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INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT PAPER

ON A

PROPOSED SECOND ADDITIONAL GRANT

IN THE AMOUNT OF US\$3.4 MILLION

FROM KENYA DEVELOPMENT RESPONSE TO DISPLACEMENT IMPACTS PROJECT MULTI-DONOR
TRUST FUND

TO THE

REPUBLIC OF KENYA

FOR THE

DEVELOPMENT RESPONSE TO DISPLACEMENT IMPACTS PROJECT

February 17, 2023

Social Sustainability and Inclusion Global Practice
Eastern and Southern Africa Region

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CURRENCY EQUIVALENTS

Exchange Rate Effective Dec 31, 2022

Currency Unit = Kenyan Shillings (KES)

123.35 KES = US\$1

FISCAL YEAR

July 1-June 30 (Kenya)

January 1-December 31 (IGAD)

Regional Vice President: Victoria Kwakwa

Country Director: Boutheina Guermazi

Regional Director: Ayat Soliman

Practice Manager: Helene Monika Carlsson Rex

Task Team Leaders: Matthew Stephens, Annette Akinyi Omolo

ABBREVIATIONS AND ACRONYMS

AF	Additional Financing
AM	Accountability Mechanism
ASALs	State Department for the Development of the Arid and Semi-Arid Lands
AWPB	Annual Work Plan & Budget
BP	Bank Procedure
CDD	Community-Driven Development
CF	Community Facilitator
CG	Community Group
CGMC	Community Group Management Committee
CIDP	County Integrated Development Plan
CIPIU	County Integrated Project Implementation Unit
COVID-19	Coronavirus Disease 2019
CPF	Country Partnership Framework
CPMC	Community Project Management Committee
DANIDA	Danish International Development Agency
DRC	Democratic Republic of Congo
DRDIP	Development Response to Displacement Impacts Project
EIRR	Economic Internal Rate of Return
ESMF	Environmental and Social Management Framework
ESMP	Environmental and Social Management Plan
ESRM	Environmental and Social Risk Management
FM	Financial Management
FP	Facilitating Partner
GRC	Grievance Redress Committee
GRM	Grievance Redress Mechanism
GRS	Grievance Redress Service
HEIS	Hands-on Expanded Implementation Support
HLO	Higher Level Outcome
IA	Implementing Agency
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IGAD	Inter-governmental Authority on Development
IPF	Investment Project Financing
ISR	Implementation Status and Results Report
KES	Kenyan Shillings
LIPW	Labor Intensive Public Works
MDTF	Multi-Donor Trust Fund
MIS	Management Information System
MoE	Ministry of Education
MTR	Mid-Term Review
NEMA	National Environment Management Authority of Kenya
NGO	Non-governmental Organization
NPIU	National Project Implementation Unit

NPV	Net Present Value
NRM	Natural Resource Management
OP	Operational Policy
PDO	Project Development Objective
PIST	Project Implementation Support Team
PIU	Project Implementation Unit
PPSD	Project Procurement Strategy for Development
RPF	Resettlement Policy Framework
RS	Regional Secretariat for Forced Displacement & Mixed Migration
SA	Social Assessment
SM	Social Mobilizer
SORT	Systematic Operations Risk-rating Tool
TF	Trust Fund
TTL	Task Team Leader
UNHCR	United Nations High Commissioner for Refugees
VMGs	Vulnerable and Marginalized Groups

Eastern and Southern Africa

Development Response to Displacement Impacts Project Additional Financing 2

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BASIC INFORMATION – PARENT (Development Response to Displacement Impacts Project (DRDIP) in the Horn of Africa - P161067)

Country	Product Line	Team Leader(s)		
Eastern and Southern Africa	IBRD/IDA	Matthew Stephens		
Project ID	Financing Instrument	Resp CC	Req CC	Practice Area (Lead)
P161067	Investment Project Financing	SAES2 (9363)	AFERI (81808)	Social Sustainability and Inclusion

Implementing Agency: Intergovernmental Authority on Development (IGAD), State Department for the Development of ASALs, Ministry of Public Service, Gender, Senior Citizens A, State Department for the Development of the Arid and Semi-arid Lands (ASALs)/Ministry of East Africa

Is this a regionally tagged project?	Country (ies)
Yes	Djibouti, Ethiopia, Kenya, Uganda

Bank/IFC Collaboration
No

Approval Date	Closing Date	Expected Guarantee Expiration Date	Original Environmental Assessment Category	Current EA Category
26-Apr-2017	30-Apr-2023		Partial Assessment (B)	Partial Assessment (B)

Financing & Implementation Modalities

<input type="checkbox"/> Multiphase Programmatic Approach [MPA]	<input type="checkbox"/> Contingent Emergency Response Component (CERC)
<input checked="" type="checkbox"/> Series of Projects (SOP)	<input type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Performance-Based Conditions (PBCs)	<input type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a Non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input type="checkbox"/> Responding to Natural or Man-made disaster



[] Alternate Procurement Arrangements (APA)

[✓] Hands-on Expanded Implementation Support (HEIS)

Development Objective(s)

Project Development Objective (from Project Appraisal Document)

The Project Development Objective is to improve access to basic social services, expand economic opportunities, and enhance environmental management for communities hosting refugees in the target areas in the Recipient's territory.

Ratings (from Parent ISR)

	Implementation					Latest ISR
	28-Dec-2019	29-Jun-2020	23-Feb-2021	28-Sep-2021	15-May-2022	19-Dec-2022
Progress towards achievement of PDO	MS	MS	MS	MS	MS	MS
Overall Implementation Progress (IP)	MS	MS	MS	MS	MS	MS
Overall Safeguards Rating	MS	MS	MU	MU	MU	MS
Overall Risk	S	S	S	S	S	S
Financial Management	MS	MS	MS	MS	MU	MS
Project Management	MS	MS	MS	MS	MS	MS
Procurement	MS	MS	MS	MS	MS	MS
Monitoring and Evaluation	MS	MS	MS	MS	MS	MS

BASIC INFORMATION – ADDITIONAL FINANCING (Additional Financing 2 for the Development Response to Displacement Impacts Project - P179954)



Project ID P179954	Project Name Additional Financing 2 for the Development Response to Displacement Impacts Project	Additional Financing Type Cost Overrun/Financing Gap	Urgent Need or Capacity Constraints No
Financing instrument Investment Project Financing	Product line Recipient Executed Activities	Approval Date 17-Feb-2023	
Projected Date of Full Disbursement 31-Dec-2023	Bank/IFC Collaboration No		
Is this a regionally tagged project? Yes		Country (ies) Djibouti, Ethiopia, Kenya, Uganda	

Financing & Implementation Modalities

<input checked="" type="checkbox"/> Series of Projects (SOP)	<input type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Performance-Based Conditions (PBCs)	<input type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a Non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input type="checkbox"/> Responding to Natural or Man-made disaster
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	<input checked="" type="checkbox"/> Hands-on Expanded Implementation Support (HEIS)
<input type="checkbox"/> Contingent Emergency Response Component (CERC)	

Disbursement Summary (from Parent ISR)

Source of Funds	Net Commitments	Total Disbursed	Remaining Balance	Disbursed	
IBRD					0 %
IDA	103.00	83.45	22.19		79 %
Grants	8.18	8.18			100 %

PROJECT FINANCING DATA – ADDITIONAL FINANCING (Additional Financing 2 for the Development Response to



Displacement Impacts Project - P179954)

FINANCING DATA (US\$, Millions)

SUMMARY (Total Financing)

	Current Financing	Proposed Additional Financing	Total Proposed Financing
Total Project Cost	111.18	3.40	114.58
Total Financing	111.18	3.40	114.58
Financing Gap	0.00	0.00	0.00

DETAILS - Additional Financing

Non-World Bank Group Financing

Trust Funds	3.40
Free-standing Single Purpose Trust Fund	3.40

COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

Yes No

Does the project require any other Policy waiver(s)?

Yes No

INSTITUTIONAL DATA

Practice Area (Lead)

Social Sustainability and Inclusion

Contributing Practice Areas

Energy & Extractives



Fragile, Conflict & Violence
Social Protection & Jobs

PROJECT TEAM

Bank Staff

Name	Role	Specialization	Unit
Matthew Stephens	Team Leader (ADM Responsible)	Team Leader	SAES2
Annette Akinyi Omolo	Team Leader	co-TTL Kenya DRDIP	SAES2
Donald Paul Mneney	Procurement Specialist (ADM Responsible)	Procurement	EAERU
Josphine Kabura Kamau	Financial Management Specialist (ADM Responsible)	Financial Management	EAEG1
Ben Okindo Ayako Miranga	Environmental Specialist (ADM Responsible)	Environmental Specialist	SAEE2
Margaret Auma Ombai	Social Specialist (ADM Responsible)	Social Specialist	SAES2
Anna Lisa Schmidt	Team Member	Social Development	SAES2
Boaz Okoth Akello	Procurement Team	Procurement	EAERU
Dahir Elmi Warsame	Procurement Team	Procurement	EAERU
Diana Jemutai Sirma	Team Member	Environmental Safeguards	SAEE2
Edwin Nyamasege Moguche	Team Member	Financial Management	EAEG1
Farida Abdullahi Hassan	Team Member	Social Safeguards	SAES2
Ganesh Kumar Seshan	Team Member	Impact Evaluation	EMNPV
George Ferreira Da Silva	Team Member	Disbursement	WFACS
John Muratha Kinuthia	Team Member	Social Development	SAES2
Naseer Uddin Khan	Team Member	LIPW	HAES2
Ntayi Anfani Bandawa	Counsel	Legal	LEGAM
Peter Muhati Mukhutsi	Team Member	M&E	SAES2
Sandra M Kuwaza	Team Member	Disbursement	WFACS
Soazic Elise Wang Sonne	Team Member	Impact Evaluation	HAWH3
Solomon Zena Walelign	Team Member	Impact Evaluation	DECDP



