kenya can complement its strong investments in human capital and basic services by accelerating efforts to elevate lagging regions/groups as well as tackling constraints to women's economic outcomes. Given the impact of climate change, continued investments in adaptation and renewed attention to mitigation to stem deforestation, land/water degradation and biodiversity loss are essential. Strengthening devolution is necessary to address the inequities that threaten Kenya's UMIC ambitions.

4 **The CPF draws on Kenya's Vision 2030, a Systematic Country Diagnostic (FY20), a Country Private Sector Diagnostic (FY19), lessons from the CPS Completion and Learning Review (FY22), and over 34 stakeholder consultations.** It aligns directly with the World Bank's Africa Strategy – i.e., jobs and economic transformation (JET), digital economy, human capital, universal access to electricity, climate change mitigation and adaptation, and fragility conflict and violence (FCV), and achieving gender equality. The CPF program will also complement Kenya's own policy, public and private sector capacities, and financial commitments in areas already yielding good results by targeting WBG support toward emerging MIC issues (e.g., external competitiveness, universal health and social insurance), completing some agendas that still require public financing (universal access to electricity, digital inclusion), and accelerating progress where Kenya still lags LMIC comparators (water and sanitation, environmental conservation, and women's economic empowerment).

5 The CPF aims to achieve three Higher Level Outcomes (HLOs) through seven CPF Objectives. HLO1 focuses on ***faster and more equitable labor productivity and income growth*** supported by CPF Objectives to: (1) boost fiscal and debt sustainability; (2) strengthen the efficiency and transparency of public spending; (3) boost Micro, Small and Medium Enterprise (MSME) and small producer success for job creation. HLO2 aims for ***greater equity in service delivery outcomes*** supported by CPF Objectives to: (4) shrink disparities in health and learning outcomes; and (5) extend sustainable infrastructure services to the last mile (both remote rural communities and informal urban settlements). HLO3 is ***greater resilience and sustainability of Kenya's natural capital***, supported by Objectives to: (6) increase household resilience to, and national preparedness for, shocks; and (7) reduce Kenya's extreme water insecurity in the face of climate change.

6 **Given Kenya's blend status[3], CPF financing will comprise resources from both the International Development Association (IDA) and the International Bank for Reconstruction and Development (IBRD).** Financing will be used in ways consistent with the Sustainable Development Financing Policy (SDFP), IBRD's financial capacity, and that support Kenya's objective to move toward Low risk of debt distress. The World Bank program will consolidate around core agendas, while support from the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA) will mobilize more private capital. The overall risk to achieving the CPF's objectives is Substantial with particular attention to political and governance, macroeconomic, fiduciary, and social risks.

[3] Blend status countries are simultaneously eligible for IDA financing, based on per capita income levels, and considered sufficiently creditworthy to access IBRD resources.

Public Participation
Photo: World Bank

II. COUNTRY CONTEXT AND DEVELOPMENT AGENDA

A. Social and Political Context

7 **Kenya is among the most ethnically diverse countries in the world with an evolving political structure focused on balancing competition, fostering national unity, and securing equitable development.** In the past, political competition was mired in patron-client networks with access to resources and services often ethnically aligned, resulting in widening disparities and concerns over political exclusion. These tensions culminated in political violence in 2007, after which the country came together to address long term needs and developed a new Constitution (2010) aimed at redressing imbalances and securing stronger avenues for voice and participation. Since then, the country has held three largely peaceful and increasingly transparent general elections in 2013, 2017 and 2022.

8 **The 2010 Constitution brought a major shift in Kenya's governance structure ('devolution') by establishing 47 county governments with executive, legislative, and regulatory powers.** First elected in 2013, county governments were assigned 15 percent of national revenues, and made responsible for delivering specific services --- i.e., health, agriculture, pre-school and vocational education, water and sanitation, environmental conservation, and local roads. County governments are now established and expanding services that help reduce spatial inequality. The past three local election cycles reflect a gradual shift towards greater demand for performance and away from traditional voter patronage. Intergovernmental arrangements and political settlements continue to evolve.

9 **Kenya has seen notable improvements in governance since introducing the 2010 Constitution.** The Constitution confirmed the separation of powers between the executive, legislative and judicial branches. Improvements were also evident in judicial and other actions since 2017 and as evidenced following the 2022 election. Concerning voice, accountability, rule of law, and regulatory quality, Kenya fares well within Sub-Saharan Africa (SSA), but scores lowest in public sector management and institutions versus other areas on the World Bank Country Policy and Institutional Assessment (CPIA) ratings[4].

[4] The World Bank's CPIA is an annual diagnostic tool that assesses IDA-eligible countries against 16 criteria across four areas: economic management; structural policies; policies for social inclusion; and public sector management and institutions.

10 **Significant challenges remain around corruption.** The government has stepped up its anti-corruption efforts with several new laws and institutions. Nonetheless, the 2019 Global Corruption Barometer survey indicates that the issue continues to rank among Kenya's top two challenges (surpassed only by health in 2019 and the economy in 2021) with survey respondents suggesting it is on the increase.

11 **Kenya continues to be affected by fragility, with persistent intercommunal conflicts over scarce resources, displacement, and spillovers from radicalization in the Horn of Africa.** In Kenya's arid north and northeast counties, where poverty is 68 percent compared to 32 percent in the rest of the country (2016), intercommunal violence over pastures and water resources also reflects ethnic and sectarian divisions. The scale of forced displacement across the greater Horn has left Kenya hosting Africa's fifth largest and most protracted refugee situation in camps located in its poorest counties.

B. Economic Trends and Prospects

12 **Kenya's economy has shown considerable resilience through the COVID-19 pandemic.** The economy is staging a significant, if uneven, recovery with GDP growing by 7.5 percent in 2021 after contracting by 0.3 percent in 2020. The agriculture sector remained resilient and grew by 4.8 percent in 2020, albeit followed by a decline of 0.2 percent in 2021 on account of an ongoing drought. Services rebounded by 9.8 percent in 2021 after a contraction of 2.5 percent the previous year, and manufacturing by 6.8 percent in 2021 compared to a 0.4 percent decline in 2021. The construction and utilities sectors remained buoyant, increasing by 6.6 and 5.0 percent, respectively.

13 **Kenya's robust economic growth over the past decade has outperformed its LMIC peers.** From 2010 to 2019, annual Gross Domestic Product (GDP) growth averaged 5 percent with a growing number of better-educated and healthier Kenyans entering the labor force and contributing more than any other factor to the country's rising GDP. Labor force expansion and rising capital stocks have both contributed to GDP growth (approximately 2.3 percent each from 2004 onwards). However, growth in Total Factor Productivity (TFP)[5] has contributed only 0.9 percentage points annually, lagging Kenya's neighbors as well as its aspirational peers.

14 **Kenya's growth has been driven by private consumption and public spending, crowding out private investment and dampening net exports.** Rising private consumption (driving poverty reduction) have been a main driver of growth (contributing 2.8 percentage points to annual GDP growth during 2017-21), followed by public investment (1.0 percentage points) and government consumption (0.7 percentage points, most going to wages and debt servicing). Meanwhile, private investment's contribution to growth remains weak, with Kenya's total investment rate hovering just under 20 percent of GDP. Declining external competitiveness, compounded by global economic developments, saw exports make a minimal contribution to growth (0.1 percentage points between 2017-21). With imports growing rapidly, in part due to capital spending on public investments, net exports are constraining growth.

15 **Kenya's recent growth coincided with a significant increase in debt and a reduction in fiscal space.** Alongside the government's expansionary fiscal stance since 2013, revenues have not kept pace with spending. Public revenues fell from 18.1 percent of GDP in 2014 to 16.1 percent in 2019. The related deficits have been financed through debt with an increase in commercial borrowing. Public debt rose from 39 percent of GDP in 2012 to 68 percent by mid-2021, and interest costs from 13.4 percent of revenues in FY13/14 to around 27.5 percent in FY21/22 (some three-quarters owed to foreign creditors). Ongoing uncertainties around COVID-19, the war in Ukraine, and adverse weather conditions pose significant risks, including to plans for fiscal consolidation. Kenya's debt remains sustainable, but its risk of debt distress has shifted from Low to High (Annex 4).

[5] TFP broadly captures both productivity growth and innovation.

C. Poverty, Inequality and Employment

16 **Though economic growth contributed significantly to poverty reduction in Kenya, growth has become less pro-poor in recent years.** Robust GDP per capita growth since 2005, along with growth in private consumption, saw the share of the population living below the international poverty line[6] fall from 43.9 to 33.4 percent (2015-2019); it then rose to an estimated 35.7 percent in 2020 due to the COVID-19 pandemic. Although poverty in Kenya remains below the SSA average and among the lowest in East Africa, it is notably higher than other LMICs (9.9 percent in 2019). At 0.57 (2005-15), the poverty elasticity of growth is lower than other LMICs. To eradicate extreme poverty by 2030, an annual reduction of 6.1 percent is needed.

17 **Inequality in Kenya fell between 2005-2015 but has stagnated through 2019.** Kenya's Gini index decreased from 0.45 to 0.39 between 2005 and 2015. Households in the bottom 40 percent of the income distribution saw annual consumption grow by 2.9 percent while the bottom quintile saw increases of 3-4 percent per year. However, this trend reflected increases in national income rather than significant shifts in resource distribution which remains too skewed for inclusive growth.

18 **The fall in monetary poverty in Kenya was matched by significant improvements in dimensions of non-monetary poverty.** Kenya's Human Development Index rose from 0.48 in 2005 to 0.60 in 2019, surpassing the SSA average and reaching the 85th percentile of LMICs. Notable improvements include: education enrollment with the secondary gross enrollment ratio (GER) reaching 70 percent (2019); births in health facilities rising to 93 percent (2019); and electricity access tripling to 75 percent (2019).

FIGURE 1: Poverty Incidence

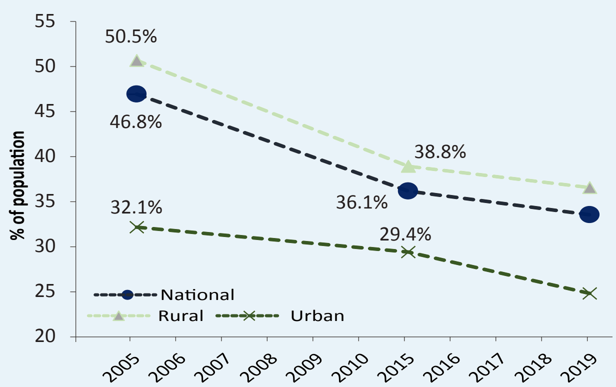


FIGURE 2: Gini Inequality Index

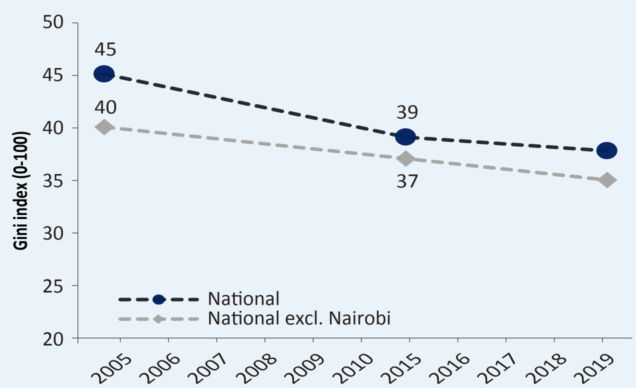


FIGURE 3: Poverty in NEDI /Non-NEDI Counties

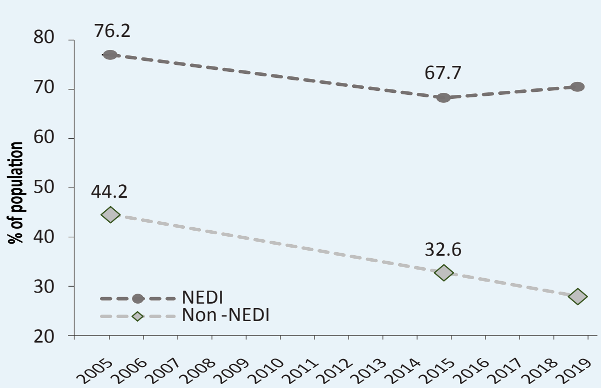
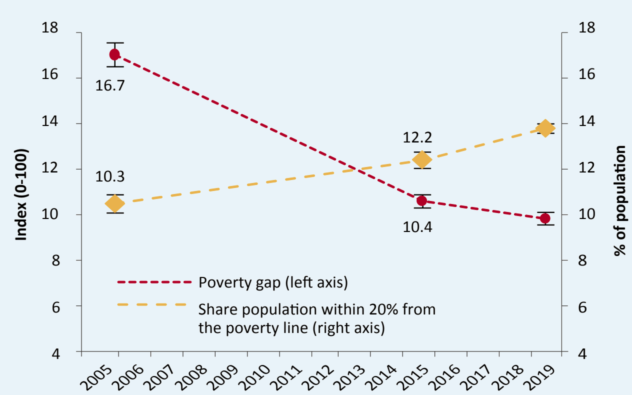


FIGURE 4: Poverty Gap and Vulnerable Population



Note: The 2019 projections are based on simulations of consumption using the 2019 Kenya Continuous Household Survey (KCHS) and the 2015-16 KIHBS (using SWIFT methodology). The Gini index excludes 10 households in 2019 as their consumption values were outliers.

[6] US$1.90 in Purchasing Power Parity (ppp) terms.

19 **However, these welcome outcomes mask significant disparities and pockets of deprivation and many were likely worsened by the COVID-19 pandemic.** Poverty remains far higher in Kenya's north and northeast counties. Although poverty fell in these counties during 2005-15, the decline was slower than in the rest of Kenya with the gap remaining relatively constant even as the broader rural-urban poverty gap shrank from 18.4 to 9.4 percent. New estimates suggest that the gap for the north and northeast widened through 2019. The decline in urban poverty has not kept up with demographic shifts as the share of poor living in urban areas increased from 14 to 23 percent (with 46 percent of the urban poor living in slums). Some non-income disparities remain extreme --- e.g., primary net enrollment is 42 percent in Garissa compared to 96.8 percent in Nyeri; women's labor force participation is 21 percent in Marsabit vs. 64 percent nationally; and in 11 counties only 50 percent of households access improved water sources while in 10 counties over 80 percent do so.

