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Report No: PAD2911

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF EURO 215.9 MILLION
(US$250 MILLION EQUIVALENT)

TO THE

REPUBLIC OF KENYA

FOR THE

KENYA SOCIAL AND ECONOMIC INCLUSION PROJECT

November 2, 2018

Social Protection and Jobs Global Practice
Africa Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective: September 30, 2018)

KSh 100.85 =	US$1
US$1.3 =	GBP 1
Euro 0.86 =	US$1

FISCAL YEAR

July 1 – June 30

ABBREVIATIONS AND ACRONYMS

ASAL	Arid and Semi-Arid Lands
BRAC	Building Resources Across Communities
BOS	Beneficiary Outreach Strategy
BWC	Beneficiary Welfare Committee
CAT-DDO	Catastrophe Deferred Drawdown Option
CBK	Central Bank of Kenya
CCTP	Consolidated Cash Transfer Program
CCTP-MIS	Consolidated Cash Transfer Program-Management Information System
CEO	Chief Executive Officer
CHIS	County Health Information System
CHS	County Health Strategy
CHWs	Community Health Workers
CPF	Country Partnership Framework
CPS	Country Partnership Strategy
CRI	Corporate Results Indicator
CT-OVC	Cash Transfer for Orphans and Vulnerable Children
DA	Designated Account
DCS	Department of Children Services
DFID	United Kingdom's Department for International Development
DLI	Disbursement Linked Indicator
DLR	Disbursement Linked Result
DSD	Department of Social Development
DTS	Directorate of Technical Services
EBL	Equity Bank Limited
EEP	Eligible Expenditures Program
FM	Financial Management
FSD	Financial Sector Deepening
FY	Fiscal Year
G&CM	Grievance and Case Management
GBP	Great British Pounds
GDP	Gross Domestic Product
GoK	Government of Kenya
GRS	Grievance Redress Service
HSNP	Hunger Safety Net Programme

HTM	Harmonized Targeting Methodology
IAD	Internal Audit Department
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFMIS	Integrated Financial Management Information System
IFR	Interim Financial Report
IPF	Investment Project Financing
IPRS	Integrated Population Registry System
IPSAS	International Public Sector Accounting Standards
IRI	Intermediate Results Indicator
IRR	Internal Rate of Return
KIHBS	Kenya Integrated Household Budget Survey
KSEIP	Kenya Social and Economic Inclusion Project
KSh	Kenyan Shilling
M&E	Monitoring and Evaluation
MDA	Ministry of Devolution and Arid and Semi-Arid Lands
MDTF	Multi-Donor Trust Fund
MIS	Management Information System
MLSP	Ministry of Labour and Social Protection
MoH	Ministry of Health
NDEF	National Drought Emergency Fund
NDMA	National Drought Management Authority
NDRFS	National Disaster Risk Financing Strategy
NEDI	North and Northeastern Development Initiative
NGO	Non-governmental Organization
NHIF	National Hospital Insurance Fund
NICHE	Nutrition Improvements through Cash and Health Education
NSNP	National Safety Net Program
OAG	Office of Auditor General
OPCT	Older Persons Cash Transfer
PA	Project Account
PBA	Performance Based Allocation
PDO	Project Development Objective
PFM	Public Financial Management
PforR	Program for Results
PILU	Project Implementation and Learning Unit
PLW	Pregnant and Lactating Women
PPSD	Project Procurement Strategy for Development
PSP	Payment Service Provider
PWSD-CT	Persons with Severe Disability Cash Transfer
SAU	Social Assistance Unit
SDSP	State Department of Social Protection
SOE	Statement of Expenditure
SP	Social Protection
SPS	Social Protection Secretariat
SR	Single Registry
UNICEF	United Nations Children’s Fund
VMGs	Vulnerable and Marginalized Groups

VMGF	Vulnerable and Marginalized Groups Framework
WFP	World Food Programme

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DATASHEET

BASIC INFORMATION

Country(ies)	Project Name	
Kenya	Kenya Social and Economic Inclusion Project	
Project ID	**Financing Instrument**	**Environmental Assessment Category**
P164654	Investment Project Financing	B-Partial Assessment

Financing & Implementation Modalities

[ ] Multiphase Programmatic Approach (MPA)	[ ] Contingent Emergency Response Component (CERC)
[ ] Series of Projects (SOP)	[ ] Fragile State(s)
[✓] Disbursement-linked Indicators (DLIs)	[ ] Small State(s)
[ ] Financial Intermediaries (FI)	[ ] Fragile within a non-fragile Country
[ ] Project-Based Guarantee	[ ] Conflict
[ ] Deferred Drawdown	[ ] Responding to Natural or Man-made Disaster
[ ] Alternate Procurement Arrangements (APA)	

Expected Approval Date	Expected Closing Date
27-Nov-2018	31-Dec-2023

Bank/IFC Collaboration
No

Proposed Development Objective(s)

To strengthen delivery systems for enhanced access to social and economic inclusion services and shock-responsive safety nets for poor and vulnerable households.

Components

Component Name	Cost (US$, millions)

Component 1 - Strengthening Social Protection Delivery Systems	719.87
Component 2 - Increasing Access to Social and Economic Inclusion Interventions	303.08
Component 3 - Improving the Shock Responsiveness of Safety Net System	323.27

Organizations

Borrower:	Republic of Kenya
Implementing Agency:	Ministry of Labour and Social Protection National Drought Managemnet Authority

PROJECT FINANCING DATA (US$, Millions)

SUMMARY

Total Project Cost	1,346.20
Total Financing	1,346.20
of which IBRD/IDA	250.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Development Association (IDA)	250.00
IDA Credit	250.00

Non-World Bank Group Financing

Counterpart Funding	1,010.40
Borrower	1,010.40
Trust Funds	85.80
Free-standing Cofinancing Trust Fund	85.80

IDA Resources (in US$, Millions)

	Credit Amount	Grant Amount	Total Amount
National PBA	250.00	0.00	250.00

Total	**250.00**	**0.00**	**250.00**

Expected Disbursements (in US$, Millions)

WB Fiscal Year	2019	2020	2021	2022	2023	2024
Annual	11.70	55.90	39.85	75.85	54.15	12.55
Cumulative	11.70	67.60	107.45	183.30	237.45	250.00

INSTITUTIONAL DATA

Practice Area (Lead)

Social Protection & Labor

Contributing Practice Areas

Finance, Competitiveness and Innovation, Health, Nutrition & Population

Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

Gender Tag

Does the project plan to undertake any of the following?	
a. Analysis to identify Project-relevant gaps between males and females, especially in light of country gaps identified through SCD and CPF	Yes
b. Specific action(s) to address the gender gaps identified in (a) and/or to improve women or men's empowerment	Yes
c. Include Indicators in results framework to monitor outcomes from actions identified in (b)	Yes

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	Moderate
2. Macroeconomic	Moderate
3. Sector Strategies and Policies	Moderate
4. Technical Design of Project or Program	Moderate

5. Institutional Capacity for Implementation and Sustainability	Substantial
6. Fiduciary	Substantial
7. Environment and Social	Moderate
8. Stakeholders	Moderate
9. Other	
10. Overall	Substantial

COMPLIANCE

Policy

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

[ ] Yes [✓] No

Does the project require any waivers of Bank policies?

[ ] Yes [✓] No

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	✓	
Performance Standards for Private Sector Activities OP/BP 4.03		✓
Natural Habitats OP/BP 4.04		✓
Forests OP/BP 4.36		✓
Pest Management OP 4.09		✓
Physical Cultural Resources OP/BP 4.11		✓
Indigenous Peoples OP/BP 4.10	✓	
Involuntary Resettlement OP/BP 4.12		✓
Safety of Dams OP/BP 4.37		✓
Projects on International Waterways OP/BP 7.50		✓
Projects in Disputed Areas OP/BP 7.60		✓

Legal Covenants

Sections and Description
Schedule 2 Section I.B.1 - To facilitate implementation of Part 1 and 2 of the Project, the Recipient shall, by not later than nine (9) months after the Effective Date, establish and operationalize management information system modules for the: (a) NICHE; and (b) and economic inclusion interventions, in form and substance satisfactory to the Association.

Sections and Description
Schedule 2 Section IV.A - Without limitation upon the provisions of Section 2.01(b) of the General Conditions, the Recipient shall, by not later than three (3) months after Effective Date, open bank accounts for the Project in accordance with detailed arrangementsset out in the Disbursement and Financial Information Letter.

Conditions

Type	Description
Effectiveness	Article V. 5.01 - The Additional Condition of Effectiveness consists of the following, namely that, the DFID Grant Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled.

Type	Description
Disbursement	Schedule 2 Section III.B.1(b) - under Categories (2) and (3) for Eligible Expenditures Program unless and until the Recipient has furnished evidence satisfactory to the Association that: (i) payments for Eligible Expenditures Program have been made in accordance, and in compliance, with the procedures set forth in the Verification Protocol and in the Recipient's applicable laws and regulations; and (ii) the DLIs/DLRs set forth in Schedule 4 for which payment is requested have been met and verified in accordance with the Verification Protocol.

Type	Description
Disbursement	Schedule 2 Section III.B.1(c) - under Category (3) unless and until the PMU referred to in Section I.A.3. of this Schedule 2 of the Agreement has been established in accordance with the said Section.

Type	Description
Disbursement	Schedule 2 Section III.B.2 - Notwithstanding the provisions of Part A of this Section, payments under Categories (2) and (3) shall not exceed the maximum amounts allocated to the respective DLIs/DLRs as provided in Schedule 4.

I. STRATEGIC CONTEXT

A. Country Context

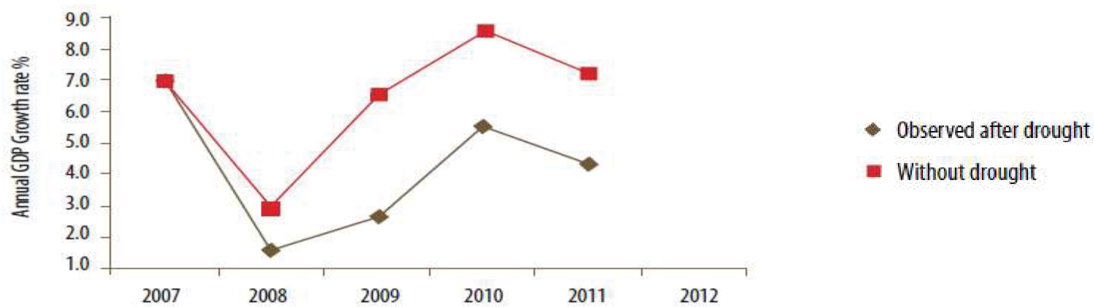
1. **Kenya continues to experience steady economic growth and declining poverty incidence; however, inequality remains high.** Kenya is classified as a lower-middle-income country (gross national income per capita of US$1,440). Between 2004 and 2016, economic growth averaged 5.4 percent and is expected to reach 5.7 percent in 2018 and rise to 6.0 percent by 2020.[1] Barring sharp oil price increases, inflation is expected to remain within the Government of Kenya's (GoK) target range of 2.5-7.5 percent in 2018. A fiscal consolidation is underway since FY17/18. The fiscal deficit decreased from 9.1 percent of gross domestic product (GDP) in FY16/17 to 6.9 percent of GDP in FY 17/18. The ongoing fiscal consolidation is expected to continue in the medium term, with fiscal deficit projected at 5.8 percent of GDP in FY18/19, and 3.4 percent of GDP in FY20/21. Due to good economic performance, poverty incidence (measured against the official poverty line) is estimated to have dropped from 47 percent to 36 percent between 2006 and 2016, however with wide regional variation.[2] While the Gini Coefficient declined over the last 10 years, Kenya remains one of the most unequal countries in the world.[3]

2. **High rates of poverty and inequality exacerbate vulnerabilities, undermine investments in human capital, and limit the potential for the benefits of economic growth to be shared by all Kenyans.** Many Kenyans continue to lack food security and good health care. The maternal mortality rate remains one of the highest in Africa at 488 deaths per 100,000 live births.[4] Poor children, when compared to their better-off counterparts, are less likely to attend school, advance to the next school grade, be vaccinated, and have good health outcomes. Moreover, while poverty and vulnerability are highly correlated, over one-third of non-poor Kenyans are vulnerable because they are clustered just above the poverty line, meaning that even a moderate shock could push them below the line.

3. **Development challenges are particularly severe in the arid and semi-arid lands (ASAL) where drought, which is increasingly associated with climate change, reduces economic growth and exacerbates poverty and vulnerability**. About 84 percent of Kenya is classified as ASAL:[5] drought is highly prevalent and negatively affects growth (Figure 1). Drought is a recurring phenomenon in these areas and on average, a 0.6 percentage point decline in GDP growth is observed in years of poor rains.[6] There is also a strong correlation between drought events and food insecurity. The Kenya Integrated Household Budget Survey (KIHBS 2015/16) found that six of the seven poorest counties nationally are in the ASAL regions.[7] Similarly, prevalence of vulnerabilities is highest in three of these six ASAL counties.[8]

[1] World Bank Group 2018, *Kenya Economic Update,* October 2018, Edition No. 18.
[2] KNBS (Kenya National Bureau of Statistics). 2018. *Basic Report on Well-being in Kenya*; and PovcalNet database, World Bank.
[3] The 2015 Gini Coefficient for Kenya is 0.408.
[4] World Bank. 2017. *Performance and Learning Review of the Country Partnership Strategy for the Republic of Kenya for the Period of FY14–18* (Report 113547-KE).
[5] 23 of the 47 counties in Kenya are classified as ASAL counties. These include Baringo, Garissa, Isiolo, Mandera, Marsabit, Samburu, Tana River, Turkana, Wajir, Embu, Kilifi, Kwale, Laikipia, Lamu, Makueni, Meru, Narok, Nyeri, Taita Taveta, Tharaka Nithi, Kitui, Kajiado, and West Pokot.
[6] World Bank Group. 2016. *Kenya Economic Update*. October 2016, Edition No. 14
[7] KNBS. 2018. *Basic Report on Well-being in Kenya*.
[8] These include Garissa, Mandera, Samburu, and Turkana Counties.

Figure 1 - Annual Estimate GDP Growth Rate (%) With and Without Drought



Source: GoK. 2012. *Kenya Post-Disaster Needs Assessment (PDNA) 2008–2011 Drought.*

4. **Among human development challenges, high stunting and wasting rates in ASAL counties are of particular concern.** While Kenya is on track to meet the World Health Assembly national targets for nutrition, stunting rates are still high at 26 percent. Some counties, particularly in the ASAL region, have a higher burden rate. For example, West Pokot and Kitui, have stunting rates nearly 20 percentage points higher than the national average.[9] Moreover, extended periods of drought, increasingly associated with climate change, can erode livelihood opportunities and resilience, leading to negative coping strategies that damage the environment and impair household nutritional status, further undermining long-term food security. The 2017 drought led to an increase in acutely malnourished children of 25 percent nationally and over 30 percent in three ASAL counties.[10] To respond to such disasters, the GoK has in the past relied on ad hoc donor support. Between 2002 and 2012, though international donors provided around US$276 million per year to Kenya in humanitarian assistance, the response remained unpredictable.

5. **International evidence suggests that addressing high stunting by investing in the early years can create development opportunities, contributing to the realization of more productive citizens in the future.** High rates of stunting can reduce physical and cognitive growth and lower productivity in adulthood. Applying this evidence to Kenya, one in every two children in West Pokot and Kitui Counties fail to reach their growth and development potential due to high rates of stunting. Factors contributing to stunting include poverty (inability to afford nutritious food), low rates of exclusive breastfeeding, poor hygiene and sanitation practices, and low dietary diversity. Addressing stunting requires household-level approaches: improving access to nutritious food and knowledge on best practices, and behavior change for optimal infant and young child feeding.

6. **Providing access to income-generating opportunities can also contribute to the realization of more productive citizens by ensuring greater economic inclusion.** While accurate and reliable data is unavailable, qualitative evidence suggests that the poor and vulnerable lack adequate livelihoods opportunities due to a host of economic and social factors, including low literacy, educational attainment,

[9] According to the Kenya Demographic Health Survey, 2014, the rates are at 45.9 percent and 45.8 percent, respectively.
[10] These include Mandera, Marsabit, and Turkana.

social capital and networks, and access to credit, among others. Therefore, a focused support to these groups can increase their welfare, besides benefitting the Kenyan economy.

B. Sectoral and Institutional Context

7. **The GoK has made significant progress in strengthening its safety net system and establishing foundational delivery systems through the National Safety Net Program (NSNP).** The NSNP (supported by the World Bank)[11] seeks to improve the welfare of and increase resilience among specific groups to reduce poverty and vulnerability in Kenya by creating a framework around which the four main cash transfer programs can be better coordinated and harmonized. These four programs are: Cash Transfer for Orphans and Vulnerable Children (CT-OVC), Older Persons Cash Transfer (OPCT), Persons with Severe Disability Cash Transfer (PWSD-CT), and Hunger Safety Net Programme (HSNP). The first three programs are collectively known as the Consolidated Cash Transfer Program (CCTP) and are managed by the Social Assistance Unit (SAU) under the State Department of Social Protection (SDSP) in the Ministry of Labour and Social Protection (MLSP). The fourth program is managed by the National Drought Management Authority (NDMA) in the Ministry of Devolution and Arid and Semi-Arid Lands Areas (MDA). The NSNP provides cash assistance to over 1 million households,[12] around 4.5 million people. A recent assessment shows that the aforementioned cash transfer programs are well-targeted and have positive impacts, including raising school enrollment and reducing food insecurity and the probability of children working.[13]

8. **Strengthening of SP delivery systems and recent consolidation of three of the four cash transfer programs have also improved the overall efficiency and shock responsiveness of the SP sector.** Through the NSNP, the GoK has established and strengthened (i) the Single Registry (SR)—a database of NSNP cash transfer beneficiaries, linked to the Integrated Population Registry System (IPRS); (ii) a two-factor authentication payment system; and (iii) a Grievance and Case Management (G&CM) mechanism at the national level. Building on the current payment system, the SAU is now in the process of rolling out a new payment solution, expanding the number of payment service providers (PSPs) and providing beneficiaries a choice of PSPs and access to a bank account. The SAU is also decentralizing the G&CM mechanism and strengthening citizen's engagement through improved beneficiary outreach strategy. Moreover, a harmonized targeting methodology (HTM) for all NSNP programs has been piloted and is being finalized. Lastly, the NDMA provides regular cash transfers to food insecure households and when needed makes emergency cash payments to additional households as a response to droughts in four of the most drought-affected counties.

9. **Recent efforts also include a pilot nutrition sensitive safety net intervention,** Nutrition Improvement through Cash and Health Education (NICHE) program currently being tested in Kitui County. NICHE targets beneficiary households of the CT-OVC program who have children under two years of age

[11] A Program for Results (PforR) operation of US$250 million IDA credit was approved in 2013 and an Additional Financing of US$50 million was approved in 2017. Other development partners directly supporting the GoK include U.K. Department for International Development (DFID), United Nations Children's Fund (UNICEF), World Food Programme (WFP), and Swedish International Development Cooperation Agency.

[12] See footnote 36. This includes the recently launched expansion of the OPCT, using a universal approach at the individual level to target all people over 70 years of age (70+).

[13] Kenya Poverty and Gender Assessment, October 2018, World Bank.

and/or pregnant and lactating women (PLW).[14] Households receive a top-up of KSh 500 per month, per child under two years, and/or per PLW (not exceeding KSh 1,000 per household per month) through the NSNP payment mechanism. Community health workers (CHWs) regularly visit households to provide nutrition counseling within the framework of the Government's Community Health Strategy. Counseling sessions address individual barriers to optimal nutritional and resilience practices, including dietary quality; meal frequency; uptake of health services; and other behaviors, including exclusive breastfeeding. Counties recruit and train CHWs and provide them with a monthly stipend. Health extension workers supervise the CHWs. UNICEF is supporting the implementation of NICHE, by providing technical assistance to Kitui County and the national government, training staff, including CHWs; and leading program assessments and evaluations.

10. **Several organizations are implementing various economic inclusion interventions, adapted to the Kenyan context, which have been yielding positive results.** Results from the BOMA project in Northern Kenya for example indicate that 90 percent of women participating in the program achieve graduation criteria at two years, with 97 percent of livelihood activities still operational three years after the intervention. However, these initiatives are at small scale and GoK's involvement in implementation is limited. The proposed Kenya Social and Economic Inclusion Project (KSEIP) therefore aims to test various models of economic inclusion to determine the optimal model that can be implemented and scaled up by the GoK. The proposed project design and operational approach would be informed by international and Kenya-specific experiences, more specifically in the context of counties where it will be tested.

11. **The National Treasury has taken a strategic approach to managing the financial impacts of climate induced drought, also adopting Kenya's first National Disaster Risk Finance Strategy (NDRFS)**. The strategy seeks to increase the ability of national and county governments to more effectively respond to disasters. It prioritizes improving and expanding the coverage of shock-responsive SP programs. This strategy was a prior action to a recently approved World Bank-financed Catastrophe Deferred Drawdown Option (CAT-DDO) operation.[15] The NDRF includes several financing instruments, including the CAT-DDO and a National Drought Emergency Fund (NDEF). The operationalization of the NDEF also supported by the NSNP PforR is being advanced which includes ring-fencing of resources for emergency cash transfers.[16] These developments will be critical in promoting resilience and reducing vulnerability of poor households to shocks and contribute to disaster and climate change risk management.

12. **While the foundational elements are in place, the GoK is now committed to move beyond cash transfers to an integrated SP system to enhance social and economic inclusion of the poor and vulnerable.** While the current achievements of the NSNP are impressive, there is room for further development of SP systems to deliver on this commitment. For example, while the SR is useful to avoid duplication in beneficiary receipt of cash transfers, it does not provide welfare information on potential beneficiaries for existing or new programs. While several interventions are being implemented in the area of social and economic inclusion, GoK involvement is limited. To further the goal of integrated SP systems,

[14] The process to register NICHE beneficiaries includes community meetings to introduce the program, review of the beneficiary database of the cash transfer programs, group meetings to verify that beneficiaries meet the NICHE criteria, house-to-house validation, generation of the NICHE recipient list, and third-party verification.

[15] Kenya Disaster Risk Management Development Policy Financing with a CAT-DDO (P161562).

[16] Operationalizing NDEF is a Disbursement-Linked Indicator (DLI) under the NSNP PforR. Cabinet recently approved NDEF regulations, which are now with the Attorney General's office and are expected to be submitted for Parliamentary approval soon.

the GoK is keen to invest to enhance delivery systems, institutional capacity, coordination and partnership arrangements, and test approaches that have delivered results in Kenya and elsewhere.

