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Report No: 78294-KE

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROGRAM APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF SDR 166.9 MILLION
(US\$250 MILLION EQUIVALENT)

TO THE

REPUBLIC OF KENYA

FOR A

NATIONAL SAFETY NET PROGRAM FOR RESULTS

June 26, 2013

Social Protection, East and Southern Africa
East Africa Country Department 2
Africa Region

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CURRENCY EQUIVALENTS

US\$ = Ksh 84.0

US\$ = SDR 0.667214

FISCAL YEAR

July 1 – June 30

ABBREVIATIONS AND ACRONYMS

ARB	Administrative Review Board
ASALs	Arid and Semi-arid Lands
CBK	Central Bank of Kenya
CPS	Country Partnership Strategy
CT-OVC	Cash Transfer for Orphans and Vulnerable Children
DLI	Disbursement-linked indicators
DLR	Disbursement-linked results
EFT	Electronic fund transfer
EACC	Ethics and Anti-Corruption Commission
ESSA	Environment and Social Systems Assessment
FM	Financial management
FRA	Fiduciary risk assessments
GAC	Governance and anti-corruption
GDP	Gross domestic product
GoK	Government of Kenya
HSNP	Hunger Safety Net Programme
IAD	Internal Audit Department
ICT	Information and communication technology
IFAR	Integrated Fiduciary Assessment Report
IFMIS	Integrated Financial Management Information System
INT	Integrity Vice Presidency
IPRS	Integrated Population Registration Service
KENAO	Kenya National Audit Office
KIHBS	Kenya Integrated Household Budget Survey
M&E	Monitoring and evaluation
MGCSO	Ministry of Gender, Children, and Social Development
MIS	Management information system
MOF	Ministry of Finance
MoU	Memorandum of Understanding

MSDNKAL	Ministry of State for the Development of Northern Kenya and Other Arid Lands
MTEFF	Medium-term Expenditure and Financing Framework
NDDCF	National Drought and Disaster Contingency Fund
NDMA	National Drought Management Authority
NSNP	National Safety Net Program
NSPP	National Social Protection Policy
OPCT	Older Persons Cash Transfer program
OPM	Office of the Prime Minister
OVC	Orphans and Vulnerable Children
PDO	Project Development Objective
PforR	Program for Results
PFM	Public financial management
PIBS	Program Implementation and Beneficiary Satisfaction survey
PMT	Proxy means test
POS	Point of sale
PPOA	Public Procurement Oversight Authority
PPDA	Public Procurement and Disposal Act of 2005
PWSD-CT	Persons with Severe Disability Cash Transfer
TA	Technical Assessment
UFS-CT	Urban Food Subsidy Cash Transfer

Vice President:	Makhtar Diop
Country Director:	Diarietou Gaye
Sector Director:	Ritva Reinikka
Sector Manager:	Lynne Sherburne-Benz
Task Team Leader:	Will Wiseman

KENYA
Kenya National Safety Net Program-for-Results
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PAD DATA SHEET

Kenya

National Safety Net Program for Results

PROGRAM APPRAISAL DOCUMENT

*Africa Region
Social Protection-East*

Report No. 78294-KE

Basic Information		
Date: 26 June 2013		Sectors: Public administration - other social services
Country Director: Diarietou Gaye		Themes: Social safety nets 90
Sector Manager/Director: Lynne Sherburne-Benz/ Ritva Reinikka		Natural disasters 5
Program ID: P131305		Social risk mitigation 5
Team Leader: Will Wiseman		
Program Implementation Period: Start Date: 23 July 2013		End Date: 31 March 2018
Closing Date: 31 March 2018		
Expected Financing Effectiveness Date: 1 September 2013		

Program Financing Data		
<input type="checkbox"/> Loan	<input type="checkbox"/> Grant	<input type="checkbox"/> Other
<input checked="" type="checkbox"/> Credit		
For Loans/Credits/Others (US\$M):		
Total Program Cost: 952.68		Total Bank Financing: 26%
Total Cofinancing: 261.34		Financing Gap: 0.0

Financing Source	Amount
BORROWER/RECIPIENT	411.23
DFID	235.40
IDA	250.00
SIDA	18.16
UNICEF	7.78
IDA CR-4553	30.11
Total	952.68

Borrower: Republic of Kenya

Responsible Agency: Ministry of Gender, Children, and Social Development

Contact:
Telephone No.:

Title:
Email:

Expected Disbursements (in USD Million)

Fiscal Year	FY 13/14	FY14/15	FY 15/16	FY 16/17	FY 17/18			
Annual	20.00	32.50	70.90	67.40	59.20			
Cumulative	20.00	52.50	123.40	190.80	250.00			

Program Development Objective(s)

To support the Republic of Kenya to establish an effective national safety net program for poor and vulnerable households

Compliance

Policy

Does the program depart from the CAS in content or in other significant respects?	Yes []	No [X]
Does the program require any waivers of Bank policies applicable to Program-for-Results operations?	Yes []	No [X]
Have these been approved by Bank management?	Yes []	No []
Is approval for any policy waiver sought from the Board?	Yes []	No [X]
Does the program meet the Regional criteria for readiness for implementation?	Yes [X]	No []

Overall Risk Rating: High

Legal Covenants

Action Plan: The Recipient shall carry out the Action Plan in a manner satisfactory to the Association.

NSNP Expansion Plan: The Recipient shall: (a) develop, under terms of reference acceptable to the Association, a time-bound action plan designed to expand the enrollment of eligible households in the NSNP including households previously financed by financiers other than the Recipient; (b) furnish said plan to the Association and afford the Association a reasonable opportunity to exchange views with the Recipient on said plan; and (c) thereafter, promptly adopt said plan, taking into account the views of the Association on the matter.

System for Scaling-up the NSNP: The Recipient shall: (a) develop, under terms of reference acceptable to the Association, a system designed to enable the Recipient to scale up the NSNP in the event of national droughts and allocate contingency financing for such purpose; (b) furnish evidence of said system to the Association and afford the Association a reasonable opportunity to exchange views with the Recipient on said system; and (c) thereafter, promptly adopt said system, taking into account the views of the Association on the matter.