Sorssa Natea Merga	Team Member	Public Works	HAES1
Extended Team			
Name	Title	Organization	Location



I. BACKGROUND AND RATIONALE FOR ADDITIONAL FINANCING

A. Introduction

1. **This project paper seeks the approval of the Regional Vice President for an additional financing (AF) of US\$3.4 million in grant funds to the Republic of Kenya for the Development Response to Displacement Impacts (DRDIP) in the Horn of Africa Project.** The grant funds come from the Kenya DRDIP Multi-Donor Trust Fund (MDTF) (TF072998), the sole donor for which is the Danish International Development Agency (DANIDA). This would be the second AF for the project after the first was approved on November 6, 2018 (P166266). This project paper also seeks approval for a level two restructuring to: (a) extend the overall project (P161067) closing date from April 30, 2023, to December 31, 2023, to allow sufficient time to complete the remaining subprojects and ensure full financial accountability. This would apply to IDA Credit 60210; (b) extend the closing date of recipient-executed trust fund TF0A7762, which will include the AF, from April 30, 2023 to June 30, 2023;¹ and (c) to update selected results indicators to respond to findings from the 2022 project mid-term review.

B. Background and Context

2. **Kenya continues to be one of the largest refugee-hosting countries in the world.** As of October 2022, Kenya hosted 568,325 refugees and asylum seekers, mainly from Somalia (56 percent), South Sudan (30 percent), the Democratic Republic of Congo (DRC) (7 percent) and Ethiopia (4 percent).² Most refugees in Kenya live in camps in Dadaab in Garissa County (41 percent) and in Kakuma in Turkana County (43 percent), with the remainder living in Nairobi (see Figure 1 below). Most refugees in Dadaab are from Somalia, while Kakuma mostly hosts South Sudanese.

3. **The refugee-hosting areas in Kenya's north and northeast are remote and difficult to access and suffer from high levels of poverty, insecurity, difficult terrain, service delivery deficits and limited economic opportunities.** While Kenya's economy showed considerable resilience during the pandemic, recovery is uneven and masks significant disparities and pockets of deprivation, likely to have been worsened by COVID-19. Poverty remains far higher in Kenya's north and northeast counties, where around seven out of ten households are poor, compared with three out of ten in the rest of the country. Although poverty fell in these counties during 2005-15, the decline was slower than in the rest of the country, so the gap has remained relatively constant. New estimates suggest that the gap for the north and northeast actually widened through 2019.³ It is likely that this trend continued during the pandemic. Some non-income disparities remain extreme. For example, primary net enrollment is 42 percent in Garissa compared to a high of 97 percent in Nyeri County.⁴ A long-running drought in the north and northeast has exacerbated environmental and socio-economic challenges, further compounded by the inflationary effects of the war in Ukraine. The current drought has left 4.2 million people in Kenya requiring humanitarian assistance, with 4.1 million needing food aid. The three Kenya DRDIP counties of Turkana, Garissa and Wajir have been amongst the most heavily affected by the drought conditions.⁵

¹ The end disbursement date of the Trustee Account TF072998 is December 31, 2023, so TF0A7762 can only be extended until June 30, 2023. Once this AF/restructuring is completed, we will seek an additional extension of six months for TF072998 with DANIDA, after which time TF0A7762 will also be extended until December 31, 2023, to align with the project overall.

² See <https://data.unhcr.org/en/country/ken>, accessed February 10, 2023.

³ World Bank (2022). *Kenya – Country Partnership Framework for the Period (CPF) FY23-FY28 (English) Report No. 172255-KE*. Washington, D.C. : World Bank Group, discussed by the Board on August 22, 2022.

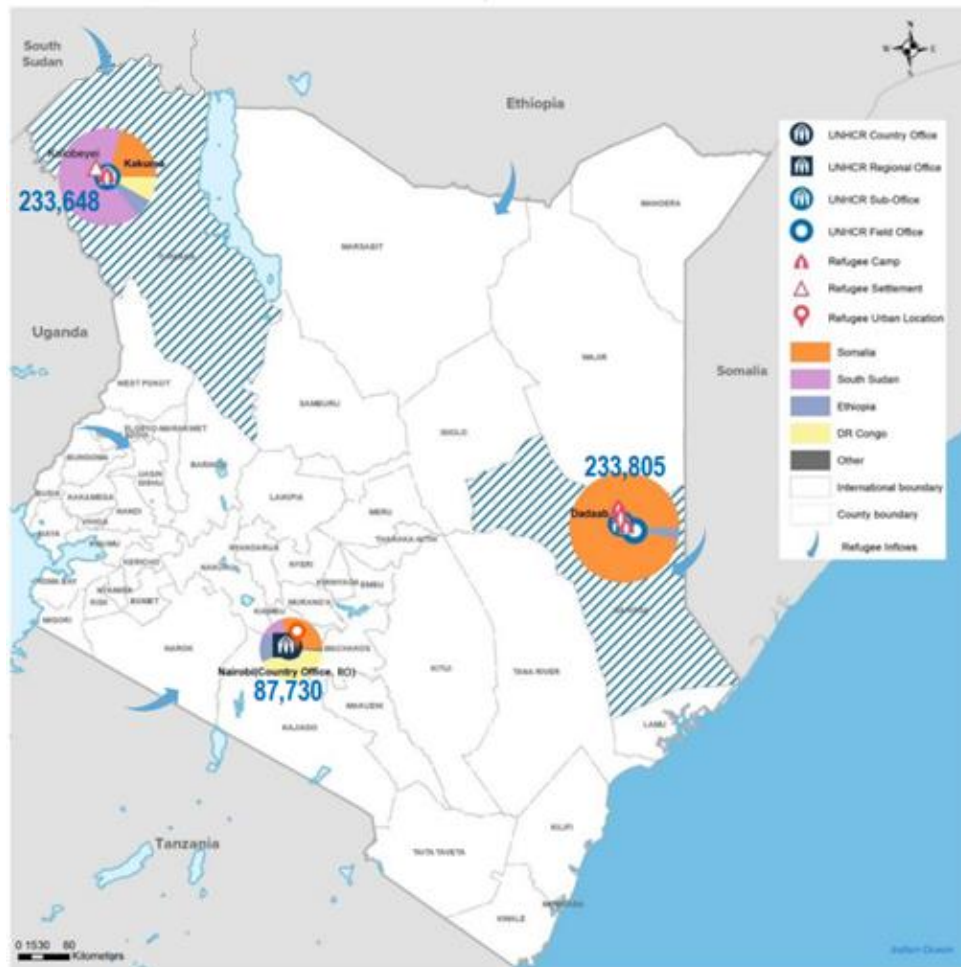
⁴ World Bank (2022). *Kenya – Country Partnership Framework for the Period (CPF) FY23-FY28 (English) Report No. 172255-KE*. Washington, D.C. : World Bank Group, discussed by the Board on August 22, 2022.

⁵ UN OCHA Kenya Drought Response Dashboard, August 2022.



4. **The ongoing large-scale presence of refugees places an additional strain on the communities in the project areas.** The inflow of refugees into areas already facing major development challenges has: (a) triggered competition—direct and indirect—for basic social services such as health, education, and water; (b) degraded the physical and natural environment because of high pressure on biomass to meet energy and construction needs; and (c) had mixed impacts on livelihood opportunities.

Figure 1: Location and population of refugees and asylum-seekers in Kenya



Source: UNHCR June 2022

5. **Since the approval of Kenya DRDIP in 2017, the refugee policy context in Kenya has evolved significantly.** This includes the adoption of the Government’s Support for Host Community and Refugee Empowerment (SHARE): Kenya’s Comprehensive Refugee Response Framework (CRRF) Strategy; the Roadmap for Solutions for Main Refugee Groups in Kenya Refugee Camps; the passage of Kenya’s new Refugees Act in November 2021; and the 2022 draft Policy Paper on Kenya’s Comprehensive Refugee Management Programme (the so-called “Marshall Plan for Refugee Resettlement 2023-2027”). SHARE constitutes a concrete refugee strategy and outlines how Kenya will implement the Global Compact on Refugees and CRRF. Under the Roadmap, refugees are expected to remain in camps in the short and medium term, with both legal and procedural arrangements in place to accommodate a gradual transition to solutions that are voluntary, durable, safe, sustainable, orderly, and in line with Kenya’s international and domestic legal obligations. The new



Refugees Act contains positive provisions that incrementally update the last Act, including providing refugees access to “durable solutions” which includes “local integration in the country.” The “Marshall Plan” aims to spell out durable solutions for refugees and asylum seekers. Kenya has also committed to a comprehensive approach to facilitating greater socio-economic opportunities for those refugees that remain through the Nairobi Declaration (2017), the IGAD Djibouti Declaration on Refugee Education (2017), and the IGAD Kampala Declaration on Jobs, Livelihoods, and Self-Reliance for Refugees, Returnees, and Host Communities (2019). At the Global Refugee Forum in December 2019 Kenya also committed to supporting refugee education and establishing area-based approaches to development and refugee resilience. DRDIP has played an important pioneering role in supporting the policy development in Kenya through the grant to IGAD, which has spearheaded refugee inclusion policy development in the Horn of Africa. The project has also demonstrated the feasibility and value of long-term, government-led development responses to forced displacement that support both refugees and host community members.