20 **Vulnerability has increased among the non-poor.** The average poverty gap decreased by 6.3 percent between 2005 and 2015 (Figure 4) as consumption levels of the poor increased. However, the share of population with expenditure levels up to only 20 percent above this threshold (and at risk of falling back into poverty from an adverse shock) rose during this period. More than one-third of non-poor Kenyans are classified as vulnerable, with vulnerability most common in households that derive most of their income from agriculture, with low levels of education, and/or headed by women.

21 **Growth and structural transformation allowed many Kenyans to transition out of agriculture during 2005-19, but this transformation has since stalled and remains uneven.** During 2005-15, the share of employment in agriculture declined from 58 to 47 percent (from 70 to 45 percent in the Central region) but then stagnated at 47 percent during 2016-19. During this period, formal employment also stayed at 17 percent and industrial employment declined to 10 percent. Services jumped 8 percentage points to reach 42 percent, but much of this was in the informal sector which captures 89 percent of net employment growth, outside of small-scale farming and pastoral activities.[7] Overall, Kenya's employment rate declined by 6 percentage points to 65 percent in 2019, and the unemployment rate rose from 3.0 to 5.5 percent, accompanied by more inactivity among women and those in the counties covered by the North and North-east Development Initiative (NEDI). Wage employment remains concentrated in urban areas - 59 percent versus 18 percent in rural areas, and for women it is almost half the share of men.

D. Natural Capital and Climate Resilience

22 **Kenya is a high-risk, low-readiness country with respect to climate change.** Kenya ranks 148 out of 182 countries in the 2019 Notre Dame Global Adaptation Initiative (ND-GAIN) Country Index of climate change vulnerability and 35th among countries least prepared for climate change. Kenya's projected warming of 2.8˚C exceeds the global mean for the 21st century with extreme weather events increasing in frequency through 2100. Drought-induced food insecurity episodes have increased from every 20 years (in the 1980s) to every 2-3 years, affecting on average 4.8 million people. In 2020, floods in Kenya displaced more than 800,000 people.

23 **Climate change is complicating Kenya's pursuit of equitable development.** Kenya is already a water-scarce scarce country with variable, low, and declining freshwater resources against rising demand. The country's water availability has halved in the past 30 years with now less renewable freshwater per capita than Somalia. In Kenya's Arid and Semi-Arid Lands (ASALs) which constitute 80 percent of its land area and 36 percent of the population, households and businesses depend primarily on climate-sensitive activities. The impact of climate change on Kenya's agriculture, livestock, and fisheries sectors and its biodiversity is expected to intensify in coming decades. Relatedly, growing levels of internal climate migration (models estimate 8 percent of the population by 2050) will generate corresponding pressures on Kenya's social stability.

24 **The effects of climate change are being exacerbated by unsustainable land use practices in Kenya that further deforestation, land degradation, and biodiversity loss.** Three-quarters of Kenya's renewable surface water comes from

7 KNBS, Kenya Economic Survey 2021.

forested land, but critical watersheds are degrading rapidly due to poor land-use practices, deforestation, and encroachment on riparian lands. Kenya has lost 12,400 ha of forest annually from 1990 to 2015. Closed canopy forest once covered 12 percent of Kenya's land area but now covers only 1.7 percent. Erosion hotspots affect about half of the land area in Kenya's river basins with one in four Kenyans subsisting on degrading land. Kenya lost more than 68 percent of its wildlife between 1977 and 2016, in part due to landscape fragmentation and agricultural expansions. Further declines could threaten its tourism sector, which generated 8.2 percent of GDP in 2019 and 8.5 percent of employment, the highest multipliers in Kenya's northern regions.

E. Development Opportunities and Challenges

25 **The SCD identified three critical pathways to reduce poverty and increase shared prosperity in Kenya:** boosting productivity and job creation; reducing inequality of opportunities through advancing human capital; and improving governance for service delivery. Since the SCD's publication, Kenya has been hit by: the COVID-19 pandemic; a desert locust infestation; extreme drought in the Horn of Africa; global supply chain challenges; rising food, fertilizer and fuel prices resulting from the war in Ukraine; and now shifting rivalries in the global economy. These combined shocks are accentuating social vulnerabilities and inequities that, if not addressed, could entrench inequality along Kenya's path to becoming a UMIC. Recent analysis[8] also highlights the urgency of Kenya's job creation challenge given its particular demographic trends (see Box 1 below) while the evolving global economy offer new opportunities for Kenya to reposition itself within global value chains. Finally, the intensifying pressures of climate change have brought new attention to the rapid depletion of Kenya's natural capital.

Boosting productivity and job creation

26 **The re-calibration of Kenya's growth model to boost productivity and private sector job creation will require both macro level interventions that focus on growth and competitiveness and micro level interventions that focus on inclusivity.** Recent growth which resulted from consumption and government spending has narrowed the country's fiscal space, increased debt vulnerabilities,

BOX 1: Capturing Kenya's Double Demographic Dividends

Kenya's first demographic dividend is due to this stabilizing share of children which provides fiscal space to tackle critical service delivery gaps and improve the quality of education and health to meet the changing age structure.

Kenya's second demographic dividend will come from the immediate increase in its working age population (25-64), which will grow from about 20 percent now to around 40 percent by 2050 but decline thereafter. Because of the country's sizable investments in human capital, this cohort will form Kenya's best educated and healthiest workforce from 2025 onwards with the potential to boost economic growth over their working life. They are expected to be more productive while supporting a smaller group of dependents. This share of the population is expected to settle at 18 percent by 2050, with those aged 65+ years reaching 15 percent by 2075. However, without a significant increase in labor-intensive economic growth, this youth bulge could be marked by unemployment and inactivity.

Kenya should not miss this rare opportunity to reap its first demographic dividend and prepare well for the second. Kenya's demographic trends are diverging from some other SSA countries; transitions in fertility and mortality that started 30-40 years ago are now taking hold. Following a steady rise in modern contraception use, a decline in the desired number of children and falling death rates, Kenya has one of SSA's slower population growth rates (2.28 pa). Though the population is still youthful (40 percent under 14 years and 21 percent between 15-24 years), the base of the population pyramid is beginning to stabilize. Projections suggest that the cohort of children could stabilize at about 25 percent during 2030-40 and the fertility rate could decline to replacement level in 25 years.

8 Kenya Economic Update (December 2021).

and has not generated the necessary jobs. As such, Kenya must transition to a growth model that boosts performance in under-performing drivers: private investment, exports and productivity growth, which are all important for enhancing long-run potential GDP and ramping up creation of better-quality jobs for new labor market entrants. Doing so will require reforms at the macroeconomic level (e.g., fiscal, trade and investment reforms) as well as microeconomic interventions (e.g., contestability of markets) to help ensure that growth is inclusive, not subject to elite capture and that the benefits extend to vulnerable, or otherwise marginalized, groups.

27 **At the macroeconomic level, Kenya should persevere with fiscal consolidation to avert macroeconomic instability and strengthen the climate for private investment.** Maintaining Kenya's multi-year fiscal consolidation effort with step changes in debt transparency, fiscal sustainability (domestic resource mobilization) and public expenditure efficiency will be essential while continuing to implement reforms under the SDFP (see Annex 4). Global economic headwinds and increasing climate variability also highlight the need to gradually rebuild fiscal buffers and establish more robust risk financing mechanisms. In addition to broadening its tax base, revenue mobilization efforts should focus on closing leakages and integrating tax collection systems across national and local governments. Continued implementation of Kenya's new debt management strategy – which has already yielded a 7.5 percent reduction in the share of expensive commercial debt since 2019 – should help to reduce crowding out of the private sector in financial markets and help raise Kenya's stock of private sector credit to GDP from 25.2 percent toward the LMIC average of 46 percent.

28 **Kenya stands to benefit significantly from existing[9] and emerging trade and investment agreements with new opportunities from evolving global value chains potentially accelerating growth and job creation.** Realizing the full potential of these opportunities will require more vigorous implementation of Kenya's Foreign Direct Investment (FDI) policy alongside improvements in logistics, regional infrastructure market rules, industry quality standards, and coordination mechanisms that will ready domestic firms to join global value chains. Maintaining its strategic advantage as an African hub requires that Kenya continue to improve its infrastructure – transport, power and digital – through both public and private investments and lead the integration of regional infrastructure markets. For example, Kenya ranks relatively well at 68 on the Logistics Performance Index (2018) but its systems are reaching their limit and the country should shift toward more efficient multimodal freight logistics.

29 **At the microeconomic level, rebalancing the sources of growth in Kenya will involve changing the role of the public sector in the market, improving contestability of markets, and cutting red tape.** The level of state intervention in Kenya's economy is significantly higher than other UMICs with the government maintaining state-owned enterprises (SOEs) that directly crowd out private investment in key sectors, such as manufacturing, retail, and banking. Given Kenya's narrowing fiscal space, the country should accelerate its Public Private Partnership (PPP) program and take steps to improve governance, increase transparency, minimize opportunities for corruption and balance risk between public and private sector players. The country also has notable restrictions on competition in some sectors including agriculture, construction, telecoms, insurance, and a few professional services. Rolling back these restrictions to facilitate effective competition and tackle de-jure or de-facto cartels (in public procurement and in private markets) would help boost innovation, lower prices, and create jobs. Significant gains would also come from simplifying Kenya's complex, costly, and unpredictable regulatory environment by streamlining regulations, licensing, administrative requirements and by leveling the playing field across the private sector.

30 **Boosting job creation and productivity will also require labor market interventions on both the demand and supply sides.** On labor demand, in addition to the measures in paragraphs

[9] Kenya was the first signatory of the African Free Trade Common Market in 2018, has concluded an Economic Partnership Agreement (EPA) with the UK in 2020, has started bilateral implementation of European Union-East African Community EPA in 2021 and is currently negotiating a Free Trade Agreement with the US that will position the country at the forefront of Africa as the US Africa Growth and Opportunities Act (AGOA) expires in 2025.

26-28 to spur larger scale private investment, Kenya should accelerate productivity improvements and commercialization of small producers as well as MSME access to finance, markets, and new technologies, given the dynamic role this segment of the private sector can play in near-term job creation. On the supply side, tackling barriers to women's economic participation (see Box 2) will require focused interventions to strengthen women's business skills, access to market information and business networks, and value addition. With 80 percent of the labor force in the informal sector, economy-wide productivity gains will occur only if workers see an increase in their productivity. Likewise, to ensure an inclusive labor market, more can be done to help vulnerable youth find jobs as well as support the informal sector where most Kenyans work.[10]

31 **Increasing productivity in the agriculture sector requires investments in infrastructure, value chains, and commercialization.** Despite agriculture's major role in employment (47 percent) and exports (65 percent), productivity growth has been elusive. The Agricultural Sector Transformation and Growth Strategy (2019-2029) aims to: (i) raise small producer incomes by scaling enterprises to provide inputs, processing, and aggregation; (ii) increase output and value-added through large private farms and processing hubs; and (iii) boost food security with community interventions in pastoralism and fishing. With Kenya's urban population expected to increase rapidly through 2050, stronger value chains and food systems would benefit nutrition, commercialization, and resilience. But further investments are needed in value addition, food safety institutions, and to stabilize regional trading rules.

32 **Unleashing Kenya's vibrant MSMEs is essential to accelerating the creation of better jobs.** MSMEs account for 99 percent of firms and 82 percent of jobs in both licensed and unlicensed firms. A recent study[11] finds that Kenya is at par with regional peers and outperforms some global comparators in terms of MSME firm creation, but survival rates are low. Key challenges facing MSMEs include insufficient access to finance, a lack of skills and low uptake of technology.

Reducing inequality in opportunities and outcomes

33 **Kenya has made impressive gains in human capital development, extending basic services to most of its population.** Robust service delivery and sustained financial commitments to health and education have yielded a comparatively high rank on the Human Capital Index (HCI). Lagging regions have benefited from a surge in financing during devolution which county governments have used to expand access to education, health care, water and sanitation, roads, and urban settlements. The national government has invested in universal access to electricity, road corridors in remote regions, urban water infrastructure, and more comprehensive safety net systems for vulnerable households.

BOX 2: Women's Economic Empowerment is Key to Inclusive Growth In Kenya

Kenya has a well-developed policy, regulatory and institutional framework addressing gender inequality, yet women's labor market and entrepreneurship outcomes continue to lag significantly. At 64 percent (2018), Kenya's female labor force participation rate is significantly lower than in Ethiopia (77 percent) and Tanzania (80 percent); in some parts of northeastern Kenya, it is less than 20 percent. In 2019, women accounted for only one-third of wage employees with a wage gap of 30 percent. Women face significant challenges in owning property, using bank accounts, and in using mobile internet and mobile money.[10] Women-owned businesses dominate Kenya's MSME landscape (61 percent of unlicensed and 31 percent of licensed MSMEs) but their average profits are roughly one third of male-run enterprises. Further analysis is needed to understand and tackle the hidden constraints and bottlenecks that hold back women's economic outcomes in Kenya. CPF consultations suggest that early marriage, limited access to quality childcare, high levels of gender-based violence (GBV) and early educational segregation may play a role.

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10 Mobile Gender Gap Report 2020; Kenya Poverty and Gender Assessment (2018)

11 Bridging the Technological Divide: Technology Adoption by Firms in Developing Countries (World Bank, 2022).

34 **However, there is scope to do more to address inequalities in social outcomes and infrastructure services between poorer and richer counties and within rural and urban counties.** Addressing these disparities will require differentiated and more targeted approaches, particularly in areas with worsening climatic conditions, low population densities and different cultural norms, while closing infrastructure gaps will require sustainable financing models and an optimal use of private investment. Development partners, including IDA, formulated and are implementing the NEDI (see Box 3) as one tool to address disparities in this part of the country.

35 **Kenya has a comparatively good track record on education, now focused on improving learning outcomes.** Reforms to modernize curricula, improve teacher development-deployment, expand textbook distribution and investment in technology are improving learning outcomes, but these remain low compared to other MICs and very low compared to UMICs. Wide spatial, gender and income disparities persist: expected years of schooling range from 6.5 to 13.8 years between counties; girls have notably lower primary completion and higher dropout rates which worsened during the pandemic[12]. Kenya still has areas where 60 percent of girls can be found out of school. Tackling these challenges will require aligning reforms to improve school management and teaching and input supply, *at scale*. Kenya's primary capitation grants may need adjusting where enrolments are low and socioeconomic conditions differ. The government is hiring more teachers annually and improving teacher allocation, but deployment remains uneven, in part due to security issues in some counties. Improving pre-school quality will require a quality framework and tackling the large share of untrained teachers.