Consolidation Strategy: The Recipient shall: (a) develop, under terms of reference acceptable to the Association, a short- and medium-term time-bound strategic plan to consolidate the CT-OVC, OPCT, PWSD-CT, and UFS-CT; (b) furnish said strategic plan to the Association and afford the Association a reasonable opportunity to exchange views with the Recipient on said system; and (c) thereafter, promptly adopt said plan and implement the same, taking into account the views of the Association on the matter.

Program activities and expenditure in national budget: The Recipient shall ensure that no later than July 1st of each FY of the Program, the Program activities and expenditures for said FY have been reflected in its national planning and expenditure framework and have been included in the Recipient's national budget as adopted for said FY, in a manner satisfactory to the Association; (b) adequate funds for carrying out the Program activities have been provided in the adopted national budget; and (c) all funds so provided are made available in a timely manner to ensure proper Program implementation.

Team Composition

Bank Staff

Name	Title	Unit
Will Wiseman	Senior Economist (TTL)	AFTSE
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Wolfgang Chadab	Senior Finance Officer	CTRLA
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Name	Title	City
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Mary Nyamongo	ESSA Consultant	Nairobi

KENYA

NATIONAL SAFETY NET PROGRAM FOR RESULTS

1. STRATEGIC CONTEXT

A. Country Context

1. **Kenya has experienced a decade of sustained but volatile economic growth.**

Between 2000 and 2009, economic growth in Kenya averaged 3.9 percent, which translated into a modest rise in incomes for Kenyans – the first since the 1970s. Per capita incomes are currently projected to rise from US\$820 to US\$1,000 within the decade. This sustained economic growth has been attributed to a stable macroeconomic environment, investments in infrastructure and education, and structural reforms in key sectors of the economy, which have created a strong foundation for Kenya’s future. However, since 2007, the country has registered growth rates of above 5 percent only once – in 2010, which was also the only year in which the country did not suffer from domestic or international shocks. Growth declined sharply in 2008 and 2009 as a result of the violence following the December 2007 presidential elections, the global food, fuel, and financial crisis, and the drought that occurred after the fourth consecutive absence of rain during the usual rainy season. Economic growth rebounded strongly in 2010, reaching 5.6 percent, and then fell to 4.4 percent in 2011 and 4.3 percent in 2012 as a result of drought and macroeconomic instability. Mitigating the impact of these and other shocks on the economy is thus critical to achieving the consistently high rates of economic growth (of at least 6 percent) required for Kenya to transition to middle-income country status.

2. **In spite of this relatively strong economic growth, high rates of poverty persist in Kenya.**

In 2005/06, poverty incidence was 46.6 percent, having declined from 52.2 percent in 2000.¹ Poverty rates are markedly higher in rural areas (49.7 percent) than in urban areas (34.4 percent), although residents of informal urban settlements often experience great deprivation. Such differences can also be seen between administrative divisions, with 74 percent of the population living below the poverty line in the North Eastern Province compared with only 22 percent in Nairobi Province. Finally, poverty rates also tend to be higher among vulnerable groups such as children (53.5 percent), including orphans and vulnerable children (54.1 percent), older people (53.2 percent), and people with disabilities (57.4 percent).² Notably, female-headed households tend to experience higher rates of poverty than male-headed households.

3. **Such high rates of poverty undermine investments in human capital and limit the potential for the benefits of economic growth to be shared by all Kenyans.**

Children living in households in the poorer quintiles are less likely than their better-off counterparts to attend school, to advance to the next school grade, to benefit from vaccination programs, and to have good health outcomes. The net enrollment rate³ for secondary schooling is only 6 percent for those in the bottom quintile compared with 52 percent for those in the top

¹ This reflects the most recent nationally representative household survey. An updated Kenya Integrated Household Budget Survey (KIHBS) should be available in 2014.

² Ministry of State for Planning, National Development, and Vision 2030 (2012), “Kenya Social Protection Sector Review,” Nairobi based on KIHBS 2005/06 and the 2009 Census.

³ The net enrollment rate is defined as the number of pupils within the correct age group for education (in this case secondary education) enrolled in education expressed as a percentage of the total population in that age group.

quintile. Only 54.8 percent of children from the poorest quintile have received a measles vaccine compared with 88 percent of the wealthiest, and the prevalence of stunting in the poorest quintile is 44.2 percent compared with 24.5 percent in the wealthiest quintile.⁴ Poverty in urban areas is characterized by poor hygiene and sanitation, high levels of morbidity, high child mortality, insecure housing tenure, and limited economic opportunities.⁵

4. **Poverty in Kenya is intertwined with the continued vulnerability of the population to shocks.** The 2011 drought in the Horn of Africa again demonstrated the vulnerability of livelihoods in Kenya. Households have long reported experiencing shocks, the most significant of which were drought and death in the family, although poor households experienced the negative effects of such shocks more often than others.⁶ Poor households were also more likely to resort to coping mechanisms that have long-term negative implications for their well-being, such as withdrawing their children from school or selling off their productive assets. This persistent poverty and vulnerability highlights the fact that social protection has an important role to play in the effort to reduce poverty and vulnerability and promote human capital development in Kenya.

5. **The new Constitution aims to move Kenya towards a more equitable and inclusive future.** The Constitution (2010) devolves authority to 47 elected county governments and represents one of the most ambitious devolution plans in the world. Much needs to be done in practice to ensure that it rectifies the unequal distribution of investments and services and does not instead cause service delivery to deteriorate. The Constitution also protects the rights of women, children, youths, disabled people, older people, minorities, and marginalized groups as well as marginalized communities through a comprehensive Bill of Rights, which includes the right to social protection. More specifically, Article 43(1)(e) provides that “Every person has a right to social security... [and] the State shall provide appropriate social security to persons who are unable to support themselves and their dependents.”⁷ This provides a robust foundation for social protection in Kenya.