6. **Climate change is likely to cause additional weather extremes in the coming years.** Kenya’s northern and northeastern areas are hot and arid. Moderate drought events are recorded on average every three to four years and major droughts every ten years. Since 2000, prolonged droughts have become more common. Temperatures in Kenya are projected to continue rising by 1.7°C by the 2050s and by approximately 3.5°C at the end of the century. Increased heat will result in significant implications for human and animal health, agriculture, and ecosystems. Repeating patterns of floods and droughts in the country have had large socio-economic impacts and high economic costs.

7. **The Kenya Development Response to Displacement Impacts Project or Kenya DRDIP (P161067) was approved on April 26, 2017, and became effective on June 28, 2017.** The project closing date was extended from April 30, 2022, to April 30, 2023, in February 2022. At approval, the project comprised a credit of US\$100 million to the Government of Kenya (IDA60210-KE) and a grant of US\$3 million to the Inter-governmental Authority on Development (IGAD), the peak inter-governmental body in the Horn of Africa (IDA-D1840). An AF of US\$8.18 million in grant funds through the Kenya DRDIP MDTF was added to the project and became effective on January 30, 2019.

8. **The Project Development Objective (PDO) is to improve access to basic social services, expand economic opportunities, and enhance environmental management for communities hosting refugees in the target areas in the Recipient’s Territory.** The project supports refugee-hosting communities in five sub-counties in Kenya (Turkana West in Turkana; Wajir South in Wajir; and Lagdera, Dadaab and Fafi in Garissa) through activities under five components, as follows:

- *Component 1 – Social and Economic Infrastructure and Services:* The component supports improvements in access to quality basic services including education, primary and secondary health services, water supply, sanitation, and hygiene for the host communities, primarily through investments in community-based infrastructure;
- *Component 2 – Environmental and Natural Resource Management:* The component addresses the environmental impact of the protracted refugee presence, which has resulted in deterioration of the natural resource base due to deforestation, degradation of grazing lands, loss of wildlife, soil erosion, open disposal of solid waste, and uncontrolled abstraction of groundwater for domestic consumption and livestock;
- *Component 3 – Livelihoods Program:* The component supports interventions to improve the productivity of traditional and non-traditional livelihoods and strengthen the resilience of communities;
- *Component 4 – Project Management, Monitoring and Evaluation (M&E), and Knowledge Sharing:* The component seeks to ensure effective project management, coordination and M&E.
- *Component 5 – Support to IGAD for Expansion of the Regional Secretariat on Forced Displacement and Mixed Migration:* The component supports regional coordination and learning between IGAD member states and DRDIP



countries for comprehensive displacement-sensitive government-led development support for refugee returnees, IDPs, and host and return communities. It also provides technical support on development responses to forced displacement to the Government of Somalia.

9. **The project is part of the broader DRDIP regional operation/series-of-projects (P152822) that also covers Djibouti, Ethiopia and Uganda.** Across the four target countries, DRDIP has successfully provided improved access to services such as education, health, water and sanitation to over five million people; increased income through livelihood activities for 140,000 people (refugees and host communities); and applied sustainable land management practices to over 50,000 hectares of land. The community-based approach adopted by the project has proven to be an effective mechanism to deliver infrastructure and livelihood support in the remote and under-developed target areas, while also bringing refugees and host communities closer together through joint planning, decision-making and implementation of subproject investments.

10. **The project Implementing Agency (IA) is the State Department for the Development of Arid and Semi-Arid Lands (ASALs).** With the reorganization of the administration after the 2022 General Election, the State Department is now part of the Ministry of East African Community, Regional Development and ASALs. The IA was initially the Executive Office of the President. It later moved to the State Department of ASALs in the Ministry of Devolution and the ASALs, from where it moved to the Ministry of Public Service, Gender, Senior Citizens and Special Programmes. ASALs has established a National Project Implementation Unit (NPIU) to implement the project, working with a County Integrated Project Implementation Unit (CIPIU) in each of the target counties. The project has also hired Facilitating Partners (FPs), which are local non-governmental organizations (NGOs), to support community organization and social mobilization.

11. **The project applies a Community Driven Development (CDD) approach.** This involves: (a) supporting grassroots institutions to assess their own development problems, make their own plans, identify their own solutions and implement their own subprojects; (b) ensuring that the voices of all communities/groups are heard in decision-making processes, including vulnerable groups; (c) strengthening decentralized government administrative functions; and (d) investing in public service delivery and contributing to social cohesion among beneficiary communities. In line with the regional project, Kenya DRDIP ensures that communities, especially women, female-headed households, and youth – social groups that are disproportionately affected by displacement – participate and engage in the process of identifying and prioritizing their developmental needs.

12. **The February 2022 mid-term review (MTR) found the rationale for the project continues to be strong and the PDO of continued relevance.** At the strategic level, the project continues to align with the government's strengthening policy commitment to support the social and economic inclusion of refugees and host communities, as detailed in the 2021 Refugees Act (Act No. 10/2021) and the 2022 draft Policy Paper on Kenya's Comprehensive Refugee Management Programme (the so-called "Marshall Plan for Refugee Resettlement 2023-2027"), particularly Pillar Two on Supporting the Needs of Asylum Seekers, Refugees and Host Communities. The project is aligned with the Kalobeyei Integrated Socio-economic Development Plan in Turkana West (KISED) and the draft Garissa Integrated Socio-economic Development Plan (GISED). The project also complements the efforts of the government through devolution to strengthen the capacity of counties in north-east Kenya to tackle long-term and deeply entrenched disparities. In particular, county technical teams have been strongly involved in supporting the implementation of KDRDIP subprojects. All decisions on subprojects to be supported by the project are chosen by communities, but endorsed by the county governments to ensure consistency with their County Integrated Development Plans (CIDPs) and for sustainability.



Project progress

11. **After a slow start, the Government of Kenya (GoK) has made important progress in implementing planned activities under the project.** The MTR concluded that the project was on track to achieve the PDO. Progress towards achieving the PDO and Implementation Progress was rated ‘Moderately Satisfactory’ in the latest Implementation Status and Results Report (ISR) of December 2022. As of February 2023, disbursement is US\$89 million (US\$80.82 million of the US\$100 million credit and the full US\$8.18 million of the first Additional Financing grant has been disbursed). The status of project implementation by component as per the December 2022 ISR is as follows:

12. **Component 1: Social and Economic Services and Infrastructure.** This component finances grants for community-level infrastructure identified by villagers and implemented by committees they constitute themselves. By December 2022, 1,162 infrastructure subprojects had been approved, of which 731 have been completed. The water and education sectors have the highest number of sub-projects, followed by health, markets, sanitation and roads. Subprojects selected include the following: construction and upgrading of classrooms, dormitories, staff quarters, kitchens and libraries (education); construction and upgrading of health centers, hospitals, staff housing and provision of medical equipment (health); boreholes, and water pans/dams (water); 300 km of road upgrading (roads); and livestock sale yards, market facilities and storage and processing facilities (markets). By location, Turkana West has the highest number of subprojects, followed by Dadaab, Wajir South, Lagdera and Fafi. The component has so far provided access to social and economic services and infrastructure to 1,200,000 beneficiaries against an end target of 1,500,000. The MTR found Component 1 sub-projects to remain highly relevant, well aligned with the PDO and of acceptable quality. During the last two World Bank missions, twenty-five infrastructure subprojects were assessed by the World Bank engineer, who concluded that 19 were “good” (76 percent), four “fair” (16 percent) and two “poor” (8 percent). This is a comparable outcome to technical audits undertaken for other CDD operations in geographically challenging locations.⁶ Investments are made in the host communities, however, refugees often utilize the public facilities such as roads and health centers, so are counted as indirect beneficiaries.

13. **Component 2: Environmental and Natural Resource Management.** This component supports sustainable natural resource management (NRM) and access to energy through two sub-components, in part to address environmental degradation caused by the large-scale refugee presence. On sustainable NRM, activities include: (a) tree planting (reforestation/afforestation); (b) natural regeneration; (c) revegetation of grass and trees through reseeding; (d) rainwater harvesting; and (e) solid waste (especially plastics) and pollution control. The component also supports irrigation either through new irrigation investments or upgrading existing schemes. These activities are implemented through Labor-Intensive Public Works (LIPW) to support livelihood by providing cash to the most vulnerable groups in the community. While progress under this component is picking up now, the end targets will not be met and will be revised downwards through this restructuring and AF (see section 2). By December 2022, the project had supported the adoption of sustainable environmental management practices on 4037 hectares of land against a final target of 11,190. LIPW had generated 2,161,034 workdays for 31,365 people against a final target of 3,600,000 workdays. The access to energy sub-component increases access to alternative sources of energy and reduces dependence on wood for cooking, which is a source of tension between refugees and host communities. Cutting back on the time spent fetching wood for cooking also frees up women to pursue livelihood opportunities and reduces the risk of gender-based violence. Support is given to interventions that address host communities’ energy requirements, such as domestic cooking and lighting; lighting for public institutions, such as schools and health centers; and productive activities, including lighting for small

⁶ The MTR for the Myanmar National CDD project (P132500) found that 80 percent of subprojects met or exceeded technical specifications. The Philippines: Mindanao Trust Fund-Reconstruction and Development Project (P095173) recorded 82 percent.



shops and businesses and for manufacturing and processing. By December 2022, the project had provided 302,582 people with access to improved energy sources against a final target of 321,000.