13. **In view of the above, the GoK has requested the World Bank to support advancements in three areas:** (i) enhancing institutional capacity and SP delivery systems, particularly the coverage and functionality of the SR, as well as to continue improving the efficiency of other delivery mechanisms; (ii) investing in scale-up of the existing nutrition-sensitive safety net, as well as testing customized economic inclusion models as a complement to the regular cash transfers to improve human capital and self-sufficiency of poor and vulnerable households; and (iii) improving the shock responsiveness of the safety net system by expanding its coverage and strengthening financing arrangements for enhancing households' resilience and providing timely support to cope with recurrent climate induced droughts.

C. Relevance to Higher Level Objectives

14. **SP has long been an important part of the GoK's strategy to fight poverty and promote equitable growth and social inclusion, as well as respond to emergencies such as natural disasters**. The Constitution of Kenya (2010) asserts the "right for every person to social security and binds the State to provide appropriate social security to persons who are unable to support themselves and their dependents." Kenya's Vision 2030 seeks to build "a just and cohesive society with social equity." The Kenya National SP Policy (2011) endeavors to protect the poor and vulnerable from negative impacts of shocks; promote resilience through investments in the early years of life; and strengthen operational systems to improve the efficiency of delivery mechanisms. Lastly, the NDRF set forth a strategic approach to emergency financing to provide effective and timely response to which SP is a key tool.

15. **The proposed KSEIP not only contributes to the above policy goals, but also complements the GoK's new priorities** (known as the 'Big Four').[17] These include (a) universal health care coverage, through referral of NSNP beneficiaries to the National Hospital Insurance Fund (NHIF); (b) food and nutrition security by scaling up the nutrition-sensitive safety net, expanding regular cash transfers under the HSNP, and investing in a shock-responsive safety net to provide timely support to drought-affected households; and (c) jobs creation through investments in testing of GoK-led economic inclusion approaches for possible scale-up.

16. **The proposed project is fully aligned with the Country Partnership Strategy (CPS) for Kenya (2014–2020),[18] as well as Global and Africa SP Strategies, and advances improvements in the human capital.** The CPS prioritizes "promoting protection and potential to ensure all groups share in advancing prosperity and helping the vulnerable to develop their potential."[19] The Global and Africa SP strategies (2012–2022) specifically highlight the need to invest in systems that can quickly and effectively respond to those affected by systemic shocks and crises. The new Human Capital Project[20] by the World Bank

[17] GoK Big Four Action Plan, 2018.
[18] Report Nos. 87024-KE and 113547-KE.
[19] The Performance and Learning Review 2017 (Report 113547-KE) maintained the strategic objectives of the CPS and extended it to FY20.
[20] Recognizing that investing in people is imperative for inclusive growth and prosperity, the Human Capital Project (P168003) aims to support Governments in increasing investments in human capital for national growth, prosperity and global competitiveness.

emphasizes the need to invest in people – through education, health, social protection and jobs – to bring about meaningful and sustainable positive change in people's lives. Lastly, the proposed project directly contributes to the World Bank Group's twin goals of reducing extreme poverty and boosting shared prosperity, by continuing to focus on improving the welfare of and increasing resilience among the poor and vulnerable population.

II. PROJECT DESCRIPTION

A. Project Development Objective (PDO)

PDO Statement

17. The PDO is to strengthen delivery systems for enhanced access to social and economic inclusion services and shock-responsive safety nets for poor and vulnerable households.

18. Enhanced access would be measured through provision of social inclusion (nutrition-sensitive safety net and referrals to the NHIF) and economic inclusion (livelihoods enhancement support) services to the existing NSNP beneficiaries, as well as other poor and vulnerable, to be identified through the use of an objective targeting system already being used in the country. The shock-responsive safety nets would be measured by expanding their coverage to additional households and the functionality of financing arrangements for timely response in the event of droughts. The strengthening of SP delivery systems applies to both of these areas by enhancing the scope and coverage of the SR and support relevant program information systems, investments in the rollout of the improved payment system, and supporting greater integration and implementation of the G&CM mechanism for all interventions supported by the proposed KSEIP.

PDO-Level Indicators

19. Progress toward achieving the PDO would be measured by the following indicators:

(a) Number of counties where the roll out of enhanced SR covers at least 75 percent of the targeted households[21]
(b) Number of households receiving nutrition-sensitive cash transfer
(c) Number of sub-counties where economic inclusion model is initiated
(d) Number of new regular HSNP households enrolled and paid for through the GoK's budget in expansion counties
(e) Enhanced financing mechanism for HSNP scalability is implemented

B. Project Components

20. **The proposed five-year project includes three components**. These are: (1) Strengthening Social Protection Delivery Systems; (2) Increasing Access to Social and Economic Inclusion Interventions; and (3)

[21] The GoK is in the process of preparing a strategy for the enhancement of the SR which will include details on the estimated number of households to be targeted for data collection in each county. This will be calculated by looking at poverty and vulnerability levels informed by KHIBS (2015/16).

Improving Shock Responsiveness of the Safety Net System. Some of the proposed project activities would contribute towards adaptation to climate change in the targeted geographic areas.

Table 1 - Proposed Project Components

Component 1: Strengthening Social Protection Delivery Systems	Component 2: Increasing Access to Social and Economic Inclusion Interventions	Component 3: Improving the shock-responsiveness of Safety Net System
Disbursement Linked Indicators: ➢ Roll out of enhanced SR covers at least 75% of targeted households in 39 non-HSNP counties (DLI1a) ➢ Re-registration of households in HSNP counties and registration of households in new HSNP counties complete (DLI1b) ➢ New Inua Jamii Payment Mechanism for three NSNP cash transfer programs is rolled out (DLI2) ➢ Integrated G&CM mechanism is strengthened and rolled out at decentralized level (DLI3) Standard IPF: ➢ Upgrading information systems; strengthening institutional, technical, fiduciary and safeguards capacity of SDSP; TA for enhanced roll-out of payment solution, G&CM Mechanism; system investments for enhanced SR; and M&E investments	Disbursement Linked Indicators: ➢ 23,500 households receiving nutrition-sensitive cash transfer (DLI4a) ➢ 75% of NSNP beneficiaries enrolled in the NHIF with enrollment information available in the SR (DLI4b) Standard IPF: ➢ Investments and TA for the NHIF referral mechanism; designing and delivering customized counselling to nutrition-sensitive safety net beneficiaries; testing models for economic inclusion; implementation support for nutrition sensitive cash transfer safety net	Disbursement Linked Indicators: ➢ 22,000 new HSNP households enrolled and paid for through the GoK's budget in 4 expansion counties (DLI5a) ➢ 100% of existing HSNP households in the original four counties financed by the GoK by July 2019 (DLI5b) ➢ Financing plan for HSNP scalability adopted and emergency payments made (DLI6a) ➢ HSNP scalability strategy reviewed, updated, and adopted (DLI6b) Standard IPF: ➢ Upgrading information systems; strengthening institutional, technical, fiduciary and safeguards capacity of NDMA; and M&E investments
State Department for Social Protection		**National Drought Management Authority**

21. **Key principles underpinning the design of the proposed KSEIP include:** (i) the project should continue to build on the achievements of putting in place and strengthening SP service delivery systems; (ii) a 'learning-by-doing' approach should be adopted to enable testing and evaluation of new interventions to ensure sustainability and value for money of possible scale up; and (iii) to the extent possible, the design should be simple, considering the capacity required to implement and sustain proposed interventions.

22. Geographic locations for proposed KSEIP interventions (Figure 2) were selected based on criteria including poverty rates, malnutrition levels, food insecurity and drought vulnerability, existing capacity of counties, accessibility, presence of necessary GoK officers, and regional balance. While systems building interventions are nation-wide, new interventions on social and economic inclusion and shock responsiveness are geographically targeted. The nutrition-sensitive safety net, i.e. NICHE, will be rolled out in the counties with highest stunting and wasting rates. Similarly, testing of economic inclusion approaches will be implemented in counties which have some relevant experience and, therefore, capacity, with due consideration to the geographic diversity. Interventions aimed at improving the shock responsiveness of safety nets systems are focused on the ASAL counties, which also have the highest levels of poverty and vulnerability

23. **The proposed KSEIP would be an Investment Project Financing (IPF) with DLIs in an amount of US$250 million IDA credit**. DFID has approved GBP 75.4 million (US$98.02 million equivalent) co-financing of the project through a World Bank-managed Multi-Donor Trust Fund (MDTF) of which GBP 66 million

(US$85.8 million equivalent) would be Recipient-Executed and GBP 9.4 million (US$12.22 million equivalent) would be World Bank-Executed. This MDTF is expected to be finalized by December 2018.[22] An IPF with DLIs is deemed the appropriate financing instrument given the sector's successful experience with results financing. A combination of "Standard IPF"[23] and DLIs will set the stage for the GoK to take an informed decision on gradually subsuming these investments in the national budget to sustain implementation and scale up. The total GoK counterpart financing for this project is US$ 1,010.4 million. This includes the total current expenditure for cash transfers for beneficiaries of the GoK's NSNP, since these constitute the Eligible Expenditure Program (EEP) for the project.[24] The main rationale for determining that the NSNP cash transfer should constitute the EEP is that the expenditure for NSNP cash transfers are (i) critical to achieve the PDO of the proposed KSEIP and (ii) are easy to track. The GoK counterpart financing also includes the estimate costs for GoK to achieve the DLIs as well as the standard IPF investments (see details in table 2).

24. **To incentivize results, a significant proportion of the proposed IDA credit (US$192 million) is allocated to DLIs.** The same principle applies to the grant financing from the DFID. The DFID Recipient-Executed Trust Fund of GBP 66 million (US$85.8 million equivalent) would be further allocated between GBP 49 million (US$63.7 million equivalent) for DLIs and GBP 17 million (US$22.1 million equivalent) for IPF. KSEIP will further benefit from GoK financing of US$1,010.4 million, in the form of expenditures towards the on-going NSNP (Table 2). The DLIs would allow progress toward the PDO, making predictable disbursements to incentivize results, and enabling the GoK to withdraw funds as needed, based on performance. All Disbursement-Linked Results (DLRs), except DLR 5b and DLR 6a (ii-vi) are floating, i.e. disbursement would be made as and when results are achieved. Advances are allowed for DLI financing and scalability formulas are built into most DLRs.

Table 2 - Project Expenditures (US$, millions)[a]

Expenditures	FY18/19	FY19/20	FY20/21	FY21/22	FY22/23	FY23/24	Total
SDSP							
Cash Transfers to NSNP[b] (EEP) – Component 1 and 2	54.8	172.8	172.8	172.8	172.8	172.8	918.8
Investments required to achieve the DLIs – Component 1	0.1	2.1	1.1	15.0	10.0	3.0	31.3
IPF Investments – Component 1 (details in Table 4)	1.1	3.8	4.4	3.9	3.6	1.3	18.0
Investments required to achieve the DLIs – Component 2		0.2	0.8	1.1	1.3	1.5	4.9
IPF Investments – Component 2 (details in Table 5)	3.7	9.2	11.6	12.0	9.6	3.9	50.0
Total Expenditures SDSP	**59.7**	**188.1**	**190.7**	**204.8**	**197.3**	**182.5**	**1023.0**
NDMA							
Cash Transfers to NSNP[c] (EEP) – Component 3	11.0	33.0	33.0	33.0	33.0	33.0	176.0
Investments required to achieve the DLIs – Component 1	0.8	0.8	2.5				4.0

[22] A Trust Fund Proposal (No. 2242) has been approved and the Administration Arrangement is being finalized in consultation with DFID and is expected to be signed latest by December 2018.
[23] "Standard IPF" means the portion of the project which will be made through investments in e.g. system strengthening, technical assistance and capacity building.
[24] The EEP includes cash transfers made for the CT-OVC, PWSD-CT and OPCT (excluding 70+) and the HSNP.

Investments required to achieve the DLIs – Component 2			0.7	0.9	1.2	1.4	4.2
Investments required to achieve the DLIs – Component 3	9.0	18.6	20.3	24.2	34.9	20.0	127.0
IPF Investments – Component 3 (details in Table 7)	0.9	3.1	2.8	2.5	2.2	0.8	12.1
Total Expenditures NDMA	**21.7**	**55.4**	**59.2**	**60.5**	**71.3**	**55.2**	**323.3**
Overall Expenditures	81.3	243.5	249.9	265.3	268.6	237.7	1346.2

Note: a. The estimates in this table are initial indicative numbers which will be further refined during implementation. The EEP allocation for the component costs in the datasheet is proportional to the DLI allocations for Component 1 and 2 respectively. b. These are modest estimates assuming that 685,000 households are paid in FY19 under the NSNP (including CT-OVC, PWSD-CT and OPCT, excluding 70+) and with the envisioned expansion of 35,000 CT-OVC in FY20 as part of the NSNP. For FY19 the cost of four months of cash transfers have been included, anticipating project effectiveness in March 2019. c. These are modest estimates for the HSNP, excluding planned expansion under KSEIP (since that is part of cost of achieving DLI5), assuming no change in the cash transfer value and no inflation considered. For FY19 the cost of four months of cash transfers have been included, anticipating project effectiveness in March 2019.

Table 3 - Project Financing Plan (US$, millions)[a]

Financing Plan	**FY18/19**	**FY19/20**	**FY20/21**	**FY21/22**	**FY22/23**	**FY23/24**	**Total**
SDSP							
Total Expenditures SDSP	59.7	188.1	190.7	204.8	197.3	182.5	1023.0
IDA DLI Financing	*6.0*	*24.4*	*17.7*	*33.2*	*17.3*	*5.7*	*104.2*
IDA and DFID IPF	*5.0*	*13.0*	*16.0*	*16.0*	*13.0*	*5.0*	*68.0*
of which IDA credit	0.7	8.5	11.8	16.0	13.0	5.0	55.0
of which DFID grant	4.3	4.5	4.2				13.0
Total IDA and DFID Financing SDSP	**11.0**	**37.4**	**33.7**	**49.2**	**30.3**	**10.7**	**172.2**
GoK Financing SDSP	**48.7**	**150.6**	**157.1**	**155.6**	**167.1**	**171.8**	**850.7**
IDA and DFID Financing as % of Total Expenditures	18%	20%	18%	24%	15%	6%	17%
NDMA							
Total Expenditures NDMA	21.7	55.4	59.2	60.5	71.3	55.2	323.3
IDA and DFID DLI Financing	*8.9*	*51.25*	*24.6*	*34*	*31.05*	*1.7*	*151.5*
of which IDA credit	5	22	9.65	26.2	23.25	1.7	87.8
of which DFID grant	3.9	29.25	14.95	7.8	7.8	0	63.7
IDA and DFID IPF	*0.9*	*3.05*	*2.75*	*2.45*	*2.15*	*0.8*	*12.1*
of which IDA credit		0.95	0.75	0.45	0.65	0.2	3
of which DFID grant	0.9	1.7	2	2	1.5	1	9.1
Total IDA and DFID Financing NDMA	**9.8**	**54.3**	**27.35**	**36.45**	**33.2**	**2.5**	**163.6**
GoK Financing NDMA	**11.9**	**1.1**	**31.9**	**24.1**	**38.1**	**52.7**	**159.7**
IDA and DFID Financing as % of Total Expenditures	45%	98%	46%	60%	47%	5%	51%
Overall IDA and DFID Financing	**20.8**	**91.7**	**61.0**	**85.7**	**63.5**	**13.2**	**335.8**
Overall GoK Financing	**60.5**	**151.7**	**188.9**	**179.7**	**205.1**	**224.5**	**1010.4**
Overall Financing	**81.3**	**243.5**	**249.9**	**265.3**	**268.6**	**237.7**	**1346.2**

Note: a. The estimates in this table are indicative and will be further refined as part of project implementation. DFID contribution has been included as US$ equivalent, using the exchange rate of GBP 1 = US$1.3, as of September 30, 2018.

25. **A Standard IPF of US$58 million (IDA) and GBP 17 million (US$22.1 million equivalent) from DFID to accompany the DLIs would be critical to support quality and timely delivery of results**. Key areas where investments would be necessary include: accessing international and local expertise to design and

supervise enhancement of the SR; strengthening management information systems (MISs) in line with international standards; sharing of international best practice models on consolidated safety net programs through knowledge and exchange visits; enhancing citizens engagement and beneficiary outreach and communication; robust management of PSPs for timely and predictable transfers; various evaluations and assessments to track progress and improve delivery performance; implementation support (including nutrition counseling) to expand the nutrition-sensitive safety net; testing of the economic inclusion models; and enhancing capacity to implement a scalable safety net system, including GoK's takeover of management and implementation of HSNP. Retroactive financing up to an aggregate amount not to exceed Euro 7 million for payments made prior to the date of signing of the Financing Agreement, but on or after September 1, 2018 and advances are allowed for Standard IPF financing.

Component 1: Strengthening Social Protection Delivery Systems (DLIs: IDA US$88 million and DFID GBP 3 million [US$3.9 million equivalent]; Standard IPF: IDA US$18 million)

26. This component would support the enhancement of the existing SP delivery systems established under the ongoing NSNP and would aim to further consolidate the CCTP[25] under the SDSP, and HSNP under the NDMA, within a consistent and coherent delivery system. The strengthened delivery systems would then be used for implementation of the interventions envisioned under the other two components of proposed KSEIP. The specific activities are detailed in the following paragraphs.

27. **Enhancement in SR scope and coverage.** Support would be provided to the SDSP for gradual expansion and enhancement of functionality of the existing SR, managed by the Social Protection Secretariat (SPS) in the SDSP, by adding a social registry module. This would build on an existing HSNP experience in four counties where it operates and contribute to the development of a strategy to inform the rollout of this task. The new module would manage the entire workflow to register households that can be identified as potential beneficiaries for SP programs, including those supported by the proposed KSEIP. The new module will continue establishing a link to the IPRS for verification of data against Kenya's civil registration databases. By doing so, it will add the potential of establishing links to other administrative and program information systems which are critical for the utility of the SR to serve the needs of different programs. It would also include analytical capabilities to support SP programming. The enhanced SR will be a key ingredient in a shock-responsive SP system by assisting in objective and timely identification of the most vulnerable households during climate induced emergencies, such as drought.

28. Development of the social registry module, together with application of an HTM, would harmonize registration countrywide and reduce costs of targeting and registration. Data collection for the social registry would use a combination of census and on-demand mechanisms, with the former building on recent HSNP experience, and on the pilot application of the HTM. Expansion of the social registry would be prioritized as follows: (i) counties where the HSNP would be expanded; (ii) North and Northeastern Development Initiative (NEDI) counties;[26] and (iii) counties where economic inclusion activities would be tested. As a first step, the SPS would closely accompany completion of the ongoing re-registration process in the four original HSNP counties and registration in four new HSNP counties, led by the NDMA (see

[25] OPCT beneficiaries over 70 years of age universally targeted at the individual level will not be included as beneficiaries of the social and economic inclusion interventions envisioned under KSEIP, as the KSEIP aims to provide benefits to the poor and vulnerable households.

[26] NEDI is a cross-sectoral intervention, supported by the World Bank, which focuses on the ten most drought-affected counties in Kenya, namely Garissa, Isiolo, Lamu, Mandera, Marsabit, Samburu, Tana River, Turkana, Wajir, and West Pokot.

Component 3), to learn from the experience and inform the social registry module. Thereafter, the SPS would take over responsibility for the social registry module and its rollout in the rest of the country.

29. The SPS is developing a strategy for SR enhancement to be finalized in early 2019. The strategy would include criteria for the use of on-demand data collection, implementation arrangements along with provisions for regularly updating the data in the social registry module.

30. **Rollout of improved payment system.** The SDSP is rolling out the new payment solution as part of an expansion of the OPCT.[27] The aim is gradually roll out this mechanism to cover all beneficiaries under the CCTP managed by the SDSP.[28] This mechanism would also be used to deliver cash payments for proposed KSEIP activities. The proposed project would support among others, continued roll out of the new payment solution, enhanced management including fiduciary controls, and necessary updates in the MIS payment module.

31. **Enhancement in G&CM and beneficiary outreach.** Support would be provided to further enhance and consolidate the G&CM mechanism for the NSNP and to customize it to the additional needs of proposed KSEIP. The focus would be to strengthen citizens engagement, outreach, and communication across the four NSNP cash transfers, and to ensure that new activities proposed under the proposed KSEIP are effectively catered for within the existing G&CM structure. Outreach and communication under the proposed KSEIP would give special attention to key messages around social and economic inclusion, coupled with the current NSNP messaging on proper use of cash transfers, as well as include simple and easy to understand 'rules of thumb' financial literacy. Lastly, it would promote measures to facilitate effective inclusion of Vulnerable and Marginalized Groups (VMGs) in project activities.

32. **Institutional and capacity strengthening.** To enable effective oversight of project implementation, and strengthen fiduciary systems, safeguards, beneficiary outreach and communication, and monitoring and evaluation (M&E), investment financing would be provided for these critical functions. This includes support for capacity building, trainings, and technical assistance related to overall institutional capacity, as needed. Special effort would be made to implement safeguards measures, as per the Vulnerable and Marginalized Groups Framework (VMGF) developed for proposed KSEIP, to enable the project to effectively identify VMGs and ensure that they are considered in targeting exercises as relevant, and that their participation in proposed KSEIP activities is monitored. SDSP and NDMA will lead the implementation of respective components and where needed specific technical assistance will be brought on board to build capacity of each implementation agency.

[27] The GoK is expanding the OPCT to include everyone over 70 years of age.
[28] The NDMA is considering adopting this payment mechanism for the HSNP.

Table 4 - IDA and DFID support for Component 1 (in million)

DLIs	IDA (US$)	DFID (GBP)
DLI 1a: Roll out of enhanced SR covers at least 75% of targeted households in 39 non-HSNP counties	45.0	
DLI1b: Re-registration of households in HSNP counties and registration of households in new HSNP counties complete	9.0	3.0
DLI 2: New Inua Jamii Payment Mechanism for three NSNP cash transfer programs is rolled out	14.0	
DLI 3: Integrated G&CM is strengthened and rolled out at decentralized level	20.0	
Subtotal DLIs	**88.0**	**3.0**
Standard IPF		
Investments in upgrading IT Systems, including software development and updates, data storage capacity, systems audit; assessment, and support for interoperability with relevant databases	5.5	
Update of the Beneficiary Outreach Strategy (BOS) and its rollout	2.9	
KSEIP beneficiary survey	2.1	
M&E, including process evaluations and operational reviews (NICHE, economic inclusion etc.).	3.0	
Strengthening of fiduciary oversight and controls, including internal audit and risk management	1.5	
Strengthening safeguards, including implementation of VMGF	0.5	
Training and capacity building	2.5	
Subtotal Standard IPF	**18.0**	
Total	**106.0**	**3.0**

Component 2: Increasing Access to Social and Economic Inclusion Interventions (DLIs: IDA US$34 million; and Standard IPF: IDA US$37 million and DFID GBP 10 million [US$13 million equivalent])

33. This component would contribute to the GoK's goal of universal health coverage by establishing and supporting a functional referral mechanism to improve NSNP beneficiaries' access to the NHIF and expand nutrition-sensitive safety net services to additional counties. It would also support the testing of GoK-led economic inclusion models for targeted households (NSNP beneficiaries and others) to improve their welfare and self-sufficiency. As such, it is well positioned to build human capital, a key priority of the GoK and World Bank.