B. Sectoral and Institutional Context

6. **Kenya has a long history of investing in social protection.** Kenya has a number of well-established social insurance schemes and safety net programs, but their coverage has tended to be low and their effectiveness limited. The main form of safety net support offered to poor and vulnerable populations has been humanitarian relief (often in the form of food aid), which has been mobilized by the government and the international community in response to crises, such as drought and floods. In many parts of the country, most notably in Arid and Semi-Arid Lands (ASALs), this type of response has become common, with emergency food relief being provided year after year to chronically poor and food-insecure populations.

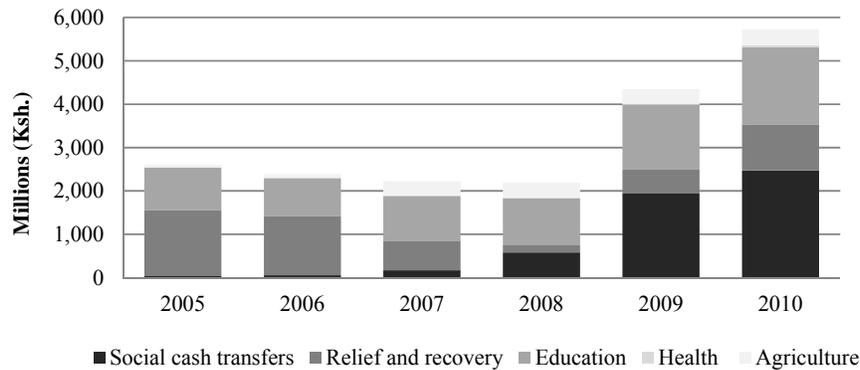
⁴ World Bank (2008), “Kenya Poverty and Inequality Assessment, Volume I: Synthesis Report,” Poverty Reduction and Economic Management Unit, Africa Region, World Bank, Washington D.C. and KNBS and ICF Macro (2010), “Kenya Demographic and Health Survey 2008-2009,” Kenya National Bureau of Statistics, Nairobi, and ICF Macro, Calverton, Maryland.

⁵ OPM (2012), “Mombasa Urban Food Subsidy Programme: Draft Programme Document,” Oxford Policy Management, Oxford.

⁶ For example, extremely poor households were 78 percent more likely to report experiencing a negative effect of a shock than their wealthier counterparts.

⁷ The right to social security includes both social assistance and social insurance and is thus synonymous with social protection.

Figure 1.1: Government Financing for Safety Net Programs, 2005-2010

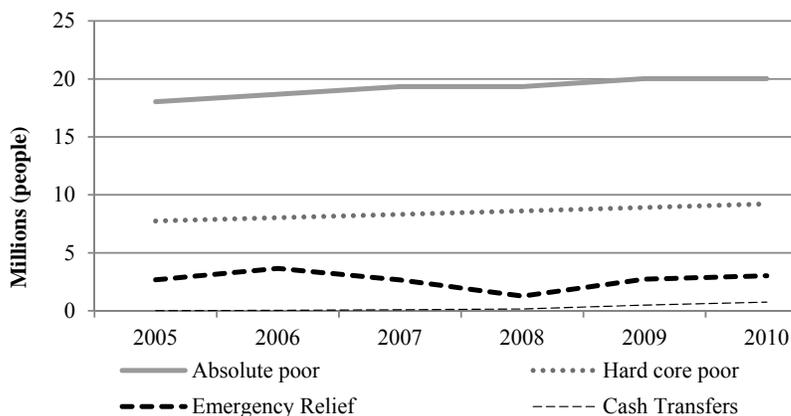


Notes: Social cash transfers refer to five main cash transfer programs discussed in this document. Relief and recovery refers to programs such as emergency food aid and supplemental feeding. Education refers to regular school feeding programs. Health refers to feeding programs and vouchers for primary health services. Agriculture refers to programs that provide inputs and small grants to farmers groups.

Source: Ministry of State for Planning, National Development, and Vision 2030 (2012), “Kenya Social Protection Sector Review,” Government of Kenya, Nairobi.

7. **Expenditure on safety nets in Kenya has risen rapidly in recent years.** Between 2005 and 2010, total spending on safety nets increased from Ksh 11.9 billion to Ksh 20.5 billion. In 2010 this was equivalent to 0.80 percent of Kenya’s GDP. Throughout this period, emergency food aid continued to dominate safety net spending, accounting for 53.2 percent

Figure 1.2: Recipients of Safety Net Programs, by Program Type, Compared with the Poverty Headcount, 2005 to 2010



Source: Ministry of State for Planning, National Development, and Vision 2030 (2012), “Kenya Social Protection Sector Review,” Government of Kenya, Nairobi.

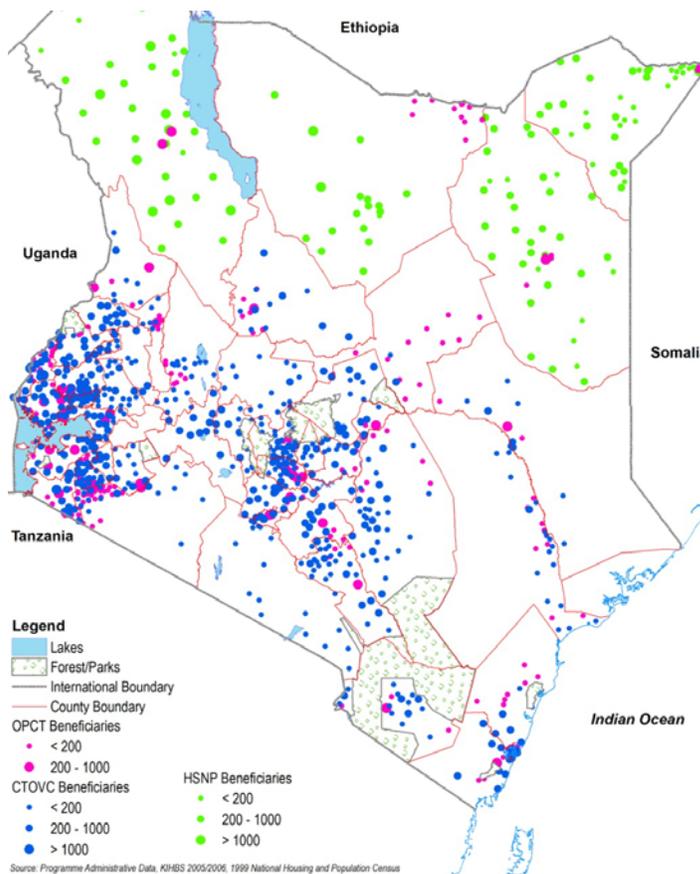
of the total. However, there has also been a growing trend towards cash transfers. By the end of 2010, cash transfers constituted 25 percent of total safety net spending in Kenya, having increased rapidly from a very low base in 2005.⁸ As can be seen in Figure 1.1, the majority of government financing for safety nets in 2010 was spent on cash transfers.