14. **Component 3: Livelihoods Program.** This component supports interventions to improve the productivity of traditional and non-traditional livelihoods and strengthen community resilience. This is achieved through access to input and output markets; enhanced skills for employability; enterprise development; access to finance; and technical/advisory services to help beneficiaries identify viable businesses and/or investment opportunities and income-generating activities. By December 2022, the project had funded 3932 Community Groups (CGs) against a final target of 4325. This corresponded to a total of 51,116 beneficiaries against a final target of 85,600, most of whom are women and youth. As CG sizes have proven smaller than expected, the indicator on the number of beneficiaries of livelihood-supported activities will be revised down as part of this restructuring and AF, even though the CG target will be met. As this indicator forms the basis for the PDO-level indicator on “Beneficiaries of economic development activities that report an increase in income”, it will also be updated. Some of the activities being implemented include livestock trade, sale of livestock products (meat and milk), retail shops, boutiques, crop production, energy-saving *jikos* (traditional stoves), beekeeping, sale of gums/resins, etc. In the face of very challenging economic conditions due to the drought, component activities are making an important contribution to subsistence livelihood in the target sub-counties. The project includes a strong focus on female entrepreneurs, who represent 64 percent of beneficiaries and persons with disabilities, who are three percent of beneficiaries. A Gates Foundation assessment of the livelihood activities reported “strong positive change” on economic achievements, with the number of people able to save increasing from 35 to 75 percent. In terms of sustainability, more than 75 percent of the CGs funded in 2019/20 are still operational.

15. **Social impacts.** In addition to meeting service delivery and infrastructure deficits, supporting livelihood and addressing some of the environmental impacts of the refugee presence, the project has contributed to better social relations between refugees and host community members. The project design was based on a solid analytical basis, which identified the main sources of tension between host community members and refugees as being: (a) overcrowding of schools and health facilities; (b) environmental degradation; and (c) competition over natural resources, particularly water.⁷ By directly targeting these issues, the project has lowered tensions and supported social cohesion in the refugee-hosting areas.

16. **The project has also faced challenges during the last two years.** The project operates in a highly challenging context in remote, difficult to access, parts of the country that suffer from high levels of poverty, insecurity, difficult terrain, service delivery deficits and limited economic opportunities. The changes in implementing agencies led to delays in budget management. The impact of the COVID-19 has been significant for a project based on CDD principles that require community planning, decision-making and implementation. Restrictions on large gatherings have affected progress. Movement restrictions due to COVID and security concerns in some of the project sites have also affected the ability of PIU personnel at the national and county levels to provide effective oversight and management support.

17. **The project’s safeguards performance was rated Moderately Satisfactory in the ISR of December 2022.** This was an upgrade from the previous three ISRs, reflecting performance improvements, including: (a) enhanced social and environment risk management (ESRM) through the development of Environmental and Social Management Plan (ESMP) templates to guide on risk assessment; (b) development of ESRM instruments; (c) strengthening of social safeguards capacity at the NPIU level, with clear county responsibility; (d) NPIU availing resources to engage technical experts from the county-level Project Implementation Support Teams (PISTs) and National Environment Management Authority

⁷ See World Bank Group; UNHCR. 2015. *Forced Displacement and Mixed Migration in the Horn of Africa*. World Bank, Washington, DC and UNHCR, Geneva.



(NEMA) licensed experts to support the development of ESRM instruments; (e) optimizing the use of project social mobilizers (SMs) and community facilitators (CFs) to support initial subproject screening and compliance monitoring. To date 84 SMs and CFs have been trained on subproject screening; and (f) the project management information system (MIS) is now designed to capture key social and environmental issues. Bi-weekly safeguards meetings between the project and the World Bank through 2022 to provide advice and closely follow up on safeguards performance have played a major role in the improvements. These meetings will be continued as needed through 2023.

18. **Improvements have also been made to address weaknesses in the project Grievance Redress Mechanism (GRM).** Due to the enhanced social and environmental safeguards capacity at the NPIU level, 12 grievances have been resolved during 2022 and information has been provided to resolve and close the remaining 13 grievances. Improvements include: (a) using CFs and SMs to support Grievance Redress Committees (GRCs) to log and handle grievances; (b) reactivating GRM uptake channels by including a mobile phone hotline for each county; (c) enhanced documentation and management of grievances, as evidenced by GRM reports shared with the World Bank. The project has also improved information disclosure and stakeholder engagement, as evidenced by the recent engagement of 129 administrators from the counties and national government levels in Turkana, Wajir and Garissa for the purposes of disclosure of project information.

19. **Financial Management performance was rated Moderately Satisfactory (MS) in the most recent ISR.** This is also an upgrade on the previous rating of Moderately Unsatisfactory from May 2022, due to progress in addressing weaknesses including: (a) the need for regular internal audit reviews with improved scope of coverage and timely submission to the World Bank; (b) timely submission of Interim Financial Reports (IFRs); and (c) quality of community-level documentation on Component 1 subprojects. While the rating has returned to MS, remaining areas for action include: (a) inadequate FM capacity at the community level in Garissa and Wajir County; (b) delayed accounting for funds disbursed to CGs and sub-projects; and (c) lack of counterpart funding. The World Bank will continue to provide dedicated technical assistance and capacity building for FM. County officials and social mobilizers and community facilitators to be hired by the project are being trained and facilitated to expedite accountability for funds disbursed to beneficiary communities, which is addressing the backlogs. Meanwhile, the World Bank has commissioned an in-depth technical and fiduciary review of the project to inform further actions and generate lessons learned for future programming. The project continues to meet its legal covenants, including audit and financial management reporting requirements.

Rationale for Additional Financing

20. **In May 2022, the National Treasury submitted a request for AF to finance a cost overrun under Component 1 caused by COVID-19-induced supply chain challenges in the KDRDIP project areas.** DANIDA agreed to avail the remaining balance of US\$3.4 million in the Kenya DRDIP MDTF for this purpose.

21. **COVID-19 has caused a major increase in the cost of construction materials for infrastructure subprojects under Component 1, limiting the funding to communities for infrastructure investments, risking cost-cutting that would lead to a decline in quality.** The pandemic has disrupted global supply chains, particularly increasing the cost of imported goods. The unprecedented increase in the price of construction materials became evident in unit cost market surveys conducted by the project and was also manifested during the preparation of the FY23 Annual Work Plan and Budget (AWPB). Observations during World Bank monitoring visits between November 2021 and November 2022 corroborated this observation.

22. **Market surveys conducted by the project in January and February 2022 showed a major increase in prices compared to the original baseline in November 2019 when community-level project implementation started.** The

surveys were undertaken in Turkana West and Wajir South sub-counties. While no market survey was conducted in Garissa County, it can be assumed that the cost increases there are very similar to those in Wajir South, given they are adjacent and share a local economy. In Wajir South, the market surveys show an average increase in cost of 40 percent for a list of about 150 construction materials, while in Turkana West the average cost increase was 74 percent. This by far outstrips inflation, which was around 11 percent over 2020 and 2021. A sample of construction materials extracted from the market survey is presented in Tables 1 and 2 below. It is likely that costs have increased further since the survey was undertaken due to the price impacts of the war on Ukraine.

Table 1: Wajir South - construction material price increase

Materials	% price increase
Waterproof cement 50 kg bag	19
Reinforcement bar	133
Iron sheets G 30	66
Gutters gauge 24	72
Barbed wire 25kg	21
T-door	42

Table 2: Turkana West – construction material price increase

Materials	% price increase
Waterproof cement 50 kg bag	29
Reinforcement bar	55
Iron sheets G 30	26
Ballast 16mm	32
Building sand	510
Chicken wire	116

II. DESCRIPTION OF ADDITIONAL FINANCING

23. **The AF will be allocated to address the cost overrun for infrastructure subprojects.** This will be done by augmenting the budget available to communities for priority infrastructure subprojects under Component 1 and to ensure technical quality and appropriate management of associated safeguards and fiduciary risks. The AF will provide US\$2.4 million to Component 1 to maintain the initially planned support to communities, both in terms of the number as well as the quality of investments. The AF will support investments such as: (a) ensuring health facilities constructed under the project are provided with the necessary medical equipment to be fully operational; (b) school classrooms constructed under the project are supplied with furniture for students and teachers and are connected to electricity; (c) water harvesting facilities are provided for health facilities and school classrooms, as originally planned; and (d) water systems are complemented by necessary investments to make them fully operational, including solar panels for pumps, water troughs for livestock and water kiosks for human consumption.

24. **The AF will also support Component 4 on Project Management.** The original allocation for Project Management under the parent project and first AF was low at about seven percent, considering the challenging project context and large volume of subproject sites and transactions. Taking this into account and considering the proposed extension of the project closing date to December 30, 2023, an additional US\$940,000 will be allocated to Component 4 to cover management and monitoring and evaluation costs, with a strong focus on support for community capacity, fiduciary oversight and environmental and social risk management.

25. **Applying the project’s CDD approach, subprojects to be funded from the AF will be selected by communities.** Based on initial consultations capturing community preferences and taking into account the cost increases, the additional funds are expected to support 90 subprojects with an indicative breakdown of 40 water systems, 40 education facilities and 10 health facilities. AF resources will be allocated across sub-counties according to the original allocation formula for the parent project. Specific subproject selection follows an iterative process between communities and county technical teams guided by information on the impact of remaining gaps on overall subproject functionality as well as overall resource availability. Indicatively, subprojects under the AF will include the construction of additional classrooms, school kitchens and libraries and drilling of boreholes, as well as auxiliary works for subprojects where these were cut due to



the unit cost increases (e.g., cattle troughs, water tanks or solar systems for boreholes and water piping and equipment for health and education facilities). Overall, the supported subprojects are anticipated to provide access to clean water and irrigation for 140,000 beneficiaries, improved education facilities for 38,000 beneficiaries and enhanced health facilities for 16,000 beneficiaries. The funds will also support the preparation of safeguards documentation for the selected subprojects. The revised financing plan is summarized in Table 3 below, including disbursement so far and projections by component for the remainder of the proposed project duration.