34. **Systematic access of NSNP beneficiaries to NHIF.** Currently, while the GoK provides NHIF coverage to around 40 percent of NSNP beneficiaries,[29] it does not follow any structured process for institutional collaboration. The proposed project would support a systematic collaboration between the SDSP, Ministry of Health (MoH) and the NHIF, and invest in the information systems to facilitate enhanced access and enrollment of NSNP beneficiaries in the NHIF. Development of this structured referral mechanism would build on a formal agreement between the SDSP, MoH and NHIF, which is already in progress for the SR complementary services module under the NSNP. It would require the NHIF to provide aggregate information by locality on enrollment and possibly on utilization of NHIF by NSNP beneficiaries. The exchange of information and analytical capabilities will help to identify bottlenecks or issues that might require actions on the part of the MoH, NHIF, and the SDSP. The partnership arrangements between the MoH, NHIF and SDSP would include (i) definition of the respective roles of each institution; (ii) joint targets for enrollment and registration of NSNP beneficiaries; (iii) an agreed expansion plan; (iv) agreed

[29] Calculations are based on coverage data provided by the NHIF on NSNP individual beneficiaries and includes the recently registered individuals in OPCT over 70 years of age. Coverage of beneficiaries in CT-OVC, PWSD-CT, and OPCT is provided at household levels, and the assumption was made that each household includes an average of five members.

arrangements for monitoring progress and resolution of any difficulties; and (v) agreed arrangements for the sharing of information on enrollment and usage of NHIF services, preferably automated.

35. **Expansion of existing nutrition-sensitive safety net.** Under the proposed KSEIP, the SDSP would expand NICHE to four additional counties (Kilifi, Marsabit, Turkana and West Pokot) and continue scale up in Kitui county, based on lessons during the pilot. This expansion will benefit approximately 138,600 individuals in 23,500 households.[30] Households in the four NSNP programs[31] would be targeted as in Kitui county. The provision of nutrition counselling would be financed through IPF to ensure quality and closer supervision. For this intervention, the SDSP will directly associate UNICEF (under an agreement to be signed between the SDSP and UNICEF) to provide technical assistance, including implementation support and rigorous evaluation, findings of which would be used to adjust the intervention design, as needed, to achieve the desired outcomes. Moreover, the partnership with UNICEF would clearly indicate a strategy for capacity building and gradual hand over of key roles to relevant GoK functionaries to ensure sustainability of efforts. Support from UNICEF will be provided in a phased-out manner to ensure that by end of year 3, the GoK takes over NICHE implementation throughout and beyond the life of the project. Details of the technical assistance will be spelled out in the agreement between the SDSP and UNICEF. The requirements of UNICEF's TA beyond 3 years will be assessed at the mid-term review and necessary adjustments will be made accordingly.

36. There are several strong justifications for selecting UNICEF as the preferred partner to support the expansion of NICHE. First, UNICEF has long-standing experience and knowledge in implementing nutrition-sensitive safety nets globally and in Kenya. Second, UNICEF has been designated by the MoH as the Technical Lead for Nutrition and is currently supporting the NICHE implementation in Kitui county, making it an ideal partner to provide technical assistance and implementation support as the GoK scales up NICHE in additional counties through proposed KSEIP. Moreover, the successful implementation of NICHE requires coordination and collaboration with several actors, primarily MoH and county governments. UNICEF has established partnerships with county administrations and MoH at the national and county levels. Third, counselling by the CHWs to beneficiary households is a critical activity to achieve the outcomes of this intervention, which would require payment of stipends/performance incentives to the CHWs. Currently, it is difficult for SDSP to make payment for stipends to the CHWs, which fall under the MoH. Channeling these stipends initially through UNICEF will allow the SDSP time to clarify the processes and establish longer term funds flow arrangements. In parallel, UNICEF will continue its work with county government to incorporate these payments into their budgetary expenditures to promote sustainability.

37. **Testing of economic inclusion interventions.** The proposed KSEIP would support the SDSP to test different approaches to deliver economic inclusion interventions, using customized cash-based, simple and practical BRAC[32]-style models, in order to assess the most efficient service package in the country which would be feasible for scale-up and sustainably moves people out of extreme poverty. Possible approaches to be tested would include (i) implementation through the SDSP, third-party, or a mix, to

[30] Estimates based on current data from NICHE and the HSNP suggest that an average of 1.5 top-ups per household would be paid, amounting to around 38,000 cash top-ups in total.
[31] OPCT beneficiaries over 70 years of age universally targeted at the individual level will not be included as NICHE beneficiaries, as NICHE aims to provide benefits to the poor and vulnerable.
[32] Building Resources Across Communities (BRAC) is an international non-governmental organization (NGO), founded in Bangladesh.

determine the most effective delivery arrangement; and (ii) variations in the package of services, i.e. different coaching delivery, duration and amount of consumption stipend, and combinations of training and livelihood support/asset transfer. Approaches would be tested initially in five counties (Isiolo, Kisumu, Makueni, Marsabit and Muranga) selected by keeping in mind the geographic diversity of Kenya to better inform lessons for future expansion.

38. The approaches to be tested and their operational details would be further defined before launch of this intervention to ensure that the different models are contextualized to each county. It would target both NSNP beneficiaries,[33] as well as some eligible non-NSNP beneficiaries. Consumption support would be provided to all participating households for one year to bridge them from the start of the intervention until they start earning livelihoods. While selecting the livelihood options, due consideration will be made to their suitability to the local market as well as the beneficiary household needs. Training would be sourced locally, and participants would be encouraged to link up with existing programs and services. This would entail SDSP’s structured collaboration and partnership with relevant line ministries and other players. Village and savings associations would be mobilized as based on global experiences, they have proven to be one of the strong mechanisms to promote economic inclusion. Existing self-help groups would also be reviewed for suitability and strengthened, as required. Financial literacy training modules would be integrated into the program similar to those communicated through enhanced beneficiary outreach. Outsourcing implementation of certain activities is expected. While a full-fledged impact evaluation is not envisioned given that it is testing new approaches, the proposed KSEIP will explore options to work with other partners to ensure that relevant evaluations are undertaken. The proposed project would also provide financing for equipping the Community Capacity Support Centers under the Department of Social Development (DSD) and the Community Development Management Information System, to better enable delivery of some of the training for the economic inclusion interventions. Given the nature of this intervention, it will be supported through investment financing.

[33] Same as for the NICHE intervention, OPCT beneficiaries over 70 years of age universally targeted at the individual level will not be included under the testing of the economic inclusion approach, as this intervention also aims to provide benefits to the poor and vulnerable households.

Table 5 – IDA and DFID support for Component 2 (in million)

DLIs	IDA (US$)	DFID (GBP)
DLI 4a: 23,500 households receiving nutrition-sensitive cash transfer	19.0	
DLI 4b: 75% of NSNP beneficiaries enrolled in the NHIF with enrollment information available in the SR	15.0	
Subtotal DLIs	**34.0**	
Standard IPF		
Investment in operation of a systematic referral mechanism to promote NSNP beneficiaries' access to the NHIF	2.5	
Design and delivery of counselling to nutrition-sensitive cash transfer beneficiary household including performance-based incentives to CHWs, including UNICEF support for NICHE expansion and implementation	8.0	10.0
Testing and implementation of economic inclusion activities	20.0	
Training and capacity building of implementation agencies	4.0	
M&E of social and economic inclusion interventions	2.5	
Subtotal Standard IPF	**37.0**	**10.0**
Total	**71.0**	**10.0**

Component 3: Improving the Shock Responsiveness of Safety Net System (DLIs: IDA US$70 million; DFID GBP 46 million [US$59.8 million equivalent] and Standard IPF: IDA US$3 million equivalent and DFID GBP 7 million [US$9.1 million equivalent])

39. This component would support the NDMA to expand HSNP coverage and improve the shock responsiveness of the safety net system, including financing arrangements for timely support to vulnerable households affected by climate induced risks.

40. **Increased GoK financing and coverage of the HSNP**. The NDMA provides regular cash transfers to 100,000 households under the HSNP in four of the most drought-affected counties in Kenya (Mandera, Marsabit, Turkana, and Wajir). Currently, GoK finances 64 percent of the cash transfers, and DFID finances 36 percent.[34] The proposed KSEIP would support the NDMA to: (i) fully finance the cash transfers to existing HSNP households in four counties; and (ii) expand the HSNP into four additional drought-affected counties (Garissa, Isiolo, Samburu, and Tana River) by providing regular cash transfer to around 32,000 additional households, boosting resilience to cope with climatic shocks, and increasing possibilities to sustain their livelihoods in the event of shocks.

41. **Enhanced scalability mechanism and predictable financing of emergency payments.** A unique feature of the HSNP is its ability to expand coverage by disbursing emergency cash transfers to additional vulnerable households beyond the regular cash transfer beneficiaries during times of drought. It has done this since March 2015 whenever the pre-agreed triggers for drought response have been met. With a likely increase of occurrences of drought due to climate change over time, the proposed KSEIP would enhance the existing scalability mechanism of the HSNP by developing, adopting, and implementing a financing plan to meet the costs of emergency cash transfers. Under the financing plan of the scalability mechanism, which would be supported by the project with DLRs, GoK would be responsible to meet the

[34] Under the on-going NSNP PforR, it is expected that GoK share of the HSNP financing will increase to 74 percent by 2020.

cost of emergency transfers up to at least a 1-in-50-year drought.[35] The plan is expected to meet the costs of emergency transfers over the life of the project and would include the NDEF as the key financing mechanism along with insurance. The project would use the NDEF to build ownership of emergency cash transfers and increase their timeliness and predictability. This in turn, would contribute to protecting households affected by droughts, assisting in their recovery efforts, and building their resilience. Each year, using a combination of NDEF and insurance resources, the NDMA would mobilize the financing needed to make the emergency cash transfers according to the HSNP scalability mechanism rules. At the end of each year, upon successfully making all emergency cash transfers that were due, the NDEF would be replenished, using project resources, ensuring the availability of sufficient resources to make emergency cash transfers the following year. The proposed KSEIP would also complement and strengthen the NDRF. As part of this strategic priority, the National Treasury has set targets of increasing financing for HSNP scalability and expanding the same to four additional counties, both fully aligned with the activities under this component.

Table 6 – Estimated Cost of Scalability Financing Plan (US$ million)

	FY18/19	FY19/20	FY20/21	FY21/22	FY22/23	FY23/24	Total
Contingency Fund	6.2	6.2	6.2	8.0	10.3	10.3	47.2
Insurance Premium	2.0	2.0	2.0	2.8	3.5	3.5	15.8
Total Cost	8.2	8.2	8.2	10.8	13.8	13.8	63.0

42. **Supporting institutional and capacity strengthening of NDMA.** In addition, the proposed project will invest in strengthening the NDMA's capacity to store and analyze disaster data and support the decision-making process to trigger a shock response with clear accountability. Resources would be provided for strengthening the NDMA's institutional capacity for overall project implementation, M&E, and fiduciary strengthening. The current Project Implementation and Learning Unit (PILU), which is fully financed and contracted by DFID, will be in place until the end of March 2019. This arrangement will however change under proposed KSEIP where NDMA will set up an HSNP unit and hire six key staff using the proposed project resources in the areas of: FM, MIS, operations, communication, M&E and payments. The position of the HSNP Coordinator will be performed by NDMA personnel at the level of Manager/Deputy Director. The NDMA staff would be assigned to each of the specific functions to enable gradual transfer of skills and knowledge to NDMA officers for full takeover of HSNP implementation in the future.

Table 7 – IDA and DFID support to Component 3 (in million)

DLIs	IDA (US$)	DFID (GBP)
DLI5a: 22,000 new HSNP households enrolled and paid for through the GoK's budget in 4 expansion counties	29.0	
DLI5b: 100% of existing HSNP households in the original four counties financed by the GoK by July 2019	15.0	11.0
DLI6a: Financing plan for HSNP scalability, including 8 counties, adopted and financed	24.0	35.0
DLI6b: HSNP scalability strategy reviewed, updated, and adopted	2.0	

35 This is calculated as prudent estimate, verified by an impartial third party, of the annual 1-in-50-year aggregate emergency payout amount under the HSNP scalability strategy, based on statistical modelling of the historical burn cost (which applies historical trigger data to HSNP's scalability strategy). Under the existing rules for scalability, and assuming the same rules were applied in the four additional counties, this is estimated as aggregate emergency payments up to US$19.2 million in each of years 1 and 2, US$26.8 million in year 3 and US$33.6 million in each of years 4 and 5.

Subtotal DLIs	**70.0**	**46.0**
Standard IPF (in US$)		
Investments in upgrading IT Systems, including software development and updates, data storage capacity, systems audit, and assessment and support for interoperability with relevant databases	3	
Training and capacity building of the NDMA and its local offices	3.3	
M&E support, including operational review of HSNP expansion	1.0	
Support to communication and implementation of the BOS	2.5	
Strengthening of fiduciary oversight and controls, including internal audit and risk management	1.5	
Strengthening safeguards, including implementation of VMGF	0.8	
Subtotal Standard IPF (in US$ and GBP)	**3.0**	**7.0**
Total	**73**	**53.0**

C. Project Beneficiaries

43. The proposed project would benefit the existing NSNP beneficiaries and those identified as poor and vulnerable through objective targeting criteria, using the new social registry. All four NSNP programs target resources geographically, and then, within these geographic areas, identify eligible households. These include poor and vulnerable households who meet geographical (living in the ASALs) and/or categorical criteria (households caring for orphans and vulnerable children, persons with severe disabilities, and older people). The proposed KSEIP interventions would prioritize NSNP beneficiaries, but some (such as economic inclusion) would also allow enrollment of non-NSNP beneficiaries who are poor and vulnerable identified through the new social registry.

D. Results Chain

44. The project’s theory of change is to support the development of stronger, shock-responsive SP systems that protect the poor and vulnerable from shocks and help them break the intergenerational cycle of poverty by investing in social and economic inclusion opportunities, thereby creating pathways toward improved resilience and self-sufficiency.

Figure 2 - Theory of Change

OUTCOMES	**Improved resilience and self-sufficiency of targeted households**		
	PDO: To strengthen delivery systems for enhanced access to social and economic inclusion services and shock-responsive safety nets to poor and vulnerable households		
	↑	↑	↑
OUPUTS / INTERMEDIATE OUTCOMES	• Improved identification of current NSNP and potential beneficiaries for complementary interventions • Enhanced SP delivery systems • Strengthened capacity of State Department for SP for more effective SP sector management	• Improved linkages and access to complementary services for existing NSNP beneficiaries • Increased access to nutrition-sensitive SP services for NSNP beneficiaries • Increased access to economic inclusion activities for targeted beneficiaries	• Improved safety net responsiveness to support drought affected households • Enhanced GoK ability to finance, deliver, and manage shock responsive safety net programs
INTERVENTIONS	• Enhance coverage and functionality of the Single Registry • Support roll-out of the new payment mechanism for three NSNP CT programs • Enhance scope and implementation of the beneficiary outreach strategy • Enhance scope and support decentralized implementation of an integrated G&CM mechanism for KSEIP • Build capacity for implementation, coordination, and M&E	• Enhance systematic referral mechanism for enrolment of NSNP beneficiaries into the NHIF • Expand nutrition-sensitive cash transfers as top-up support to NSNP beneficiaries • Provide and test solutions for economic inclusion support to targeted households, including eligible NSNP beneficiaries	• Sustain the continuity of HSNP and expand its coverage in four new counties • Support sustained GoK financing for HSNP and its timely scalability in the event of climatic shocks • Build capacity of NDMA for project implementation and M&E
COMPONENTS	**Component 1:** **Strengthening Social Protection Delivery Systems**	**Component 2:** **Increasing Access to Social and Economic Inclusion Interventions**	**Component 3:** **Improving Shock-Responsiveness of Safety Net System**
ISSUES	Lack of data on households in the need of SP services. SP delivery system mainly encompassing safety net. Higher stunting and vulnerability to shocks in certain areas. Lack of economic inclusion services to address high levels of poverty and vulnerability and strengthen resilience. Unpredictable financing and delay in response and roll-out of shock responsive safety-net		

E. Rationale for World Bank Involvement and Role of Partners

45. **The World Bank is well placed to support the SP sector in Kenya, given its global, regional, and country-specific technical expertise** with cash transfers and adaptable SP systems that protect the poor and vulnerable from shocks, while promoting resilience. In particular, the World Bank brings expertise in developing SP delivery systems. This includes experience in the design of social registries for objective and transparent targeting of the poor and vulnerable; technology-based G&CM mechanism; and the setup of the institutional coordination mechanisms necessary to link beneficiary households to other SP services, similar to Brazil's Bolsa Familia and Mexico's PROSPERA programs. The World Bank also has experience supporting countries in Africa on interventions similar to the proposed KSEIP.

46. **The close collaboration between the World Bank and development partners in supporting the GoK in the establishment and strengthening of the NSNP is expected to continue under the KSEIP.** The proposed project would capitalize on the GoK and development partners' engagement in the NSNP. DFID, one of the key development partners supporting SP, will co-finance the proposed KSEIP. A World Bank-managed MDTF has been set up, and an Administration Agreement is being finalized (see footnote 22) to enable DFID co-financing of the KSEIP of GBP 66 million (US$85.8 million equivalent). For the last eight years, the World Bank and DFID collaborated and aligned support to the sector, including through co-

financing a previous IPF for the CT-OVC program. DFID support to the HSNP has however been provided outside GoK systems. The co-financing of proposed KSEIP is therefore a significant step toward further aligning DFID and World Bank support to the sector and increasing the GoK's ownership and leadership of the HSNP. The close partnership and collaboration between the World Bank, DFID and the GoK would continue throughout the proposed KSEIP implementation, including through joint implementation support missions and other key discussions, to ensure consensus and joint agreements on critical decisions (including on key documents, such as the financing plan under Component 3 for HSNP scalability). Additionally, close collaboration with UNICEF would be continued through their support to the SDSP for the expansion of NICHE. The WFP would continue to provide support to the SDSP as part of their country strategic vision for further strengthening SP delivery systems, particularly the enhancement of the SR and relevant MIS modules envisioned under the proposed KSEIP.

F. Lessons Learned and Reflected in the Project Design

47. **Design of the proposed project has benefited from lessons of the World Bank's engagement in SP and similar interventions in Kenya and globally.** SR enhancement would build on the experience of implementing the SR to date, including creating links with the CCTP MIS and setting up the HSNP social registry. This includes ensuring clear institutional roles for implementation, a strategy to guide SR enhancement, and needed technical expertise. Support to the payment and G&CM mechanisms builds on the achievements and lessons from the ongoing NSNP and strives to further strengthen and enhance them to improve delivery of integrated SP interventions. Review and revision to the HSNP scalability mechanism has been incorporated into the program to take on board lessons learned in the application of the existing mechanism.

48. **The proposed project is specifically designed to scale up interventions that have demonstrated evidence of impact, while also adopting an iterative 'learning-by-doing' approach**. The expansion of the NICHE program into four new counties would take on board design and operational modifications informed by the pilot in Kitui county. This includes incorporation of a technology-based MIS for better monitoring and greater GoK ownership. The testing of the economic inclusion models is based on variations of successful models of similar BRAC-style interventions in Kenya and internationally. Based on global experience, the intervention would first be piloted in limited geographical locations to generate lessons for an informed and sustainable expansion to address the particular needs of the poor and vulnerable in Kenya. Lastly, the expansion of the HSNP would be informed by lessons from the ongoing HSNP, including the registration process and existing scalability mechanism.

III. IMPLEMENTATION ARRANGEMENTS

A. Institutional and Implementation Arrangements

Institutional Arrangements

49. **The proposed KSEIP will have two main implementing agencies—the MLSP and the NDMA.** The MLSP houses the SDSP which has the overall implementation responsibility for the proposed project. The SDSP in turn includes, among others: (i) the SPS with the mandate to lead on SP policy formulation, set

standards, maintain the SR, and perform all other roles related to the coordination of SP activities in the country; (ii) the SAU in charge of management of the cash transfer programs; (iii) the Department of Children Services (DCS) which undertakes all activities related to children; and (iv) the DSD which undertakes all social and community development activities. The SPS and the SAU exist only at the national level, while the DCS and DSD contain staff at both national and local levels and are responsible for the delivery of the cash transfer programs on the ground, in collaboration with the county governments, as appropriate. The NDMA is an agency of the GoK mandated to establish mechanisms which ensure that drought does not result in emergencies and that the impacts of climate change are mitigated. It includes staff at both the national level and in the 23 ASAL counties in which it is operational. The HSNP is implemented through local level NDMA staff, in collaboration with county governments. It is noteworthy here that successful implementation of proposed KSEIP activities would require strong collaboration and coordination with other relevant GoK agencies and line ministries as key stakeholders, particularly with the MoH and county governments for NICHE and testing of economic inclusion approaches. Following are the detailed implementation responsibilities of the respective departments at the national and local levels.

a. **Social Protection Secretariat:** the SPS will have overall responsibility for proposed KSEIP oversight and coordination. This will particularly involve coordination among the different agencies on the ground for NICHE and testing of economic inclusion interventions. The SPS will also lead the enhancement of the SR (Component 1) and enrollment of NSNP beneficiaries into the NHIF to be supported by the DCS and DSD officers on the ground, in collaboration with NHIF (Component 2).

b. **Social Assistance Unit**: the SAU, which is currently leading the NSNP implementation, will lead the rollout of the payment mechanism, enhancement of the G&CM, and communication and outreach activities, all under Component 1. It will also ensure cash payments to the beneficiaries of NICHE and economic inclusion interventions (NSNP and non-NSNP beneficiaries) under Component 2, in coordination with the DCS, DSD, and NDMA.

c. **Department of Children Services**: the DCS will lead on the NICHE implementation both at the national level, and also on the ground through county and subcounty officers, in collaboration with the County and Sub-county health management teams. The DCS will also coordinate the County Multisectoral Committee for implementation of NICHE. In accordance with the agreement signed between the SDSP and NHIF, the DCS will also support enrollment of NSNP beneficiaries in NHIF on the ground.

d. **Department of Social Development:** the DSD will lead on the implementation of the economic inclusion approaches at the national and county levels, although it is envisioned that certain activities will be delivered through arrangements with partners and/or third parties, as appropriate. The DSD will constitute and coordinate the County Multisectoral Committees to promote alignment with other ongoing complementary initiatives for implementation of economic inclusion activities. In accordance with the agreement signed between the SDSP and NHIF, the DSD will also support enrollment of NSNP beneficiaries in NHIF on the ground.

e. **National Drought Management Authority:** the NDMA will be the lead implementing agency for Component 3 and will have overall responsibility for HSNP expansion as well as enhancement of the shock responsive scalability mechanism. Additionally, as some counties targeted for NICHE and economic inclusion would overlap with HSNP counties, the NDMA officers on the ground would also ensure payments to and support management of these beneficiaries for HSNP households. This would mean that for NICHE and economic inclusion beneficiaries in HSNP households, the DCS, DSD, and NDMA will need to work closely together. The NDMA will continue to coordinate the County Steering Groups in the ASAL counties for the implementation of the HSNP, as well as the NICHE. In accordance with the agreement signed between the SDSP and NHIF, the NDMA will also support enrollment of HSNP beneficiaries in NHIF on the ground.

f. **Ministry of Health & UNICEF:** the MoH, in collaboration with the DCS, will support the delivery of nutrition counseling to NICHE beneficiaries through the County Health Strategy (CHS) and the county health management team. At the national level, this includes the development of national standards and guidelines related to the CHS, as well as monitoring through the County Health Information System (CHIS). At the county level, this would involve implementation of the CHS, including nutrition counseling at the household level and reporting this information through the CHIS. In addition, under an agreement with the SDSP, UNICEF will provide technical assistance to support the implementation and monitoring and evaluation of the expansion of NICHE, particularly related to the delivery of counseling services to beneficiaries. It will also undertake capacity building of GoK officials for gradual hand over of key roles to ensure sustainability of efforts.