36 **In health, Kenya has implemented major reforms that have increased access to a growing package of basic health services and increased household financial protection from health shocks.** Devolution has yielded a 34 percent rise in the number of facilities and a 46 percent increase in public health worker density. But serious challenges remain including: the need for more staffing and inputs; high out-of-pocket payments; low health insurance coverage; poor coordination, spending inefficiencies and crippling funds flow arrangements which hold back quality improvements at the front line; the need to rebalance health spending from secondary and tertiary to primary care; and to expand the basic package of services to cover communicable and chronic diseases will also be critical.

37 **Kenya should continue to expand its progressive social safety net system, by increasing coverage, raising transfer amounts, linking beneficiaries to broader services, and improve targeting.** Kenya has consolidated four cash transfer programs and modernized delivery systems

BOX 3: The North and Northeast Development Initiative (NEDI)

Addressing the historic marginalization in its north and north-east region is priority for Kenya and will require a sustained focus. With only 12 percent of the population, NEDI counties account for almost one-quarter (24.2 percent) of Kenya's poor. Vision 2030 includes a dedicated strategy for Northern Kenya[13] which attracted a significant expansion of development partner financing to the region. Over 23.5 percent of the World Bank's Kenya portfolio comprises both NEDI-specific operations and national operations with enhanced implementation support for NEDI counties. Despite some progress, the NEDI region continues to significantly lag the rest of the country. Educational attainment, access to improved sanitation, and despite some convergence, access to health facilities remain far behind the rest of the country. The spatial disparities, combined with weak institutions and regional conflict dynamics, contribute to high levels of conflict and violence. In addition to sustaining financial flows, three adjustments are warranted: (i) to strengthen national and county government ownership and leadership of NEDI by institutionalizing multi-sectoral and multi-level coordination structures; (ii) greater engagement with sub-county and traditional institutions; and (iii) a greater focus on intra-NEDI and intra-county variation in development outcomes.

[12] Population Council, "Impact of COVID-19 on adolescents in Kenya" (2021).

[13] Government of Kenya (2012), Vision 2030 Strategy for Northern Kenya and other Arid Lands.

with electronic payments, a single beneficiary registry, and its globally recognized ongoing Hunger Safety Net Programme (HSNP). However, despite this expansion, only 32 percent of safety net spending reaches the poorest 20 percent of the population, although this varies by program; only three percent of children are covered by cash transfer programs; and the overall value of transfers has eroded in real terms since 2012 suggesting the need for indexation. To help address these weaknesses, Kenya should further strengthen the single registry and continue to innovate with cash "plus" pilots that provide added interventions, such as nutrition, health, and savings/ asset accumulation.

38 **Kenya is taking steps to integrate service delivery and build self-reliance among refugees as a step toward resolving its protracted situations.** Kenya's stability provides a favorable environment for refugees and the country is aligned with global and regional commitments. However, most refugees and their host communities still suffer high levels of deprivation, intermittent food insecurity[14] and related tensions. Building on the 2021 Refugee Act and a new strategy (2020-2024) to further implement the global Comprehensive Refugee Response Framework, the country is now working with partners to find more sustainable solutions.

39 **Kenya is one of the few countries in SSA with the potential to achieve universal electricity access by 2030 on a fully green grid if it can overcome current financial and governance challenges.** Kenya has one of the more robust electricity sector policy and regulatory frameworks in Africa, and has resolved large supply deficits, albeit at high average costs. Continued external support is needed to both recover financial stability and complete the electrification program. Given periodic governance challenges, Kenya might consider further private participation in core utilities, including in transmission.

40 **Access to water and sanitation services (WSS) in Kenya lags other basic services.** Kenya's water availability has halved in the past 30 years, and it now has less renewable freshwater per capita than Somalia. Only 15 percent of water resources are developed, water storage capacity of 103 m3 per capita is well below the SSA average and countries with similar hydrology and water productivity[15] at only US$14 per cubic meter, below the LMIC average of US$25. Piped water covers only a third of the population and twice more Kenyans have access to electricity than basic sanitation. Kenya can focus on least-cost, sustainable, county-level interventions to improve services at scale. Measures to improve water utilities' performance could mobilize up to US$1.5 billion and enable revenue-based commercial financing. New low-cost technologies in rural WSS, non-sewered urban sanitation, farmer-led irrigation and small-scale water harvesting are areas where gains are possible in the shorter term and at lower costs.

41 **Kenya has made excellent progress on access to transport, but more is needed to maintain and upgrade rural roads, tackle urban congestion, and address road safety.** Major reforms over the last two decades resulted in significantly better road conditions and a nascent, but promising, increase in private financing to the sector. Today, 70 percent of Kenya's rural population live less than 2 km away from an all-weather road, but only 57 percent of the roads are in good condition (up from 44 percent in 2009). Other key challenges and opportunities ensuring greater equity of transport services include crippling congestion in Kenya's major cities, potential from railway reforms and investments, and Kenya's very high road traffic fatality rates, which are worse than African and global averages.

42 **Harnessing the urban transition would permit Kenya to capture and spread agglomeration benefits, but today the full potential of the country's cities is not being realized.** The share of those living in urban areas is projected to increase from 31 to 50 percent by 2050.[16] Continued challenges include: a low share (about 58 percent) of the urban population with access to piped water and the reliance by most cities/towns on water rationing programs; the need for better quality and maintenance of municipal drainage, street lighting, and solid waste management; better integration of municipal spatial plans into county planning and budgeting

14 World Bank (2021), Socioeconomic Impacts of COVID-19 in Kenya on Households Rapid Response Phone Survey, Rounds 1-3.

15 Constant 2010 US$ GDP per m^3 of total freshwater withdrawal.

16 2019 Kenya Population and Housing Census; Kenya Urbanization Review (2016).

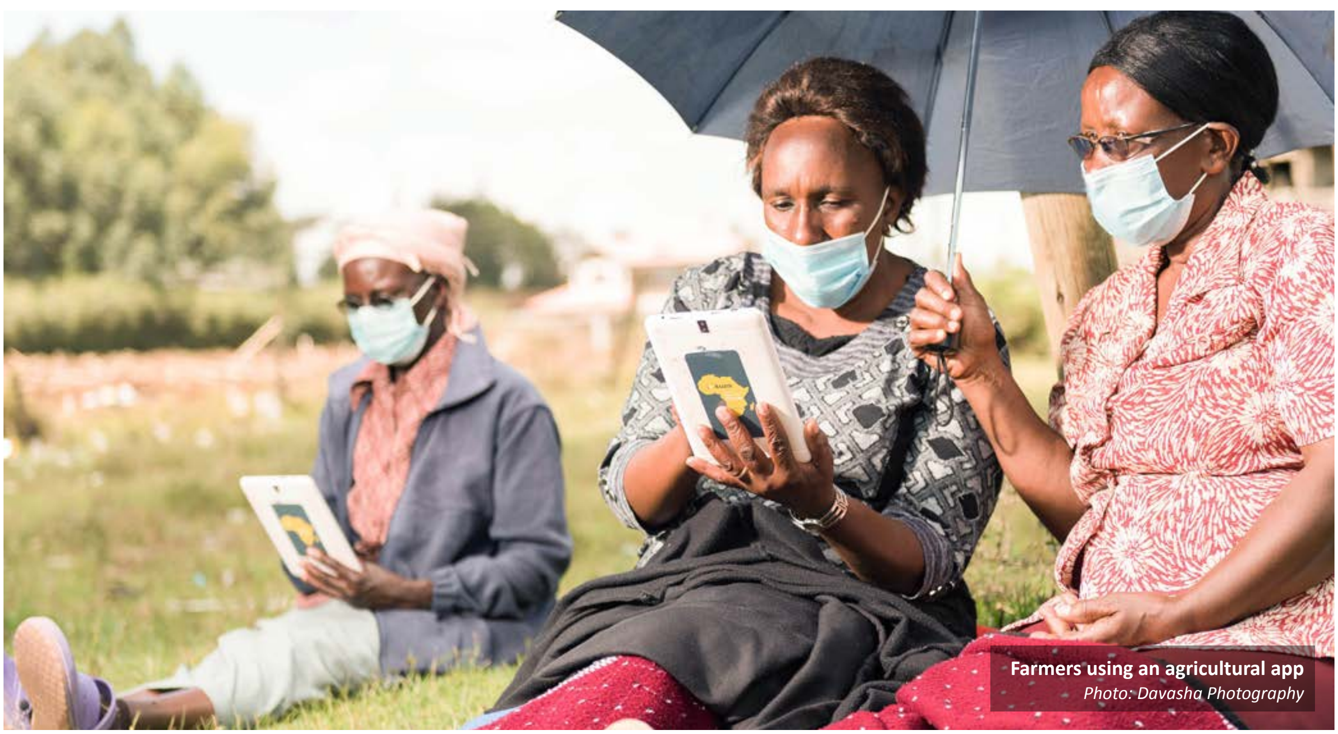
frameworks; the need for legal, regulatory, and institutional frameworks to coordinate and facilitate financing of Kenya's metropolitan regions.

43 **Although Kenya is advanced digitally, broadband access and affordability remain key constraints to digital inclusion.** Around 94 percent of the population is covered by 3G or higher signals. Yet rural areas and some secondary cities remain underserved and, more generally, service quality and reliability are problematic. For example, less than half of schools and health facilities have access to fixed broadband and only 17 percent of rural residents use the internet weekly. IFC estimates that 230 million jobs in Africa will require digital skills by 2030, presenting investors with a US$130 billion opportunity and Kenya the option to leverage the private sector to develop its tech talent.[17]

Improving governance for service delivery

44 **The success of Kenya's fiscal consolidation efforts depends on increasing the efficiency and impact of spending, and reducing opportunities, for corruption.** Priorities include improving: poor information flows, which limit budget transparency and create myriad opportunities for corruption; uneven and delayed resource flows, which constrain service delivery and frontline quality improvements; and delayed payments to vendors, which trigger liquidity shortages across the private sector. Significant opportunities also exist to strengthen Kenya's expenditure control framework by regularizing accountabilities in internal audit and building capacity for citizen engagement with frontline facilities and with national and county legislatures.

45 **Good progress has been made in strengthening the institutions and systems needed for effective devolution, but key constraints remain.** These include acute capacity constraints at the local level, ambiguities in financing arrangements, and weak vertical coordination.[18] The COVID-19 pandemic and the extreme drought on the Horn of Africa brought many of these challenges to the fore. Kenya should continue to strengthen institutional and intergovernmental coordination, improve the efficiency of fiscal transfers, clarify the vertical division of fiduciary accountabilities, and re-channel some line ministry spending (which in some cases has doubled since devolution) to frontline facilities. County governments must fully implement the Public Finance Management Act (2012), strengthen their financial reporting, further decentralize resources



Farmers using an agricultural app
Photo: Davasha Photography

17 Digital Skills in Sub-Saharan Africa, IFC and LEK Consulting, 2019.

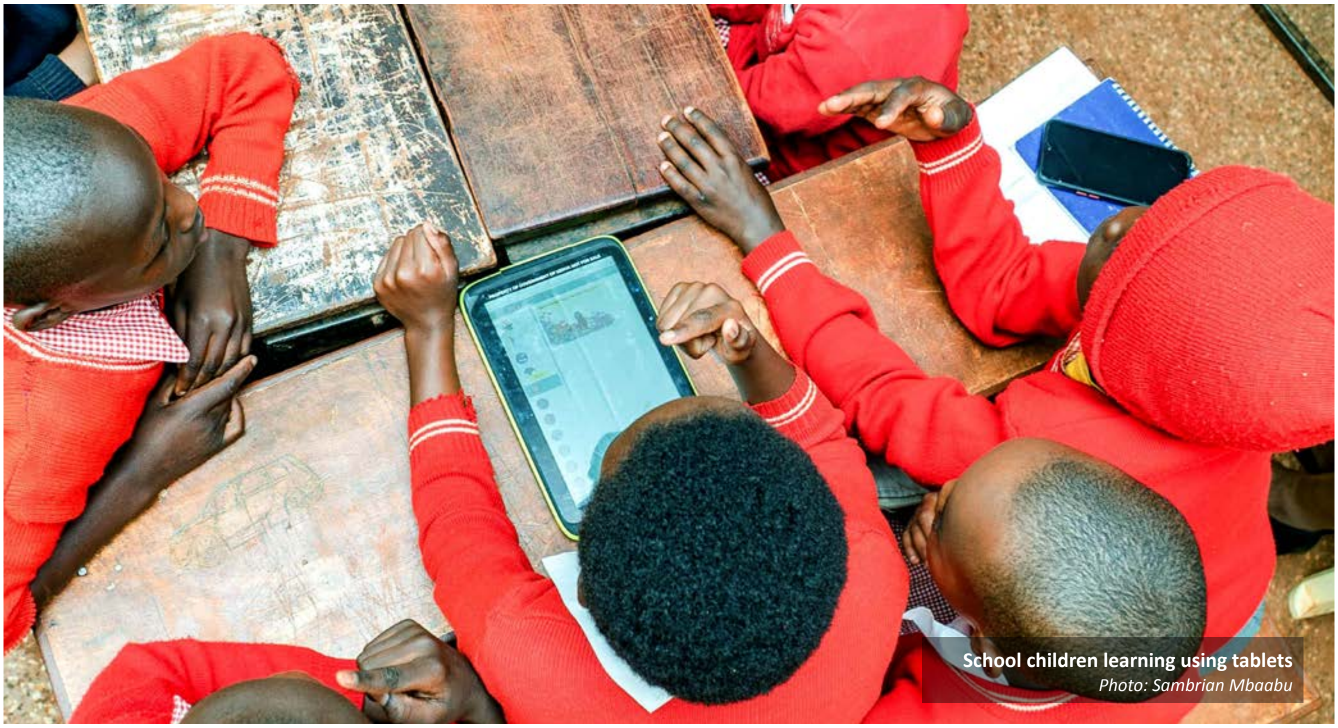
18 Making Devolution Work for Service Delivery (2021).

to subcounty institutions and strengthen control frameworks over their own source revenues. Kenya's ongoing National Capacity Building Framework provides a blueprint for strengthening the devolution value chain and, with improvements in county level socioeconomic data, should help Kenya accelerate its progress toward its devolution dividend.