Table 3: Original project, 1st and 2nd AF cost by component plus disbursements by component

Project Components	Original Project (IDA US\$ m)	1 st AF (TF US\$ m)	2 nd AF (TF US\$ m)	Total	Disbursed	Undisbursed
<i>1. Social and Economic Infrastructure and Services</i>						
1(a) Community Investment Fund	42.5	3.50	2.46	48.46		
1(b) Capacity Support for Local Planning and Decentralized Service Delivery	2.5	0.44	0	2.94		
Subtotal	45.0	3.94	2.46	51.4	41.84	9.56
<i>2. Environmental and Natural Resource Management</i>						
2(a) Integrated Natural Resource Management	18	1.50	0	19.50		
2(b) Access to Energy	2	0.25	0	2.25		
Subtotal	20	1.75	0	21.75	16.54	5.21
<i>3. Livelihoods Program</i>						
3(a) Support to Traditional and Non-Traditional Livelihoods	25	1.50	0	26.5		
3(b) Capacity Building for Community-Based Organizations for Livelihoods	2.5	0.44	0	2.94		
Subtotal	27.5	1.94	0	29.44	23.72	5.72
<i>4. Project Management, Monitoring and Evaluation, and Knowledge Sharing</i>	7.5	0.55	0.94	8.99	6.90	2.09
<i>5. Support to IGAD for Expansion of the Regional Secretariat on Forced Displacement and Mixed Migration</i>	3	0	0	3	2.63	0.37
TOTAL	103	8.18	3.4	114.58	91.63	22.95

Restructuring

26. **This project paper requests approval to restructure the original project to extend the closing date and to revise selected results indicators.** On November 8, 2022, the World Bank received a letter from the GoK requesting to extend the project closing date from April 30, 2023, to December 31, 2023. The proposed extension will allow sufficient time to complete ongoing activities and for communities to account for funds for infrastructure and livelihood subprojects. The extended closing date will allow time for full accounting of community funds, which has been heavily delayed over the last two years. The extension would apply to the IDA Credit (IDA60210). The closing date of the recipient-executed Trust Fund financed by DANIDA (TF0A7762) would be extended from April 30, 2023, until June 30, 2023, which (as required) is six months prior to the end disbursement date of the Trustee Account (TF072998). Once this AF and Restructuring is approved, the World Bank will seek to extend the closing date of TF072998 by six months so that TF0A7762 can also be extended until December 31, 2023, to align with the project overall. There are no outstanding audits for the project.



27. **While the project is set to meet most of its targets at the PDO and intermediate outcome levels, some indicators are off-track and it is proposed to adjust selected targets through this restructuring.** As detailed in Table 4 below and the full Results Framework in Section VIII, some targets will not be fully met under Component 2 on sustainable environmental management. This is due to a number of interrelated factors: (a) while participation in the implementation of Component 2 activities through Labor-Intensive Public Works (LIPW) is good, communities have prioritized Component 1 and 3 investments; (b) lengthy discussions on LIPW payment modalities delayed the start-up of activities; (c) the relative complexity of Component 2 subprojects requires a level of technical input that the project has not always been able to provide due to a lack of capacity at the county level and overall challenges in supervision during the COVID-19 pandemic; and (d) the long-running drought and water shortages in the target areas have affected the sustainability of Component 2 interventions. For livelihood activities under component 3, there was an initial assumption made during project preparation of an average CG size of 20 members, based on other contexts. However, empirically, CGs now consist of 13 members on average. So, while CG targets will be met, the end-line target for the indicator needs to be adjusted to reflect the smaller number of beneficiaries than anticipated. As this indicator forms the basis for the PDO-level indicator on “Beneficiaries of economic development activities that report an increase in income”, the latter will also be updated. The target for the PDO-level Component 3 indicator is further based on the finding of the Gates Foundation assessment of the livelihood activities, which reported that the number of people able to save increased from 35 to 75 percent.

28. **Other aspects of the project will remain unchanged.** The PDO, project design, scope and implementation arrangements remain unchanged.⁸ No new indicators will be added to the project result framework. As the project has already defined the entire host community population in the project areas as direct beneficiaries of Component 1 activities and the refugee population of Kakuma and Dadaab as indirect beneficiaries, beneficiary targets will not change despite the additional funds supporting Component 1. Target values for intermediate outcome indicators for Component 1 are expressed as shares in beneficiaries and subprojects and will, therefore, remain unchanged. The institutional, financial management, disbursement, procurement, safeguards, and monitoring and evaluation arrangements remain the same. The proposed AF would maintain the same level of risk as the parent project. As it is addressing a cost overrun, the AF will continue to apply the World Bank Safeguard Policies. The project continues to be classified as Environmental Category B and there is no change in the applicable safeguard policies triggered under the original project. The existing Environmental and Social Management Framework (ESMF) and Resettlement Policy Framework (RPF) were reviewed as part of the preparation of the AF operation and will continue to apply without any revision, as all activities financed by the AF are covered by these instruments.

29. **The proposed AF is aligned with the World Bank Group Kenya Country Partnership Framework (CPF) for FY23-28.**⁹ The project and proposed AF support achievement of one of the three Higher-Level Outcomes (HLOs) on greater equity in service delivery outcomes. The proposed AF also addresses the HLO of greater resilience and sustainability of Kenya’s natural capital, while mapping onto three of the CPF Objectives, namely Objective 4 on shrinking disparities in learning and health outcomes, Objective 5 on extending infrastructure services to the last mile and Objective 7 on reducing Kenya’s water insecurity. The AF further supports the CPF’s intention to focus on pockets of fragility within non-fragile countries. The proposed AF is closely aligned with Kenya policy direction towards building self-reliance and integrating service delivery for Kenya’s refugees and host communities. Finally, the activities to be supported through the AF will promote achievement of the World Bank’s regional priorities for Eastern and Southern Africa, including universal access to water and strengthening human capital.

⁸ The implementing agency remains the State Department for the Development of the Arid and Semi-Arid Lands (ASALs), which was moved following the 2022 elections to the Ministry of East African Community, Regional Development and ASALs.

⁹ World Bank (2022). *Kenya – Country Partnership Framework for the Period FY23-FY28 (English) Report No. 172255-KE*. Washington, D.C. : World Bank Group, discussed by the Board on August 22, 2022.



Table 4: Status of PDO indicators as of December 2022 and proposed revised targets

PDO Indicator	End-line target (1st AF Project Paper)	Current value	Proposed revised target
Beneficiaries with access to social and economic services and infrastructure	1,500,000	1,200,000	No change
Direct project beneficiaries	1,041,436	1,129,871	No change
Female beneficiaries	50%	51%	No change
Beneficiaries of economic development activities that report an increase in income	51,360	41,445	42,168
Land area where sustainable environmental management practices have been adopted as a result of the project	11,970 ha.	4037 ha.	5000 ha.

30. **The proposed AF is aligned with the World Bank Group Kenya Country Partnership Framework (CPF) for FY23-28.**¹⁰ The project and proposed AF support achievement of one of the three Higher-Level Outcomes (HLOs) on greater equity in service delivery outcomes. The proposed AF also addresses the HLO of greater resilience and sustainability of Kenya’s natural capital, while mapping onto three of the CPF Objectives, namely Objective 4 on shrinking disparities in learning and health outcomes, Objective 5 on extending infrastructure services to the last mile and Objective 7 on reducing Kenya’s water insecurity. The AF further supports the CPF’s intention to focus on pockets of fragility within non-fragile countries. The proposed AF is closely aligned with Kenya policy direction towards building self-reliance and integrating service delivery for Kenya’s refugees and host communities. Finally, the activities to be supported through the AF will promote achievement of the World Bank’s regional priorities for Eastern and Southern Africa, including universal access to water and strengthening human capital.

31. **By addressing the spillovers of fragility, conflict and violence (FCV), the project is aligned with the World Bank’s FCV Strategy 2020-2025.**¹¹ The project’s support for building human and social capital and meeting the basic needs of displaced communities and their hosts is consistent with Pillar 4 of the strategy, “Mitigating the spillovers of FCV” to support countries and the most vulnerable and marginalized communities that are impacted by cross-border crises, such as forced displacement or shocks resulting from famines, pandemics, and climate and environmental challenges.

32. **Climate change and disaster risk screening.** The project provides for adequate measures in consideration of the short and long-term climate and disaster risks for the AF. Climate change risks will be mitigated by: (a) ensuring infrastructure is constructed in an energy-efficient manner; (b) providing access to water using climate-friendly technology; (c) supporting climate-smart agricultural practices through investments in agriculture value chains under component three; and (d) promoting non-farm livelihood to reduce dependence on natural resources.

33. **Coordination with other operations/harnessing synergies.** As a multi-sector operation supporting access to services in refugee-hosting areas, implementation of Kenya DRDIP will be closely coordinated with the recently approved Primary Education Equity in Learning Project (P176867) which, among other things, will finance infrastructure for schools

¹⁰ World Bank (2022). *Kenya – Country Partnership Framework for the Period FY23-FY28 (English) Report No. 172255-KE*. Washington, D.C. : World Bank Group, discussed by the Board on August 22, 2022.