50. Given the number of stakeholders of proposed KSEIP, a strong coordination mechanism would be necessary for successful implementation. It is envisioned that coordination will be undertaken through the existing structures established under the NSNP to reinforce ongoing consolidation. As such, the National Social Protection Steering Committee, chaired by the Principal Secretary of the SDSP, will provide oversight and guidance to the proposed KSEIP, aligned with the GoK’s commitment to a comprehensive SP program. A KSEIP Working Group, chaired by the head of the SPS and comprised of all the heads of relevant departments in the SDSP (SAU, DCS, DSD), the CEO of the NDMA, and representatives of the NHIF and MoH, will be established to provide oversight, guidance and support in the management of proposed KSEIP. Relevant partners will be invited to participate, as appropriate.

51. To facilitate implementation of Component 2, it has been agreed that SDSP will establish and operationalize management information modules for NICHE and economic inclusion interventions no later than nine months after the project effectiveness. SDSP and NDMA would also ensure that proposed KSEIP is implemented in accordance with the arrangements, procedures, and guidelines set out in the KSEIP Operations Manual (OM). The KSEIP OM (version: October 2018) includes among others, the KSEIP FM manual, draft NICHE manual, and the HSNP manual as annexes to be amended from time to time as necessary to incorporate lessons from implementation with approval by the World Bank. Once the operations manual for the economic inclusion intervention is ready, it will also be included as an annex to the KSEIP OM. Lastly, the GoK would ensure that no later than July 1 of each fiscal year: (a) the project activities and expenditures for the said fiscal year have been reflected in its national planning and expenditures framework and have been included in the GoK's national budget adopted for said fiscal year, in a manner satisfactory to the World Bank; and (b) all funds provided in the budget are disbursed to SDSP and NDMA in a timely manner to ensure effective implementation of proposed KSEIP.

Implementation Support Plan

52. The World Bank task team would provide the necessary support to facilitate achievement of the PDO during implementation of proposed KSEIP. Implementation support would place emphasis on: (a) reviewing implementation progress and achievement of project results and DLIs; (b) providing support to resolve emerging project implementation issues; (c) monitoring the adequacy and performance of systems, and compliance with the Financing Agreement; and (d) supporting the SDSP and NDMA in key areas of technical assistance. Specific focus would be given to further strengthening systems and procedures to improve coordination, collaboration, and synergy among the two implementing agencies and with other relevant partners, including the National Treasury, MoH, NHIF, and development partners at the national level.

53. Implementation support would be provided through regular engagement with the SDSP, NDMA, as well as National Treasury, the MoH and NHIF. The World Bank task team would provide guidance and implementation support, as needed, in collaboration with development partners. Joint implementation support missions with DFID would take place twice a year to assess progress toward the results and DLIs, as well as to identify bottlenecks and agree on solutions and ways forward. The World Bank task team would be led by the task team leaders and consist of experts/specialists in relevant technical areas, fiduciary management, social and environmental aspects, and general operations management. The World Bank task team would emphasize that the SDSP and NDMA prepare progress reports and work plans as a basis for project implementation review. Technical missions would be organized between the regular joint implementation support missions, as needed.

B. Results Monitoring and Evaluation Arrangements

54. **The SPS would lead the supervision of M&E under the proposed KSEIP**. Currently, it has a dedicated M&E unit. This would entail monitoring progress toward the PDO and Results Framework indicators using the GoK’s systems. The SAU, DSD, DCS, and NDMA would be responsible for timely reporting of required monitoring data to the SPS on their respective programs and activities. These include data from program MISs and M&E systems, administrative sources, and surveys and assessments, as appropriate. The SPS would prepare performance monitoring reports every six months using the above-mentioned data sources and would include progress on VMGs inclusion. The SPS will also be responsible for carrying out the verification of achievement of all the DLRs, in accordance with the verification protocol, except for DLR 1a and DLR 4b which will be verified by the NDMA. This is the same arrangement as being used for the existing PforR operation, where the SPS is also responsible for verifying the achievement of all the DLRs, except the ones directly implemented by the SPS. The SPS has the unique expertise to verify achievement of results envisioned under the proposed KSEIP, as it has been mandated to lead on social protection in the country, including policy development and alignment, as well as oversight and coordination of social protection related interventions. In addition, it is considered to be independent, since none of the implementing departments report to the SPS. Similarly, the NDMA is independent from the SPS (as it is situated under a different Ministry) and has the unique required knowledge and capacity on the topics required for the verification of the DLIs which will be implemented by the SPS.

55. **Independent assessments would be outsourced, where required**. One or more independent third-party firms would be engaged to undertake operational reviews of proposed KSEIP activities, including economic inclusion approaches, roll out of the social registry, and expansion of the NICHE. Development partners would also support M&E. DFID would collaborate and assist on HSNP assessments. Efforts would be made to engage interested partners in undertaking some form of evaluation for the economic inclusion approaches.

56. **The proposed project would provide support to strengthen M&E systems, where necessary, with the goal of long term systems strengthening and sustainability.** Monitoring of new interventions such as the testing of economic inclusion models, including the development of a MIS, would require technical expertise for the development of monitoring metrics and tools. Support would also be provided for the development of a NICHE program MIS to facilitate its operation, track data and generate monitoring reports. At the same time, capacity building and systems strengthening support would need to continue for CCTP-MIS to ensure that the required enhancement of the existing modules (i.e. enhanced G&CM and payments modules) would be successfully implemented. Efforts will be made to ensure that MIS solutions are streamlined into existing systems, to the extent possible, and that adequate interfaces are developed with other relevant information systems to minimize fragmentation and maximize efficiency of the different MISs. The project would further support the development of a KSEIP specific dashboard, housed in the SPS, to consolidate and harmonize data from all project implementing partners to enable easy monitoring and reporting.

C. Sustainability

57. **The GoK commitment to the proposed interventions and the alignment with its policy commitment for SP and the ‘Big Four’ is a prerequisite for sustainability beyond the life of the project.** First, the GoK expanded the NSNP at a larger scale than originally expected (under the NSNP PforR operation), demonstrating its commitment.[36] The proportion of NSNP cash transfers financed by the GoK has more than doubled in the past five years: almost 90 percent of program beneficiaries are currently financed by the GoK (compared to 38 percent in FY13). It has further committed to take over 74 percent of the HSNP cash transfer costs by FY20, such that the GoK would finance about 96 percent (about KSh 25 billion) of the total NSNP cost.[37] Second, the GoK continues to invest in SP delivery systems, including consolidation of the MIS, improved payment system, citizens engagement and shock-responsiveness. Third, the proposed KSEIP is the culmination of nearly two years of in-depth consultations and consensus building within the GoK on the need for integrated SP services to strengthen resilience and enable self-sufficiency of poor and vulnerable households. A technical working group prepared a ‘Comprehensive and Integrated SP Program,’ which enjoyed high-level political backing of the Permanent Secretary, as well as the Cabinet Secretary for the MLSP. The project will be implemented through GoK entities, further ensuring the continuity and sustainability of interventions. Project design therefore builds upon existing institutional structures such as CHWs. Moreover, the adoption of the NDRF and the near finalization of the NDEF demonstrate a strong commitment to strengthening emergency response through SP.

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[36] The NSNP now reaches close to 765,000 households (over 4 million people), exceeding the originally expected coverage of 530,000 households by 2017. In addition, they are expanding to over 500,000 individuals under the enhanced OPCT which has shifted from targeting poor households with an elderly person above 65 years of age to targeting all individuals over 70 years of age. As such, the total number of individuals reached through the NSNP stands at about 4.5 million people.

[37] National Safety Net Program for Results Additional Financing Project Appraisal Document, April 2017, World Bank.

IV. PROJECT APPRAISAL SUMMARY

A. Technical, Economic and Financial Analysis

58. **Strategic Relevance.** As noted in other sections, besides expanding the NSNP beyond the original targets, the GoK has demonstrated its commitment to set up the NDEF to enable the NSNP to make payments to households as a response to drought, to improve coordination and harmonization by adopting a consolidation strategy for the NSNP and creating the SAU with the mandate of coordinating implementation of three of the four NSNP programs. The proposed KSEIP interventions would enable the GoK to build on these achievements and further expand the SP system, increase access to social and economic inclusion interventions, and improve shock responsiveness of the safety net system.

59. **Technical soundness**. The project design builds on achievements to date and proposes to address gaps to ensure establishment of robust SP delivery systems for the effective delivery of increased economic and social inclusion services as well as emergency cash transfers.

60. Accurate identification of beneficiaries, transparent and accountable payment mechanisms, and robust outreach and citizens engagement are the backbones of any successful SP program. Under the NSNP, MISs have been developed, and beneficiary information has been aggregated in the SR and validated through the IPRS. However, as the coverage of the poor by SP interventions remains small, a large part of potential poor and vulnerable beneficiaries are not captured in the SR, necessitating costly, and often time consuming, targeting processes for programs desiring to select new beneficiaries. The proposed KSEIP aims to further enhance the SR to include a social registry module, which would include readily available data on the country’s poor and vulnerable population, to be used to target potential beneficiaries of SP and other relevant programs. Similarly, payment and G&CM systems under the NSNP work well and serve around 765,000 households. However, the new payment mechanism being rolled out requires closer support. Similarly, the G&CM mechanism is being decentralized and beneficiary outreach is being strengthened. However, these only cater to the cash transfer programs, and lack mechanisms to address citizens needs of more integrated SP services. The proposed project would therefore support the roll out of the new payment solution, ensuring that it can be used for cash transfers under social and economic inclusion services. It would also support the enhancement of the G&CM mechanism beyond the NSNP.

61. The global knowledge suggests that high stunting and wasting rates limit the human capital development. Evidence repeatedly shows that nutrition is essential for the cognitive development of children, enabling them to be healthy and economically productive members of society. A recent study undertaken in Kenya[38] showed that in the longer term, stunting leads to a 10 to 17 percent loss in wages. Furthermore, Kenya loses over US$2.8 billion in GDP annually to vitamin and mineral deficiencies alone.[39] At the same time, nutrition interventions are consistently identified as being among the most cost-

[38] Eberwein et al. 2016. “An investment framework for nutrition in Kenya: Reducing stunting and other forms of child malnutrition.”

[39] World Bank 2011. “Kenya: Nutrition at a Glance.” *http://documents.worldbank.org/curated/en/2011/04/17695354/kenya-nutrition-glance*

effective investments, and the costs of scaling up nutrition interventions are modest. For example, cost-benefit analysis shows that investment in nutrition can increase a country's GDP by at least 3 percent annually.[40]

62. The existing NICHE intervention in Kitui county is aimed at addressing high stunting and wasting by providing nutrition-sensitive safety net support, including a top-up cash transfer, to NSNP households with PLW and/or children 0–2 years. Its continuity in Kitui and expansion to other counties under the proposed project is fully consistent with global evidence of making such investments in the early years of life. A recent review of nutrition investments identified infant and young child nutrition counseling for mothers as effective for reducing stunting rates with one of the lowest costs per case of stunting averted among seven key interventions. In addition, a study conducted in Bangladesh[41] that used different interventions (cash only, food only, cash and food, and cash and behavior change and communications) to assess impact on stunting indicated that the use of cash and behavioral change and communications yielded more results with 0.93 reduction in stunting over 24 months. There is similar evidence from Pakistan that cash transfers combined with nutrition counseling can reduce wasting. The recent findings of the NICHE impact evaluation[42] show positive, but not statistically significant, results on stunting, wasting, and underweight, likely reflecting the short time span and delays in delivering some services early on. However, results on intermediate and secondary outcomes (i.e. good hygienic, dietary and infant care practices) are consistently positive (in some cases large) and statistically significant, suggesting that the combined effect of NICHE cash-tops, with counseling, could influence nutritional measures given more time.

63. Economic inclusion activities have been tested in varied contexts over the last 15 years, yielding rigorous evidence of impact on extremely poor households. The approach was launched in Bangladesh by BRAC and demonstrated strong results in setting extremely poor households on an upward pathway out of poverty and mitigating the risks of sliding back. To test whether the BRAC model could achieve strong results in other contexts beyond Bangladesh, a program was launched to adapt and evaluate the approach through 10 pilots in eight countries. Multiple impact assessments documented increased household incomes and consumption, increased savings, and improved food security.

64. The HSNP is internationally recognized as an effective drought response mechanism, which builds the resilience of the most vulnerable households in Kenya. Its innovative design, which uses satellite data to trigger emergency cash transfers and electronic bank accounts to facilitate payments, enables the GoK to rapidly channel assistance to affected households, protecting them from resorting to negative coping mechanisms in times of disasters. To date, it has successfully delivered over US$26 million to 205,000 households (over 1 million people). However, the financing model for the emergency cash transfers has been ad hoc, relying mostly on donor support, risking the sustainability and predictability of the mechanism. The proposed KSEIP aims at addressing this issue by supporting the GoK to develop, adopt, and finance a plan to meet the financial costs of the emergency cash transfers, embedding the scalability

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[40] Horton, S. and R. Steckel. 2013. "Global Economic Losses Attributable to Malnutrition 1900–2000 and Projections to 2050."
[41] Ahmed et al. 2015. *Imperatives for reducing child stunting in Bangladesh*.
[42] Random control trial with baseline survey in January 2017 (supplemented by an additional baseline in October 2017) with an end line survey in June 2018. H. Guyatt, M. Klick, F. Muiruri, F. Della Rosa, "*Final report: Evaluation of NICHE in the first 1,000 days of a child's life in Kitui and Machakos counties, Kenya. Kimetrica, September 2018.*"

mechanism in GoK, increasing its sustainability, and improving the predictability of financing both for the GoK as well as for the drought affected households.

65. **Institutional arrangements and implementation capacity.** The institutional arrangements build on the existing ones for the NSNP, with the same two agencies leading the proposed KSEIP implementation. The mandate of the SPS, guided by the Social Protection Policy (2011), continues to be policy formulation, setting standards, maintaining the SR, and performing all other roles related to the coordination of SP activities in the country. The SPS is therefore assigned the overall oversight and coordination role for KSEIP. The proposed implementing arrangements are expected to further improve coordination between the two departments implementing the NSNP at the lower level (DCS and DSD). A recent assessment of the institutional capacity of both the SDSP and NDMA provides recommendations for necessary actions and investments to enable successful KSEIP implementation. Capacity exists within both implementing entities, but would need to be further strengthened, particularly for an enhanced SR and the delivery of new KSEIP activities. The assessment recommends that certain activities, which cannot be undertaken by GoK officers due to limited staff numbers and challenges of terrain and accessibility, be outsourced. Continued support for implementation is recommended and would be provided as part of the investment financing.

66. **Gender.** The proposed KSEIP design incorporates Kenya-specific gender considerations. First, the project builds on the NSNP cash transfer programs which have demonstrated positive impact on gender outcomes. Program targeting of both the CT-OVC and HSNP recognizes the vulnerability of female-headed households: most recipients are women, although they are not explicitly targeted as the main beneficiaries. This has been reported to enable women to increase control of household budgets and participation in income-generating activities. Analysis of the HSNP has indicated spillover effects on more balanced household decision-making. Evaluations have found that the cash transfer programs reduced the likelihood of young women becoming pregnant and improved mental health outcomes, such as lower rates of depression, greater belief in self-agency and self-efficacy, and more positive views of the future. Second, the KSEIP would support positive gender outcomes through interventions specifically targeted to women. NICHE would support PLW and mothers to make better dietary decisions for their children and enhance existing impacts on household decision making through the provision of a top-up transfer. The KSEIP M&E framework includes gender-disaggregated indicators on proposed project beneficiaries. Project surveys would collect data on gender dimensions of program implementation and outcomes. Lastly, the SR would be leveraged to collect and monitor gender specific data.

67. **Citizens engagement.** The proposed KSEIP would use the citizens engagement mechanism already in place for the NSNP, namely the G&CM mechanism. This mechanism has been established at the national level with adequate staff and established procedures for receiving, recording, and acting on complaints along with a feedback mechanism to close the loop. It includes service charters to guide program engagement with beneficiaries, as well as MIS modules for tracking complaints and hotlines for receiving them. Community-level structures, such as the Constituency Social Assistance Committees and Beneficiary Welfare Committees (BWCs), have been established to raise awareness of the rights and entitlements of the beneficiaries, as well as to complement program officers and serve as an additional conduit for engaging with the beneficiaries and stakeholders. Work is ongoing to further strengthen this system by fully automating and decentralizing the G&CM mechanism as well as by rolling out a recently endorsed BOS to increase beneficiary awareness of their rights and entitlements as well as the procedures

for G&CM. The proposed project would further enhance the G&CM mechanism and beneficiary outreach to ensure that a consolidated and coherent citizens engagement system is established to address complaints and grievances and facilitate community feedback on proposed KSEIP activities in a structured manner.

68. **Climate change adaptation.** The proposed project has been screened for short and long-term climate change and disaster risks. The climate vulnerability of the project was identified, and climate adaptation measures considered in the project design. The proposed project would improve the shock-responsiveness of the safety net system in the ASAL areas, which are most affected by droughts occasioned by climate change. The enhanced SR would contribute to a system more responsive to shocks through better identification and categorization of beneficiaries. The expanded coverage of potential beneficiaries would also enable identification for other SP programs beyond the NSNP, including social and economic inclusion services, contributing to improved resilience of poor and vulnerable households. Institutional capacity for project implementation, coordination, and M&E, as well as enhancement of capacity and implementation of the BOS can all be considered to contribute to climate change adaptation. Particularly, Component 3 of proposed KSEIP would address some of the climate related challenges in the project areas to reduce the impact and vulnerability of drought and food insecurity in counties and communities. The project would monitor progress toward shock-responsiveness and resilience to counter climate change through the outcome indicator on risk financing strategy for HSNP scalability. An assessment of the project activities was undertaken by the World Bank's Climate Change Group, which estimated the total climate co-benefits in this project to amount to US$59.75 million (or 24 percent of the IDA contribution).[43] The assessment found that adaptation co-benefits can be assigned for: (i) enhancing the scope and coverage of the single registry, since it will enable timely identification of households affected by climate-related emergencies; (ii) expanding the nutrition-sensitive safety net, since food insecurity has been linked to droughts and (iii) improving the shock responsiveness of the safety net system, since it will enhance the resilience of beneficiaries to the droughts induced by climate change.

69. **Economic justification**. An economic analysis, undertaken as part of KSEIP preparation, shows a strong case for investments in the proposed KSEIP interventions. Investments in the SP delivery systems would lead to multiple cost savings by using common platforms for service delivery for various pro-poor initiatives of the GoK. Enhancement of the SR is expected to enable savings of US$5.28 million over five years due to lower household registration costs (estimated at US$5 per household application). A sensitivity analysis found that the internal rate of return (IRR) for cost savings from SR enhancement remains over 35 percent. Rollout of the new payment mechanism would reduce travel costs, estimated at US$5 per beneficiary per payment. Investments in social inclusion interventions would produce intergenerational benefits. The provision of a top-up cash transfer coupled with nutritional counselling would help decrease stunting, reversing income loss for future generations. Long-term benefits of improved nutritional outcomes include lower incidence of disease and better learning outcomes in school for children, and positive impacts on health seeking behavior, micronutrient supplementation, and access to healthy foods.

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[43] The assessment of climate co-benefits is performed only to the World Bank Group (WBG) financing portion (IBRD and IDA) of a project and does not include trust fund or Government co-financing.

70. Economic inclusion interventions and strengthened shock responsive safety net systems would also yield substantial dividends. Projected benefits can be estimated based on findings from the BOMA project and the Consultative Group to Assist the Poor pilots.[44] Income increases have been estimated at up to 147 percent in a year for the total number of BOMA beneficiaries. Programs have proven cost-effective with 1.33 – 4.33 times return on investment (outcome versus investment).[45] Lastly, based on the literature, a dollar spent on disaster mitigation leads to two dollars' worth of future savings.[46] With emergency transfers estimated at US$5.7 million per year over the life of the project, shock-responsive cash transfers are estimated to yield a net present value of US$112 million, with an IRR of 26 percent.

71. **Value added of World Bank's support**. The World Bank has been supporting the GoK towards the strengthening of its national social safety net sector since 2009. The proposed operation will capitalize and build on the GoK's and World Bank's engagement on safety net systems through expanding the scope of and strengthening the safety net system for enhanced access to social and economic inclusion services for NSNP beneficiaries, as well as other objectively identified poor and vulnerable. In addition, the proposed operation will further build on the World Bank's existing engagement on developing a shock-responsive safety net system, through expanded coverage and improved financing of shock-responsive cash transfers. The World Bank is well-placed to provide this support based on its well-established country experience, strong partnership with the GoK and development partners, and access to global knowledge on delivering similar services to the poor and vulnerable through leveraging optimal financing modalities and strong implementation arrangements.

B. Fiduciary

Financial Management (FM)

72. **FM arrangements.** As the proposed KSEIP is an IPF with DLIs, the disbursements for the DLIs would be determined by the verification of results, as well as tracking of eligible expenditures under the agreed upon EEP. For EEP, the reporting formats and the applicable Standard Chart of Accounts (SCoA) budget and expenditure items by object codes will be defined in the FM manual. DFID would co-finance the project through a World Bank-managed MDTF. The MDTF fiduciary arrangements would be similar to those of the IDA credit. The EEP has been defined as the GoK budget codes for cash transfers for the CT-OVC, PWSD-CT, OPCT (excluding 70+) and HSNP. The National Treasury would 'advance' funds to implementing agencies to pre-finance the EEP, along with other investments needed to achieve the DLRs on time. On achievement of the DLRs, the World Bank would 'reimburse' to the National Treasury the amount of the achieved DLRs after verification of equivalent or greater amounts documented as the EEP. The SPS will be responsible for verifying achievement of all the DLRs, except for DLR 1a and DLR 4b which will be verified by the NDMA.