46 **High levels of corruption reported in Kenya persist despite efforts to strengthen legal, institutional and engagement frameworks.** The performance of these frameworks has been mixed, in part due to institutional and coordination weaknesses. Strong efforts are afoot to close loopholes and ensure better monitoring (e.g., of public official asset declarations). Kenya should continue to strengthen prevention and enforcement mechanisms including in internal and external audit, judicial processes, national and county legislatures, as well as private sector codes of ethics, while exploring new strategies and mechanisms to tackle corruption.

47 **Constitutional requirements for public participation provide a powerful avenue to increase transparency and accountability.** While implementation has largely been focused on consultations for regulations on planning and budgeting, more can be done to engage citizens around the implementation and monitoring of public projects through Gov-Tech and Civic-Tech. World Bank grievance response mechanisms have helped to improve the government's engagement with citizens and can be used to strengthen accountability. Broader public participation can also help tackle other types of corruption that affect ordinary citizens and businesses. Anecdotal evidence suggests that public sector hiring, licensing, permitting and other red tape provide ample scope for graft and constrain both private investment and Kenya's efforts to ensure equitable services and opportunities.

48 **As a rising MIC, Kenya's anti-corruption efforts should seek to broaden the bargaining space for policy making to prevent regulatory capture that protects vested interests and entrenches inequality.** Recent research suggests the growing inequality being experienced in advanced economies is, in part, a symptom of implicit rules of the game that result in the concentration of economic benefits of growth over time. Kenya is at the stage where such rules and institutions are still evolving and can ensure more equitable development by protecting its policy space for the benefit of all Kenyans.



School children learning using tablets
Photo: Sambrian Mbaabu

Building climate and disaster resilience

49 **Kenya's Nationally Determined Contribution (NDC, 2020) and National Climate Change Action Plan 2018-2023 identify the need to accelerate efforts:** (a) upstream, to stem further deterioration of Kenya's watersheds, forest cover, and biodiversity assets and to restore degraded landscapes; (b) midstream, to increase the productivity of its water resources, adapt to more climate smart production, and build climate and disaster resilient communities and infrastructure; and (c) downstream, to shift to a greener growth model by mobilizing more climate and green financing and with policies that encourage private sector investment in sustainable activities. Shifting away from roads to greener forms of transport, in both urban and regional contexts, could further reduce emissions in line with Kenya's NDC commitments. Kenya should also expand coverage of instruments that protect communities from climate shocks --- i.e., safety nets and social insurance, crop and livestock insurance and disaster risk financing.

50 **Upstream, Kenya's NDC includes an ambitious target to restore forest cover while Vision 2030 prioritizes achieving more sustainable land management.** Around 4-5 million Kenyans benefit directly from forests that also provide a host of un-marketed public goods (e.g., biodiversity, carbon sequestration and slower land degradation). Kenya therefore aims to restore forest cover to 12 percent of its land area by 2030, from 7.2 percent in 2019. Building on its 2020 National Integrated Water Resources Development Plan, new plans are being prepared for each of Kenya's five river basins. In both these areas, expanding Kenya's fledgling system of payment for environmental services could help to align incentives and accelerate outcomes. Kenya can also leverage more private investment in new wildlife conservancy management models, particularly in the northeast regions where a large share of its wildlife is located.

51 **Midstream, Kenya is undertaking actions to build climate and disaster resilient communities, infrastructure, and public finances.** An innovative pilot that helped local communities understand micro-climate impacts and undertake resilience investments is being scaled up through the Financing Locally-Led Climate Action Program (FLLOCA, P173065) that works across all 47 counties. Some newly established municipalities have invested in key climate infrastructure such as flood protection and will receive future support to integrate resilience strategies into urban planning. Kenya's new public investment management system integrates climate considerations into all future projects. However, disaster risk management institutions and finance remain fragmented. Accelerating work on national and county level disaster funds, contingent credit facilities and options to transfer catastrophe risk to insurance markets could help mitigate the costs of these shocks.

52 **Downstream, Kenya's NDC includes an ambitious target to reduce emissions by 32 percent relative to the business-as-usual scenario of 143 mtCO2e by 2030 which will require a significant increase in financing.** Kenya has targeted 100 percent renewable energy by 2030 and preparations for issuing green bonds, including identification of a relevant investment pipeline, are advanced. A Green Industrialization Policy and e-Mobility Strategy are also under preparation and could be expanded to include other infrastructure services like digital.

A section of the 105 Km Emali-Loitoktok in the South Rift Valley
Photo: KENHA

III. WORLD BANK GROUP PARTNERSHIP FRAMEWORK

A. Aligning Kenya's *Vision 2030*, Systematic Country Diagnostic and WBG Comparative Advantage

53 **The FY23-FY28 CPF aligns with Kenya's *Vision 2030*, priorities identified in the SCD,** lessons from the CLR of the previous CPS and builds on the WBG's comparative advantages in Kenya.

54 ***Vision 2030* aims to transform Kenya into a competitive and prosperous country with a high quality of life.** Its priorities include: (i) sustaining 10 percent average annual economic growth until 2030; (ii) creating just, cohesive, and equitable social development in a clean and secure environment; and (iii) building a democratic political system that respects the rule of law and protects the rights and freedoms of every individual in Kenyan society.

55 **The three pathways and seven priorities identified in the Kenya SCD (FY20) align with the HLOs and specific objectives of this CPF.** The first pathway, "boosting productivity and job creation", seeks to improve the operating environment for firms, commercialization of agriculture value chains and infrastructure upgrades to open new markets. The second calls for "reducing inequality of opportunities through advancing human capital" by improving access to and the quality of healthcare and education outcomes. The third, "improving governance for service delivery," prioritizes strengthening devolution (to enhance local service delivery), anti-corruption mechanisms, and institutions. The CPF elevates the SCD foundational issue of "environmental sustainability" to an HLO of "resilience and sustainability of Kenya's natural capital" in line with the WBG's framework for Green, Resilient, and Inclusive Development (GRID) and Kenya's NDC commitments under the 26th UN Climate Change Conference of the Parties (COP26).

56 **The CPF targets critical areas where either government capacity and/or support from other development partners is insufficient to accelerate progress toward specific outcomes.** The CPF avoids areas in which Kenya's policy, institutional and implementation capacity and financial commitment suggest there is little to no need for sustained external assistance (e.g., primary enrollment) and reserves WBG support: for emerging complex MIC issues (e.g., social insurance, equity

in learning outcomes, payment for environmental services); to complete some agendas that require public financing (e.g., universal access to electricity, digital inclusion); and to accelerate progress where Kenya continues to lag LMIC comparators (agricultural productivity, rural sanitation).

B. Lessons from CPS FY14-FY18 CLR and Stakeholder Consultations

57 **Lessons from the previous CPS (FY14-18 see Annex 2) have informed the design of this CPF.** The CLR found the overall performance of the previous CPS to be Moderately Satisfactory and the WBG performance to be Good. Two of the ten objectives were partially achieved, viz agricultural productivity and citizen feedback on service quality, though the objective concerning managing risks from climate change, was not achieved. The main lessons are as follows:

- A more targeted approach is required for Kenya to avoid the MIC inequality trap. *This CPF will take a more direct approach to shrinking disparities in outcomes by targeting communities that lag behind and to levelling access to opportunities through regulatory and institutional reforms.*
- The WBG has kept pace with Kenya's devolution process, but a portfolio-wide approach to institutional development is now necessary. *The CPF will engage more with national institutions along the intergovernmental chain, build deliberate synergies across devolved projects, and improve tracking of county-level performance to monitor devolution outcomes.*
- Project design and implementation in the NEDI counties require more cross-cutting, conflict-, and security-sensitive approaches. *This CPF will employ a multi-sectoral NEDI strategy and coordinated NEDI-wide practices across the portfolio.*
- Achieving gender equity in Kenya requires deeper analysis to uncover the hidden constraints holding women and girls back and preventing them from optimizing their contribution to Kenya's development objectives. *This CPF will therefore include a new Kenya Gender Platform (see Box 4).*
- Effectively fighting corruption in Kenya requires a more strategic approach. *The CPF includes targeted reforms in key areas susceptible to corruption, a deeper focus on strengthening government transparency, more capacity building to link citizens and beneficiaries to effective control mechanisms, and a shared approach with other development partners.*
- The WBG impact in Kenya was not sufficiently captured in the CPS Results Framework, including its knowledge and policy dialogue contributions. *This CPF includes more outcome-level indicators and a Monitoring, Evaluation and Learning Plan to help inform course corrections.*

58 **This CPF benefits from extensive stakeholder consultations.** From November 2021 to May 2022, the WBG held 34 consultations with around 500 participants. Participants included indigenous/historically underserved communities, youth, industry civil society organizations (CSOs), start-up innovators, development partners, private sector leaders, media outlets, the National Assembly, the Senate, the Council of Governors, and the technical teams of the main candidates in the 2022 elections. Additional discussions took place following the inauguration of the new administration. These

Kenya Youth Employment Opportunities Projects' Business Plan Competition Awardees
Photo: KYEOP, GoK

consultations confirmed broad agreement with the framework with concerns shared around Kenya's indebtedness, competitiveness, corruption, and county-level capacity. Participants also called for more emphasis on inclusion and multi-sectoral interventions. Additional issues are summarized in Annex 7.

C. Proposed Country Partnership Framework

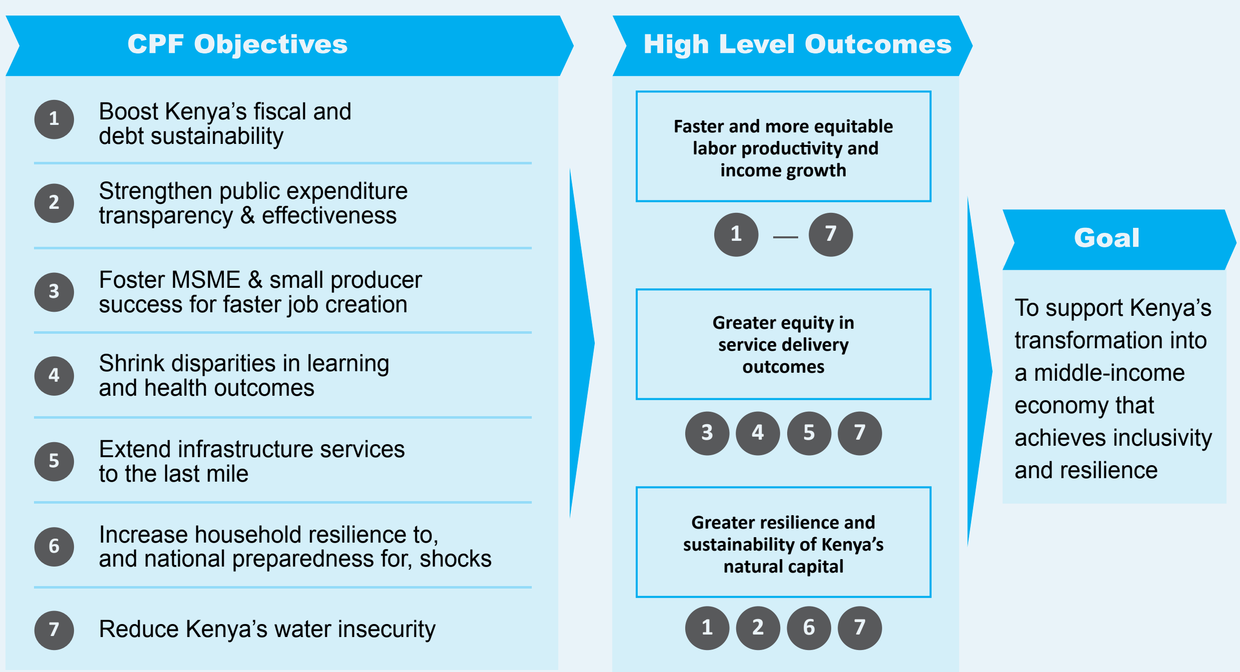
59 **This CPF will work toward three long-term HLOs and seven CPF Objectives.** The HLOs focus on two time-sensitive issues facing Kenya. First, Kenya has a timebound opportunity to address inequality of opportunities and outcomes that other MICs and high-income countries have shown will prove more difficult to address if left too late. These issues have also been brought into stark focus by the COVID-19 pandemic. The second is the urgent challenge of climate change where Kenya must do more on mitigation even as it pursues faster adaptation. The HLOs are as follows:

(a) faster and more equitable labor productivity and income growth that will require sustained economic growth, faster job creation, and improved labor market outcomes, particularly for lagging groups. This outcome will be tracked through private investment as a share of GDP, value added per worker as a measure of productivity, youth inactivity levels, and the Gini index.

(b) greater equity in service delivery outcomes which will require closing existing gaps and more consistent efforts to tackle current and future inequities by fortifying relevant institutions and programs, such as safety nets. This outcome will be tracked by the dispersion of county level HCIs, progress toward universal access in electricity, and sustainable financing for safety nets.

(c) greater resilience and sustainability of Kenya's natural capital that is needed to safeguard growth and social welfare in the face of climate change and more frequent weather shocks. Kenya's overarching climate challenge is around water security (and relatedly food security) and will require improving water production while reversing land degradation and loss of forest cover. This outcome will be tracked by water productivity, land under forest cover, and a food security index.

FIGURE 5: **Kenya WBG Country Partnership Framework**
(including indicative IDA20 pipeline)



60 **The CPF Objectives are aligned with the Sustainable Development Goals (SDGs, see Annex 1), the WBG Green, Resilient and Inclusive Development (GRID) strategy,** IDA20's policy commitments (see Annex 5), the World Bank Africa Strategy, the IFC Strategy and Business Outlook Update FY23-25, MIGA's Strategy and Business Outlook FY21-23, and the WBG Global Crisis Response Framework 2022. The CPF captures the GRID priorities directly in its HLOs and aligns with the four aspects of the GRID approach --- i.e., (i) simultaneous attention to the challenges of poverty and climate change with HLO3's focus on the sustainability of Kenya's natural capital and household resilience (Objective 6) and on water security (Objective 7); (ii) global cooperation on climate by targeting Kenya's forest cover NDC in HLO3; (iii) scaling and accelerating investments on GRID priorities by continuing portfolio consolidation (paragraph 92); and (iii) reducing inequality and exclusion (HLO1, HLO2, and CPF Objectives 3, 4, 5 and 6).