8. **As a result, the coverage of cash transfer programs has grown significantly but is still low in comparison with the size of the population in need.** The five main cash transfer programs – the Older Persons Cash Transfer (OPCT), the Cash Transfer for Orphans and Vulnerable Children (CT-OVC), the Hunger Safety Net Programme (HSNP), the Urban Food

⁸ This figure is based on all sources of financing to safety nets (government and development partners; grants and loans).

Subsidy Cash Transfer (UFS-CT), and the Persons with Severe Disability Cash Transfer (PWSD-CT) – have collectively increased their coverage over tenfold since 2005 and currently provide regular support to 1.65 million people or 4 percent of the population. Despite these gains, cash transfers cover only a small fraction of the absolute poor population (an estimated 9 percent, assuming perfect targeting). Emergency food aid continues to provide support to a population that is on average roughly double this size (see Figure 1.2), even though this aid can be unpredictable and often arrives late.⁹ While cash transfer programs tend to be small, they often overlap geographically, and this is likely to increase as programs continue to grow (see Map 1.1). This highlights the need to increase coordination among these programs, which will ensure better use of scarce implementation capacity.¹⁰ At the same time, no cash transfer program is yet capable of expanding its coverage in response to shocks, although some programs have increased the value of the cash transfer to their existing beneficiaries during emergencies. This limitation undermines how effective these programs can be in helping Kenya’s chronically poor and vulnerable populations. Finally, the

Map 1.1: Geographic Coverage of Social Cash Transfer Programs in Kenya (2010)



adequacy of the support provided to households is variable as the value of cash transfers is rarely adjusted for inflation and tends not to reflect household size or other factors. In spite of these shortcomings, cash transfer programs are widely regarded as a more effective form of safety net support than emergency food aid.¹¹

9. Cash transfer programs tend to be fragmented and are largely uncoordinated. Cash transfers are implemented by the Ministry of Gender, Children, and Social Development (MGCSA) and the National Drought Management Authority (NDMA). The four programs housed in the MGCSA are separated between the Departments of Children’s Services (which implements the CT-OVC) and Department of Gender and Social Development (which implements the OPCT,

⁹ Estimates show that Kenya’s safety net programs cover only 27 percent of the poor, assuming perfect targeting (Ministry of State for Planning, National Development, and Vision 2030 (2012), “Kenya Social Protection Sector Review,” Government of Kenya, Nairobi).

¹⁰ While such geographic overlap can ensure high rates of coverage of vulnerable populations when programs are categorically targeted, there is a need to ensure that this planned expansion reflects a sector-wide approach to increasing coverage rather than an *ad hoc* expansion, which is currently the case.

¹¹ See, for example, the World Bank (2012), “Managing Risk, Promoting Growth: Building Social Protection Systems in Africa. Strategy for Social Protection in Africa 2012-2022”, World Bank, Washington D.C.

the UFS-CT and the PWS-CT).¹² Each of these departments has dedicated staff at the central and district levels, but the numbers and skill mix tend to be insufficient. The Hunger Safety Net Programme is managed by the HSNP Secretariat in the NDMA and is implemented by non-governmental organizations (NGOs).¹³ These different implementation arrangements have resulted in a high degree of fragmentation, which leads to inefficiency and duplication. It also fails to optimize limited implementation capacity or to support a coherent approach to capacity-building across the sector. Each of the five cash transfer programs is planning to expand, sometimes into the same geographic areas. This has the potential to exacerbate the situation. The government is in the process of establishing coordinating and oversight bodies for the social protection sector, which will address some of these weaknesses (see paragraph 11 and 61).

10. **At the same time, operational systems are slowly improving, and best practices are emerging that are being shared among programs.**¹⁴ The five cash transfer programs have each established systems and procedures for targeting, beneficiary registration, payments, and monitoring and evaluation. While these have proven to be capable of selecting eligible beneficiaries and making payments, the sophistication of these systems varies as does the strength of fiduciary controls and governance. For example, the process for enrolling beneficiaries into the programs tends to be manual and slow. The HSNP and the CT-OVC are already using payment service providers who can make payments electronically using two-factor authentication.¹⁵ The HSNP makes payments through Equity Bank using an agency banking network and smartcard technology, and the CT-OVC is also adopting this payment system. However, some payments in all five programs continue to be delayed, largely because of the lengthy process involved in moving funds through government systems. Additionally, the CT-OVC and the HSNP have established accountability mechanisms. These cash transfer programs are using a suite of measures to develop strong “upwards” accountability, including fiduciary reviews, evaluations, internal controls on payments, and internal and external audits, as well as “downwards” accountability, including community oversight committees, grievance and appeals mechanisms, and beneficiary service charters. The other three cash transfer programs are in the process of establishing such systems.

11. **The National Social Protection Policy aims to strengthen the delivery of social assistance to vulnerable populations.** The National Social Protection Policy (NSPP), which was approved by the Cabinet in May 2012, outlines a vision for gradually realizing the right to social protection as articulated in the Constitution and, within this, the government’s ambition to enhance social assistance.¹⁶ The policy states that this will be achieved by (i)

¹² The ongoing ministerial restructuring will result in responsibilities for cash transfer management being merged with or shared with other new or existing ministries (see paragraph 64 for more detail).