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[44] Banerjee, A., E. Duflo, N. Goldberg, D. Karlan, R. Osei, W. Parienté, J. Shapiro, B. Thuysbaert, and C. Udry. 2015. "A Multi-Faceted Program Causes Lasting Progress for the Very Poor: Evidence from Six Countries." *Science* 348 (6236): 1260799-1–1260799-16.
http://science.sciencemag.org/content/348/6236/1260799.

[45] The key common assumption which applies to all three components is that the discount rate is 6 percent, which is equivalent to the interbank rate set by the Central Bank of Kenya (CBK).

[46] USAID (U.S. Agency for International Development). 2018. *Economics of Resilience to Drought: Kenya Analysis*. Authored by Courtney Cabot Venton for the USAID Center for Resilience.

73. **MLSP FM arrangements.** The MLSP through the SDSP has extensive experience in managing World Bank funds. The SAU (under the SDSP) disburses cash transfers. There have been progressive improvements in NSNP fiduciary controls, now entrenched in the operational arrangements. However, past audits and FM review reports revealed some internal control weaknesses. These are being addressed holistically as part of the implementation of the FM action plan (arising out the FY16/17 Office of Auditor General [OAG] special audit) under the NSNP PforR. To have more structured strengthening of FM systems, the proposed KSEIP also provides Standard IPF financing for capacity strengthening of fiduciary systems at sector and program levels throughout project implementation. The following five broad areas have been identified as requiring strengthening under the SDSP: (i) budgeting and funds flow constraints; (ii) strengthening of the MIS/database; (iii) strengthening the payroll system; (iv) strengthening social accountability mechanisms; and (v) institutional strengthening of the sector FM and fiduciary functions, including the Ministry Internal Audit Department (IAD). The Principal Secretary of the MLSP would designate a project accountant and a disbursement officer to the SDSP, both of whom would support implementation of proposed project activities by supporting the SPS, SAU, DCS, and DSD for respective interventions. The FM Procedures Manual finalized for the NSNP has been updated to reflect the proposed KSEIP design and FM arrangements, including the use of the new PSP solution.

74. **NDMA FM arrangements**: The NDMA has no experience handling World Bank funds, but manages the HSNP, with funds from the GoK and DFID. The NDMA is also a sub-implementer under the NSNP PforR. The NDMA is assessed as having adequate capacity to manage the project. The Finance Department reports to the Chief Executive Officer (CEO) through the Director of Support Services and is managed by a qualified Finance and Accounts Manager, supported by four qualified accountants. The NDMA has a qualified internal auditor, whose scope of work would cover project activities. The functions currently handled by Financial Sector Deepening (FSD) and PILU related to HSNP cash transfer payments would be mainstreamed into the NDMA organizational structure under the Directorate of Technical Services (DTS), starting from April 1, 2019. To ensure continuity and transfer of skills to the NDMA, it has been agreed that five PILU positions would be retained and a position of payment manager would be created. These positions include the functions of FM, MIS, operations, communication and M&E. In addition, a payment manager will be hired to perform duties currently performed by the FSD. The position of HSNP Coordinator will be performed by NDMA personnel at the level of Manager/Deputy Director. HSNP II PILU Operations Manager, MIS expert and FM will be retained, while the other positions will be advertised. The NDMA would hire the six staff using the proposed KSEIP funds. They would be assigned a team from the NDMA for skills transfer and institutional capacity building for an agreed period. The World Bank would monitor this process as part of project supervision. The NDMA would designate a project accountant to the HSNP unit on a full-time basis to support accounting and financial reporting arrangements. The strengthening of the NDMA FM structures supporting the proposed KSEIP would use project funds based on a workplan prepared by the NDMA and approved by the World Bank.

75. **Disbursement and audit.** The project would adopt the Statement of Expenditure (SOE) disbursement method for the Standard IPF. For the IPF with DLIs, the EEP would be reviewed and cleared by the World Bank as part of the process of verification of the achieved DLIs. The annual project financial statements for SDSP will cover the CT-OVC, PWSD-CT and OPCT (excluding 70+) as per the current International Public Sector Accounting Standards (IPSAS) format under NSNP. For the NDMA, the financial statements will cover the HSNP cash transfers and will be in line with the IPSAS format agreed between the World Bank and the National Treasury. The audited financial statements will include all expenditures

relating to the project in each implementing agency, including those financed by IDA, DFID and the GoK. Both agencies would be audited by the OAG and would prepare and submit to the World Bank separate half-yearly interim financial reports (IFRs) covering transactions under the Standard IPF. The audit certificate by the OAG for both agencies will include audit opinion of the cash transfers which form the EEP. Only the portion of the cash transfers included in the SOE for documentation of the DLI disbursement would be subject to the World Bank's eligibility criteria. All transactions financed under the Standard IPF will be subjected to the World Bank's eligibility criteria.

76. **FM Assessment Conclusion.** The result of the assessment is that that overall FM arrangements satisfy minimum requirements under World Bank Directive IPF, and are therefore adequate to provide, with reasonable assurance, accurate and timely information on the status of the project as required by the World Bank. The initial FM risk is assessed as Substantial with a residual Moderate project risk.

Procurement

77. Procurement would be implemented by the two agencies: the SDSP and the NDMA. A capacity assessment of the environment under which the project would conduct procurement activities was carried out to inform the proposed KSEIP design. This included assessment of the procurement systems and procedures under the SDSP and the NDMA, as well as of the existing capacities vis a vis the required needs to smoothly implement the proposed project. The assessment noted that the SDSP has experience in the implementation of World Bank supported projects and will be able to undertake all necessary procurements under the project in a manner satisfactory to the World Bank. The NDMA, however, does not have experience in World Bank-financed operations, nor does it have staff who have procurement experience or knowledge on World Bank-financed operations. Training and close implementation support related to procurement would therefore be necessary to ensure that the NDMA procurement capacity is built sufficiently to allow it to undertake all project related procurements in a manner satisfactory to the World Bank. Hence NDMA will hire a Procurement Consultant with experience in World Bank financed operations for initial two years to build capacity and support procurement. The overall procurement risk is considered to be High.

78. There are three high value procurements that are anticipated under the project. These include the agreement between the SDSP and UNICEF to provide technical assistance related to the NICHE and the contracting of a third-party agency to undertake certain activities for the implementation of the economic inclusion interventions. Procurement of services related to IT systems upgrading that would be required for the development of the enhanced SR and related MISs may also be a high value contract. The rest of the procurements would be relatively simple in nature and the majority of the requirements represent common, readily available goods and commodities and non-consulting services, normally procured by most GoK entities. This includes the procurement of goods, non-consulting services, and consultant services required for implementation of proposed KSEIP, as well as provision of necessary implementation support. No works contracts are anticipated. The procurement of large value, complex consultant assignments, such as M&E and for provision of implementation support (particularly under Component 2) may pose a challenge, but would be mitigated as part of project implementation, including through outsourcing to UNICEF and DFID to lead some of the proposed KSEIP evaluations. Specifically, UNICEF would take the lead on the NICHE evaluation through outsourcing to a third party, following the current arrangement. Similarly, it is envisioned that DFID would engage a third party to undertake evaluation of the HSNP, as relevant.

79. Procurement for the proposed project will be carried out in accordance with the 'World Bank Procurement Regulations for Borrowers under IPF', dated July 1, 2016 and Revised November 2017 and August 2018, hereafter referred to as the 'Procurement Regulations'. The project will be subject to the World Bank's Anti-Corruption Guidelines, dated July 1, 2016 and beneficiary disclosure requirements.

80. Project Procurement Strategy for Development (PPSD), which has been developed to understand the market and improve implementation pace, sets out the selection methods to be followed by the Borrower during project implementation in the procurement of goods, non-consulting and consulting services financed by the World Bank. The PPSD describes the overall project operational context, market situations, implementing agencies capacity, possible procurement risks, and includes the project procurement plan. The contract packaging, market approach options and procurement method have been based on the risks identified in the PPSD.

C. Safeguards

Environmental Safeguards

81. The project triggered OP/BP 4.01 Environmental Assessment as a precautionary measure, but no further action is required. The Environment Assessment is Category B, based on potential social impacts related to VMGs. This project is a continuation of the NSNP supporting cash transfers, enhancing systems and supporting poor and vulnerable communities to participate in social and economic inclusion activities. These activities would not result in any adverse environmental risk or impact.

Social Safeguards

82. The project triggered OP 4.10 – Indigenous Peoples – since some of the proposed KSEIP activities would be implemented in areas where there are VMGs. Recent assessments undertaken by the NSNP show the need to pay careful attention to VMGs and to ensure that they are not systematically excluded from the project. The GoK conducted a social assessment to consult with these groups, ensure that the project has broad consent and identified potential adverse and positive effects. It has developed a Vulnerable and Marginalized Groups Framework (VMGF) to guide the mechanisms for inclusion and informed participation of VMGs in all project activities and ensure that they receive culturally appropriate and gender inclusive benefits. The VMGF covers key aspects of OP 4.10 and all potential investments, including GoK contributions, IDA resources, and DFID co-financing, and aims to ensure that any potential social safeguards risks arising from the implementation of project activities is minimized and mitigated in a manner satisfactory to the World Bank. Final consultations and disclosure of the safeguards assessment and VMGF took place in July 2018. The social assessment and VMGF were disclosed (on July 9, 2018 and July 10, 2018 respectively) on the SPS' and the NDMA's websites, as well as on the World Bank's external site (on July 9, 2018 and July 18, 2018 respectively).

83. The social assessment and VMGF recommend that attention be given in the project to understand and reach VMGs. Awareness would need to be raised with all staff, and county staff need to map out VMGs in their counties and develop plans on how they can be reached. This will require trainings on World Bank safeguards policies and procedures, rationale and need for VMG inclusion, and various approaches and tools used by other projects in country and regionally that have successfully addressed VMG issues, as well as on approaches for identifying VMGs, undertaking consultations, and providing feedback through

the G&CM mechanism. Dedicated individuals would also need to be identified within the two implementing agencies to implement and monitor safeguards measures. Moreover, measures to ensure inclusion of VMGs should be specifically mentioned in manuals and guidelines for proposed KSEIP interventions, BOS, communication strategy, G&CM mechanism, and monitoring instruments. Barriers to inclusion should be discussed and addressed where possible, including increasing community awareness on the need to include all eligible individuals and allocating extra resources to reach them. It is anticipated that the project would have positive social impacts at the individual, community, and national levels. However, potential negative social impacts including inter- and intra-household competition for control of inputs, and less community cohesion and social support should be researched and monitored. The G&CM mechanism should be strengthened to reach VMGs and pick up exclusion and social impact issues. These risks would be further mitigated during project implementation. Sufficient Standard IPF resources are available under the proposed KSEIP to each implementation ministry to invest in this critical area.

Grievance Redress Mechanisms

84. Communities and individuals who believe they are adversely affected by a World Bank supported project may submit complaints to project-level grievance redress mechanisms or the World 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 World Bank's independent Inspection Panel, which determines whether harm occurred, or could occur, as a result of World Bank non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and World Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's Grievance Redress Service (GRS), visit http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service. For information on how to submit complaints to the World Bank Inspection Panel, visit www.inspectionpanel.org.

V. KEY RISKS

85. The overall risk rating for the project is considered Substantial. Two risks are rated Substantial:

86. **Institutional capacity for implementation and sustainability.** This risk is rated as Substantial as the proposed project would make investments in interventions which are new to the implementing agencies. Hence, they may need some time to develop the required management and coordination capacity, especially with the county governments. The risk mitigation measures are informed by the institutional assessment carried out as part of project preparation. Measures include provision of specific support and capacity building. Further, specialized technical assistance would also be brought on board to support project implementation (through the engagement of UNICEF and other third-party agencies). The DFID-financed MDTF, would also enable additional support to be provided through a World Bank-executed trust fund.

87. **Fiduciary.** This risk is rated as Substantial, primarily because one implementation agency—the NDMA—has no experience managing World Bank-financed projects and would therefore require additional support. The use of a results-based financing modality, which makes disbursements linked to

achievement of DLIs and verification of corresponding evidence, should help to mitigate this risk. Furthermore, fiduciary controls within MLSP is being strengthened through an agreed FM action plan as part of the NSNP PforR. This should help to guide a similar course for the NDMA as the second implementation agency for the proposed KSEIP. Standard IPF funds would be provided to strengthen fiduciary capacity and systems to further mitigate this risk. The DFID-financed MDTF would also enable additional support to be provided through the World Bank-executed trust fund.

VI. RESULTS FRAMEWORK AND MONITORING

Results Framework
COUNTRY: Kenya
Kenya Social and Economic Inclusion Project

Project Development Objectives(s)

To strengthen delivery systems for enhanced access to social and economic inclusion services and shock-responsive safety nets for poor and vulnerable households.

Project Development Objective Indicators

Indicator Name	DLI	Baseline	Intermediate Targets				End Target
			1	2	3	4	
Strengthening social protection delivery systems							
Number of counties where the roll out of enhanced Single Registry covers at least 75 percent of targeted households (Text)	DLI 1	An SR, linked to the MIS of four cash transfer programs, is functional with links to the IPRS	Financing for enhancement of SR has been secured	Roll out completed in 2 non-HSNP counties	Roll out completed in 17 non HSNP counties	Roll out completed in 32 non HSNP counties	Roll out completed in 39 non HSNP counties
Increasing Access to Social and Economic Inclusion Interventions							
Number of households receiving nutrition-sensitive cash transfer (Number)	DLI 4	600.00	1,700.00	8,300.00	13,800.00	19,400.00	23,500.00
Number of sub-counties where economic inclusion model is initiated (Number)		0.00	0.00	3.00	6.00	9.00	9.00
Improving the shock-responsiveness of the Safety Net System							

Indicator Name	DLI	Baseline	Intermediate Targets				End Target
			1	2	3	4	
Number of new regular HSNP households enrolled and paid for through the GoK's budget in expansion counties (Number)	DLI 5	0.00	0.00	0.00	10,000.00	22,000.00	32,000.00
Enhanced financing mechanism for HSNP scalability is implemented (Text)	DLI 6	No formal financing plan in place	Financing plan adopted and financed	Emergency payments made for 100% of households triggered in 4 HSNP counties	Emergency payments made for 100% of households triggered in 4 HSNP counties	Emergency payments made for 100% of households triggered in 6 HSNP counties	Emergency payments made for 100% of households triggered in HSNP 8 counties

Intermediate Results Indicators by Components

Indicator Name	DLI	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
Component 1: Strengthening Social Protection Delivery Systems								
IRI 1: Percentage of beneficiaries receiving payments through the new Inua Jamii Payment Mechanism for the Consolidated Cash Transfer Program (Percentage)	DLI 2	0.00	60.00	70.00	80.00	90.00		100.00
IRI 2: Integrated G&CM mechanism is strengthened and rolled out at decentralized level (Text)	DLI 3	G&CM system for all four NSNP programs piloted in 20 sub-counties	G&CM mechanism is functional for all four NSNP programs in 47 counties	Design and implementation arrangements for enhanced G&CM finalized	Enhanced G&CM functional in all KSEIP counties	Enhanced G&CM functional in all KSEIP counties		Enhanced G&CM functional in all KSEIP counties
IRI 3: Beneficiary Outreach Strategy for NSNP and KSEIP		BOS for the CCTP rolled-out in 20 sub-	BOS for NSNP is updated for KSEIP	Enhanced BOS rolled out in 11 KSEIP	Enhanced BOS rolled out in 30 additional	Enhanced BOS rolled out in all 47 counties		Enhanced BOS rolled out in all 47 counties

Indicator Name	DLI	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
rolled out (Text)		counties	and action plan for its roll out approved	counties	counties			
Beneficiaries of social safety net programs (CRI, Number)		0.00	11,000.00	44,000.00	141,500.00	251,000.00		341,500.00
Beneficiaries of social safety net programs - Female (CRI, Number)		0.00	5,500.00	22,000.00	70,750.00	125,500.00		170,750.00
Component 2: Increasing Access to Social and Economic Inclusion Interventions								
IRI 5: Establishment and implementation of referral mechanism for the NHIF (Text)		30 percent of NSNP households enrolled in the NHIF but no systematic referral system in place	Tools designed and formal agreement with NHIF in place	40 percent of NSNP beneficiaries enrolled in the NHIF	75 percent of NSNP beneficiaries enrolled in the NHIF	80 percent of NSNP beneficiaries enrolled in the NHIF		90 percent of NSNP beneficiaries enrolled in the NHIF
IRI 6: Number of households receiving package of nutrition-sensitive social protection services (Number)		600.00	1,700.00	8,300.00	13,800.00	19,400.00	23,500.00	23,500.00
Component 3: Improving the Shock-Responsiveness of the Safety Net System								
IRI 7: Percentage of payments that are made on time to Payment Service Providers for transfer to regular HSNP beneficiaries (Percentage)		35.00	50.00	65.00	80.00	90.00		95.00
IRI 8: Percentage of regular HSNP cash transfers financed by the GoK in the original four HSNP counties (Percentage)		64.00	100.00	100.00	100.00	100.00		100.00
IRI 9: HSNP registration exercise in original and		HSNP re-registration in	Re-registration in	Registration of	HSNP beneficiary lists	HSNP registry		HSNP registry updated

Indicator Name	DLI	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
expansion counties completed (Text)		four original counties has commenced	four original HSNP counties complete and beneficiary list updated accordingly	households in four new HSNP counties complete	and payrolls in all eight counties updated	updated and linked with enhanced SR as per design and operating procedures		and linked with enhanced SR according to design and operating procedures
IRI 10: HSNP scalability strategy updated (Text)		HSNP scalability strategy in place	HSNP scalability strategy updated and adopted	Updated HSNP scalability strategy in place	Mid-term review of HSNP scalability strategy complete	Recommendations from mid-term review adopted		Updated HSNP scalability strategy in place

Monitoring & Evaluation Plan: PDO Indicators					
Indicator Name	**Definition/Description**	**Frequency**	**Datasource**	**Methodology for Data Collection**	**Responsibility for Data Collection**
Number of counties where the roll out of enhanced Single Registry covers at least 75 percent of targeted households	This indicator measures the gradual expansion and enhancement of the existing SR to include a social registry. The HSNP is also in the process of re-registering households in its four original counties and will register new households in four expansion counties. This will be tracked under a separate indicator under Component 3. In Year 1, SPS will finalize the design and	Bi-Annual	SR MIS (social registry module), social registry operational manual and implementation plan, and operational review reports	**Target for Year 1**: Social registry operational manual and implementation plan. **Target for Years 2-5**: SR MIS report on number of households registered. Report on coverage of targeted households.	SPS

	implementation arrangements for the social registry rollout. Year 2 to Year 5 will measure progress in data collection across all non-HSNP counties. Completed data collection is defined as: data for at least 75 percent of the estimated targeted households in the counties (covered per year) is collected, verified and entered into the SR MIS as per arrangements defined in implementation plan and operational manual.				
Number of households receiving nutrition-sensitive cash transfer	The number of households receiving nutrition sensitive cash transfers through the NICHE program across five counties. Beneficiaries must meet the following criteria: (i) must be enrolled in the NSNP with children under 2 years of age and/or a Pregnant and Lactating Woman (PLW) in accordance with the operational manual; and (ii) they must have been paid for a minimum of one NSNP and NICHE top-up payment	Annual	NICHE MIS, payroll data submitted to PSPs including top up payments, operational review report	MIS and PSP report on number of households enrolled and paid per county. Operational review report confirming enrollment adhering to the provisions of the operational manual.	DCS

	(top up payment: Ksh 500 per month per beneficiary).				
Number of sub-counties where economic inclusion model is initiated	The number of sub-counties where enhanced economic inclusion activities under the KSEIP have been initiated. For the model to have been initiated following the provisions of the operational manual: (i) beneficiaries must have been identified; (ii) the relevant package of services must be identified; and (iii) beneficiaries must have been provided at least one benefit package. The operational manual will outline the mix of recommended services per beneficiary and may include the following: enrollment in savings group, coaching, skills training, and a cash-based asset transfer (amount to be defined in operational manual), and consumption support for non-NSNP beneficiaries (also to be defined in operational manual). Beneficiaries must be a	Annual	Economic Inclusion MIS and operational review report	Report on number of beneficiaries enrolled and paid per county, (disaggregated by the NSNP and self-help group beneficiaries). Operational Review report.	DSD

	member of a NSNP beneficiary household or a registered member of a community self-help group, to be selected using transparent poverty targeting criteria.				
Number of new regular HSNP households enrolled and paid for through the GoK's budget in expansion counties	The HSNP is currently providing regular cash transfers to approximately 100,000 beneficiaries across four counties (Marsabit, Mandera, Turkana and Wajir). The NDMA will expand the geographical coverage of the regular HSNP cash transfers. This indicator measures the number of new regular HSNP cash transfer beneficiaries in the expansion counties. Beneficiaries are those that have been: (i) enrolled in the HSNP expansion counties; and (ii) are receiving regular benefit payments paid for through the GoK budget.	Annual	HSNP MIS, HSNP payroll submitted to the PSPs, and GoK printed estimates	Report including MIS and payroll data on the number of households enrolled and paid, by county for two consecutive payment cycles, and confirmation that all of the counted beneficiaries are financed by the GoK from its general revenue	NDMA
Enhanced financing mechanism for HSNP scalability is implemented	HSNP has a successful record of financing transfers in the case of a drought.	Annual	HSNP Scalability Financing	**Target for Year 1:** Financing plan and budget documents.	NDMA

	However, there is no formal financing plan in place. The GoK will develop and implement a financing plan for how it will pay for shock responsive payments in eight counties. The plan should contain, at minimum: the financial instrument which will be used to mobilize resources for different severities of drought to make shock responsive payments; how financial instruments will be layered to ensure there are no financing gaps; the amount of resources the NDMA estimates it will require in each year of the project to pay for the financing plan; the role of the NDEF in financing HSNP scalability; and the financial management arrangements to channel this budget to the HSNP. The indicator will also track the performance of the GoK in implementing this plan to fully finance HSNP		Plan, HSNP MIS, HSNP payroll, GoK printed estimates	**Target for Years 2-5**: MIS and payroll data on the number of households triggered in each payment period and corresponding transfer of payment to the PSP.	

	emergency transfers to triggered households. For a household to be counted as having received an emergency payment, they must: (i) be identified through the HSNP scalability mechanism and have an active bank account; (ii) be on the HSNP payroll submitted to the PSP for each payment period they are triggered; and (iii) have received funds within 2 months of emergency triggers and in accordance with the HSNP scalability financing strategy.				