61 **The alignment of the IDA, IFC and MIGA strategies around the special themes of inclusive business and jobs, climate change/ climate business, addressing FCV, and digital technologies is also reflected directly in the CPF HLOs and Objectives.** Although not noted or explicitly listed in the HLOs and Objectives, the CPF includes a strong focus on gender (see Box 4) within CPF Objective 3 and CPF outcome and supplementary progress indicators 3.3, which stipulate a portfolio wide focus and planned operation on women's economic empowerment. The CPF also reflects IDA20's additional special theme of human capital (Objectives 3 and 5), and cross cutting issues of debt (Objective 1), governance and institutions (Objective 2), technology (Objectives 2 and 4), and crisis preparedness (Objective 5). Annex 5 lists all the IDA20 Tier 1 and Tier 2 special themes and cross cutting issues to which the CPF is expected to contribute. In addition, better upstream collaboration with IFC and MIGA through product innovation and on private capital mobilization has already strengthened the impact of WBG programs in Kenya (Annex 2) and will continue in this CPF (paragraph 93).

62 **The CPF aligns with the WBG's FCV strategy, East and Southern Africa's Horn of Africa Initiative (HoAI), and the IDA20 Window for Host Communities and Refugees (WHR).** The CPF's approach to NEDI (Box 3) is in line with the FCV Strategy's focus on pockets of fragility within non-FCV countries. The CPF program includes Kenya's large portfolio of World Bank-financed HoAI operations and will continue to support Kenya's efforts (and technical and political leadership) to build cross-border linkages and improve services in its fragile borderland areas. Finally, the CPF will support Kenya's announced shift toward building self-reliance and integrated service delivery in Kenya's longstanding refugee encampments as well as their host communities; this includes through IFC's ongoing Kakuma Kalobeyei Challenge Fund that is attracting the private sector to the Kakuma Refugee Camp and Kalobeyei Integrated Settlement, and with IDA20 WHR resources.

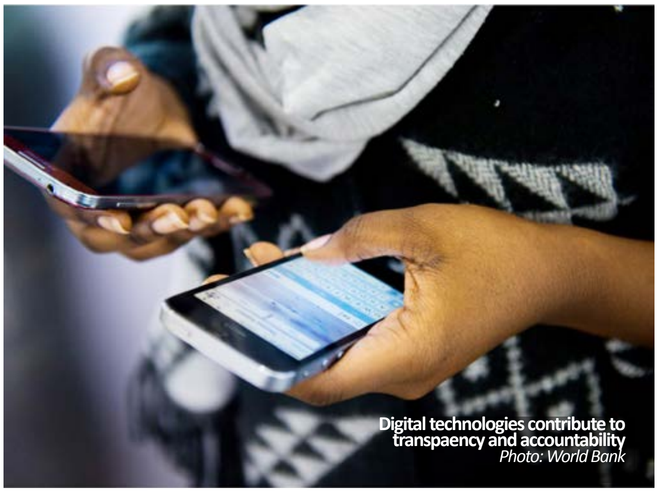
D. CPF Objectives and Indicative Program

Nairobi skyline
Photo: Ted Kenya

OBJECTIVE 1: BOOST KENYA'S FISCAL AND DEBT SUSTAINABILITY

63 **Under Objectisve 1, the CPF program will help Kenya to re-create fiscal space that deteriorated due to rising debt service, the COVID-19 pandemic, climate shocks and global headwinds, and rebuild its fiscal buffers over the medium term.** The program will include: (a) development policy financing (DPFs) to help accelerate fiscal and investment climate reforms and

lower Kenya's borrowing costs; (b) a steady scaling up of IFC investments, MIGA guarantees and Bank program/project lending that support private sector investment, private capital mobilization and PPPs (also under see Objectives 3, 5 and 6); and (c) technical support to help Kenya capitalize on new trade and integration opportunities and deepen financial intermediation. On the financing side, the WBG will also continue to support Kenya's efforts to deepen capital markets and mobilize longer term financing through IFC investments and MIGA guarantees in the financial sector, and technical support in the insurance sector, and leveraging green and climate finance. The ongoing Affordable Housing Program (P165034), Infrastructure/PPP Project (P121019), the IDA and MIGA guarantee programs in the energy and transport sectors and Kenya's recent Memorandum of Understanding with IFC on support to strengthen and improve the governance of the PPP pipeline will help Kenya accelerate its private financing for infrastructure and public service delivery alongside embedded activities in agriculture, digital, water and sanitation sector operations. A strong ASA program will include a Public Expenditure Review (FY25), a Country Economic Memorandum (FY26), a Joint Capital Market Program, biannual Kenya Economic Updates, technical assistance in public finance, investment and debt management, state-owned enterprise and trade reforms, as well as communications support for building policy reform coalitions. Key outcomes are expected to be lower risk in Kenya's external debt profile and greater private capital mobilization, including through PPPs and green and climate financing.



Digital technologies contribute to transpaency and accountability
Photo: World Bank

OBJECTIVE 2: IMPROVE PUBLIC EXPENDITURE TRANSPARENCY AND EFFECTIVENESS

64 **Under Objective 2, the WBG will support Kenya in strengthening the efficiency and accountability of its public spending, capturing the full development dividends of devolution, and tackling corruption.** Reform measures to increase the efficiency and equitable allocation of public spending will be a continued focus of future development policy financing series. Annex 4 summarizes relevant and ongoing reforms under the SDFP. The ongoing Program to Strengthen Governance for Enabling Service Delivery and Public Investment (GESDEK, P161387) supporting Kenya's Public Financial Management Reform Strategy (PFMRS) would be followed by a new Governance Improvement operation (FY24) supporting the complete rollout of core government systems, and the upcoming Digital Economy Acceleration Program (KDEAP, P170941, FY23) that will, inter alia, help to modernize of digital government platforms and e-government services. Both programs will jointly support a rationalization of government information systems to improve public sector coordination, shrink opportunities for corruption and increase transparency. The new Eastern Africa Regional Statistics Program (P176371) will further support the production and use of robust data and statistics to strengthen evidence-based decision making and transparency.

65 **To support Kenya's devolution process,** the World Bank will continue capacity building for county and municipal governments through the new Integrated Devolution and Urban Support Program (KIDUSP, P177048, FY23), the ongoing trust-funded Kenya Accountable Devolution Program (KADP, P167841), and the planned follow-on Governance Improvement Project (FY24) mentioned above and the full range of operations supporting devolved functions in agriculture, health care, water supply, climate action, and early childhood development.

66 **To help tackle corruption, the CPF program will mainstream interventions to build capacity of demand side organizations (building on citizen engagement and grievance redress mechanisms) and improve mechanisms for their interaction**

with the public sector control frameworks. IFC will support the rollout of private sector codes of ethics and the World Bank will deepen collaboration with development partners to agree and implement a more joined-up strategy on anti-corruption, building on the respective strengths of bilateral and multilateral actors.

67 **Key outcomes for Objective 2 would be measured by the timeliness of public resource flows to the frontline,** the improved transparency of public procurement and improvements in county government performance as measured by the Country Governance Scorecard index.

Jua Kali artisans at their workshop in Nairobi
Photo: Sambrian Mbaabu

OBJECTIVE 3: FOSTER MSME AND SMALL PRODUCER SUCCESS FOR FASTER JOB CREATION

68 **Objective 3 addresses Kenya's need to accelerate quality job creation and capture its demographic dividend by focusing on labor market demand and supply.** On the demand side, the program will focus on improving the operating environment for, and performance of, Kenya's small enterprises and small producers, including reforms to level the playing field and strengthen domestic competition. On the supply side, the program includes interventions to strengthen labor market outcomes for women, improve the school-to-work transition for youth, and strengthen labor intermediation services.

69 In **agriculture,** the ongoing KCSAP (P154784), NARIG (P153349), ELRP (P173702) and KEMSFED (P163980) programs will continue to support productivity improvements, buildout the service delivery system and improve climate resilience of producers. The NAVCD (P176758) and DRIVE (P176517) projects will help to accelerate smallholder transition to commercial agriculture and livestock production, respectively. IFC aims to support the recovery of agribusiness firms and expand modern food production through pilot PPPs by investing in inputs and technology services, food processing, logistics and supply chains with backward integration to out-grower programs. Joint work is also planned to help create a unified food safety agency to advance modern food systems in Kenya.

70 In the **MSME sector,** IFC will continue expanding its portfolio of over US$47 million in advisory services on SME banking and capacity building, agribusiness and health SMEs, access to finance for women, and business climate reform. IFC will also support digital entrepreneurship and innovation through support to local and regional startups. From the World Bank, the ongoing Kenya Industry and Entrepreneurship Project (KIEP, P161317) is also piloting interventions to spur innovation and productivity in SMEs, KYEOP (P151831) is providing vulnerable youth with training, apprenticeships and small business grants, and SAFER (P175017) is expanding liquidity and de-risking private finance for MSMEs. The planned KIDUSP (P177048, FY23) will provide capacity building for public private dialogue and PPPs and for MSME development at the county level. The Kenya Jobs and Economic Transformation Project (KJET, P179381, FY24) will target MSME clusters across Kenya's regional economic blocks with larger, catalytic public investments while supporting broad based actions to ease regulatory barriers, deepen access to markets and expand business development services for MSMEs development. Development policy financing and macroeconomic technical assistance will include support for competition and other reforms needed to achieve MSME and small producer success.

71 To advance **women's economic empowerment,** the World Bank will prepare a new Women's Economic Empowerment operation (FY24) while IFC continues to build the capacity of private companies to address gender gaps, increase women's representation in business leadership and unlock access for women-owned SMEs in value

chains and distribution networks, through its IFC Sourcing2Equal Kenya program. This work will complement the planned Kenya Gender Platform (Box 4) that will ensure stronger portfolio-wide attention to gender equity.

72 **On the labor supply side, the upcoming National Youth Opportunities Towards Advancement program** (P179414, FY23) will build on KYEOP (P151831) interventions, including among refugee youth, to improve efficiency and significantly expand coverage of Kenya's youth employment programs and maximize the sustainability of youth-owned enterprises. The planned KDEAP program (P170941, FY23) will support entities that provide digital training and connect youth to employment and income generation opportunities while IFC will support private initiatives in digital skills literacy and rapidly advance skills training in line with industry demands. The ongoing EASTRIP (P163399) and ACEII (P163399) operations will refocus on their relevance to the private sector, remaining gaps in quality, and reforms to increase efficiency in the tertiary education sector.

73 **Outcomes for Objective 2 would be faster job growth among MSMEs outside Nairobi and Mombasa,** increased share of farmers selling more than half of their produce into the marketplace, greater access to finance for women-owned firms and women producers, and greater mobilization of private capital into value chains with high potential for job creation.

Box 4: The Kenya Gender Platform

While the WBG has made important contributions to advancing gender equity in Kenya (Annex 2), a more systematic approach is necessary for greater impact. This CPF will include a well-resourced Kenya Gender Platform covering operations, knowledge, and dialogue. The first pillar will focus on both narrowing select gaps through key operations and ensuring equitable outcomes in all operations. The second pillar will pursue specific analytical work to uncover the constraints facing Kenya's women, with a focus on women's economic empowerment and jobs. The third pillar will pursue a more robust dialogue with the government, development partners, CSOs, and the private sector to accelerate knowledge transfer, build capacity, and support gender commitments of mutual interest.

A nurse with an elderly patient in Kakuma Hospital
Photo: Tinseh

OBJECTIVE 4: SHRINK DISPARITIES IN LEARNING AND HEALTH OUTCOMES

74 **Objective 4 builds on Kenya's progress in human capital development by focusing the WBG program on shrinking spatial and other disparities, improving service quality to secure better learning and health outcomes, and pursuing universal health care.** In so doing, CPF implementation will reflect the views shared during consultations that the World Bank should move from information sharing and training to livelihoods support focused on historically marginalized communities. It will also explore ways to promote household climate resilience through education and by mitigating the effects of climate change on health caused by, among others, disease, food insecurity and malnutrition.

75 **In education, the WBG will support measures to reduce disparities and improve learning outcomes in basic education (pre-school to secondary).** The World Bank will complete analytical work supporting preparation of a Roadmap for Better Early Childhood Development (P174257) to be followed by an ECD operation to pilot county level interventions. The new KPEELP (P176867) aims to reduce gender disparities in schooling and sub-national disparities in learning outcomes, including for refugee communities, while the ongoing Secondary Education Quality Improvement Project (SEQIP, P160083) will continue expanding school infrastructure, reducing teacher shortages, targeting

scholarships for girls' transition, and addressing GBV. The latter will be followed by a new operation (FY26) in this CPF. The planned KDEAP (P170941, FY23) will invest in broadband connectivity for education institutions.

76 **In health care, the Bank will complete the ongoing Transforming Health Systems for Universal Care Project (P153394) supporting quality of service improvements and piloting Universal Health Coverage (UHC), and the COVID-19 Health Emergency Response (P173820) projects.** The planned Building Resilient and Responsive Health Systems (P179698, FY24) will shift financing further toward UHC by expanding reforms in universal health care, service improvements in public health facilities, increasing financial protection through universal health insurance, and readying health services to meet the demographic transition, particularly in non-communicable diseases. IFC will support expanding private investment in healthcare services, vaccine and pharmaceutical manufacturing, and health insurance.

77 **Key outcomes of Objective 4 will be tracked by the Kenya UHC index,** specific learning outcomes in the lowest performing quintile of counties and dropout rates for girls.

Live line engines supported by the Kenya Electricity Modernization Project
Photo: Keziah Muthembwa

OBJECTIVE 5: EXTEND SUSTAINABLE INFRASTRUCTURE SERVICES TO THE LAST MILE

78 **Objective 5 focuses on extending infrastructure services through the last mile including remote rural communities and informal urban settlements,** with consideration for financial sustainability and the need to green infrastructure service provision in Kenya, to be covered in the Country Climate and Development Report (CCDR) currently under preparation.