¹³ The NDMA is a State Corporation established in 2013. Responsibility for managing the HSNP moved from the MSDNKAL to the NDMA in February 2013.

¹⁴ These issues are discussed in detail in other sections of this document. A description of the government’s program can be found in Annex 1. Annexes 4 to 6 present the findings of the Technical (Annex 4), Integrated Fiduciary (Annex 5), and Environmental and Social Systems (Annex 6) Assessments of the NSNP that were carried-out by the World Bank as part of project preparation.

¹⁵ Electronic payments refer to the practice of recording payments to beneficiaries in an electronic format at the point of payment. Authentication is the process by which the payment service provider verifies the identity of a recipient. There are three factors of authentication: 1) something you have; 2) something you know; and 3) something you are or do. The minimum standard for secure financial transactions is to have two factors of authentication.

¹⁶ MGCSD (2011), “Kenya National Social Protection Policy,” Ministry of Gender, Children, and Social Development, Nairobi. The National Social Protection Policy outlines the government’s vision for Social

ensuring that the design and implementation of programs is coordinated; (ii) strengthening and scaling up existing social assistance programs; (iii) putting in place the institutional frameworks to ensure consistent and adequate levels of support; and, (iv) conducting reviews based on standards agreed upon by stakeholders. This policy also mandates the establishment of the National Social Protection Council, supported by the Social Protection Secretariat, which is already in place. As a first step in this reform agenda, the government is establishing a National Safety Net Program (NSNP), which aims to strengthen operational systems while expanding the coverage of cash transfer programs. The government has requested that the World Bank provide support to the NSNP, given the Bank's current engagement with social protection in Kenya. In response, the World Bank has proposed to support the NSNP through a Program-for-Results (PforR) operation, as detailed below.

C. Relationship to the CPS and Rationale for Use of Instrument

12. **The proposed operation is fully aligned with the World Bank's Country Partnership Strategy (CPS) for Kenya (2010-2013).** The second pillar of the CPS aims to address inequality and social exclusion by "*establishing comprehensive and scalable social protection mechanisms.*" The proposed operation aims to support the government in establishing a National Safety Net Program with a view to extending coverage to the unreached population and building capacity to enable the national program to be scaled up in response to shocks. The April 2012 CPS Progress Report highlighted the Bank's intention to support the envisaged safety net program with a Program-for-Results instrument.

13. **The objective of the proposed operation is also in line with the World Bank's Africa Regional Strategy.** The proposed operation aims to contribute directly to realizing the vulnerability and resilience pillar of the Africa Strategy, while helping to improve governance and build public sector capacity. The Africa Strategy identifies the key role that safety nets play in increasing the resilience of households to shocks and reducing their vulnerability. The proposed operation builds on the strong evidence base of the impact of safety nets in Kenya and across Africa and also on good practice in the sector. Additionally, the focus on improving the governance and increasing the accountability of cash transfer programs will help to improve public sector governance more broadly. Finally, the proposed operation also supports the Bank's Social Protection and Labor Strategy in its objective of strengthening social protection systems and extending safety net coverage in low-income countries.

14. **The Bank is well positioned to support the Government of Kenya in establishing the National Safety Net Program.** Through its current engagement in the sector, the Bank has established itself as a knowledge organization that is well positioned to bring international good practice to bear. The Bank has supported a range of analytical work that has strengthened the social protection sector as a whole, while also increasing the efficiency and effectiveness of individual programs. Additionally, the Bank's convening authority in the sector is well recognized, as is its commitment to supporting government-led, multi-donor processes. This approach successfully supported the formulation of the National Social Protection Policy. Finally, World Bank financing to this sector currently enables the provision of safety net support to over 55,000 households through the CT-OVC. The Bank's support for capacity building in the sector has also been extensive both at the program level

Protection in Kenya including its plans for social assistance, social security, and health insurance sub-sectors. Cash transfers fall within the social assistance sub-sector.

(most notably within the CT-OVC) and across the sector, particularly in supporting the establishment and strengthening of the Social Protection Secretariat.

15. **Adopting the Bank’s new Program-for-Results instrument will ensure that the proposed operation effectively supports this government-led agenda.** The PforR instrument has several advantages over alternative instruments, including: (i) supporting delivery of results in the sector, for example by expanding the coverage of cash transfer programs; (ii) creating incentives for the Ministry of Finance (MoF) and line ministries to make multi-annual budget commitments to the sector and to ensure the timely allocation of funds, thus promoting sustainability of these programs; (iii) making it possible to continue and expand the use by cash transfer programs of government systems thus strengthening these systems; and (iv) harmonizing funding from many different sources, while also providing flexibility in the disbursements from the World Bank. A Development Policy Loan would not be as well-suited for the proposed operation because it would not provide the in-depth sectoral and program-specific dialogue required, while a Specific Investment Loan would not be capable of supporting the range of different cash transfer programs that will exist within the NSNP nor support a shift to greater government ownership and financing.

2. PROGRAM DESCRIPTION

A. Program Scope

16. **To realize the objectives of the National Social Protection Policy, the government is establishing the NSNP by creating a framework around which the five principle cash transfer programs will increasingly be coordinated and harmonized.** The five programs that will form part of the NSNP are: (i) the Cash Transfer for Orphans and Vulnerable Children (CT-OVC); (ii) the Hunger Safety Net Programme (HSNP); (iii) the Older Persons Cash Transfer (OPCT); (iv) the Urban Food Subsidy Cash Transfer (UFS-CT); and (v) the Persons with Severe Disability Cash Transfer (PWSD-CT). These five programs all pay cash transfers to targeted households once every two months. The programs are described briefly below and in Table 2.1.