Monitoring & Evaluation Plan: Intermediate Results Indicators					
Indicator Name	**Definition/Description**	**Frequency**	**Datasource**	**Methodology for Data Collection**	**Responsibility for Data Collection**
IRI 1: Percentage of beneficiaries receiving payments through the new Inua Jamii Payment Mechanism for the Consolidated Cash Transfer Program	The SDSP is developing a new payment mechanism under which beneficiary payments will be made to new Inua Jamii beneficiary accounts. This indicator measures the percentage of	Annual	CCTP payrolls	A payment report identifying the percentage of beneficiaries for which funds have been submitted to PSPs for receiving payment	SAU

	beneficiaries paid through the new payment mechanism. Beneficiaries include those in the CCTP receiving payments through the SDSP cash transfer programs (the CT-OVC,2 OPCT, and PWSD-CT) (excluding the program beneficiaries of the 70+ program). An NSNP payment is defined as a per beneficiary transaction for which both funds and payroll documentation have been sent to the PSP. The percentage of payments is calculated as the number of beneficiaries whose funds are sent to the PSPs for payment through the new payment mechanism, divided by the total number of beneficiaries on the payroll for the payment cycle.			through the new mechanism. The report must disaggregate beneficiaries by payment cycle.	
IRI 2: Integrated G&CM mechanism is strengthened and rolled out at decentralized level	The Government is developing and will implement a decentralized G&CM system for the CCTP. It is estimated that by the December 2018 baseline,	Bi-Annual	Revised (CCTP and HSNP) operational manuals, revised	**Target for Year 1:** Report detailing: implementation of decentralized G&CM system. Operational Review Report.	SAU, NDMA

	the decentralized G&CM system will be implemented in 20 sub-counties. Under the KSEIP, the Government will enhance the scope of the G&CM to cover KSEIP activities with subsequent decentralized expansion of the G&CM to all 47 counties. This will entail: (i) revised G&CM procedures in the CCTP and HSNP operational manual detailing the procedures for receiving, recording and responding to cases; (ii) revised design and update of CCTP-MIS and HSNP MIS modules to record KSEIP and NSNP cases, and action taken; and (iii) the development of clear institutional roles and responsibilities for the intake and resolution of all cases. Year one will measure nationwide rollout of the decentralized G&CM system to all 47 counties. Years 2-5 will measure the		(HSNP and CCTP) G&CM MIS modules, operational review report	**Target for Year's 2-5**: Revised CCTP and HSNP operational manuals, description and implementation of the enhanced system at county and sub-county levels. Operational Review Report.	

	development and roll out of the enhanced G&CM system across all KSEIP counties.				
IRI 3: Beneficiary Outreach Strategy for NSNP and KSEIP rolled out	Under the NSNP, MLSP is designing and implementing a BOS which will be rolled out in 20 sub-counties by December 2018. To move forward on the safety net consolidation agenda, the beneficiary outreach strategy will be revised, and an accompanying action plan will be developed to incorporate KSEIP specific beneficiary outreach for all counties. This indicator will track the roll out and implementation of the strategy across all 47 counties	Annual	Beneficiary Outreach Strategy, Operational Review Report	Copy of the revised BOS. SAU report detailing implementation of the BOS by county	SAU
Beneficiaries of social safety net programs		Annual.	KSEIP Dashboard.	This World Bank corporate results indicator measures the total number of beneficiaries of all project interventions, disaggregated by gender. These include, beneficiaries of: (i) enhanced economic	SPS

				inclusion interventions, (ii) NICHE, and (iii) HSNP regular beneficiaries in expansion counties. If this figure cannot be generated from the MIS, it will be calculated by multiplying the total number of households enrolled in the CCTPx 5 members per household and x 7 members per household for households enrolled in the HSNP. For example, total number of household members for NICHE beneficiaries that are enrolled in the CCTP will be obtained by multiplying each household by 5, and the total number of household members for NICHE beneficiaries that are enrolled in the HSNP will be obtained by multiplying each household by 7.	

				Data collection includes a report from KSEIP dashboard on number of households enrolled and paid in accordance with respective program guidelines and operational manuals.	
Beneficiaries of social safety net programs - Female		Annual.	KSEIP Dashboard	If this figure cannot be generated from the MIS, it will be calculated by multiplying the total number of households enrolled in the three programs managed by SAU x 5 members per household and x 7 members per household for households enrolled in the HSNP. For example, total number of household members for NICHE beneficiaries that are enrolled in the CCTP will be obtained by multiplying each household by 5, and the total number of household members for	SPS

				NICHE beneficiaries that are enrolled in the HSNP will be obtained by multiplying each household by 7. The sex distribution for those households for which the MIS has complete information will be used to impute a figure for the entire caseload. Otherwise, a 50% gender breakdown will be used, aligned with the approximate ratio of men to women in Kenya. Data collection includes report from KSEIP dashboard on number of households enrolled and paid in accordance with respective program guidelines and operational manuals.	
IRI 5: Establishment and implementation of referral mechanism for the NHIF	A sub-set of NSNP beneficiaries are already enrolled in the NHIF. A system for systematic referrals for beneficiaries needs to be established. In	Annual	MLSP Agree ment with the NHIF, and SR NHIF module	Copy of agreement signed between MLSP and the NHIF. Data from the SR on number of NSNP beneficiaries enrolled with premiums	SPS, NHIF

	Year 1, the MLSP will develop the management tools to operate a referral mechanism and enter into a formal agreement with the NHIF. Tools include the development of an MIS module in the SR. The formal agreement will include: (i) articulation of the respective roles of each institution; (ii) joint targets for enrollment and payment of NSNP beneficiaries; (iii) agreed arrangements for monitoring and reporting progress and discussion of any difficulties; and (iv) agreed protocols for the sharing of information on enrollment and payment of premiums. Years 2-5 will track the proportion of NSNP beneficiaries enrolled in the NHIF with corresponding enrolment information available in the SR, as per agreement.			paid for by NHIF.	
IRI 6: Number of households receiving package of nutrition-sensitive social protection services	The number of households accessing the full NICHE program package across five counties which includes	Annual	NICHE MIS, PSP payment record, operational	MIS and PSP report on number of households enrolled, paid and receiving regular	DCS

	both the top up payments and complementary intensive nutritional counseling sessions. Beneficiaries must meet the following criteria: (i) must be enrolled in the NSNP with children under 2 years of age and/or a PLW; (ii) they must have been paid for a minimum of one NSNP and NICHE top-up payment (top up of KSH 500 / month / beneficiary); and (iii) they must be receiving regular nutritional counselling as defined in the NICHE operational manual.		review report	counselling per county. Operational review report confirming enrolment and counseling adhering to the provisions of the operational manual.	
IRI 7: Percentage of payments that are made on time to Payment Service Providers for transfer to regular HSNP beneficiaries	The indicator monitors the timeliness of regular HSNP cash transfers that are financed directly by the GoK, and to ensure that an increasing proportion of regular HSNP payments are made within the scheduled window. An HSNP payment is defined as a per beneficiary transaction for which both funds and payroll documentation have been sent to the PSP. The	Annual	HSNP MIS, HSNP payroll submitted to the PSPs	NDMA report including (i) the date the payroll were due to the PSPs, (ii) the date the payroll was provided to the PSP, (iii) the date the funds were transferred to the PSP, and (iv) the number of beneficiaries covered by the payroll.	NDMA

	percentage of on time payments is calculated as the number of beneficiaries whose funds are sent to the PSP within 15 calendar days before the start of the transfer window divided by the total number of beneficiaries on the payroll for each payment cycle. Indicator target will be met if the percentage achieved meets the required level for three consecutive payment cycles.				
IRI 8: Percentage of regular HSNP cash transfers financed by the GoK in the original four HSNP counties	This indicator measures the GoK's commitment to take over financing of the regular HSNP cash transfers. As of December 2018, the GoK is expected to take over a minimum of 64 percent of all HSNP financing. Under the KSEIP, the GoK will increase its share of regular HSNP cash transfer financing to 100%. This indicator will be measured as a percentage of all GoK financing of the regular HSNP cash transfers in the original four HSNP counties.	Annual	HSNP MIS, payroll record submitted to PSPs, GoK printed estimates	Report detailing: (i) MIS data on the number of households paid by the GoK for July/August 2019 payment cycle in the four original HSNP counties, and (ii) changes in the amount of GoK financing to the HSNP from its general revenue and the number of additional households supported by this change.	NDMA

IRI 9: HSNP registration exercise in original and expansion counties completed	This indicator tracks progress in the re-registration of households in the four original HSNP counties and registration of new households in four expansion counties. This includes: (i) data is collected, verified and entered into the HSNP MIS according to arrangements defined in the HSNP registration implementation plan and operational manual; (ii) the HTM has been applied to the collected household data; (iii) HSNP beneficiary lists and accompanying payrolls have been updated for existing and new beneficiaries; and (iv) the HSNP registry is fully integrated with the enhanced SR. Progress will be reported by proportion of the estimated caseload covered, where the caseload refers to the total of all households expected to be covered by the exercise.	Annual	HSNP MIS, Operational Review report	**Target for Year 1**: MIS report on proportion of caseload re-registered and updated payrolls. **Target for Year 2:** MIS report on proportion of caseload covered in 4 expansion counties. **Target for Year 3:** MIS report on number of HSNP households on payroll in 8 counties. **Target for Year's 4 and 5**: Report documenting integration of HSNP registry with enhanced SR.	NDMA

IRI 10: HSNP scalability strategy updated	This indicator tracks the consistent review, update and implementation of the HSNP scalability strategy. This will include: (i) a review of the triggering mechanism along with the relevant analysis of operational, fiscal and financial implications of any suggested changes; (ii) revisions to triggering mechanism guidelines and strategy; and (iii) agreement on recommended changes and adoption by the NDMA Board of Management. Changes to the strategy should result in an average cost of scalability in the existing four HSNP counties which is in-line with and comparable to the current average cost of scalability, as per the HSNP Scalability Policy Paper dated February 2016 and Scalability Guidelines dated January 2016. The average annual emergency transfer amount for each county and each set of rules will be	Annual	Updated scalability strategy, review documents	Copy of updated HSNP strategy. Report outlining scalability strategy review and mid-term review activities, findings, and adoption by the NDMA Board of Management.	NDMA

	calculated as the historical average emergency transfer amount that would be paid in previous years had the rules been in effect in those years, using historical trigger data. A mid-term review will include, in addition, an external audit to confirm integration of scalability parameters in the HSNP MIS.				

Disbursement Linked Indicators Matrix

DLI 1	Scope, coverage, and functionality of Single Registry enhanced			
Type of DLI	**Scalability**	**Unit of Measure**	**Total Allocated Amount (USD)**	**As % of Total Financing Amount**
Outcome	Yes	Text	57,900,000.00	4.30
Period	**Value**		**Allocated Amount (USD)**	**Formula**
Baseline	SR not in place			
June 2020	DLR 1a (i) - Design and implementation arrangements for enhancements in SR finalized by June 2019		6,000,000.00	
June 2020	DLR 1b (i) - Re-registration exercise in the four original HSNP counties completed and beneficiary list updated accordingly		5,950,000.00	

June 2021	DLR 1a (ii) - Roll out of enhanced SR covers at least 75% or targeted households in 2 non-HSNP counties.		5,000,000.00	
June 2021	DLR 1b (ii) - Registration of households completed in four expansion HSNP counties		6,950,000.00	
June 2022	DLR 1a (iii) - Roll out of enhanced SR covers at least 75% of the targeted households in 17 non HSNP counties		15,000,000.00	
June 2022			0.00	
June 2023	DLR 1a (iv) - Roll out of enhanced SR covers at least 75% of the targeted households in 32 non HSNP counties		15,000,000.00	
December 2023	DLR 1a (v) - Roll out of enhanced SR covers at least 75% of the targeted households in 39 non HSNP counties		4,000,000.00	
DLI 2	New Inua Jamii Payment Mechanism for the Consolidated Cash Transfer Program is rolled out			
Type of DLI	**Scalability**	**Unit of Measure**	**Total Allocated Amount (USD)**	**As % of Total Financing Amount**
Intermediate Outcome	Yes	Text	14,000,000.00	1.04
Period	**Value**		**Allocated Amount (USD)**	**Formula**
Baseline	0.00			
June 2020	DLR 2a - 60% of beneficiaries receiving payments through the new payment mechanism		9,000,000.00	

June 2020			0.00	
June 2021	DLR 2b - 100% of beneficiaries receiving payments through the new payment mechanism		5,000,000.00	
June 2021			0.00	
June 2022			0.00	
June 2022			0.00	
June 2023			0.00	
December 2023			0.00	
DLI 3	Integrated G&CM Mechanism is strengthened and rolled out at decentralized level			
Type of DLI	**Scalability**	**Unit of Measure**	**Total Allocated Amount (USD)**	**As % of Total Financing Amount**
Intermediate Outcome	Yes	Text	20,000,000.00	1.49
Period	**Value**		**Allocated Amount (USD)**	**Formula**
Baseline	G&CM system functional at national level			
June 2020	DLR 3a - G&CM mechanism is functional at all levels for four NSNP programs in 47 counties		10,000,000.00	
June 2020			0.00	
June 2021			0.00	
June 2021			0.00	

June 2022	DLR 3b - Enhanced G&CM mechanism is functional in all KSEIP counties as per revised design and implementation arrangements		10,000,000.00	
June 2022			0.00	
June 2023			0.00	
December 2023			0.00	
DLI 4	Increased access to social inclusion interventions			
Type of DLI	**Scalability**	**Unit of Measure**	**Total Allocated Amount (USD)**	**As % of Total Financing Amount**
Intermediate Outcome	Yes	Text	34,000,000.00	2.53
Period	**Value**		**Allocated Amount (USD)**	**Formula**
Baseline	Not yet in place			
June 2020	DLR 4a (i) - 1,700 households receiving nutrition-sensitive cash transfer		1,400,000.00	
June 2020	DLR 4b (i) - Tools designed and formal agreement between SDSP, MoH and NHIF in place to operationalize systematic enrollment of NSNP beneficiaries into the NHIF		4,000,000.00	
June 2021	DLR 4a (ii) - 8,300 households receiving nutrition-sensitive cash transfer		5,300,000.00	
June 2021	DLR 4b (ii) - 40% of NSNP beneficiaries enrolled in the NHIF with enrollment information available in		5,000,000.00	

	the SR			
June 2022	DLR 4a (iii) - 13,800 households receiving nutrition-sensitive cash transfer		4,400,000.00	
June 2022	DLR 4b (iii) - 75% of NSNP beneficiaries enrolled in the NHIF with enrollment information available in the SR		6,000,000.00	
June 2023	DLR 4a (iv) - 19,400 households receiving nutrition-sensitive cash transfer		4,500,000.00	
December 2023	DLR 4a (v) - 23,500 households receiving nutrition-sensitive safety net services		3,400,000.00	

DLI 5	Increased coverage and government financing of HSNP			
Type of DLI	**Scalability**	**Unit of Measure**	**Total Allocated Amount (USD)**	**As % of Total Financing Amount**
Outcome	Yes	Text	58,300,000.00	4.33
Period	**Value**		**Allocated Amount (USD)**	**Formula**
Baseline	No expansion into new counties has taken place			
June 2020	DLR 5b - 100% of existing HSNP households in the original 4 counties financed by the Government by July 2019		29,300,000.00	
June 2020			0.00	
June 2021			0.00	
June 2021			0.00	

June 2022	DLR 5a (i) - 10,000 new HSNP households enrolled and paid for through the Government's budget in 2 expansion counties		14,000,000.00	
June 2022			0.00	
June 2023	DLR 5a (ii) - 22,000 new HSNP households enrolled and paid for through the Government's budget in 4 expansion counties		15,000,000.00	
December 2023			0.00	
DLI 6	HSNP scalability and financing arrangements enhanced			
Type of DLI	**Scalability**	**Unit of Measure**	**Total Allocated Amount (USD)**	**As % of Total Financing Amount**
Outcome	No	Text	71,500,000.00	5.31
Period	**Value**		**Allocated Amount (USD)**	**Formula**
Baseline	HSNP scalability strategy in place			
June 2020	DLR 6a (i) - Financing plan for HSNP scalability for FY19/20 adopted and financed by June 2019; DLR 6a (ii) - Emergency payments made in FY18/19 for 100% of the total number of households triggered in 4 counties where HSNP is functional by June 2019; DLR 6a (iii) - Emergency payments made in FY 19/20 for 100% of the total number o households triggered in 4 counties where HSNP is functional and financing plan for FY 20/21 is updated by June 2020		23,900,000.00	

June 2020	DLR 6b (i) - HSNP scalability strategy reviewed, updated and adopted	1,000,000.00	
June 2021		0.00	
June 2021	DLR 6a (iv) - Emergency payments made in FY 20/21 for 100% of the total number of households triggered in 4 counties where HSNP is functional and financing plan for FY 21/22 updated.	15,000,000.00	
June 2022	DLR 6a (v) - Emergency payments made in FY21/22 for 100% of the total number of households triggered in 6 counties where HSNP is functional and financing plan for FY22/23 updated	16,800,000.00	
June 2022	DLR 6b (ii) - Midterm review of HSNP scalability strategy complete and recommendations adopted	1,000,000.00	
June 2023	DLR 6a (vi) - Emergency payments made in FY22/23 for 100% of the total number of households triggered in 8 counties where HSNP is functional and financing plan for FY23/24 updated and financed.	13,800,000.00	
December 2023		0.00	

Verification Protocol Table: Disbursement Linked Indicators	
DLI 1	Scope, coverage, and functionality of Single Registry enhanced
Description	This DLI measures the gradual expansion and enhancement of the functionality and coverage of the existing SR to include a Social Registry led by the SDSP. This builds on the achievements to date of the SR, including the Social Registry already developed as part of the HSNP, with the aim of developing an integrated information system that can harmonize beneficiary targeting and registration nationwide. Concurrently, the HSNP is in the process of re-registering households in its four original counties, and will register new households in four additional expansion counties, using the HTM to identity beneficiaries. Data gathered during exercise will form part of the Social Registry module. DLR 1a accordingly tracks completion of the design, implementation arrangements and roll out of the Social Registry in non-HSNP counties. DLR 1b tracks progress in roll out and completion of the HSNP Social Registry in the four original and four expansion HSNP counties. Some of the results are scalable (please refer to verification protocol for full details): For DLR 1a (ii): US$ 2.5 million to be disbursed upon completion of data collection of 40 percent of targeted households, across two counties. Thereafter, US$ 2.5 million to be disbursed upon completion of data collection of remaining 35 percent of targeted households across 2 counties. For DLR 1a (iii): US$ 8 million to be disbursed upon completion of data collection of 40 percent of targeted households, across 15 additional counties. Thereafter, US$ 7 million to be disbursed upon completion of data collection of remaining 35 percent of targeted households across the 15 counties. For DLR 1a (iv): US$ 8 million to be disbursed upon completion of data collection of 40 percent of targeted households, across 15 additional counties. Thereafter, US$ 7 million to be disbursed upon completion of data collection of remaining 35 percent of targeted households across the 15 counties. For DLR 1a (v): US$ 2 million to be disbursed upon completion of data collection of 40 percent of targeted households, across 7 additional counties. Thereafter, US$ 2 million to be disbursed upon completion of data collection of remaining 35 percent of targeted households across 7 counties. Scalability formulas for DLI 1b are in full verification protocol.

Data source/ Agency	DLR 1a (i) Social Registry MIS Module, Social Registry Implementation Plan, Social Registry Operational Manual For DLR 1a (ii) – (v): SR MIS (Social Registry module) For DLR 1b (i) - (ii): HSNP MIS
Verification Entity	DLR 1a: NDMA DLR 1b: SPS
Procedure	DLR 1a (i): The SPS will submit a consolidated report to NDMA including the following: (i) the Social Registry roll out implementation plan, (ii) the Social Registry Operational Manual, and (iii) a description of the MIS module. NDMA will verify the evidence and submit it to the World Bank. DLR 1a (ii)-(v): The SPS will prepare a report which includes: completion of roll out demonstrating coverage of required percentage of targeted households (as set out in the implementation plan); and an MIS report on new households covered per county, in relation to total households targeted by county. DLR 1b (i): NDMA will submit a report including: details on the completion of the re-registration exercise by percentage of caseload covered; narrative report on changes in beneficiary status as a result of re-registration; and revised beneficiary payroll. SPS will verify and submit this report to the World Bank. DLR 1b (ii): NDMA will prepare a report including: details on the completion of the registration exercise by sub-county; narrative report on percentage of estimated caseload covered by the registration exercise. SPS will verify and submit this report to the World Bank.

DLI 2	New Inua Jamii Payment Mechanism for the Consolidated Cash Transfer Program is rolled out
Description	The SDSP is developing a new payment mechanism under which beneficiary payments will be made to new Inua Jamii beneficiary accounts which must meet the standards specified by the Ministry. The payments solution will be achieved by using services from multiple PSPs selected competitively by the SDSP. Two DLRs aim to progressively measure progress in the roll out of the new payment mechanism. The percentage of beneficiaries paid through the new payment mechanism. Beneficiaries include those receiving payments through the CCTP under the SDSP (CCTP includes the CT-OVC, OPCT, and PWSD-CT. The 70+ program beneficiaries will not be counted towards the calculation of the DLI baseline or results). An NSNP payment is defined as a per beneficiary transaction for which both funds and payroll documentation have been sent to the PSP. The percentage of payments is calculated as the number of beneficiaries whose funds are sent to the PSPs for payment through the new payment mechanism, divided by the total number of beneficiaries on the payroll for the payment cycle.

	DLIs are scalable: The amount disbursed is proportional to the additional percentage of beneficiaries receiving payments through the new system. For DLR 2a, US$ 3 million will be disbursed for every 20-percentage point increase in the DLR value from the baseline, up to 60 percent. The baseline for this DLR is zero. For DLR 2b, US$ 2.5 million will be disbursed for every 20-percentage point increase in the DLR value from the baseline, up to 100 percent. The baseline for this DLR is 60 percent.
Data source/ Agency	Payrolls of the CT-OVC, OPCT, PWSD-CT submitted to the PSPs, generated by the SAU
Verification Entity	SPS
Procedure	SAU submits to SPS, a payment report based on information provided by the CCTP payrolls, identifying the percentage of beneficiaries for which funds have been submitted to PSPs for receiving payment through the new mechanism. The report must disaggregate beneficiaries by payment cycle. SPS will verify the evidence and submit it to the World Bank.