79 **In the energy sector, the ongoing Kenya Off Grid Solar Project (P160009) and Kenya Electricity Modernization Program (P120014)** will complete grid and off grid electrification for more than 2 million people and help reduce distribution losses while the ongoing Eastern Electricity Highway Project (P126579) will complete the transmission interconnection with Ethiopia and MIGA guarantees continue to support solar home system services for underserved communities across Africa, including Kenya. The planned Kenya Expansion of Sustainable Access to Electricity Program (P176698, FY23) will continue to support financial sustainability and efficiency improvements and invest in the electrification program. Subsequent phases will build on the ongoing Renewable Energy Development study (P173040), supporting competitive auctions for solar and wind power. IFC will continue to invest in green energy generation in line with Kenya's Least Cost Plan and in commercial loss reduction. IFC will also seek opportunities to help independent power producers convert plants to renewable energy or develop new green generation, and to help Kenya unlock the power distribution beyond urban areas. Finally, IFC and the ongoing Infrastructure PPP Project (P121019) will continue to support preparation of future energy PPPs including two transmission lines and geothermal capacity.

80 In **transport,** the CPF program will promote more transport PPPs while reserving IDA financing for investments in rural roads, urban mobility, regional connectivity, and trunk roads that have a high impact on poverty, inequality, fragility and, where possible, promote greener mobility. The ongoing EARTTDF (P148853) and HoAGDP (P161305) projects will complete upgrading over 700 kilometers of regional corridors and related community infrastructure in northern Kenya. Planned new Bank lending includes: a possible IDA partial risk project guarantee on the US$1.5 billion Nairobi-Nakuru-Mau Summit Toll Road (P165545, FY23) with IFC participating as an investor, and potential MIGA support as a guarantor; a planned Kenya Urban Mobility Improvement Project (P176725,

FY23) to improve public transport and introduce green mobility in the Nairobi Metropolitan Area; and a planned Rural Roads Program (FY25). IFC and MIGA will endeavor to mobilize more private capital for Kenya's road sector, where MIGA is already providing guarantees for investments under Kenya's innovative Roads Annuity Program. The ongoing East Africa Freight Flow Logistics ASA (P178066) will inform possible reforms and potential investment options including around Lake Victoria.

81 In **digital connectivity,** the WBG will work jointly to expand affordable connectivity to underserved areas, position Kenya as a regional data hub, and explore opportunities to expand "green" digital services. The HoAGDP (P161305) and the EARTTDF (P148853) projects will complete installation of fiber optic cables in the NEDI region[19] The planned KDEAP (FY23) will help to upgrade the national fiber optic backbone, close selected gaps in broadband access and promote private investments in digital infrastructure and services at last mile. IFC will seek to consolidate Kenya as a regional hub in the Cloud and Data Centers space, pursue last mile connectivity in rural areas and seek to invest in green telco initiatives from power optimization in Data Centers to partnerships for mobile towers and smartphones recycling. The WBG will also work jointly on strengthening the regulatory environment in digital market competition, data protection, cybersecurity and ecommerce through technical work and the planned Eastern Africa Regional Digital Market Integration Project Program (P176181, FY23).

82 **In urban development, the ongoing Kenya Informal Settlements Improvement Program II (KISIP2, P167814) continues infrastructure improvements, tenure regularization and institutional capacity for slum upgrading across Kenya.** The planned KIDUSP will support infrastructure investments in secondary cities and towns while strengthening links between urban planning and financing. Following the successful WBG collaboration under the Affordable Housing program, IFC will provide transaction advisory services to develop a pilot PPP affordable housing project. The planned Kenya Urban Mobility Improvement Project (P176725) will complement transport services with social infrastructure in targeted underserved communities. The Bank will also support implementation of Kenya's 2021 Refugee Act which is looking at converting refugee camps to formal local settlements.

19 Along the Isiolo-Mandera and the Eldoret-Nadapal regional road corridors.

83 **Outcomes for Objective 5 will be tracked by new electricity connections,** the population served by 3G+ mobile broadband coverage, Kenya's Rural Access index and the number of urban informal settlements residents living in defined improved conditions.

An elderly beneficiary of cash transfer displaying his Inua Jamii Card
Photo: Tinseh

OBJECTIVE 6: INCREASE HOUSEHOLD RESILIENCE AND NATIONAL PREPAREDNESS FOR SHOCKS

84 Objective 6 focuses on reducing household vulnerabilities to a range of shocks, while also strengthening national systems for disaster preparedness and climate resilience. Increasing coverage and sustained resourcing of safety nets, social insurance and risk financing will be a key consideration.

85 **In social protection, the ongoing Kenya Social and Economic Inclusion Program (P164654) is supporting Kenya's cash transfer programs to add social and economic services to help poor households promote ECD and move toward self-sufficiency while also creating a national social registry covering 50 percent of Kenya's most vulnerable.** Improved social protection also enables individuals to invest in developing skills to move from low to higher productivity jobs. A follow-on operation (FY25) would aim to help Kenya achieve

more consistent financing, better coverage, deeper adequacy, and greater shock responsiveness of its safety nets, expand 'cash-plus' initiatives and broaden coverage of poor children. The upcoming Youth Resilience and Employment Opportunities program (FY23) also aims to improve the efficiency, governance and transparency of the NSSF and, together with insurance sector reform support under SAFER (P175017), pursue expansion of social insurance to informal sector workers.

86 In **disaster preparedness and response,** the World Bank will build on a recent analysis of disaster spending in the FY22 Public Expenditure Review and reforms under the recently closed Catastrophe Deferred Drawdown Operation (P161562) to continue work on: (i) pandemic preparedness through a new regional operation (FY23); (ii) strengthening urban resilience in Kenya's secondary cities under the upcoming KIDUSP (FY23); (iii) livestock insurance under the DRIVE (P176517) project; (iv) national and regional surveillance and controls for pest management under the ELRP (P173702); (v) modernization of hydro-meteorological services under the ongoing KCSAP (P154784); and (vi) tackling environmental hazards in urban slums under KISIP2 (P167814).

87 To help address the **impacts of climate change** more generally: the World Bank will complete a CCDR for Kenya in FY23 to inform policies needed to, inter alia, climate proof public investments; the ongoing FLLOCA (P173065) is helping build the country's capacity to plan, monitor and implement Climate Action Plans and investments to build community level climate resilience in all counties; and the Bank will continue support for Kenyan issuance of sovereign green bonds and mobilization of other forms of climate finance.

88 **Key outcomes for Objective 6 will be tracked by the population covered by effective safety nets and/or social insurance,** the number of small producers with access to risk financial services and share of urban areas with risk sensitive development plans, and later by a new County Climate Resilience index.

Water Kiosk
Photo: World Bank

OBJECTIVE 7: REDUCE KENYA'S WATER INSECURITY

89 **The CPF program will work upstream to help stem degradation of Kenya's natural assets and reduce vulnerabilities to extreme weather events, and downstream to increase water supply and sanitation services.** The planned CCDR (FY23) will help Kenya prioritize actions to achieve its NDCs to the Paris Climate Agreement and will be supplemented by analytical work to expand PPPs in biodiversity conservation and strengthen governance for protecting forests. A planned Watershed Restoration Project (FY24) will help communities restore and protect selected water towers and watersheds and improve Kenya's systems for monitoring landscape areas. The World Bank will also explore how communities and governments can collaborate to produce economic and environmental co-benefits through better natural resource management. Downstream, the CPF will: complete the bulk water supply for Mombasa and Kwale under the Coastal Water Security and Climate Resilience Project (P145559); strengthen water distribution and utilities under the Water and Sanitation Development Project (P156634); complete a largescale irrigation scheme under the Kenya Water Security and Climate Resilience Project (P117635); build on IFC's East Africa Smallholder Irrigation Program to develop investment opportunities for equipment suppliers, farmer groups, off-takers and banks; and introduce investments in farmer-led irrigation under NAVCD (see paragraph 69). Additional investments in water storage and supply will be extended in the upcoming

Water, Sanitation and Hygiene program (FY24) and a planned urban water and sanitation operation in FY25. The Groundwater Management for Horn of Africa Project (P174867) will invest in accessing domestic aquifers in Kenya's NEDI regions and, in a later phase, shared aquifers in the Horn.

90 **Outcomes for Objective 7 will be tracked by increases in Kenya's water storage capacity,** household access to improved drinking water and water for productive use, and hectares of land under sustainable land and water management practices.

E. Implementing the CPF Program

91 **The CPF will span two IDA cycles: IDA20 (FY23-FY25) and IDA21 (FY26-FY28).** Given Kenya's blend status[20], World Bank financing will comprise IDA and IBRD resources. Financing will be provided in ways that align to Kenya's stated development priorities, are consistent with the SDFP, and support Kenya's objective to move, over time, toward Low risk of debt distress. Specific amounts will be determined during project negotiation, based on support from other development partners, WBG comparative advantage, and factors affecting IBRD's financial capacity, including global economic developments and demand from other borrowers. Kenya's IDA19 program is fully delivered with the indicative program for IDA20 (Annex 3) expected to leverage IDA20's window for regional integration, the WHR, and short-term maturity loans. The IDA21 program will be set out in the FY25 PLR. The CPF ASA program will include a CCDR, Poverty Assessment, and Human Capital Review in FY23.

Program evolution, performance, and implementation

92 **Kenya's IDA/IBRD portfolio grew by over 50 percent in commitments from the beginning of IDA17, increasing in both number and average size of operations, to peak at 35 active IDA/IBRD projects in FY18 and at commitments of US$6.6 billion (excluding DPFs).** A strong portfolio consolidation effort has taken place since FY20 (see Table 1) reflecting the CLR lesson on volume and depth of operations versus breadth of interventions and supported by the resumption of DPFs. This consolidation provides an important opportunity to refocus investments in this CPF toward a more transformational array of operations. The expected evolution of the Bank lending pipeline for FY23-FY25 is detailed in Annex 3.

93 **Collaboration with IFC and MIGA continues to grow beyond the traditional focus on infrastructure finance and investment climate.** The portfolio is already moving towards several new areas, including agriculture, health, tourism, and MSMEs, spurred by Kenya's need to mobilize private capital. The WBG will continue to employ all funding modalities in Kenya (including trust funds) and deepen synergies between World Bank ASA and IFC advisory programs.

94 **The previous CPS development outcome was rated Moderately Satisfactory (Annex 2), in part due to systemic issues that continue to challenge World Bank project implementation.** The most critical are: (i) misalignment between budget allocations and project work programs; (ii) delayed

TABLE 1: Kenya IBRD/IDA Portfolio Performance

		IDA17			IDA18			IDA19	
	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Commitments (US$ billion) *	4.5	5.4	5.3	6.1	6.6	6.6	5.5	6.0	6.3
No. of operations	24	29	30	30	35	34	33	32	32
Average size (US$ million)	188	186	177	203	189	194	167	188	191
Disbursement ratio (%) **	18.6	21.9	12.1	18.8	16.2	17.1	22.1	20.6	17.7
Amt disbursed in FY (US$ billion) *	n.a.	n.a.	n.a.	n.a.	0.50	0.55	0.93	0.64	0.58
Problem projects (% value)	n.a.	n.a.	n.a.	n.a.	13.3	26.6	10.0	16.0	9.0

** Excluding DPF, and Trust Funds co-financing*
*** Includes IPFs and Program for Results financed by IBRD financing, national Performance-Based Allocations and IDA windows*

20 Given the ongoing improvements in debt policy, strategy and management (including under the SDFP) Kenya should be able to retain its blend status and access to IBRD resources.

transfers to national ministries and county agencies; (iii) weak institutional and intergovernmental coordination; (iv) protracted procurement processes; and (v) delays in land acquisition, particularly community lands. These issues are being addressed through policy reforms and capacity building. GESDEK is strengthening Kenya's budget process with new legislation enacted to accelerate fiscal transfers to the counties. The resumption of DPFs has created a new national platform for policy coordination, and Kenya is reinforcing its framework for operational coordination cascading from Cabinet through line ministries to county governments. As the Kenyan polity relies on relationships that overlay bureaucratic processes (which can affect implementation), the World Bank will also mainstream sector-wide governance and institutional assessments to understand better political economy realities during project preparation. An ongoing engagement with the National Land Commission, supported by several projects, will contribute to increasing the efficiency of land acquisition.

95 **Fiduciary compliance remains generally robust with exceptions in a few sectors and some challenges at the county level.** World Bank-financed projects use Kenya's national PFM systems in accounting, budgeting, internal control, funds flow, financial reporting and external audit which are in turn supported under the GESDEK and TA programs. The recently closed Kenya Devolution Support and upcoming KIDUSP programs finance and incentivize capacity building in PFM at the county level while counties are creating single fiduciary units that span World Bank and possibly other development partner-financed operations. The World Bank's Integrity Vice-Presidency (INT) continues to help build anti-corruption capacities in selected implementing agencies. Continued close monitoring and capacity building, particularly at the county level, should mitigate residual risks, and permit a gradual expansion of PforR operations with appropriate fiduciary reform measures.

96 **Environmental and social (E&S) risk management and safeguard/standards compliance has improved somewhat but requires further strengthening at the county level and better management of occupation health and safety risks.**[21] Close monitoring and gradual improvements to grievance redress mechanisms is also yielding better performance results, although a few projects have closed with outstanding compliance issues. The CPF program will continue to support safeguards

Potato farming
Photo: GoK

[21] Kenya continues to be an outlier on preventable project-related accidents and fatalities.

compliance by strengthening social risk management across the government and project implementers. IFC will also expand advisory services to its clients on E&S performance standards.

Partnerships

97 **The WBG will continue to play a leading role in high-level policy dialogue between development partners and the Government of Kenya.** Periodic meetings between the government and the Development Partners Heads of Mission Group, currently co-chaired by the World Bank and the government, are at the apex of Kenya's development coordination framework. The World Bank also actively participates in (if not co-chairs) several Sector Working Groups many of which include domestic and international civil society partners. Particularly strong areas of multi-donor partnership include agriculture, health, safety nets, transport, electricity, devolution and PFM (see Annex 6) and, most recently, support for refugees and host communities.