Table 2.1: The Five Cash Transfer Programs that Constitute the NSNP

Program	Year Launched	Implementing Agency	Transfer value ¹	Coverage (FY12/13)	
				Households	Counties
Cash Transfer for Orphans and Vulnerable Children	2005	Department of Children Services (MGCSO)	Ksh. 2,000	150,000	47
Older Persons Cash Transfer	2006	Department of Gender and Social Development (MGCSO)	Ksh. 2,000	55,000	47
Persons with Severe Disability Cash Transfer	2011	Department of Gender and Social Development (MGCSO)	Ksh. 2,000	14,700	47
Urban Food Subsidy Cash Transfer	2011	Department of Gender and Social Development (MGCSO)	Ksh. 2,000	10,200	1
Hunger Safety Net Programme	2007	HSNP Secretariat (NDMA)	Ksh. 1,750	69,000	4
Total				298,900	47

Source: World Bank (2013), “Technical Assessment of the Kenya National Safety Net Program for Results”, World Bank, Washington D.C.

Notes: There are 47 counties in Kenya. ¹per household per month

17. *The Cash Transfer for Orphans and Vulnerable Children* aims to improve the welfare of poor households with orphans and vulnerable children (OVCs),¹⁷ while supporting poverty reduction and income distribution among the poorest in society. The program's main activity is the provision of cash payments to poor households caring for OVCs.

18. The *Older Persons Cash Transfer* aims to strengthen the capacities of older people and improve their livelihood. It targets extremely poor households that include a member aged 65 or older who is not already receiving a pension.

19. The *Persons with Severe Disability Cash Transfer* aims to provide immediate relief from extreme poverty to people with severe disabilities¹⁸ while enhancing their basic rights by providing them with a cash transfer every two months. The program is implemented by the MGCSD on behalf of the National Council for People with Disabilities.

20. The *Urban Food Subsidy Cash Transfer* aims to increase access to food for vulnerable households in urban poor communities in the short term and to help such households engage in longer-term food security and income-generating activities.

21. *The Hunger Safety Net Programme* aims to reduce poverty in the drought-prone arid and semi-arid areas of northern Kenya, by delivering regular cash transfers to extremely poor households in four counties. The program is currently incorporating lessons learned in this pilot phase in the design of a second phase (2013-2017).¹⁹

22. **The government intends the NSNP to focus on these five programs because of their commonalities and the opportunity that they represent to provide more effective safety net support to Kenyans.** There are a number of reasons that the government intends to focus the NSNP on these five programs. First, the programs share similar objectives and implementation requirements, including the need for targeting methods, payment systems, and monitoring and evaluation frameworks, which make it both feasible and desirable to take a coordinated approach. Second, increasing coordination among these programs will make it possible to provide effective safety net support for the vulnerable population at the sector level, while adopting common implementation systems and procedures will make delivering the programs more efficient. Finally, this would be an important first step towards the goal of developing a more integrated social protection system. Over the longer term, further consolidation among these programs is being explored, as is the possible extension of the NSNP framework to other poverty-targeted programs. Box 1 describes how the NSNP fits within the global move towards building social protection systems and international good practice in this regard.

23. **The main objective of the NSNP is to improve the welfare and resiliency of beneficiaries, with the aim of reducing poverty and vulnerability in Kenya.**²⁰ The NSNP will target poor households that are particularly vulnerable because of where they live (the ASALs of Northern Kenya or informal settlements of major urban centers) or because of

¹⁷ OVCs are defined, for the purposes of the program, as children who have lost one or both parents, are chronically ill or who have a caregiver who is chronically ill, and/or live in child-headed households because they have been orphaned.

¹⁸ The program targets people with severe disabilities, who are unable to look after themselves and thus require constant attention of caregivers.

¹⁹ The first phase of the program was a pilot phase that aimed to: (i) test three targeting approaches to determine which would be the most effective at identifying poor households; (ii) establish an effective payment system for delivering transfers reliably and safely; and (iii) demonstrate the effectiveness of cash transfers in fighting hunger and poverty.

²⁰ Please see the NSNP results framework in Annex 2 for more information.

their circumstances (households caring for orphans and vulnerable children, people with severe disabilities, and older people). The objective of the NSNP is to be achieved by implementing activities which contribute to the following six results:²¹

- The most vulnerable and poorest households enrolled in the NSNP.
- NSNP beneficiaries receive appropriate, reliable and accessible payments.
- Citizens are able to appeal and complain to improve program performance.
- Monitoring and learning system is functioning.
- Cash transfer sector is harmonized and government-managed.
- Programs are responsive to shocks.

24. **Most of the program activities will be carried out initially on a program-by-program basis**, but as the NSNP proceeds, the government will exploit opportunities to share functions across programs (as outlined in the sixth result: “the cash transfer sector is harmonized and government-owned”). This will lead to an increasingly consolidated approach to safety net support in Kenya.

25. **First, the government aims to ensure that the most vulnerable and poorest households are enrolled in the NSNP.** This aim is based on the eligibility criteria of the five cash transfer programs that target poor households with members classified as belonging to a vulnerable group (OVCs, older people, and people with severe disabilities) or those located in the ASALs of Northern Kenya or informal settlements in large urban areas. All five programs first target resources geographically, and then, within these geographic areas, identify those households that are eligible for support. Assessments of these programs have found that they are generally well-targeted to eligible households, although concerns are often raised that some households in need of support are not covered because of limited program resources. Additionally, there are reports that targeting for the OPCT, the PWSD-CT, and the UFS-CT is often rushed or poorly implemented because of limited operational resources.

26. Under the NSNP, the government aims to improve the implementation of targeting under the five cash transfer programs. For this, the procedures for the OPCT, PWSD-CT and the UFS-CT were revised during project preparation to respond to the findings of the Technical Assessment and documented in a joint, revised Operations Manual.²² The revised Operations Manual clarifies – and strengthens – the procedures used by the programs to (i) identify those households that are eligible for support, with a particular focus on the initial screening of the eligible population, (ii) the management of beneficiary waiting lists, and (iii) recertification/retargeting procedures, which will be carried-out in response to the findings of irregularities in targeting (or evidence that households no longer require support) through the monitoring and evaluation system or complaint and grievance mechanisms. The targeting procedures for the HSNP have been strengthened by the adoption of a PMT combined with community-based targeting. In addition, each program will have a dedicated operating budget from FY13/14 to, among other things, support the targeting process. Finally, the workflow in the program MISs from the targeting of households to enrolment has been strengthened, as described in paragraph 32.