DLI 3	Integrated G&CM Mechanism is strengthened and rolled out at decentralized level
Description	The Government is developing and will implement an integrated and decentralized G&CM system for the CCTP. Under the new system, officials at the county and sub-county level will have the capability for decentralized recording of updates into a specially designed CCTP-MIS G&CM module. The HSNP already has a well-functioning G&CM MIS module with the capability for decentralized recording of entries. Under the NSNP PforR operation, the government will develop an integrated G&CM mechanism whereby complaints and grievances for all four NSNP programs can be consolidated at the national level for reporting and monitoring purposes. This is expected to be rolled out in 20 sub-counties by December 2018. Under the KSEIP DLR 3a, the Government will expand the decentralized G&CM to all 47 counties. Further, under DLR 3b, the Government will enhance the scope of the G&CM system to cover KSEIP activities with subsequent decentralized expansion of the enhanced G&CM to all counties where KSEIP is operational. DLR 3a is defined as the existence of a G&CM mechanism at national level, which is made up of the following: (i) the Operational Manual for the CCTP, prepared by SAU, detailing the procedures for making, receiving, recording and

	responding to grievances and case management updates; (ii) the CCTP-MIS has a functional module to record the grievances and case management received and the actions taken; and (iii) assigned staff at national level for managing complaints according to the Operational Manual. The DLR also incorporates decentralized recording of updates for the CCTP which is defined as: the availability of a system to enable recording of grievance and case management through the CCTP-MIS at county and sub-county levels in all counties with accompanied training delivered to staff on use of the system. DLR 3b is defined as an enhanced decentralized G&CM system with the capability for decentralized recording of all KSEIP specific grievances and complaints. This will entail: (i) revised MIS design for enhanced scope; (ii) updates of HSNP and CCTP-MIS G&CM modules to record KSEIP related cases and the actions taken; (iii) the use of a standard periodic reporting format on cases received and resolved; (iv) updates to CCTP and HSNP operational manuals on G&CM; (v) the development of clear institutional roles and responsibilities for the intake and resolution of all cases; and (vi) implementation of enhanced mechanism across all KSEIP counties. DLR 3b is scalable: 1. US$ 4 million to be disbursed upon completion of (i) to (v) above 2. Thereafter, US$ 6 million to be disbursed upon completion of (vi)
Data source/ Agency	DLR 3a: (i) CCTP Operations Manual detailing the G&CM mechanisms; (ii) CCTP-MIS module on G&CM; and (iii) report detailing: description of the system to enable recording of grievance and case management at the county and sub-county levels, and implementation of decentralized system in all 47 counties. DLR 3b: (i) Revised CCTP and HSNP operational manuals; (ii) revised (HSNP MIS and CCTP-MIS) G&CM modules; (iii) report highlighting the enhanced system for KSEIP grievances and case management at the county and sub-county levels through the programs MISs, including a description of roles and responsibilities; and (iv) report detailing implementation of enhanced G&CM in all KSEIP counties.
Verification Entity	SPS
Procedure	DLR 3a: SAU will consolidate the above three data sources into a report for submission to SPS. The SPS will verify the evidence and submit to the World Bank a letter confirming achievement of the DLR, with the consolidated report. DLR 3b: For the first scalable disbursement, SAU and NDMA will consolidate the above data sources (i) – (iii) into a report. The SPS will verify the evidence and submit to the World Bank a letter confirming achievement of the DLR along with the consolidated report. For the second scalable disbursement, SAU and NDMA will submit to SPS, consolidated reports on the enhanced functionality of their respective G&CM systems and implementation in all KSEIP counties. The SPS will verify the evidence and submit onwards to the World Bank.

DLI 4	Increased access to social inclusion interventions
Description	There is a strong commitment from the GoK to invest in further enhancement of the existing social protection system to achieve self-sufficiency of the poor and vulnerable and promote their access to social and economic inclusion services. In the area of social inclusion, KSEIP will provide support for: (i) systematic enrollment of NSNP beneficiaries into the NHIF and (ii) expansion of a nutrition-sensitive safety net program, which provides top-up cash transfers for incentivizing investments in the early years combined with nutrition counseling. DLI 4a, therefore, tracks the enrolment of NSNP beneficiaries into the NICHE program. Beneficiaries must meet the following criteria: (i) must be a NSNP beneficiary household enrolled in the NICHE with children under 2 years of age and/or a PLW, as outlined in the Operational Manual; and (ii) they must have been paid for a minimum of one top-up payment. DLRs 4a (i)-(v) are scalable - full details on scalability formulas are in the verification protocol annex. DLI 4b (i) tracks the development of a formal agreement between SDSP, MoH and NHIF and systematic process for the enrollment of NSNP beneficiaries into the NHIF. In year one, SPS will develop the management tools to operate a referral mechanism and enter into a formal agreement with MoH and NHIF. Tools include: the development of a new MIS module in the SR for regular data sharing on beneficiary enrolled into the NHIF, by sub-county, and by NSNP program. The formal agreement will meet the following minimum requirements: articulation of the respective roles of each institution; joint targets for enrollment and payment of NSNP beneficiaries ; agreed arrangements for monitoring and reporting progress, and discussion of any difficulties; and agreed protocols for the sharing of information on enrollment and payment of premiums. DLR 4b (ii)-and (iii) track the percentage of NSNP households enrolled in the NHIF. Beneficiaries must meet the following criteria: (i) must be enrolled in the NSNP; and (ii) enrolment information (year of enrolment, and payment of premiums) must be available in the SR NHIF module. The percentage is calculated as the number of NSNP beneficiaries meeting the above criteria (i) and (ii) divided by the total number of NSNP beneficiaries. DLR 4b (ii) is not scalable. DLR 4b (iii) is scalable: US$ 3 million will be disbursed for an increase of 20 percentage points in the DLR value from the baseline, up to 75 percent. The baseline for this DLR is 40 percent. Thereafter, US$ 3 million to be disbursed upon an

	increase of an additional 15 percentage points, up to the 75 percent DLR target.
Data source/ Agency	DLR 4a: NICHE Operational Manual, NICHE MIS DLR 4b (i): Formal Agreement / Memorandum of Understanding between SDSP, MoH and NHIF, SR NHIF module DLR 4b (ii) and (iii): SR NHIF module
Verification Entity	DLR 4a: SPS DLR 4b: NDMA
Procedure	DLR 4a: The DCS submits a report to SPS that details payroll data from the NICHE MIS on the number of NSNP households enrolled and paid the top up transfer per county, along with a copy of the NICHE Operational Manual. DLR 4b (i): SPS submits to NDMA, a copy of the agreement signed between SDSP, MoH and NHIF meeting the minimum requirements defined along with report documenting development of the NHIF module. NDMA will verify the evidence for submission to the World Bank. DLR 4b (ii) and (iii): SPS submits to NDMA a report that details data from the SR NHIF module on the number of households enrolled in the NHIF with insurance premiums paid for. NDMA will verify the evidence for onwards submission for the World Bank.

DLI 5	Increased coverage and government financing of HSNP
Description	The Government aims to progressively expand the coverage of cash transfer programs to contribute towards realizing the right to social security. To be sustainable, however, cash transfer programs should be financed from the general revenue of Government. The HSNP provides regular cash transfers to approximately 100,000 beneficiaries across four counties of which 64,000 are currently financed by Government. The NDMA will expand the geographical coverage of the regular HSNP cash transfers to four additional counties. The first DLI (5a), therefore, aims to ensure that the HSNP increasingly covers more poor and vulnerable households in additional counties while also ensuring that this expansion is commensurate with the Government's ability to finance additional cash transfers, ensuring the long-term sustainability of the program. 5a is defined as the number of new regular HSNP cash transfer beneficiaries in the expansion counties. For DLR 5a (i) beneficiaries are those that have been: (i) enrolled in two new HSNP expansion counties, and (ii) are receiving regular benefit payments paid for through the Government budget. For DLR 5a (ii) beneficiaries are those that have been: (i) enrolled in the four new HSNP expansion counties, and (ii) are receiving regular benefit payments paid for through the Government budget. A beneficiary payment is defined as a per beneficiary transaction for which both funds and payroll documentation have been sent to the PSP for a at least one payment cycle. DLR 5a is scalable: For DLR 5a (i), US$7 million will be disbursed for every 5,000 increase in the DLR value from the baseline , up to 10,000.

	For DLR 5a (ii), US$5 million will be disbursed for every 4,000 increase in the DLR value (from a baseline of 10,000 households) up to 22,000 households. The second DLI (5b) ensures that the Government concurrently takes over full financing of the HSNP regular cash transfers in the four counties where it is currently operational. Under the NSNP, the Government is taking over increased financing of the HSNP regular cash transfers in the four original HSNP counties. As of December 2018, the Government is expected to take over a minimum of 64 percent of all HSNP financing. Under the KSEIP, the Government will increase its share of regular HSNP cash transfer financing to 100%. This indicator will be measured as a percentage of all Government financing of the regular HSNP cash transfers in the original four HSNP counties. DLR 5b is not scalable and time bound. Government takeover of financing must have taken place from the payment cycle July/August 2019. Disbursement will be made against full completion of the DLR.
Data source/ Agency	DLR 5a: HSNP MIS, HSNP payroll submitted to the PSPs, letter from CEO NDMA certifying funds received from National Treasury DLR 5b: HSNP MIS, Payroll record submitted to PSPs, Government printed estimates
Verification Entity	SPS
Procedure	DLR 5a: The NDMA will submit a report to SPS which contains: MIS data on the number of households enrolled and paid, by county, for at least one payment cycle, and includes a confirmation that all of the counted beneficiaries are financed by the Government from its general revenue. The SPS will verify the report and submit onwards to the World Bank. DLR 5b: NDMA will submit a report to SPS that contains: (i) MIS data on the number of households enrolled and paid by the government for the July/August 2019 payment cycle in the four original HSNP counties; (ii) the most recent printed estimates identifying the line items containing financing for the HSNP; and (iii) changes in the amount of Government financing to HSNP from its general revenue and the number of additional households supported by this change. The SPS will verify the report and submit it to the World Bank.

DLI 6	HSNP scalability and financing arrangements enhanced
Description	The HSNP has a proven track record providing shock responsive cash transfers to drought-affected households; these transfers have previously been funded by donors. The Government has the responsibility of developing and implementing a financing plan for how it will pay for any emergency shock responsive cash transfers to ensure sustainability of the program and more rapid flow of funds in the event of a drought. Accordingly, DLI 6a tracks the Government in the preparation of a financing plan to meet the costs of shock responsive cash transfers in all HSNP counties. This will include the use of the

	NDEF to finance emergency payments as a response to drought and other budgetary and financial instruments such as insurance. Concurrently, the Government will also enhance the existing scalability mechanism, enabling the safety net system to be more responsive to shocks. Thus, DLI 6b tracks the consistent review, update and implementation of the HSNP scalability strategy. Please refer to verification protocol annex for full description.
Data source/ Agency	DLR 6a (i): Letter from the CEO NDMA adopting the HSNP Scalability Financing plan with the Plan attached, revised HSNP Operational Manual DLR 6a (ii)-(vi): HSNP MIS, HSNP payroll submitted to PSP DLR 6b (i): Revised HSNP scalability mechanism strategy DLR 6b (ii): Revised HSNP scalability mechanism strategy
Verification Entity	SPS
Procedure	DLR 6a (i): The NDMA submits to SPS, a report that outlines: how the financing plan has been adopted along with the Financing Plan document. The SPS will verify the evidence and submit to the World Bank. DLR 6a (ii)-(vi): The NDMA will submit to the SPS a report that details MIS and payroll data on the number of households triggered in each payment period in question and corresponding transfer of payment to the PSP. The SPS will verify the report and submit to the world Bank. For DLR 6b (iii) - (iv), the NDMA will also include an updated financing plan for the subsequent year. DLR 6b (i): The NDMA will submit to SPS a report that highlights key changes to the HSNP scalability mechanism, along with a copy of the revised scalability mechanism strategy and guidelines. The SPS will verify the report and submit it the World Bank. DLR 6b (ii): The NDMA will submit to SPS a report that highlights key activities undertaken during the strategy mid-term review and any changes adopted to the HSNP scalability mechanism, along with a copy of the revised scalability mechanism strategy and guidelines. The SPS will verify the report and submit it the World Bank.

ANNEX 1: DISBURSEMENT-LINKED INDICATOR TABLE

COUNTRY: Kenya
Kenya Social and Economic Inclusion Project

	Year 1 (FY19/20)	Year 2 (FY20/21)	Year 3 (FY21/22)	Year 4 (FY22/23)	Year 5 (FY23/24)
DLI 1: Scope, coverage, and functionality of Single Registry enhanced	1a (i) - Design and implementation arrangements for enhancements in SR finalized (IDA US$6 million)	1a (ii) - Roll out of enhanced SR covers at least 75% of targeted households in 2 non-HSNP counties (IDA US$5 million)	1a (iii) - Roll out of enhanced SR covers at least 75% of targeted households in 17 non-HSNP counties (IDA US$15 million)	1a (iv) - Roll out of enhanced SR covers at least 75% of targeted households in 32 non-HSNP counties (IDA US$15 million)	1a (v) - Roll out of enhanced SR covers at least 75% of targeted households in 39 non-HSNP counties (IDA US$4 million)
	1b (i) - Re-registration exercise in the four original HSNP counties completed and beneficiary list updated accordingly (IDA US$4 million, DFID GBP 1.5 million [US$1.95 million equivalent])	1b (ii) - Registration of households in the four expansion HSNP counties complete (IDA US$5 million, DFID GBP 1.5 million [US$1.95 million equivalent])			
DLI 2: New Inua Jamii Payment Mechanism for three NSNP cash transfer programs is rolled out	2a - 60% of beneficiaries receiving payments through the new payment mechanism (IDA US$9 million)	2b - 100% of beneficiaries receiving payments through the new payment mechanism (IDA US$5 million)			
DLI 3: Integrated G&CM mechanism is strengthened and rolled out at decentralized level	3a - G&CM mechanism is functional at all levels for all four NSNP programs in 47 counties (IDA US$10 million)		3b - Enhanced G&CM mechanism functional in all KSEIP counties as per revised design and implementation arrangements (IDA US$10 million)		
DLI 4: Increased access to social inclusion interventions	4a (i) - 1,500 households receiving nutrition-sensitive cash transfer (IDA US$1.4 million)	4a (ii) - 7,500 households receiving nutrition-sensitive cash transfer (IDA US$5.3 million)	4a (iii) - 12,700 households receiving nutrition-sensitive cash	4a (iv) 17,500 households receiving nutrition-sensitive cash	4a (v) 23,500 households receiving nutrition-sensitive cash transfer (IDA US$3.4 million)

			transfer (IDA US$4.4 million)	transfer (IDA US$4.5 million)	
	4b (i) - Tools designed and formal agreement between SDSP, MoH and NHIF in place to operationalize systematic enrollment of NSNP beneficiaries into the NHIF (IDA US$4 million)	4b (ii) - 40% of NSNP beneficiaries enrolled in the NHIF with enrollment information available in the SR (IDA US$5 million)	4b (iii) - 75% of NSNP beneficiaries enrolled in the NHIF with enrollment information available in the SR (IDA US$6 million)		
DLI 5: Increased coverage and GoK financing of HSNP			5a (i) - 10,000 new HSNP households enrolled and paid for through the GoK's budget in 2 expansion counties (IDA US$14 million)	5a (ii) - 22,000 new HSNP households enrolled and paid for through the GoK's budget in 4 expansion counties (IDA US$15 million)	
	5b - 100% of existing HSNP households in the original four counties financed by the GoK by July 2019 (IDA US$15 million, DFID GBP 11 million [US$14.3 million equivalent])				
DLI 6: HSNP scalability and financing arrangements enhanced	6a (i) - Financing plan for HSNP scalability for FY19/20 adopted and financed (IDA US$1 million) 6a (ii) Emergency payments made in	6a (iv) Emergency payments made in FY20/21 for 100% of the total number of households triggered in 4 counties where HSNP is functional and financing plan for FY21/22 updated (IDA US$2	6a (v) Emergency payments made in FY21/22 for 100% of the total number of households triggered in 6 counties where HSNP is functional and financing plan for FY22/23 updated	6a (vi) Emergency payments made in FY22/23 for 100% of the total number of households triggered in 8 counties where HSNP is functional and financing plan for	

	FY18/19 for 100% of the total number of households triggered in 4 counties where HSNP is functional (IDA US$4 million, DFID GBP 3m [US$3.9 million equivalent]) 6a (iii) Emergency payments made in FY19/20 for 100% of the total number of households triggered in 4 counties where HSNP is functional and financing plan for FY20/21 updated (IDA US$2 million, DFID GBP 10m [US$13 million equivalent])	million, DFID GBP 10 million [US$13 million equivalent])	(IDA US$9 million, DFID GBP 6 million [US$7.8 million equivalent])	FY23/24 updated and financed (IDA US$6 million, DFID GBP 6 million [US$7.8 million equivalent])	
	6b (i) - HSNP scalability strategy reviewed, updated, and adopted (IDA US$1 million)		6b (ii) - Midterm review of HSNP scalability strategy complete and recommendations adopted (IDA US$1 million)		

ANNEX 2: FINANCIAL MANAGEMENT ASSESSMENT

COUNTRY: Kenya
Kenya Social and Economic Inclusion Project

A. Executive Summary

1. The World Bank conducted an FM assessment of the two implementing agencies, the SDSP including the SAU under the MLSP, and the NDMA under the MDA. The objective of the assessment was to determine whether the implementing agencies maintain adequate FM arrangements capable of ensuring that

   (a) Funds channeled into the project will be used for the purposes intended efficiently and economically

   (b) The project's financial reports will be prepared accurately, reliably, and on time; and

   (c) The project's assets will be safeguarded.

2. The FM assessment was carried out in accordance with the World Bank Directive: Financial Management Manual for World Bank IPF Operations issued February 4, 2015 and effective from March 1, 2010; and the World Bank Guidance: Financial Management in World Bank IPF Operations issued and effective February 24, 2015. The assessment covered the six key FM elements of budgeting, accounting, and internal control including internal auditing, in addition to funds flow, financial reporting, and external auditing arrangements.

3. **General FM arrangements.** The project financing instrument is an IPF with DLIs, hence the disbursement of World Bank funds would be determined by the achievement and verification of results, as well as provision of eligible expenditures under the EEP agreed with the World Bank. The project would also have a Standard IPF component to provide financing for investment in new activities, as well as system investments, necessary IT and other system upgrades, implementation support etc. The EEP has been defined as the GoK budget codes for cash transfers for the CT-OVC, PWSD-CT, OPCT (excluding 70+) and the HSNP. The National Treasury would 'advance' resources to the implementing agencies to pre-finance the EEP. On achievement of the DLR's, the World Bank would 'reimburse' to the National Treasury, the resources equivalent to the achieved DLR and the documented EEP of equal amount. There would be no Designated Account (DA) opened for the disbursements relating to the IPF with DLI components. These funds would be deposited into the consolidated fund through a bank account opened by the National Treasury in the Central Bank of Kenya (CBK). The funds would be available for the general financing of the GoK budget. Once the World Bank receives confirmation from the National Treasury that these funds have been credited to the agreed bank account, there would be no further tracking or audit of these funds. It is the responsibility of the National Treasury to allocate the full budget required to effectively implement the proposed KSEIP, including the EEP, the Standard IPF and the resources required to achieve the DLIs, and to ensure that these funds are released promptly to the implementing agencies.

4. **MLSP FM Arrangements.** The MLSP, through the SDSP, has extensive experience in the management of World Bank funds. The cash transfer grants are disbursed through the SAU under the SDSP. There have been progressive improvements in fiduciary controls over the NSNP that are entrenched in the operational arrangements. These include the two-factor authentication process for beneficiaries at pay points (use of biometric and debit card); use of third-party PSPs with capacity to handle the high-

volume/low-value geographically-dispersed payments; use of SR for all three cash transfer programs to guard against the risk of double-dipping; and social accountability mechanism through the BWCs. Past audits and FM review reports revealed some internal control weaknesses. These are being addressed holistically as part of the implementation of the FM action plan (arising out of the FY16/17 OAG special audit). The implementation of this action plan is included as a DLI under the NSNP AF. To ensure a structured way of strengthening FM systems, specific resources would be set aside as part of the proposed KSEIP for capacity strengthening of fiduciary systems at sector and program levels throughout project implementation. A team has been formed under the leadership of the MLSP's Head of Accounts to identify key areas of fiduciary intervention that require further strengthening. Weaknesses identified in the following five broad areas require strengthening: (i) budgeting and funds flow constraints; (ii) MIS/ data base; (iii) payroll system; (iv) social accountability mechanisms; and (v) institutional strengthening of the sector FM and fiduciary functions, including the MLSP's IAD.

5. These interventions, which would be financed under the project, would enhance the budgeting and funds flow arrangements for the cash transfer grants in a manner that sufficient funds are released predictably and on time. This would be done by exploring legal mandates and protocols to support the idea whether the GoK can use a ring-fenced monthly running of cash transfers as practiced for the payroll of civil servants. This would also ensure accurate and complete beneficiary payroll with the funds being disbursed to the right beneficiaries consistently and sustainably on time. The accounting and financial reporting arrangements would be strengthened through the deployment of accountant and disbursement officers to the project on a full-time basis. The internal control and audit arrangements would be further strengthened through the updating and implementation of the FM Procedures Manual as part of the operations manual for the NSNP. There would also be regular FM capacity-building training of the SDSP staff and the MLSP's IAD. At the portfolio level, the World Bank would also conduct FM capacity strengthening of the OAG team involved in the audit of the social protection sector, as well as the National Treasury staff supporting this sector. The PS MLSP would designate a project accountant and a disbursement officer to the SDSP, both of whom would support implementation of project activities at both the SDSP and the SAU. The FM Procedures Manual is being updated to reflect the proposed KSEIP design and FM arrangements, including the use of the new PSP solution.

6. **NDMA FM arrangements.** The NDMA has not directly handled any World Bank funds but is currently managing the HSNP which is co-financed by the GoK and DFID. The NDMA is assessed as having adequate capacity to manage the project. The Finance Department reports to the CEO through the director, support services and is managed by a qualified finance and accounts manager, supported by four qualified accountants. The NDMA also has a qualified internal auditor, whose scope of work would cover project activities. The disbursement arrangements for the cash transfer grants are currently supported by technical assistance from the FSD who have provided the disbursement software and a team of consultants to manage the HSNP. Payments to beneficiaries are done to bank accounts opened for the purpose in Equity Bank Limited (EBL), which is the PSP for the HSNP. PILU is currently the implementing unit for the HSNP. Both the FSD and PILU staff are financed by DFID, through two separate contracts which will end March 31, 2019. In this regard, the NDMA has provided the World Bank with a commitment letter, indicating that the functions currently handled by the FSD and PILU would be mainstreamed into the NDMA organization structure under the DTS starting from April 1, 2019. A PMU would therefore be domiciled under the DTS. The NDMA will send a letter to the World Bank confirming that the functions of the FSD and PILU have been appropriately transferred to the DTS. To ensure continuity and transfer of skills from FSD/PILU to the NDMA, it has been agreed that three critical positions would be retained

beyond March 31, 2019. These positions are for the functions of FM, MIS and the PILU Coordinator. The three staff would be hired by the NDMA and financed out of IDA/DFID funds. They would be assigned a corresponding team from the NDMA for skills transfer and institutional capacity building for an agreed period. The World Bank would monitor this process as part of the regular project supervision. The project funds under the Standard IPF may be used to support the transfer of function of FSD/PILU to the DTS. The NDMA would designate a project accountant to the PIU on a full-time basis to support the accounting and financial reporting arrangements. The strengthening of the NDMA FM structures supporting the proposed KSEIP would be done using project funds based on a work plan prepared by the NDMA and approved by the World Bank.