98 **The WBG will continue to work closely with the International Monetary Fund (IMF).** In April 2021, the IMF approved a 38-month program for Kenya[22] supporting fiscal consolidation and economic recovery. Alignment with the recent DPF series has been strong, and this CPF program will continue to coordinate with the Fund on macroeconomic and selected structural policies.

99 **As a rising middle income client, the WBG CPF program for Kenya will also explore the range of co-financing opportunities** available through deeper coordination with larger bilateral and multilateral development banks in the semi-concessional financing space. Finally, the Bank will continue to expand partnerships with Kenya's leading think tanks and vibrant CSOs on both national and regional issues.

Measurement, monitoring, and learning

100 **The CLR for the previous CPS (FY14-FY20) called for more attention to monitoring, evaluation and learning to inform CPF course corrections.** This CPF will therefore introduce a program-wide approach to data adequacy, quality and transparency building on support to Kenya's statistical system under the recently closed Kenya Statistics Project (P149718). The upcoming Eastern Africa Regional Statistics (P176371), Kenya Digital Economic Acceleration (FY23), and Governance Improvement (FY24) operations will provide further support for consolidating Kenya's data platforms and information systems. This approach will: (a) mainstream the use of high frequency data, improved administrative data and available 'big data' into World Bank-supported operational design, learning and outcome monitoring; (b) apply mapping tools, such as the Geo-Enabling initiative for Monitoring and Supervision and the new Project Targeting Index, across the portfolio to enhance geographic and spatial synergies (e.g., matching electricity access subprojects with value chain investments); and (c) include appropriate data literacy capacity building for demand-side agents in each operation (see paragraph 66).

101 **The new CPF monitoring framework would introduce:** (a) an annual tripartite event involving government, civil society and development partners to reflect on Kenya's overall progress toward the HLOs and CPF implementation; (b) biannual consultations with CSOs and media; and (c) operational level frameworks, such as a new NEDI Communication Strategy, that engage local stakeholders on project implementation and deepen compliance with both Kenya's constitutional requirement for participation and the World Bank's requirements for citizen engagement.

22 A US$2.34 billion program under its Extended Credit Facility and Extended Fund Facility.

Customer paying for grocery in Ngong market
Photo: Sambrian Mbaabu

IV. MANAGING RISKS TO THE CPF PROGRAM

102 **The overall risk to achieving the CPF objectives and their substantial contributions to the HLOs is assessed as Substantial** (Table 2). In particular, the level of political and governance, macroeconomic, fiduciary, and social risks are all assessed as Substantial.

Table 2: Systematic Operations Risk Rating Tool

Risk Category	Rating
1. Political and Governance	Substantial
2. Macroeconomic	Substantial
3. Sector strategies and policies	Moderate
4. Technical design of project	Moderate
5. Institutional capacity for implementation and sustainability	Moderate
6. Fiduciary	Substantial
7. Environment and social	Substantial
8. Stakeholders	Moderate
Overall	Substantial

103 **Political and governance risk is assessed as Substantial.** While the overall political climate continues to improve with the implementation of the 2010 Constitution, Kenya's diffuse power bases and dynamic coalitions challenge efficient cross-government coordination, greater international competitiveness, efforts to tackle corruption, and better resource allocation for improved service delivery (all critical to the CPF). Devolution has the potential to surmount some of these challenges, but also faces risks from an evolving center-periphery political settlement and the potential replication of corruption at local levels. To mitigate these risks, the CPF program will support emerging national platforms for policy reform and coordination, strengthen the intergovernmental fiscal framework, county government capacities, and help increase the beneficiary incidence of public spending with efforts to strengthen demand for accountability.

104 **Macroeconomic risk is assessed as Substantial.** Although Kenya's medium-term economic prospects remain good, the broad political commitment to fiscal consolidation and reducing the risk profile of Kenya's external debt could be jeopardized by continued turbulence in the global economy. Sustained and intense fiscal pressures could delay efforts to rebuild fiscal buffers and divert attention from necessary structural reforms and MSME investments, while rising food prices and related shortages raise the potential for unrest. To mitigate these risks, the CPF program will continue DPFs to provide a fiscal cushion to protect social spending and sustain the reform effort, in collaboration with the IMF and underpinned by analytical work. Other financing operations will be strictly embedded in Kenya's own medium term expenditure framework.

105 **Fiduciary risk is assessed as Substantial.** To mitigate this risk, the WBG will continue to support improvements in Kenya's national and local fiduciary systems with a focus on strengthening the internal and external control framework and deepening transparency, including at the beneficiary and service delivery levels, and employing preventative measures (including robust engagement with INT) across the portfolio and in identified corruption hotspots.

106 **Environmental and social risks are assessed as Substantial (social risks are Substantial and environmental risks are Moderate).** Resource competition, environmental stresses and weaker institutions in Kenya's north and northeast continue to spur social conflicts that delay project implementation. Resource competition in some water tower communities interrupted past World Bank supported projects. Kenya also faces risks of cross-border spillovers from conflicts and environmental stressors across the Horn of Africa. To mitigate these risks, the WBG will draw on its ministerial-level convening power through the HoAI, the growing number of regional operations and its use of related relevant windows (e.g., the WHR). The CPF will also invest heavily in water security and livestock value chains, roll out investments under the IDA20 WHR and expand payments for environmental services. To mitigate social risks, the CPF will strengthen citizen and beneficiary engagements across the portfolio and continue to build social risk management capacities across national and local governments. The World Bank anticipates an increase in grievance reporting; while this may be interpreted as rising social risks, it reflects a trend towards greater accountability that can help drive more beneficiary-centered public spending in Kenya.

140MW geothermal power plant in Olkaria supported under the Kenya Electricity Expansion Project
Photo: Keziah Muthembwa

World Bank Group support will help:

- Boost Kenya's fiscal and debt sustainability
- Foster MSME and small producer success for faster job creation
- Extend sustainable infrastructure services to the last mile
- Reduce Kenya's water insecurity
- Improve public expenditure transparency and effectiveness
- Shrink disparities in learning and health outcomes
- Increase household resilience and national preparedness for shocks

Annex 1: Kenya CPF FY23–FY28 Results Matrix

High Level Outcome 1 (HLO 1) – FASTER AND MORE EQUITABLE LABOR PRODUCTIVTY AND INCOME GROWTH			
Indicators	Data source(s) & frequency	Current value	Benchmark
Private investment as a share of GDP	National Accounts - Kenya National Bureau of Statistics (KNBS)	12.8 percent (2017-19)	19.7 percent (MIC avg. 2017-19)
Output per worker (GDP constant 2017 international US$ at PPP)	International Labour Organization (ILO)	US$10,181 (2021)	US$12,473 or 50 percent increase over pre-COVID avg 2015-19 of 3.4 percent growth per year
Gini inequality index	KNBS	38-40 (2019)	
Youth not in education, employment or training	KNBS	16.9 percent (2021)	

High Level Outcome 2 (HLO 2) – GREATER EQUITY IN SERVICE DELIVERY OUTCOMES			
Indicators	Data source(s) & frequency	Current value	Benchmark
Ratio of the average of 1st and 2nd quintile to the 5th quintile county Human Capital Indices	KNBS and DHS (every 5 years)	0.79 (2015/16	
Share of population with access to electricity (grid & off-grid)	*On-grid:* Admin data on metered connections from KPLC (annual) *Off-grid:* Energy & Petroleum Regulatory Authority (annual)	75 percent (2021)	100 percent
Increased social safety net financing	State Department for Social Protection	0.4 percent of GDP	1.4 percent (LMIC avg)

High Level Outcome 3 (HLO 3) – GREATER RESILIENCE AND SUSTAINABILITY OF KENYA'S NATURAL CAPITAL			
Indicators	**Data source(s) & frequency**	**Current value**	**Benchmark**
Water productivity	Kenya Water Resource Authority (annual)	US$14.4 per m^3	US$25 per m^3 (LMIC)
Share of land area under forest cover	Kenya Forest Service (annual)	7.2 percent (2019)	12 percent (2030) NDC target
Prevalence of severe food insecurity in the population	Food and Agricultural Organization (FAO) (3 year moving average)	25.7 percent (2018–20)	

CPF Objective 1: Boost fiscal and debt sustainability		
CPF Objective Indicators	**Supplementary Progress Indicators**	**WBG Program**
COI 1.1: Joint DSA Risk of Debt Distress Baseline [2021]: High Target [2027]: Moderate Source: Debt Sustainability Analysis (DSA) **COI 1.2:** Volume of sovereign and corporate green bond issuances Baseline (2021): 0 Target (2027): US$1 billion Source: Central Bank of Kenya and National Treasury Debt & Resource Mobilization Directorate **COI 1.3:** Volume and number of PPP's mobilized with WBG financial/TA support Baseline (2021): 0 Target (2027): US$2.5 billion, 50 transactions Source: National Treasury PPP Directorate	**SPI 1.1:** Implementation of new debt management rules pegging to debt ceiling to 55 percent of GDP Baseline [2021]: 62 percent Target [2027]: 52 percent Source: DSA **SP1 1.2:** Performance-based incentive framework developed for Kenya's private sector-led Special Economic Zones program **SPI 1.3:** Green Industrialization Policy adopted **SPI 1.4:** New Investment Promotion act passed to underpin a comprehensive upgrade of investment facilitation services, including at the county level	**Ongoing financing:** **IDA/IBRD:** Accelerating Reforms for an Inclusive & Resilient Recovery DPF 2 (P176903), Program to Strengthen Gov for Enabling Service Delivery and Public Investment in Kenya (GESDEK, P161387), Kenya Infrastructure Finance/PPP (P121019), Affordable Housing (P165034) **Financing pipeline:** **IDA/IBRD:** Development Policy Financing, Long-term Fin for PPP/ Nairobi-Nakuru Toll Road Gu (P165545), Integrated Devolution & Urban Support Program (P177048), Governance Improvement (FY23/24) **Ongoing AS/A:** Public Expenditure Review (P175146), Country Economic Memorandum (P177156), Macro Fiscal Programmatic ASA (PASA) (P162368), Joint Capital Market Program (P603143), IFC Investment Climate AS (P603298), Subnational Competitiveness for JET (P176821), Kenya Trade Integration (P172285) **ASA Pipeline:** Kenya Economic Updates (biannual), CORE ASA Public Expenditure Review (FY26), CORE ASA Country Economic Memorandum (FY25)

CPF Objective 2: Improve Public Expenditure Transparency and Effectiveness		
CPF Objective Indicators	**Supplementary Progress Indicators**	**WBG Program**
COI 2.1: Share of approved estimates with results costed in the improved budget costing framework (BCF) that have been disbursed to counties on time (as defined by PFM Act and regulations) Baseline [2024]: to be measured in Aug 2024 when BCF is rolled out to MCDAs Target [2027]: 60 percent Source: Hyperion and Integrated Financial Management Information System (IFMIS) **COI 2.2:** Proportion of public procurement value conducted by MDAs, state corporations and counties in a timely and efficient manner using e-procurement systems Baseline [2021]: 0 Target [2027]: 100 percent Source: PFM Reform Strategy Reports, e-Govt Procurement system **COI 2.3:** Percentage increase in performance on newly developed County Governance Scorecard Index (CGSI) Baseline [2021]: to be measured when CGSI is developed (see SPI 2.4) Target [2027]: 25 percent point increase over first year measurement Source: Ministry of Devolution Annual Reports	**SPI 2.1:** Budget costing and cash management frameworks adopted at the national and county governments Baseline [2021]: No Target [2027]: Yes Source: NT Memo **SPI 2.2:** Percentage of the number of public investments effectively selected, implemented, and monitored in line with PIM regulations/guidelines Baseline [2021]: 0 Target [2027]: 75 Source: Public Investment Management Information System (PIMIS) **SPI 2.3:** Share of MCDAs and County Governments implementing e-procurement system Baseline [2021]: 0 percent Target [2027]: 75 percent Source: PFM Reform Strategy Reports **SSPI 2.4:** Joint development partner anticorruption strategy adopted Baseline [2021]: No Target [2027]: Yes Source: Governance Development Partner Working Group Minutes	**Ongoing Financing:** Program to Strengthen Governance for Enabling Service Delivery and Public Investment in Kenya (P161387), Kenya Accountable Devolution Program (P160017) Financing Pipeline: Integrated Devolution and Urban Support Program (P177048), Digital Economy Acceleration Project (P170941) **Ongoing ASA:** Macro Fiscal Programmatic ASA (P162368), Kenya Public Sector Improvement (P174306), Kenya Devolution Dialogue (2099094) **ASA Pipeline:** CORE ASA Public Expenditure Review (FY26), Macro Fiscal Programming PASA (P178884), Public Expenditure and Financial Accountability Report (FY27)