¹¹ World Bank Group (2020) *Strategy for Fragility, Conflict, and Violence 2020–2025*. Washington, D.C.: World Bank Group.



for host community members and refugees. Coordination will be ensured at two levels. Firstly, all subprojects financed under DRDIP are reviewed and approved by the relevant County Steering Committees to ensure alignment with their County Integrated Development Plans (CIDPs) and to prevent duplication. Secondly, all subprojects under DRDIP supporting education are cleared by the Ministry of Education (MoE) to ensure that the appropriate software is provided (teachers, teaching materials, etc.) and to prevent the possibility of duplication of effort between the project and activities of the MoE.

III. KEY RISKS

34. **The overall project risk continues to be Substantial** with the risks rated as substantial in the World Bank's Systematic Operations Risk-rating Tool (SORT) described below.

35. **Political and governance** (*substantial*). Instability in the HoA continues to generate of new forced displacement. The HoA and the Great Lakes Regions host 20 percent of the world's refugees and asylum-seekers (five million) and 25 percent of the Internally Displaced Persons (12.4 million).¹² This is an increase of two million refugees and 500,000 IDPs since DRDIP commenced. Ongoing conflict and violence in the region could lead to more displacement, which could increase the strain on host communities and test government commitment to refugee inclusion. This risk is mitigated by the recent promulgation of the Refugees Act in 2021 and the government's "Marshall Plan" on refugee management. However the fact that the Marshall Plan remains a draft creates a minor risk of policy uncertainty.

36. **Macroeconomic** (*substantial*). While the pandemic-induced economic slow-down is reversing, the increasing cost of food and fuel due to the war on Ukraine as well as the long-standing drought conditions are having a devastating effect on food security and livelihoods in affected parts of the country, necessitating increased social spending on food assistance. The medium-term outlook is clouded by the prospect of a global economic slow-down. These factors could limit fiscal space in the medium term, potentially affecting government plans to support the socio-economic inclusion of refugees and host communities.

37. **Institutional capacity for implementation** (*Substantial*). Project implementation arrangements are well established, with PIUs at the national and county level. In addition, PISTs staffed with technical experts from the county governments support project implementation alongside FPs, who provide support to community-level structures. However, the capacities of the county governments in the project areas remain weak and FPs are phasing out of the project, while community-level implementation structures continue to require capacity building and support. The example of Turkana West sub-county, where CFs and SMs are now being contracted directly by the CIPIU in place of an FP will be extended to the remaining four project sub-counties. The CFs and SMs will ensure community engagement and capacity-building and will also play a major role in helping communities to account for funds. To address capacity challenges, technical experts at NPIU level will continue to provide capacity building and hands-on support to the county and community-level implementation structures. The PIU is adding safeguards and fiduciary staff to augment capacity. The World Bank is also providing enhanced technical support on fiduciary and safeguards issues, the intensity of which has been increased significantly in 2022 as COVID-related movement restrictions have been lifted. The AF will also rely on existing Community Project Management Committees (CPMCs) that have already received capacity building and have initial experience in community-level project management.

¹² <https://data2.unhcr.org/en/situations/rbehagl>



38. **Fiduciary (Substantial).** Financial Management and procurement capacity at the community-level continues to be weak and challenged by low literacy levels, leading to delays in documentation, reporting and accounting for funds disbursed to CGs and CPMCs. Communities will continue to be supported by project accountants at county level. With support from the DANIDA Trust Fund, the World Bank continues to provide Hands-On Expanded Implementation Support (HEIS) for procurement, which is addressing identified gaps and strengthening compliance systems. The DANIDA support has also facilitated the provision of intensive support on financial management.

39. **Environment and Social (Substantial).** Risks are mostly related to delayed preparation of environmental and social management documentation and disclosure as well as some concerns over the inclusiveness of public participation processes. However, there have been no major issues in terms of compliance with OP 4.12 and OP 4.10 on the ground. OP 4.01 on Environmental Assessment, OP/BP 4.11 on Physical Cultural Resources, and OP/BP 7.50 on Projects on International Waterways have been triggered. The Riparian notification of the parent project remains valid for this AF. OP 4.12 on Involuntary Resettlement has been triggered and an RPF prepared. OP 4.10 on Indigenous People has been triggered and a Social Assessment (SA) prepared. The existing ESMF and RPF were reviewed for the AF and remain applicable to the operation given that the AF will cover cost overruns. The interventions are the same as the parent project and are not expected to lead to large-scale, significant, or irreversible environmental or social impacts. Safeguards instruments for specific subproject sites will be prepared to address potential environment and social impacts. Land in the project area is communally owned and, therefore, land requirements need careful negotiation with clan/sub-clan/sub-sub-clan leaders and interests of different groups need good understanding to prevent conflict.

IV. APPRAISAL SUMMARY

A. Economic and Financial Analysis

40. In light of the major increase in unit costs due to the inflationary effects of the COVID-19 pandemic, the economic and financial analysis for the project was undertaken again to verify if it remained economically and financially viable. Drawing on the updated unit costs based on implementation experience and the market survey conducted in 2022, the Project’s Estimated Overall Economic Internal Rate of Return (EIRR) is 62.4 percent. All subprojects appear to be economically viable with a positive Net Present Value (NPV) over a 20-year period at a social discount rate of 11 percent and an EIRR greater than the current cost of capital in Kenya (Table 5).

Table 5: Investment, Net Present Value, and Economic Internal Rate of Return of Proposed Subprojects

Type of Intervention	Investment (avg.)	Net Present Value (NPV)	EIRR
School Classrooms	12,300	83,112	93.9%
School Toilets	14,760	50,241	61.2%
Maternity Ward Equip.	41,000	186,205	66.1%
Water Tanks	37,939	108,183	47.2%
Water Supply	54,667	194,362	62.1%
Irrigation Systems	20,500	14,312	20.8%

Social Discount Rate: 11% – US\$ Infl. rate: 2.4% (2012-2022 avg.) – Kenya Cost of Capital: 12.4% (WDI, 2022).

41. **Sensitivity analysis.** The sensitivity analysis performed for the project shows the economic viability of the proposed interventions under unfavorable conditions such as 20 percent higher costs, 20 percent lower benefits, and those two conditions combined, as each subproject’s NPV and EIRR appear to be positive and higher than the cost of capital in Kenya, currently at 12.4 percent, respectively (Table 6).



Table 6: Sensitivity Analysis

	School Classroom	School Toilets	Maternity Ward Equip.	Water Tanks	Water Supply	Irrigation Systems
BASELINE						
Inv.	\$12,300	\$14,760	\$41,000	\$37,939	\$54,667	\$20,500
NPV	\$83,112	\$50,241	\$186,205	\$108,183	\$194,362	\$14,312
EIRR	93.96%	61.18%	66.12%	47.21%	62.11%	20.78%
COSTS +20%						
Inv.	\$14,760	\$17,712	\$49,200	\$45,526	\$65,600	\$20,982
NPV	\$50,623	\$47,234	\$164,273	\$89,026	\$179,046	\$13,864
EIRR	54.14%	49.71%	53.05%	36.41%	50.59%	20.29%
BENEFITS -20%						
Inv.	\$12,300	\$14,760	\$41,000	\$37,939	\$54,667	\$20,500
NPV	\$34,001	\$36,856	\$133,708	\$76,124	\$140,173	\$7,638
EIRR	46.16%	47.34%	50.90%	35.52%	48.28%	16.43%
COSTS +20% and BENEFITS -20%						
Inv.	\$14,760	\$17,712	\$49,200	\$45,526	\$65,600	\$20,982
NPV	\$1,511	\$32,199	\$111,776	\$48,234	\$124,857	\$7,190
EIRR	12.56%	37.84%	40.23%	25.40%	39.03%	16.01%

B. Technical

42. **The project’s CDD approach has been effective in ensuring that subprojects meet the needs of the community.** Subprojects investments so far are providing much-needed improved access to basic social services and economic opportunities, while supporting natural resource management for communities hosting refugees. According to a phone-based beneficiary survey undertaken for the mid-term review, 91 percent of beneficiaries reported that the project investments reflected their needs. The CDD approach also supports the shift from the previously highly centralized, top-down form of governance to a more responsive approach with greater community involvement in development planning and decision-making.

43. **Technical quality has been acceptable so far, though with some gaps on component 2 on environmental management.** The quality of workmanship on infrastructure subprojects has been rated as comparable to CDD projects globally. For component 3 on livelihoods, a Gates Foundation assessment completed in 2022 was largely positive on the quality of implementation. Field visits over the 2021-2022 period demonstrated that component 2 subprojects were suffering from technical viability and sustainability challenges due to the prolonged drought, but this is now being addressed by ensuring that such investments only proceed if a reliable water source is available.

44. **This second AF will utilize existing community-level structures for implementation.** The respective CPMCs have already been trained and gained experience in project implementation and monitoring, including procurement, financial management and safeguards documentation. Technical oversight will be augmented for components 1 and 3 and, as noted, Component 2 subprojects will be restricted to areas with sufficient water supply to address drought risks.



C. Financial Management

45. **The proposed AF will leverage the existing FM and disbursement arrangements of the parent project.** The current FM rating is moderately satisfactory. The arrangements for project oversight and accountability are considered acceptable at the NPIU level and consist of: quarterly Unaudited Interim Financial Statements, end of year statutory audits and internal audit. There are no outstanding audits or IFRs. However, there are some gaps with the oversight committees at the community level, especially with the exit of the FPs from the community level. This will be addressed by direct contracting of SMs and CFs who, together with the project accountant based at the CIPIUs, will support capacity building for Community Project Management Committees (CPMCs) and Community Group Management Committees (CGMCs) on financial management, including accounting and reporting on funds.