7. **Disbursement and audit.** The project would adopt the SOE disbursement method for the Standard IPF. The EEP would be reviewed and cleared by the World Bank as part of the process of verification of the achieved DLIs. The review and clearance of the EEP will be purely for disbursement purposes and will in no way indicate acceptance by the World Bank of the eligibility or otherwise of the EEP. The eligibility of the EEP will be determined by the World Bank subsequently as part of the World Bank FM reviews and during the internal and external audit reviews. The annual project financial statements for SDSP will cover the CT-OVC, PWSD-CT and the OPCT (excluding 70+) as per the current IPSAS format under NSNP. For the NDMA, the financial statements will cover the HSNP cash transfers and will be in line with the IPSAS format agreed between the World Bank and the National Treasury. The audited financial statements will include all expenditures relating to the project in each implementing agency, financed by all sources, including those IDA, DFID and the GoK. Both agencies would be audited by the OAG and would prepare and submit to the World Bank separate half-yearly IFRs covering transactions under the Standard IPF. The audit certificate by the OAG for both agencies will include audit opinion of the cash transfers which form the EEP, and which, in line with World Bank rules, will be the only expenditure category with eligibility implications (specifically the expenditures included in the SOE submitted for documentation of DLI disbursement). All transactions financed under the Standard IPF will be subjected to the World Bank's eligibility criteria.

8. **Conclusion of the FM assessment.** The results of the assessment indicate that the overall FM arrangements satisfies the World Bank's minimum requirements under the World Bank Directive IPF**,** and is therefore adequate to provide, with reasonable assurance, accurate and timely information on the status of the project as required by the World Bank. The initial FM risk is assessed as Substantial with the residual risk for the project being Moderate.

B. Summary of Cash Transfer Payments Arrangements

9. **MLSP.** The MLSP is currently managing the World Bank-financed CT-OVC project which is co-financed by a DFID-financed Trust Fund, as well as the NSNP PforR which handles cash transfers to three programs: CT-OVC, OPCT, and PWSD. The SAU has an MIS and payroll system for the cash transfers. It also has access to the SR developed under the NSNP. The disbursements are done through two-factor authentication payment system (though the Kenya Commercial Bank and EBL). The payment system will however be enhanced through the new PSP solution whereby beneficiaries will migrate from the current debit card system to opening of full commercial bank accounts. The project would include support for further strengthening of the SAU NSNP payment system.

10. **The NDMA** handles HSNP grants with beneficiaries of about 100,000 households in four ASAL counties. The cash transfer payment system is administered by a private service provider (FSD) which manages the cash transfers. The FSD and PILU staff are hired and paid by DFID. The cash transfers consist of funds from DFID as well as the GoK. Both DFID and the GoK funds are transferred to beneficiaries through the MIS and payroll system managed by PILU. The DFID funds are off-budget. The disbursement is made through the EBL to bank accounts opened for each beneficiary. The NDMA is making arrangements for the phasing out of the FSD and mainstreaming the functions of PILU into the NDMA under the DTS. The FSD services will be discontinued by March 31, 2019. In addition, under the KSEIP, the DFID funds would be administered by the GoK (through a World Bank managed MDTF) and would therefore be on budget.

C. Detailed FM Assessment

Budgeting

11. **MLSP.** The project funds would be factored in the national annual budget under the MLSP for the SAU and SDSP. For the Standard IPF component, an IDA budget code would be set up for the IDA and DFID funds. For the DLI component, the funds would be captured under the GoK budget code in line with the project design whereby the EEP is pre-financed by the GoK and the World Bank would reimburse the National Treasury on achievement of the DLIs and documentation of expenditures. The only expenditure under the EEP is the cash transfer grants. The GoK has provided the World Bank with the relevant budget codes for these grants.

12. The assessment revealed the challenges of inadequate budget allocation, insufficient GoK counterpart funds, delays in capturing project activities in supplementary budget and slow exchequer releases, especially during the first quarter of every year and during integrated financial management information system (IFMIS) downtime, which affects project implementation and overall absorption rate of funds. These challenges would be addressed as part of project implementation through specific funds set aside to support FM-related activities under the KSEIP. The MLSP has already commenced policy dialogue with the National Treasury, with support from the World Bank, on ways of ring-fencing the budget for cash transfers in the same manner that the GoK payroll for civil servants is ring-fenced. This would entail the cash transfers being declared by the National Treasury as an essential payment and being granted a priority budget code. This would ensure that sufficient budget to cover the cash transfer grants is provided on time, and is protected from annual budget cuts, delays in exchequer releases, and IFMIS downtime.

13. **NDMA.** The budget arrangements for both the Standard IPF and the DLI components would be similar to those under the MLSP. The project budget for the NDMA would be captured under the MDA as the parent ministry. The budget reforms proposed under the MLSP would also apply to the NDMA.

Funds Flow Arrangements

14. The project would adopt the SOE method of disbursement for both the Standard IPF and DLI components. For the Standard IPF component, the National Treasury would open two DAs denominated in US$, for the project (DA-A for the MLSP and DA-B for the NDMA in MDA) at the CBK, where proceeds of the credit would be deposited. The same DA would be used for the IDA credit and the DFID MDTF

administered by IDA. The MLSP and NDMA would both open and maintain separate/segregated local currency Project Account (PAs) for the project. The PA for the MLSP would be opened at the CBK while that for the NDMA would be opened in a commercial bank acceptable to IDA. The funds would flow from the DA to the PA through the relevant ministry development bank accounts. The Standard IPF funds would be used primarily for project management, system strengthening and upgrading, and relevant technical assistance to successfully implement the KSEIP. Funds from the DA would be transferred to the PA from where payments for goods, consultancies, operating costs, and so on would be made. Both the MLSP and NDMA would be at liberty to use any of the available four payment methods: reimbursement, advance, direct payments, and special commitment. To use the direct payment method, the implementing agencies should ensure that they have budgeted the funds in the national budget under the Appropriation-in-Aid (A-in-A) budget classification.

15. For the financing allocated to DLIs, a DA would be opened. This account will be used for both the advances for DLIs and reimbursements. The cash transfers would be pre-financed by the GoK, using existing country public financial management (PFM) systems. The World Bank would reimburse the National Treasury on achievement of the DLIs and documentation of the cash transfer grant expenditures under the EEP. The funds would flow from the National Treasury exchequer account in the CBK to the ministry development and recurrent bank accounts in the CBK. For the MLSP, the funds would flow from the ministry development and recurrent accounts to a cash transfer grant commercial bank account. Currently, the commercial bank cash transfer grants account has been opened by each of the PSPs as a holding account. From the commercial bank holding account, the MLSP would give instructions to the relevant PSPs to make payments to the relevant beneficiary bank accounts based on the payroll. The holding bank account is prone to delays and creates the need for long and tedious reconciliations. As part of PFM reforms, the MLSP is exploring opening and directly maintaining one cash transfer grant account, one Ministry commercial bank account, from which funds would be deposited directly to the beneficiary bank accounts, instead of having each of the four PSPs open a holding account and maintain this on their behalf. For the NDMA, the funds would flow from the ministry development and recurrent accounts in the CBK to a commercial bank account maintained by the NDMA for cash transfer grants. From this account, the NDMA would have the funds credited directly to the bank accounts of the beneficiaries based on the payroll.

16. Under the PFM law, the exchequer releases are to be made twice every year—50 percent in the first quarter and the remaining 50 percent in the third quarter. To date, the SDSP has experienced challenges of insufficient budget allocation for the NSNP, delayed exchequer releases, and showed inability to transfer funds from the CBK bank accounts during the frequent IFMIS downtime. These challenges are being addressed as part of the ongoing PFM reform dialogue between the implementing agencies and the National Treasury.

Accounting Arrangements

17. Both the MLSP and NDMA have adequate accounting capacity. The MLSP is on IFMIS which is supplemented by a manual project accounting system. This is deemed adequate. The NDMA is currently on QuickBooks, but plans are under way to install a custom-made enterprise resource planning system. For disbursement to beneficiaries, both the MLSP and NDMA have their own in-house MIS and payroll system. They also have access to the SR set up under the NSNP. Funds would be set aside under KSEIP for further strengthening of the project accounting function. Both the MLSP and NDMA would each designate

a full-time KSEIP project accountant to handle the accounting and financial reporting requirements for their respective components.

Figure 2.1: Funds Flow - Disbursement Linked Indicators

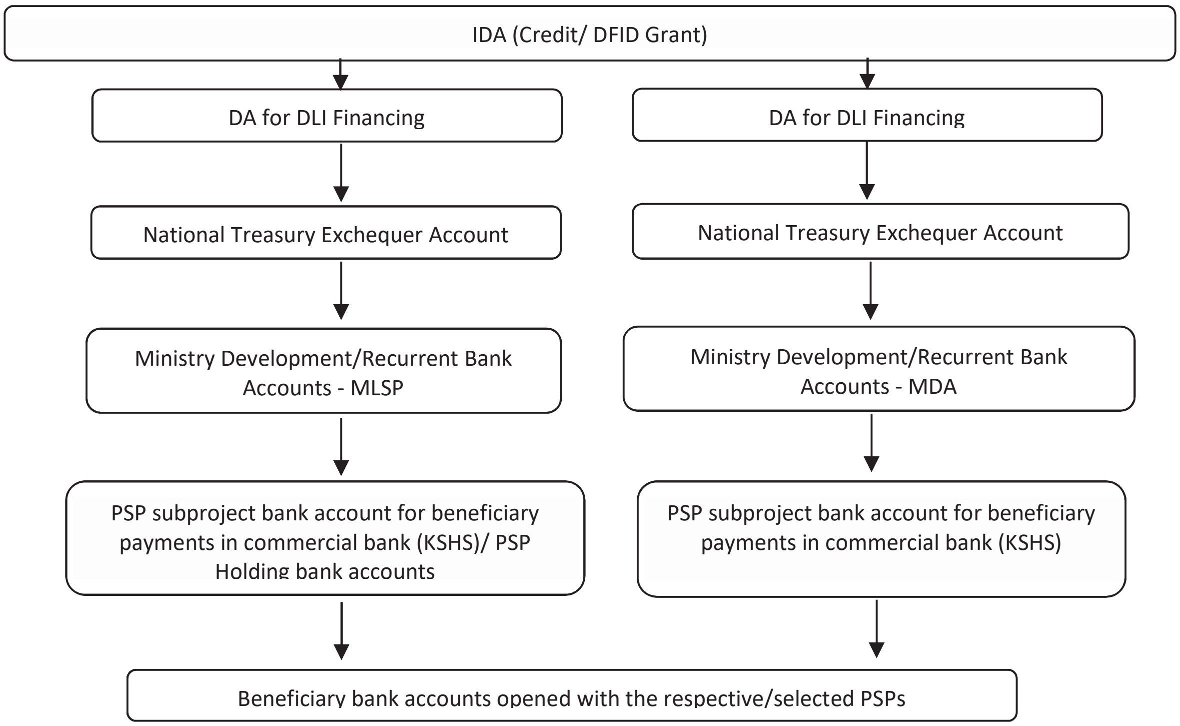

Figure 2.2: Funds Flow - Investment Project Financing

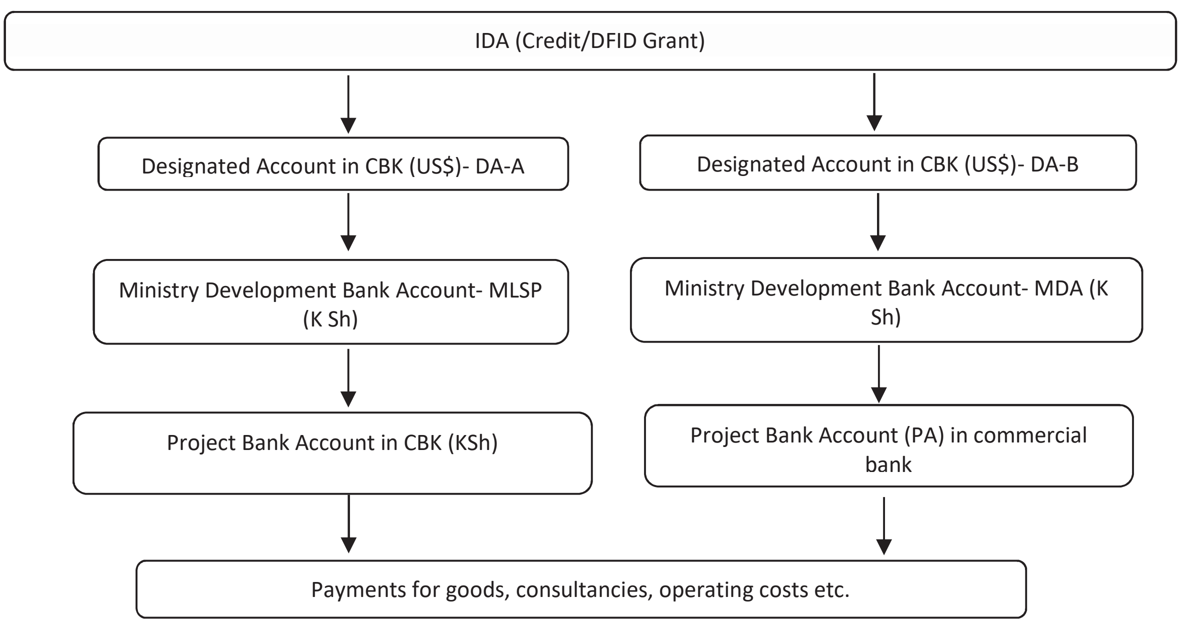

Table 2.1: Eligible Expenditures

Category	Amount of the Credit Allocated (expressed in Euro)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, non-consulting services, consulting services, Training and Incremental Operating Costs for Parts 1 and 2 of the Project	47,500,000	100%
(2) Eligible Expenditure Programs under Parts 1 and 2 of the Project	105,300,000	100% of each DLI Amount set out in Schedule 4 (or such lesser percentage as represents the total Eligible Expenditures incurred by the Recipient under the Eligible Expenditure Program as of the date of withdrawal).
(3) Eligible Expenditure Programs under Part 3 of the Project	60,500,000	100% of each DLI Amount set out in Schedule 4 (or such lesser percentage as represents the total Eligible Expenditures incurred by the Recipient under the Eligible Expenditure Program as of the date of withdrawal).
(4) Goods, non-consulting services, consulting services, Training and Incremental Operating Costs for Part 3 of the Project	2,600,000	100%
TOTAL AMOUNT	215,900,000	

Internal Controls

18. The internal control arrangements for both the MLSP and NDMA are deemed to be adequate. The MLSP has an internal audit unit with four qualified internal auditors. The NDMA has a qualified internal auditor. The internal audit function for both the MLSP and NDMA would continue to be strengthened, using funds under the Standard IPF of the KSEIP. This would include regular capacity-building training of the internal auditors. The internal audit function of both the MLSP and NDMA would conduct annual risk-based internal audit/fiduciary review of the project to ensure that any material FM risks are identified and promptly addressed. The Financial Management Procedures Manual for the KSEIP is being updated with support from the World Bank to ensure comprehensive internal audit procedures. The program has established robust social accountability mechanisms, which include public disclosure and complaints

reporting and handling mechanisms at sub-regional levels. For the NDMA, the mechanism includes communication to beneficiaries by use of the text messages through their cell phones. This facilitates quick and cost-effective notification on dates of disbursement and feedback to the NDMA where the beneficiaries need to report on nonpayment or poor services. For the MLSP, the social accountability mechanism is anchored on the BWCs.

Financial Reporting

19. The two implementing agencies have adequate capacity to meet the World Bank's financial reporting requirements for half-yearly IFRs and annual audited financial statements. The audited financial statements will include all expenditures relating to the project in each implementing agency, financed by all sources, including those IDA, DFID and the GoK. The MLSP and NDMA would submit separate financial reports to the World Bank. The MLSP annual financial statements will cover the CCTP and will adopt the same IPSAS format currently used by the NSNP. Hence the NSNP and KSEIP will use the same set of financial statements to avoid duplication and minimize the cost and time for audit. However, the OAG shall perform detailed review of the cash transfer grants, which constitute the KSEIP EEP, and issue separate audit opinion on these. The portion of the EEP submitted to the World Bank as part of the SOE for documentation of the DLI expenditures be subject to World Bank's eligibility criteria. This will similarly apply to the NDMA whereby the EEP consists of the cash transfers to the HSNP. For the Standard IPF financing, all expenditures will be deemed to be subject to the World Bank's eligibility criteria. The half-yearly IFRs would be submitted to the World Bank within 45 days after the end of each calendar semester and will consist only of those expenditures financed under the Standard IPF. The annual financial statements would be submitted to the OAG not later than September 30, three months after the year end. The PSPs would be required to provide financial reports to MLSP on disbursement and payments in line with their contracts and terms of reference. Detailed content and reporting formats (including EEP reports) will be outlined in the FM manual.

Audit Arrangements

20. The annual audit for the KSEIP under both the MLSP and NDMA would be conducted by the OAG which has the technical capacity and independence to conduct the audit. The audit would be conducted based on audit terms of reference cleared by the World Bank. The audit report and Management Letter would be submitted to the World Bank within six months after the end of the financial year. The project audit report would be publicly disclosed in line with the World Bank's Access to Information Policy. The MLSP received qualified audit reports on the CT-OVC and NSNP projects. However, the MLSP developed and implemented comprehensive FM actions to address the internal control weaknesses that gave rise to the audit qualification. The NDMA entity audit reports have been receiving clean/unqualified audit opinions. However, the audit reports are issued after the statutory six-month deadlines. As part of the country-level PFM reforms under the World Bank supported Kenya Accountable Devolution Program and Governance for Enabling Service Delivery and Public Investment Project, the World Bank would continue to strengthen the capacity of the OAG to enhance their capacity for the audit of the social protection and other sectors.

D. FM Risk Assessment and Mitigating Table

21. The analysis of the assessment is as follows.

Table 2.2: FM Risk Mitigation Table - Inherent Risks

Type of Risk	Initial Risk Rating	Brief Explanation	FM Risk Mitigation Measures incorporated in Project Design	FM Condition	Residual Risk Rating*
INHERENT RISKS					
County Level	S	This is based on the country PFM environment and considers overall history of the country governance environment and corruption concerns.	A more robust PFM Act 2012 is now in place; ongoing PFM reforms including the rollout of the IFMIS to the 47 counties; introduction of electronics fund transfer payments through G-Pay; and the setting up of the controller of budget office.	No	S
Entity Level	S	Adequate experience in management of cash transfer grants, but with capacity gaps in disbursement of grants	Standard IPF funds under the KSEIP to strengthen FM capacity throughout implementation	No	M
Project Level	S	Inherent risks of cash transfer payment of relatively small amounts and large volumes across large geographic areas	Hiring of PSPs and enhance capacity by the implementers for monitoring; robust social accountability mechanisms	No	M
OVER ALL	**S**				**M**

* H = High; S = Substantial; M = Moderate; L = Low.

Table 2.3: FM Risk Mitigation Table - Control Risks

Type of Risk	Initial Risk Rating	Brief Explanation	FM Risk Mitigation Measures	FM Condition	Residual Risk Rating*
CONTROL RISKS					
Budgeting	S	Insufficient budget allocation	Policy dialogue for ring-fencing of cash transfer grants budget	No	M
Accounting	S	Inadequate accounting capacity and challenges in MIS for the MLSP	Designation of full-time project accountants Upgrading of MIS	No	M
Internal controls	S	Internal control weaknesses in cash transfer grants management	Change of cash transfer payment system under the new PSP solution FM procedures manual to be updated	No	M
Funds Flow	S	Material in-country disbursement delays	Policy dialogue for ring-fencing of cash transfer grants budget and exchequer releases	No	M
Financial Reporting	S	Challenges on quality of IFR and annual financial statements	Designation of full-time accountant	No	M
Auditing	S	Qualified audit report but not on substantive issues	Strengthening of fiduciary arrangements through implementation of FM action plan	No	M

Type of Risk	Initial Risk Rating	Brief Explanation	FM Risk Mitigation Measures	FM Condition	Residual Risk Rating*
			under the NSNP Additional Financing		
OVERALL	**S**				**M**
Overall Residual Project FM Risk			**Moderate (M)**		

* H = High; S = Substantial; M = Moderate; L = Low.

E. Financial Management Action Plan

22. The action plan in Table 2.4 indicates the actions to be taken for the project to strengthen its FM system and the due completion dates.

Table 2.4: FM Action Plan

	Action	Due Date
1	Opening of DAs and PAs and communicating the details of the bank account and signatories to IDA for the Standard IPF component	Immediately on signing of the Financing Agreement
2	Strengthening of the FM function using project funds under the Standard IPF	Continuous
3	Training project FM staff on World Bank Financial Management and Disbursement Guidelines	Annually
4	Risk-based on-site fiduciary review by GoK internal auditors covering the EEP included on the SOE and the Standard IPF expenditures	Annually
5	Development and updating of FM activities to be financed under the Standard IPF	As part of the project design, updated annually as part of the annual work plan and budget

F. FM-related Effectiveness/Disbursement Conditions and Financial Covenants

23. **Effectiveness conditions.** There are no FM-related conditions of effectiveness.

24. **Disbursement conditions.** There are no FM-related disbursement conditions.

25. **Other financial covenants:** Financial covenants are the standard ones as stated in the Financing Agreement on Financial Management, financial reports and audits and the general conditions.

G. FM Implementation Support Plan

26. Based on the risk assessment of the project, the World Bank FM supervision review would be conducted at least once every year. The mission's objectives would include ensuring that strong FM systems are maintained for the project throughout its life. Reviews would be carried out regularly to ensure that expenditures incurred by the project remain eligible for IDA funding.

Table 2.5: FM Implementation Support Plan

Activity	Frequency
Desk reviews:	
IFR review	Half-yearly
Audit report review	Annually
Review of other relevant information such as internal audit reports.	Quarterly
On-site visits:	
Review of overall operation of the FM system	Annually during implementation support missions
Monitoring of actions taken on issues highlighted in audit reports, auditors' Management Letters, internal audit, and other reports	Continuous
In-depth transaction reviews	As required
Capacity building:	
FM training	Before project start and thereafter annually
Technical assistance	Continuous
FM capacity strengthening using the Standard IPF	Continuous based on emerging risks

H. FM Supervision Plan

27. A supervision mission would be conducted at least once every year based on the risk assessment of the project. The mission's objectives would include ensuring that strong FM systems are maintained for the project throughout its life. Reviews would be carried out regularly to ensure that expenditures incurred by the project remain eligible for IDA funding. The Implementation Status and Results Report will include an FM rating for the components. This would be produced by the World Bank Country Office FM specialist after an appropriate review.

I. Conclusion of the FM Assessment

28. The results of the assessment indicate that the overall FM arrangements satisfy the World Bank's minimum requirements and is therefore adequate to provide, with reasonable assurance, accurate and timely information on the status of the project as required by the World Bank. The initial FM risk is assessed as Substantial with the residual risk for the project is Moderate.