Lake Victoria wetlands
Photo: World Bank

Objective 3: Foster MSME and Small Producer Success for Faster Job Creation		
CPF Objective Indicators	**Supplementary Progress Indicators**	**WBG Program**
COI 3.1: Average annual net private, non-self-employed, non-agriculture, full-time equivalent (FTE) job growth, outside Nairobi and Mombasa Baseline [2015-19]: 270,000 Target [2026-27]: 300,000 (10 percent increase) Source: Kenya Labor Force Surveys **COI 3.2:** Numbers of additional farmers and pastoralists selling more than 50 percent of output in the marketplace Baseline [2022]: 0 Target [2027]: 600,000 or 50 percent of 1.2 million farmers in project-supported agriculture services delivery system and database Source: Ministry of Agriculture, Livestock and Fisheries project surveys **COI 3.3:** Percentage of formal firms with 5 or more employees who have at least one woman-owner with an open credit line. This indicator will be broadened to include micro enterprises as data improves Baseline [2018]: 37 percent Target [2027]: 47 percent Source: World Bank Enterprise Surveys, Findex, Central Bank of Kenya FSD **COI 3.4:** Value of private capital mobilized by WBG operations into value chains with high potential for job creation Baseline [2022]: US$0 Target [2027]: US$100 million Sources: WB project and IFC investment reports	**SPI 3.1:** Number of jobs created for vulnerable youth (to be gender disaggregated) Baseline [2021]: 110,000 direct beneficiaries Target [2027]: 250,000 direct beneficiaries Source: KYEOP and successor operation **SPI 3.2** Yields per hectare for key agriculture value chains (potato, tomato, coffee) Baseline [2022]: Baseline expected by Dec 2022 from ongoing Agricultural Census Target [2027]: 25 percent increase Source: Project surveys and Agricultural Censuses (2022, 2027) **SPI 3.3:** Number of women owned MSMEs, women producers (crop, fish, livestock) & female agri-preneurs receiving direct financial support (grants or credit) through WBG operations Baseline [2022]: 0 Target [2027]: 550,000 Source: World Bank operations **SPI 3.4:** Public sector Credit Risk Guarantee Scheme transitioned to an independent Credit Guarantee Company capitalized in part by the private sector **SPI 3.5:** Number of national competition policy actions introduced that address restrictions in agriculture, construction, pharmaceuticals, telecoms, insurance, and professional services	**Ongoing Financing:** **IDA/IBRD:** Nat Agricultural & Rural Inclusive Growth Project (P153349), Kenya Climate Smart Agriculture Project (P154784), National Agriculture Value Chain Development Project (P176758), De Risking, Inclusion & Value Enhancement (DRIVE) (P176517), Kenya Marine Fisheries Economic Development (P163980), Kenya Industry and Entrepreneurship (P161317) Kenya Youth Employment and Opportunities (P151831), Supporting Access to Finance and Enterprise Recovery (P175017), Kenya Affordable Housing Finance Project (P165034), East Africa Skills for Transformation & Reg Integration Project (P163399), Eastern & Southern Africa Higher Ed Centers of Excellence (P151847), Improved Livelihood for Communities in Meru (P163035) **IFC:** KTDA ICD (41498), BOAK SME RSF (46437), AMEF-P1 COOP KN (45046), Co-op Bank III (41133), Equity Bank II (38419), WCS COVID GTBK (44972), KCB Group TierII (36791), NIC Bank Kenya (35372), Twiga Foods RSF (43108), Suguna III K (44038), BP Kenya (23826), Twiga Foods (41195) **Financing Pipeline:** Kenya Integrated Devolution and Urban Support Program (P177048), Kenya Digital Economy Acceleration Project (P170941), National Youth Opportunities Towards Advancement (P179414), Women's Economic Empowerment (FY24), Jobs and Economic Transformation (FY24) **Ongoing ASA:** **IDA/IBRD:** Kenya Economic Update (biannual); Job Creation & Entrepreneurship among Youths in Kenya: Impact Evaluations (P164229), Interventions to Foster Employment of Refugees & Host Communities in Kenya: A Feasibility Study (P173814), Kenya Subnational Competitiveness for JET (P176821); Land & Housing Eng (2099090), Kenya Trade Integration (P172285), Agriculture Sector Reforms (P172378) **IFC:** APA Women's Insurance (606514), Coop CIBD and SCF Advisory Services Co-operative Bank of Kenya (603453), Equity Bank (Kenya) Limited (603469), KTDA Advisory Services Program (600248), Seedstars World (604163), Sourcing2Equal Kenya (604788), Stanbic Bank Kenya (603403), Twiga Advisory (605442), Kenya Investment Climate Project 3 (603298), Kenya Investment Generation Project II (603316), Kakuma Kalobeyei Challenge Fund for Refugees and Host Communities in Kenya (603725) **ASA Pipeline:** Competition Policy Diagnostics (FY22), Women's Empowerment Diagnostic (FY23), Kenya Economic Update (biannual)

CPF Objective 4: Shrink Disparities in Learning and Health Outcomes		
CPF Objective Indicators	**Supplementary Progress Indicators**	**WBG Program**
COI 4.1: Universal Health Service Coverage Index Baseline [2019]: 56 Target [2027]: 74 [2 percent improvement per year based on past performance] Source: Kenya Demographic and Health Survey, Kenya Harmonized Health Facility Assessment, Kenya Household Health Expenditure and Utilization Survey **COI 4:2:** Average share of students achieving higher order proficiency levels in Grade 3 in lowest performing quintile of counties Baseline [2021]: 20 percent Target [2027]: 50 percent Source: National Assessment System for Monitoring Learner Achievement **COI 4.3:** Share of girls who drop out in Primary and Junior Secondary (at grades 6, 7, 8 and 9) Baseline [2015]: 11 percent (to be revised with 2019 KCHS data once released or 2023 KIPS) Target [2027]: 50 percent reduction Source: Kenya Continuous Household Survey, KNBS	**SPI 4.1:** Percentage of population with insurance coverage under the National Health Insurance Fund Baseline [2018]: 19.9 percent Target [2027]: 40 percent Source: National Health Accounts or KNBS Household Health Expenditure and Utilization Survey **SPI 4.2:** Revision of student's capitation grants formula and amount per learner to accommodate geographic specificities **SPI 4.3:** Policy, strategy, and costed implementation plan for an intergovernmental quality framework for Pre-Primary Education approved **SPI 4.5:** Number of government programs informed by the national social registry for pro-poor spending and equity Baseline [2021]: 1 (HSNP) Target [2027]: at least the four (4) existing safety net programs, up to all government programs that target the poor – school feeding, youth programs Source: Social Protection Secretariat	**Ongoing financing:** **IDA:** Transforming Health Systems for Universal Care (P152394) COVID-19 Health Emergency Response Project (P173820) Secondary Education Quality Improvement Project (P160083) Social and Economic Inclusion Project (P164654) Primary Education Equity in Learning Program (P176867) Development Policy Financing **IFC:** ISO Health (35077); AMEF-P1 COOP KN (45046) **Financing pipeline:** Building Resilient and Responsive Health Systems (P179698) Early Childhood Development (FY24) Social and Economic Inclusion 2 (FY25) Secondary Education 2 (FY25) **Ongoing ASA:** **IDA:** Kenya Health Systems Strengthening for UHC (P177596), Roadmap for Better Early Childhood ASA (P174257), Social Protection and Jobs ASA (P175941), Gender Platform (2106189), Poverty Assessment (P177353) **IFC:** Africa Medical Equipment Facility (605814); TechEmerge Health East Africa (604737) **ASA pipeline:** CORE ASA Equity in Human Capital (FY23), Women's Empowerment Diagnostic (2106189), Education Programmatic ASA

Refugees learn new skill
Photo: IFC

CPF Objective 5: Extend infrastructure services to the last mile		
CPF Objective Indicators	**Supplementary Progress Indicators**	**WBG Program**
COI 5.1: Number of new grid and off-grid connections added Baseline [2021]: 30,000 Target [2027]: 270,000 Source: KPLC Project Progress Report **COI 5.2:** Percentage of population served with mobile broadband coverage (3G +) Baseline [2021]: 94 Target [2027]: 98 Source: Communications Authority of Kenya **COI 5.3:** Rural Access Index Baseline [2021]: 70 Target [2027]: 80 Source: Kenya Rural Roads Authority **COI 5.4:** Increase in people living in urban informal settlements provided with improved living conditions (household connections to safe water/sanitation, roads, drainage & security lights) Baseline [2021]: 0 Target [2027]: 2.5 million Source: State Department of Housing and Urban Development, Informal Settlements Database	**SPI 5.1:** Electricity sector revenue shortfall Baseline [2021]: 25 percent Target [2027]: 15 percent Source: KPLC Financial Model **SPI 5.2:** Kilometers of existing Fiber Backbone Infrastructure upgraded, rehabilitated, and/or extended Baseline [2021]: 0 km Target [2027]: 6,000 km Source: National ICT Authority of Kenya **SPI 5.3:** Rural Roads Investment Program developed with targets and financing sources identified **SPI 5.4:** Number of County Integrated Development Plans prepared and adopted Baseline (2021): 0 Target (2027): 20 Source: Council of Governors Urban Committee	**Ongoing financing:** **IDA:** Off-grid Solar Access Project for Underserved Counties (P160009), Electricity Modernization Project (P120014), Eastern Electricity Highway 1st Phase of EA Power Integration (P126579), Horn of Africa Gateway Development Project (P161305), EA Regional Transport, Trade Dev Facilitation - 2nd Phase (P148853), Kenya Urban Support Program (P156777), Second Kenya Informal Settlements Improvement Project (P167814) **IFC:** Atlas Tower Kenya (45720); Thika IPP (29801) **Financing pipeline:** Integrated Devolution and Urban Support Program (P177048), Digital Economy Acceleration Project (P170941), Expansion of Sustainable Access to Electricity Program (P176698), Urban Mobility Improvement Project (P176725), Rural Roads (FY24) **Ongoing ASA:** **IDA/IBRD:** Renewable Energy (P174257), Freight Flow & Logistics (P178106), Land & Housing Engagement (2099090), Urban Policy Dialogue (P177737) **IFC:** Private participation in 220kV Tx - Kenya Deep Dive (606335); Wananchi - East Africa Connectivity Services Market Study (605082) **ASA Pipeline:** CORE ASA Poverty Assessment (P177353), IFC Transmission Line AS

A section of the Marsabit-Turbi road in Marsabit County
Photo: KENHA

CPF Objective 6: Increase Household Resilience to, and National Preparedness for, Shocks		
CPF Objective Indicators	**Supplementary Progress Indicators**	**WBG Program**
COI 6.1: Percentage of population covered by safety net programs or social insurance Baseline [2021]: 13.1 percent Target [2027]: 30 percent Source: State Department of Social Protection, Population Census, Retirement Benefits Authority **COI 6.2:** Number of producers (crop, livestock, fish) accessing risk financial services including saving accounts, digital accounts and/or insurance Baseline [2022]: 0 Target [2027]: 425,000 Source: World Bank operations **COI 6.3:** Percentage of urban areas (cities and municipalities) with risk-sensitive Integrated Urban Development Plans, including for informal settlements Baseline [2022]: 0 Target [2027]: 50 of 63 municipalities Source: Council of Governors Urban Committee	**SPI 6.1:** Hunger Safety Net Program coverage Baseline [2021]: 100,000 regular households in 4 counties (up to 300,000 households in emergencies) Target [2027]: 135,000 regular households in 8 counties (to be updated at PLR) Source: National Drought Management Agency **SPI 6.2:** Pandemic preparedness: Joint External Evaluation of International Health Regulations score Baseline [2021]: 57 Target [2027]: 65 Source: Joint External Evaluation International Health Regulations **SPI 6.3:** Percentage of counties that have prepared Climate Risk Action Plans and set targets for County Resilience Index (to be developed) Baseline [2021]: 0 Target [2027]: 70 percent Source: Ministry of Environment, Council of Governors, and County Governments	**Ongoing financing:** **IDA:** Social and Economic Inclusion Project (P164654), Emergency Locust Response Program (P173702), National Agricultural & Rural Inclusive Growth Project (P153349), Climate Smart Agriculture Project (P154784), National Agricultural Value Chain Dev Project (P176758), De Risking, Inclusion & Value Enhancement (P176517), Marine Fisheries Economic Devt (P163980), Second Kenya Informal Settlements Improvement Project (P167814), Financing Locally Led Climate Action Program (P173065), Covid-19 Health Emergency Response Project (P173820) **Financing pipeline:** Kenya Integrated Devolution and Urban Support Program (P177048) Kenya Urban Mobility Improvement Project (P176725), RI Pandemic Preparedness (FY23) National Youth Opportunities Towards Advancement (P179141) Kenya Social and Economic Inclusion Project (FY25) **Ongoing ASA:** Social Protection and Jobs in Kenya (P175941), Kenya: Strengthening Natural Capital and Climate Policy Governance (P177097), Renewable Energy Development and Institutional Strengthening for Kenya (P173040), E-mobility study TA under HoAGP **ASA pipeline:** CORE ASA CCDR (FY23)

Buhani Community Water Project: a Vihiga County Climate Change Investment
Photo: Vihiga County Communications

CPF Objective 7: Reduce Kenya's Water Insecurity		
CPF Objective Indicators	**Supplementary Progress Indicators**	**WBG Program**
COI 7.1: Increase in water storage (million cubic meters) Baseline [2021]: 0 Target [2027]: 140 Source: Water Resources Authority **COI 7.2:** Increase in number of people provided with access to improved drinking water sources (Number) through WBG operations Baseline [2021]: 0 Target [2027]: 5.8 million Source: World Bank operations **COI 7.3:** Number of people gaining access to water for productive use, including farmers with access to irrigation services through schemes or matching grants, through WBG operations Baseline [2022]: 0 Target [2027]: 1 million Source: World Bank operations **COI 7.4:** Increase in hectares (ha) of land under sustainable land and water management practices, through WBG operations Baseline [2021]: 0 Target [2027]: 152,000 Source: World Bank Operations	**SPI 7.1:** Water sector policies and regulations adopted Baseline [2022]: 0 Target [2027]: At least 4, which could include Groundwater strategy, Transboundary Water Policy, individual county Water Acts Source: Ministry of Water, Sanitation, and Irrigation **SPI 7.2:** Number of rural water schemes constructed or rehabilitated and functional, under WBG operations Baseline [2022]: 0 Target [2027]: 2500 Source: World Bank operations **SPI 7.3:** Hectares (ha) provided with new/improved irrigation or drainage services Baseline [2022]: 0 Target [2027]: 22,385 ha Source: World Bank operations **SPI 7.4:** Share of sub catchment areas with management plans developed by Water Resources Users Associations Baseline [2022]: 28 percent Target [2027]: 50 percent Source: World Bank operations **SPI 7.5:** Sustainable financing models for watershed management developed with and for Water Resources Users Associations	**Ongoing Financing:** Water and Sanitation Development Project (P156634), Kenya Water Security and Climate Resilience (P117635), Coastal Region Water Security & Climate Resilience (P145559), Horn of Africa - Ground Water for Resilience Project (P174867), National Agriculture Value Chain Development Project (P176758), Financing Locally Led Climate Action Program (P173065), Devt Response to Displacement Impact Project (P161067), Second Kenya Informal Settlements Imp Project (P167814) **Financing Pipeline:** Kenya Watershed Services Improvement Program (P178850), Kenya Water, Sanitation and Hygiene Program (P179012), Urban Water and Sanitation (FY25) **Ongoing ASA:** Global Water PER (P712944), Untapping Resilience in Groundwater Management (P178786) **ASA Pipeline:** CORE ASA CCDR (FY23)

Sprinkler Irrigation
Photo: World Bank

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