46. **The FM risk assessment rating is assessed as substantial,** with key gaps identified as follows: (a) inadequate FM capacity at the community level; (b) delayed accounting for funds disbursed to the CGs and subprojects; and (c) lack of counterpart funding for the project to support operational costs for the project especially in meeting costs not covered under IDA and other stakeholder engagements at community level. This has resulted in the project utilizing IDA resources to finance activities that require GoK funding, exposing the project to the risk of incurring ineligible expenditures. Risk mitigation measures include: (a) refresher training for project FM staff and CPMCs, plus more intensive support and oversight of FM arrangements from the PIU and World Bank; (b) mobilize community facilitators and social mobilizers to support communities to account for funds received; and (c) PIU to ensure IDA resources are not utilized for ineligible expenditures.

47. **GoK has further put in place a specific action plan to address and mitigate delayed accounting of funds disbursed to CGs and subprojects, including the following actions:** (1) CIPIUs, with support of the PISTs, will take stock and document subproject completion dates to be shared and reviewed with the NPIU monthly. Based on this, the CIPIU Project Accountants, assisted by the SMs and CFs will collect accountabilities for completed subprojects within two weeks of completion and submit them to the NPIU; (2) Collection of accountabilities from completed subprojects within two weeks of completion as documented by the CIPIU, will be a performance target for CFs and SMs to achieve before they are paid; (3) NPIU Component heads will follow up on subprojects under their components and ensure they are implemented in a timely manner and accounted for through the above process; and (4) NPIU and CIPIUs will have monthly monitoring meetings of the accountabilities for the preceding month by the 10th of the following month based on status of implementation and collection of accountabilities that was shared by the CIPIUs.

48. **Disbursement.** There will be no changes to the disbursement arrangements.¹³

D. Procurement

49. **Existing implementation arrangements for the parent project will continue for procurement,** in accordance with the “The World Bank Procurement Regulations for IPF Borrowers, July 2016 and revised in November 2017”, hereafter referred to as ‘Procurement Regulations’. The project will also be subject to the World Bank’s Anti-Corruption Guidelines, dated October 15, 2006, and revised in January 2011 and as of July 1, 2016. As a cost overrun AF, the type and nature of procurement activities have already been determined under the parent project, so the Project Procurement Strategy for Development (PPSD) will not need to be updated. The Procurement Plan has been updated, however, to incorporate activities to be financed through the AF. The revised plan has been reviewed and cleared by the World Bank.

¹³ The project datasheet states that the disbursement arrangements will be changed. This is to accommodate the revised end disbursement date and disbursement projections, but no changes will be made to the disbursement arrangements.



50. **Institutional procurement implementation arrangement.** In place of the FPs, CPMCs and CGs will be facilitated and supported by a reinforced procurement team at CIPIUs, the PIST and CFs and SMs, who were given intensive continuous training from the inception of the Project.

51. **Procurement performance is moderately satisfactory (MS).** This maintains the rating the project has had since it commenced, except for on one occasion in 2019 when it was downgraded to moderately unsatisfactory. Procurement activities are generally in compliance with the agreed procedures, manuals and the Financing Agreement.

52. **The risk level is substantial, with the main challenges comprising:** (a) although the PIU has been proactively addressing various grievances, the project has received a number of complaints about procurement, including allegations of fraud and corruption at the community level;; (b) inadequate office equipment for the assistant procurement officer; and (c) because of the previous Request for Quotation threshold of KES 5 million, there had been a trend where all the subprojects were costed within the range, which may deny the community implementation of quality projects that actually match their priority needs. Risk mitigation measures include: (a) World Bank will continue to provide HEIS on Procurement in support of community-level procurement processes and PIU capacity; (b) continue implementing the rigorous capacity-building program that has been ongoing at the county level since project inception; (c) ongoing follow up to ensure all community grievances are resolved; and (d) establish an effective oversight mechanism of the increased thresholds from KES 5 million to KES 20 million for request for quotation and local competitive bidding.

E. Social (including Safeguards)

53. **The project triggers OP 4.10 on Indigenous Peoples and OP 4.12 on Involuntary Resettlement.** All necessary ESRM instruments have been prepared under the parent project and remain appropriate for this second AF. In fulfilment of the requirements of OP 4.10, subprojects implemented under all three components are supporting vulnerable and marginalized groups (VMGs), including women and youth. The proposed AF does not intend to undertake any subprojects that will displace people. The RPF for the parent project was prepared, consulted and cleared by the World Bank and disclosed in-country and at the World Bank's external website on March 3, 2017 (updated on July 12, 2018). The RPF addresses any issues which might arise from economic displacement and/or restriction of access to communal natural resources under the project.

54. **The AF will build on existing social safeguards systems, while addressing technical and capacity gaps.** After being rated as MU in three consecutive ISRs, the social safeguards rating was upgraded to moderately satisfactory in the December 2022 ISR. This is due to action undertaken by the project, with support from the World Bank, including: (a) development of ESMP templates to guide social and environment risk assessment and improvement of project ESRM instruments; (b) institutionalization of bi-monthly meetings between the World Bank and NPIU safeguards teams; (c) strengthening of NPIU social safeguards capacity at level, with clear county responsibility; (d) NPIU availing resources for engagement of the PISTs and NEMA licensed experts to support the development of ESRM instruments; (e) optimizing the use of SMs and CFs to support subproject screening, compliance monitoring and grievance management; and (f) enhanced documentation and management of grievances as evidenced by GRM reports shared with the World Bank. These efforts will be sustained during the AF phase, including by holding targeted coordination meetings with the NPIU to track progress and follow up on safeguards concerns.

55. **Grievance redress.** The project GRM is functional. A GRM Action Plan is in place to address the following challenges: (a) weak uptake channels; (b) lack of training of community level GRM structures; (c) lack of clarity on the role of the FP and the County safeguards team in grievance management; and (d) limited documentation of agreed



resolutions. Improvements in the GRM have been evident since the MTR, with multiple grievances resolved and the speed of resolution and feedback to complainants improving. The project team has also implemented the action plan to strengthen the GRM with priority interventions in areas such as: (a) re-activation of grievance uptake channels, including phone hotlines in each county; (b) training CFs and SMs to support GRCs to log and document grievances; and (c) enhanced documentation and reporting of project grievances. This will continue to be closely tracked through the AF phase.

F. Environment (including Safeguards)

56. **The proposed AF is assigned the same Environment Category ‘B’ as the parent project, because the proposed project components and activities remain unchanged.** The World Bank Operational Policies on Environmental Assessment (OP/BP 4.01), Operational Policy on Pest Management (OP/BP 4.09), Operational Policy on Physical Cultural Resources (OP/BP 4.11), Operational Policy on Safety of Dams (OP/BP 4.37), Operational Policy on International Waterways (OP/BP 7.50) are triggered, as was the case in the parent project. The ESMF for the parent project was cleared by the World Bank and disclosed in-country and on the World Bank’s external website on March 3, 2017 (updated on July 12, 2018). The ESMF was reviewed and determined to remain relevant for the AF2 activities.

57. **The environmental safeguards rating is moderately satisfactory.** Several challenges have arisen during implementation of the parent project, including delays in safeguards screening and instrument preparation and limited supervision and compliance monitoring. During field visits, some common areas of non-compliance include poor housekeeping at construction sites, improper solid waste management and disposal, non-provision of wastewater management systems for facilities such as maternity units and lack of protection of water pan embankments, resulting in soil erosion.

58. To address these challenges, the project has environment safeguards officers at both the national and county level. While the officers have good knowledge of safeguard policies and requirements, staffing capacity for management and supervision of safeguards at the county level has been inadequate due to the large area covered by the project and the number of subprojects requiring safeguard instruments and supervision. To address these challenges and, as noted above with respect to social safeguards, the following actions have been taken: (a) environment and social safeguards staff at the national level have been assigned to support counties on safeguard compliance, clarifying responsibilities; (b) CFs and SMs are now trained to support safeguards screening and compliance; (c) counties are resourced to engage NEMA experts on preparation of safeguards instruments; (d) inclusion of ESMP in bidding documents as part of the contractual obligation of contractors; (e) the MIS safeguards monitoring tool has been developed to guide compliance monitoring, the regularity of which has improved; and (f) an Environment and Social Audit is being carried out to ascertain compliance with safeguards requirements and will be completed in the first quarter of the 2023 calendar year.

V. WORLD BANK GRIEVANCE REDRESS

59. **Grievance Redress.** Communities and individuals who believe that they are adversely affected by a project supported by the World Bank may submit complaints to existing project-level grievance mechanisms or the Bank’s Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the Bank’s independent Accountability Mechanism (AM). The AM houses the Inspection Panel, which determines whether harm occurred, or could occur, as a result of Bank non-compliance with its policies and procedures, and the Dispute Resolution Service, which provides communities and borrowers with the opportunity to address complaints through dispute



resolution. Complaints may be submitted to the AM at any time after concerns have been brought directly to the attention of Bank Management and after Management has been given an opportunity to respond. For information on how to submit complaints to the Bank’s Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the Bank’s Accountability Mechanism, please visit <https://accountability.worldbank.org>.