27. **Second, the NSNP will deliver appropriate, reliable, and accessible payments to beneficiaries.** All programs provide payments that are delivered every two months, although analysis shows that these are often late. These delays arise from (i) the time it takes to carry-

²¹ These six results correspond to the six outputs of the NSNP logframe as presented in Annex 2.

²² See Annex 4 for the findings of the Technical Assessment.

out reconciliations at the end of the payment cycle using the paper-based system and (ii) delays in the release of funds from the Ministry of Finance to the MGCSD. The transfers are currently Ksh 2,000 (US\$24) per month for the programs managed by the MGCSD and Ksh 1,750 (US\$21) per month for the HSNP.²³ Payments for all five programs are made through two independent payment service providers (PSPs): (i) the Postal Corporation of Kenya (PCK), which makes payments to 200,443 households and (ii) Equity Bank, which pays 80,000 households.²⁴ The main elements of these two payment systems are described in Table 2.2.

Box 1: Situating the NSNP within the move towards social protection systems globally

The World Bank's *Social Protection and Labor Strategy* (2012–22) aims to support countries to move from fragmented approaches to social protection to more harmonized systems that ensure more effective coordination across programs. While the approach varies across countries, the Strategy suggests that efforts are usually focused on three areas: building basic management and administrative systems; integrating, harmonizing or coordinating programs; and ensuring policy coherence and a long-term vision.

Kenya is an excellent example of how to put this strategy into operation. In the area of building basic management and administrative systems the NSNP will extend good practice developed by the CT-OVC and HSNP to the three smaller programs managed by the Department of Gender and Social Development and strengthen targeting, payments, complaint and grievance systems. Support to the integration, harmonization and coordination of programs will be achieved through the development of a strategy to consolidate the four programs currently managed by the MGCSD, the adoption of a common monitoring and evaluation framework and the establishment of a single registry. Notably, the broader policy context for social protection in Kenya envisions this shift from programs to systems both for social assistance and social protection more broadly. With regards to building a social protection system, beyond the NSNP, the government is considering how to extend the single registry to all poverty-targeted programs and to create linkages between the NSNP and the National Health Insurance Fund and youth employment schemes.

In many areas, the NSNP is replicating international good practice with regard to the delivery of safety net support. The single registry, which is a relatively new concept in Africa, builds particularly on Brazil's experience with such a registry. The delivery of payments electronically using biometric smartcards and to bank accounts points to how innovations in ICT and the finance sector can be harnessed to improve the security and reach of safety nets. Finally, the NSNP provides a clear demonstration of how African countries may move beyond the current fragmentation of safety nets, with many small donor-financed programs providing limited, time-bound coverage, to a government-managed system.

²³ The HSNP transfer is expected to increase to KSH 2,300 from July 2013 (US\$27)

²⁴ Based on the payroll for September 2012. This is less than the number of households that the government intends to have enrolled by the end of FY2012/13, which is 289,000.00

Table 2.2: Payment Mechanisms Used in Cash Transfers in Kenya

	Postal Corporation of Kenya	Equity Bank
Programs	CT-OVC, OPCT, PWSD-CT, UFS-CT	CT-OVC, HSNP
Paypoints	Post office branches	Equity Bank agents / HSNP agents
Payment Instrument	-	Smart card
Payment Device	-	POS
Authentication Process	One-factor	Two-factor
Authentication factors	National ID/Program ID	Smart Card + biometric
Communication Channel	Offline	Online/offline
Reconciliation Process	Manual	Electronic
Cost per Transfer	Ksh 60	Ksh 100
Cost as % of Value of Transfer	1.5%	CT-OVC 2.5%/ HSNP 2.9%

28. Under the NSNP, the government intends to address some weaknesses in the current systems by, among others, working towards ensuring that future contracts with PSPs (i) comply with the country’s new Anti-Money Laundering Act, which requires that PSPs be regulated financial service providers;²⁵ (ii) use mainstream payment infrastructure (the *de facto* standard is two-factor authentication using a *magstripe* card and PIN); and (iii) include performance standards on the timely delivery of transfers to beneficiaries. This may lead the government to modify the current contracts with the PSPs or initiate a new tendering process. More immediately, during project preparation, the capacity of the Social Protection Secretariat and four programs in the MGCS D was strengthened to better manage the contracts with the existing PSPs and to identify and address the constraints in the flow of funds through government systems that lead to late payments to beneficiaries. A Payment Working Group will also be established to oversee, and support, this work. Improving the flow of funds through government systems, together with the adoption of the new management information systems (see paragraph 32) is expected to significantly improve the predictability of payments to beneficiaries.

29. **Third, the NSNP aims to ensure that all programs have a functional complaint and grievance mechanism to strengthen demand-side accountability.** Two of the five programs have established complaint and grievance mechanisms and means of informing communities about the existence of these mechanisms and rules of the programs. The HSNP Rights Committees ensure that beneficiaries are aware of their rights in the program, collect complaints and grievances, and channel them to program managers for action. The CT-OVC has a complaint and grievance mechanism that channels beneficiaries’ feedback on the program’s performance to management. Additionally, the CT-OVC Locational Committees (LOCs) at local level conduct awareness-raising sessions including on complaints and grievances. To better ensure the rights of beneficiaries, the CT-OVC is in the process of establishing Beneficiary Welfare Committees (BWCs) that are responsible for supporting program implementation once beneficiaries are enrolled, that is, with regards to informing

²⁵ The other requirements are as follows: (i) all payments must be made in real time online; (ii) banks must fulfill stringent “know your customer” checks, thus making it almost impossible to provide payments to recipients without a national ID; (iii) agents cannot be exclusive to a single bank; and (vi) no systems can be used that are based on technologies or standards that cannot be integrated with other elements of the national payment system.

beneficiaries of payments and forwarding complaint and grievance to program managers. The CT-OVC and HSNP have developed Service Charters, which details the rights and responsibilities of beneficiaries under the programs. The other three programs currently rely on the existing government anti-corruption committees within MGCSO to receive and respond to complaints and grievances.

