



Program Information Document (PID)

Concept Stage | Date Prepared/Updated: 31-Mar-2021 | Report No: PIDC31401



BASIC INFORMATION

A. Basic Project Data

Country Kenya	Project ID P175251	Project Name Accelerating Reforms for an Inclusive & Resilient Recovery DPO (P175251)	Parent Project ID (if any)
Region AFRICA EAST	Estimated Board Date May 31, 2021	Practice Area (Lead) Macroeconomics, Trade and Investment	Financing Instrument Development Policy Financing
Borrower(s) The National Treasury	Implementing Agency The National Treasury		

Proposed Development Objective(s)

Accelerating reforms for a resilient and sustainable recovery from the COVID-19 shock, and the continued advancement of Kenya's inclusive growth agenda.

Financing (in US\$, Millions)

SUMMARY

Total Financing	750.00
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DETAILS

Total World Bank Group Financing	750.00
World Bank Lending	750.00

Decision

The review did authorize the preparation to continue

B. Introduction and Context

Country Context

Prior to the COVID-19 shock, Kenya was making significant progress towards meeting its ambitious development goals, building on successes such as achieving a 90% clean energy mix and the highest Human Capital Index score in continental sub-Saharan Africa. The economy was sustaining growth of above 5 percent a year, poverty was declining, and important reforms (such as removing agricultural market distortions) were underway, guided by the government’s “Big 4” agenda and with the support of the previous DPF series. However, the pandemic caused growth to stall in 2020, and has pushed an estimated 2 million Kenyans into poverty, despite swift actions by the authorities to contain the virus and protect vulnerable households and firms. Furthermore, Kenya entered into the crisis with its public finances already stretched



and the government has been forced to delay fiscal consolidation plans. This has increased the risk of debt distress, and makes it urgent to make spending more transparent and efficient, address fiscal risks emanating from poorly-performing public entities, and return to a debt-stabilizing fiscal path as soon as economic conditions allow. Encouragingly, the economy has shown resilience and staged a significant recovery in recent months, but the outlook remains highly uncertain and contingent on the future course of the pandemic. The government has signaled its determination to achieve a resilient recovery from the shock, including by maintaining the reform momentum that has been achieved in recent years to address long-standing policy and institutional weaknesses so as to strengthen inclusion, drive sustainable growth, and confront major, growing challenges such as climate change.

Relationship to CPF

The proposed operation will contribute to realizing the twin goals of eliminating extreme poverty and boosting shared prosperity in Kenya, by supporting policy and institutional reforms which are critical to the government's efforts to restructure in the wake of the crisis, and to achieve a resilient recovery. The package prioritizes reforms which have been made urgent by the impact of the crisis, whilst also maintaining a line of sight to the Government's medium-term development agenda for inclusive growth. This is expected to be fully aligned with the Country Partnership Framework (CPF) currently under preparation, contributing to the World Bank Group's overall program of support to Kenya, including through complementarities with projects in public financial management (Program to Strengthen Governance for Enabling Service Delivery and Public Investment in Kenya, GESDeK, P161387), energy (Kenya Electricity Modernization Project, P120014), water (Water and Sanitation Development Project, P156634, and Kenya Water Security and Climate Resilience Project, P117635); health (Transforming Health Systems for Universal care Project, P152394); and education (Eastern and Southern Africa Higher Education Centers of Excellence Project, P151847).

C. Proposed Development Objective(s)

The proposed development objective is to accelerate reforms for a resilient and sustainable recovery from the COVID-19 shock, and the continued advancement of Kenya's inclusive growth agenda.

Key Results

The key results of the operation include: (i) fiscal and debt management results such as more transparency and accountability in state procurement spending, more effective public investment spending, and a more transparent and liquid domestic debt market; (ii) a stronger energy sector through improved financial and operational performance of the state-owned electricity distribution company, and a streamlined energy project investment pipeline placing Kenya on a least-cost, clean energy path; (iii) more sustainable and inclusive governance of natural resources, including strengthened community land rights, and improved governance and service provision in the water sector; and (iv) human capital gains through increased access to healthcare and more efficient public spending on health.

D. Concept Description

The proposed program supports the government's efforts to address critical weaknesses in Kenya's policy and institutional framework which have been exposed and exacerbated by the COVID-19 crisis, complemented by reinvigorating the strong medium-term reform momentum achieved before the shock. The proposed program includes (i) fiscal sector reforms to make spending more transparent and efficient and enhance debt management; (ii) electricity sector reforms to strengthen the cornerstone utility (KPLC, the transmission company) and place Kenya on an efficient, green energy path; (iii) natural capital reforms to increase efficiency and equity in the use of Kenya's land and water resources, as well as to make their use more sustainable and adapt to climate change; and (iv) human capital reforms to strengthen Kenya's health and education sectors.



E. Poverty and Social Impacts, and Environmental, Forests, and Other Natural Resource Aspects

Poverty and Social Impacts

The overall poverty and social impacts of the policy and institutional reforms under this proposed programmatic DPO series are expected to be positive. The poor are expected to benefit in the short-term from the interventions to improve the accessibility and affordability of healthcare, increased access to improved water and sanitation services, and better availability of irrigation. In the medium to longer term, the poor are also likely to benefit from interventions in the electricity sector, human capital reforms focusing on higher education, improved community land rights, better valuation of land, and the more productive use of public land. Further analytical work is foreseen to rule out any unintended adverse impacts or risks.

Environmental, Forests, and Other Natural Resource Aspects

Kenya's national environmental institutional framework is broadly aligned with good international practices. The framework is defined by the 2013 National Environment Policy and the 1999 Environmental Management and Coordination Act (EMCA, amended in 2015) that established the National Environment Management Authority (NEMA). The Ministry of Environment and Forestry (MoEF) is responsible for establishing policy guidelines on environmental, forest, and protection and conservation of natural resources. The proposed operation is expected to have broadly positive environmental effects, notably by supporting an efficient, clean energy mix and supporting enhanced management of Kenya's scarce water resources. Land-related policy actions and institutional reforms leading to increased agriculture production will be evaluated carefully to ensure net positive environmental impacts.

CONTACT POINT

World Bank

Alexis Sienaert, Allen Curtis K. Dennis
Senior Economist

Borrower/Client/Recipient

The National Treasury
Dr. Julius Muia
Principal Secretary
ps@treasury.go.ke

Implementing Agencies

The National Treasury
Dr. Julius Muia
Principal Secretary
ps@treasury.go.ke



FOR MORE INFORMATION CONTACT

The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: <http://www.worldbank.org/projects>

APPROVAL

Task Team Leader(s):	Alexis Sienaert, Allen Curtis K. Dennis
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Approved By

Country Director:	Camille Anne Nuamah	06-Apr-2021
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