VI. SUMMARY TABLE OF CHANGES

	Changed	Not Changed
Implementing Agency	✓	
Results Framework	✓	
Components and Cost	✓	
Loan Closing Date(s)	✓	
Disbursements Arrangements	✓	
Project's Development Objectives		✓
Cancellations Proposed		✓
Reallocation between Disbursement Categories		✓
Safeguard Policies Triggered		✓
EA category		✓
Legal Covenants		✓
Institutional Arrangements		✓
Financial Management		✓
Procurement		✓
Other Change(s)		✓

VII. DETAILED CHANGE(S)

IMPLEMENTING AGENCY

Implementing Agency Name	Type	Action
Intergovernmental Authority on Development (IGAD)	Country/Regional Organization	New



State Department for the Development of ASALs, Ministry of Public Service, Gender, Senior Citizens A	Line Ministry/Ministerial Department	Marked for Deletion
State Department for the Development of the Arid and Semi-arid Lands (ASALs)/Ministry of East Africa	Country/Regional Organization	New

COMPONENTS

Current Component Name	Current Cost (US\$, millions)	Action	Proposed Component Name	Proposed Cost (US\$, millions)
Component 1 – Social and Economic Infrastructure and Services	48.94	Revised	Component 1 – Social and Economic Infrastructure and Services	51.40
Component 2 – Environmental and Natural Resource Management	21.75	No Change	Component 2 – Environmental and Natural Resource Management	21.75
Component 3 - Livelihoods Program	29.44	No Change	Component 3 - Livelihoods Program	29.44
Component 4 - Project Management, Monitoring and Evaluation, and Knowledge Sharing	8.05	Revised	Component 4 - Project Management, Monitoring and Evaluation, and Knowledge Sharing	8.99
Component 5 - : Support to IGAD for Expansion of the Regional Secretariat on Forced Displacement and Mixed Migration	3.00	No Change	Component 5 - : Support to IGAD for Expansion of the Regional Secretariat on Forced Displacement and Mixed Migration	3.00
TOTAL	111.18			114.58

LOAN CLOSING DATE(S)

Ln/Cr/Tf	Status	Original Closing	Current Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
IDA-60210	Effective	29-Apr-2022	30-Apr-2023	31-Dec-2023	30-Apr-2024
IDA-D1840	Effective	29-Apr-2022	30-Apr-2023	31-Dec-2023	30-Apr-2024
TF-A7762	Effective	30-Jun-2020	30-Apr-2023	30-Jun-2023	30-Oct-2023



DISBURSEMENT ARRANGEMENTS

Change in Disbursement Arrangements

Yes

Expected Disbursements (in US\$)

Fiscal Year	Annual	Cumulative
2017	0.00	0.00
2018	5,420,181.00	5,420,181.00
2019	2,100,754.00	7,520,935.00
2020	9,486,340.00	17,007,275.00
2021	30,035,593.00	47,042,868.00
2022	29,810,499.00	76,853,367.00
2023	28,000,000.00	104,853,367.00
2024	6,726,633.00	111,580,000.00

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Latest ISR Rating	Current Rating
Political and Governance	● Substantial	● Substantial
Macroeconomic	● Substantial	● Substantial
Sector Strategies and Policies	● Moderate	● Moderate
Technical Design of Project or Program	● Substantial	● Moderate
Institutional Capacity for Implementation and Sustainability	● Substantial	● Substantial
Fiduciary	● Substantial	● Substantial
Environment and Social	● Substantial	● Substantial
Stakeholders	● Moderate	● Moderate
Other		
Overall	● Substantial	● Substantial



LEGAL COVENANTS – Additional Financing 2 for the Development Response to Displacement Impacts Project (P179954)

Sections and Description

No information available

Conditions



VIII. RESULTS FRAMEWORK AND MONITORING

Results Framework

COUNTRY: Eastern and Southern Africa

Additional Financing 2 for the Development Response to Displacement Impacts Project

Project Development Objective(s)

Project Development Objective (from Project Appraisal Document)

The Project Development Objective is to improve access to basic social services, expand economic opportunities, and enhance environmental management for communities hosting refugees in the target areas in the Recipient's territory.

Project Development Objective Indicators by Objectives/ Outcomes

Indicator Name	PBC	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
Increased access to social services								
Direct project beneficiaries (Number)		0.00	104,000.00	416,000.00	780,000.00	1,040,000.00	1,040,000.00	1,041,436.00
Female beneficiaries (Percentage)		0.00	40.00	45.00	50.00	50.00	50.00	50.00
Beneficiaries with access to social and economic services and infrastructure (Number)		0.00	150,000.00	600,000.00	1,125,000.00	1,500,000.00	1,500,000.00	1,500,000.00
Expand economic opportunities								



Indicator Name	PBC	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
Beneficiaries of economic development activities that report an increase in income (Number)		0.00	0.00	15,440.00	34,370.00	40,000.00	42,000.00	42,168.00
Action: This indicator has been Revised								
Enhance environmental management								
Land area where sustainable land management practices have been adopted as a result of the project (Hectare(Ha))		0.00	1,100.00	3,000.00	4,000.00	4,300.00	4,600.00	5,000.00
Action: This indicator has been Revised								
Expansion of the Regional Secretariat on Forced Displacement and Mixed Migration								
Regional Secretariat's capacity assessment plan and annual progress reports reflecting the expanded mandate endorsed by participating countries (Number)		0.00	1.00	2.00	3.00	4.00	5.00	5.00



Intermediate Results Indicators by Components

Indicator Name	PBC	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
Social and Economic Services & Infrastructure (Action: This Component has been Revised)								
Beneficiaries that feel project investments reflected their needs (percentage) (Percentage)		0.00	50.00	55.00	60.00	70.00	70.00	70.00
Beneficiaries that feel project inv. reflected their needs - female (number) (Number)		0.00	26,000.00	114,400.00	234,000.00	364,000.00	364,000.00	364,000.00
Infrastructure investments for which local governments adopt recurrent budget allocations and/or operation and maintenance plans (Percentage)		0.00	60.00	60.00	70.00	70.00	70.00	70.00
Project Financed subprojects that are functioning or delivering services to communities six months after completion (Percentage)		0.00	0.00	60.00	65.00	70.00	80.00	80.00
Environmental and Natural Resource Management								
Beneficiaries with access to improved energy sources (Number)		0.00	30,000.00	129,000.00	235,500.00	321,000.00	321,000.00	321,000.00
Area provided with irrigation and drainage		0.00	100.00	435.00	790.00	984.00	990.00	1,070.00



Indicator Name	PBC	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
services (ha) (CRI, Hectare(Ha))								
Action: This indicator has been Revised								
Area provided with irrigation and drainage services - New (ha) (CRI, Hectare(Ha))	0.00	70.00	300.00	400.00	475.00	490.00	500.00	
Action: This indicator has been Revised								
Area provided with irrigation and drainage services - Improved (ha) (CRI, Hectare(Ha))	0.00	30.00	130.00	240.00	320.00	400.00	570.00	
Action: This indicator has been Revised								
Work days created for short-term employment in the subprojects (Number)	0.00	360,000.00	1,566,000.00	2,000,000.00	2,400,000.00	2,700,000.00	3,000,000.00	
Action: This indicator has been Revised								
Livelihoods Program								
Community-based organizations formed or reinforced and still operational one year after receiving funding (Number)	0.00	0.00	330.00	960.00	2,090.00	2,890.00	2,890.00	
Beneficiaries of livelihood-support activities (Number)	0.00	9,000.00	30,400.00	40,000.00	45,000.00	51,000.00	56,225.00	



Indicator Name	PBC	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
<i>Action: This indicator has been Revised</i>								
Support to IGAD for Expansion of the Regional Secretariat on FDMM (Action: This Component has been Revised)								
Meeting of the project’s regional steering committee, knowledge sharing, and learning workshop organized annually by the Regional Secretariat, reflecting the expanded mandate. (Number)		0.00	1.00	2.00	3.00	4.00	5.00	5.00

Monitoring & Evaluation Plan: PDO Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Direct project beneficiaries		Yearly	beneficiary assessments; progress reports		PIU
Female beneficiaries					
Beneficiaries with access to social and economic services and infrastructure		Yearly	beneficiary assessment; progress reports		PIU



Beneficiaries of economic development activities that report an increase in income		Yearly, MTR and EOP	HH surveys; evaluation; beneficiary assessments; progress reports		PIU
Land area where sustainable land management practices have been adopted as a result of the project		Yearly	Progress reports		PIU
Regional Secretariat’s capacity assessment plan and annual progress reports reflecting the expanded mandate endorsed by participating countries					

Monitoring & Evaluation Plan: Intermediate Results Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Beneficiaries that feel project investments reflected their needs (percentage)		Annually after first year	beneficiary assessments	requires survey	PIU
Beneficiaries that feel project inv. reflected their needs - female (number)					
Infrastructure investments for which local governments adopt recurrent budget		Annually, beginning	Progress report,		PIU



allocations and/or operation and maintenance plans		in second year	evaluation		
Project Financed subprojects that are functioning or delivering services to communities six months after completion		Annually, after second year	Evaluation; Beneficiary assessments		PIU
Beneficiaries with access to improved energy sources		Annually, after second year	evaluation; beneficiary assessment		PIU
Area provided with irrigation and drainage services (ha)	This indicator measures the total area of land provided with irrigation and drainage services under the project, including in (i) the area provided with new irrigation and drainage services, and (ii) the area provided with improved irrigation and drainage services, expressed in hectare (ha).	Annually, after second year	Progress report, evaluation		PIU
Area provided with irrigation and drainage services - New (ha)					
Area provided with irrigation and drainage services - Improved (ha)					
Work days created for short-term employment in the subprojects		Annually, after second	evaluation of progress report		PIU



		year			
Community-based organizations formed or reinforced and still operational one year after receiving funding		Annually after first year	Progress reports		PIU
Beneficiaries of livelihood-support activities		Annually, after second year	Progress reports, Beneficiary assessments		PIU
Meeting of the project’s regional steering committee, knowledge sharing, and learning workshop organized annually by the Regional Secretariat, reflecting the expanded mandate.		Annually, after second year	Qualitative evaluation report of local and regional governments		IGAD

Annex 1: Map