30. During project preparation, the MGCSO designed a complaint and grievance mechanism for the OPCT, PWSD-CT and UFS-CT, which is being documented in a revised Operations Manual. These three programs will use a harmonized complaint and grievance system building on the experience of the CT-OVC. For this, LOC and BWCs are being established and sensitized on how to field complaints from program beneficiaries and non-beneficiaries, escalating sensitive complaints to higher levels for action. A hotline will be operated by the Department of Gender and Social Development to provide a route for people to raise concerns with the programs that is independent from front-line implementers. In addition, these three programs are formulating Service Charters that will inform beneficiaries of their rights and entitlements under the programs.

31. All five programs that constitute the NSNP are in the process of developing procedures for recording the complaints and grievances that were lodged at national-level or escalated to national program managers in a dedicated module in their management information systems (MIS). This will enable consolidating reporting by the Social Protection Secretariat, which will be carried-out on a six-monthly basis and shared with the World Bank and partners. Finally, the monitoring and evaluation framework for the NSNP includes indicators to monitor the functioning of the complaint and grievance mechanisms, including an assessment of the time it takes for feedback to be given to people who lodge complaints.

32. **Fourth, the government has established a monitoring and evaluation system for the NSNP that includes improved program MISs and a Single Registry.** The government has developed a Monitoring and Evaluation (M&E) framework for the NSNP. The framework includes a number of indicators to monitor progress in program implementation. The MISs of each of the programs will be enhanced to ensure they have the capability to produce regular monitoring reports. All five programs have an MIS, but, until recently, only two of the programs had well-functioning MISs, while the other programs used less efficient Excel-based systems. The HSNP MIS, which is an open source MIS, has been adapted for use by the CT-OVC, the UFS-CT, PWSD-CT and OPCT, thereby creating common standards and functionality across the MISs for the NSNP, including automatic links with the Single Registry, a common database within which information on the beneficiaries of all five cash transfer programs is consolidated. This registry will: (i) provide policymakers with a consolidated source of information on cash transfer programs; (ii) make it possible to cross-check beneficiary lists to reduce the possibility of individuals benefitting unintentionally from more than one program;²⁶ (iii) strengthen the process for verifying beneficiaries' identities by linking the single registry with the central civil registration system (the Integrated Population Registration Service); and (iv) be a foundation for creating other common delivery systems, including payment systems, which will reduce the costs associated with delivering benefits.

²⁶ While the government acknowledges that a single household may experience multiple vulnerabilities, and thus would be eligible for support from more than one program, because of the very small size of the programs, a decision was made to restrict access to these programs so that more households could benefit. Therefore, once a household is enrolled in one program, it ceases to be eligible for support from any other program.

33. The OPCT, PWSD-CT and UFS-CT have migrated the data on beneficiary households from their Excel-based system to the programs' new MISs. This process identified a number of households with duplicate names or ID number. In response, the programs have ceased payments to these households while they investigate the source of these issues.²⁷ The CT-OVC has similarly migrated to the new, enhanced MIS and is also investigating cases of duplicate names and IDs. The government has adopted a policy that, going forwards, all beneficiary households must include at least one adult with a valid national ID to be considered for enrolment in the programs. This will allow the programs to systematically carry-out the checks with the Single Registry and IPRS described in paragraph 32.

34. **Fifth, under the NSNP, steps will be taken to ensure that the cash transfer sector is harmonized and government-managed.** With the aim of gradually harmonizing the five cash transfer programs that constitute the NSNP, the government intends to carry out a functional review to inform a consolidation of the four cash transfer programs that are managed by the MGCSD. This review will also assess the current capacity of the cash transfer programs to delivery on their objectives. The findings of this capacity assessment will be used to formulate a plan for capacity building to the NSNP. The government will also move all financing for the five cash transfer programs on-budget and begin financing the HSNP from its general revenue. This process is already well advanced: the FY13/14 budget includes funding from DFID for the HSNP and a government contribution to the HSNP.

35. **Sixth, government intends to put in place the capacity to scale-up the NSNP to respond to shocks.** International evidence shows that this approach is often more effective at protecting livelihoods than emergency food aid. The National Drought Management Authority (NDMA) and the, to be established, National Drought and Disaster Contingency Fund (NDDCF) provide a foundation for this approach, including an established early warning system and local contingency plans. The aim is for the NSNP to have a designated source of contingency financing within the NDDCF. Then, when an agreed set of early warning indicators is triggered, the program can use those contingency funds to extend cash transfer support to populations affected by a shock. This approach is particularly relevant for the HSNP, which operates in drought-prone areas, and is managed by the NDMA, and thus, the initial efforts to build this capacity will focus on the HSNP.

36. **In addition, achieving the objective of the program requires that the NSNP should gradually expand its coverage.** Over the next five years, the coverage of the NSNP will slowly increase from 1.65 million to 3.30 million people, at which time the NSNP will cover 17 percent of the absolute poor population and 8 percent of the population.²⁸ To reach these targets, total financing for the NSNP will need to more than double from Ksh 8.04 billion (US\$95.76 million) in FY12/13 to Ksh 20.08 billion (US\$ 238.99 million) in FY 17/18. At present, there are strong commitments from the government and development partners to mobilize this amount of financing. To ensure that these streams of resources complement one another and they are fiscally sustainable, a medium-term expenditure and financing framework (MTEFF) has been developed and agreed to by the government and development partners. Table 2.3 presents the sources of financing for the NSNP as detailed in this MTEFF.

²⁷ There are many common names in Kenya and past weaknesses with the civil registration system has led to the government issuing duplicate IDs. As a result, instances of duplicate names and IDs cannot be assumed to be a result of fraud without further investigation.

²⁸ This calculation assumes perfect targeting, which is unlikely to be achieved in practice.

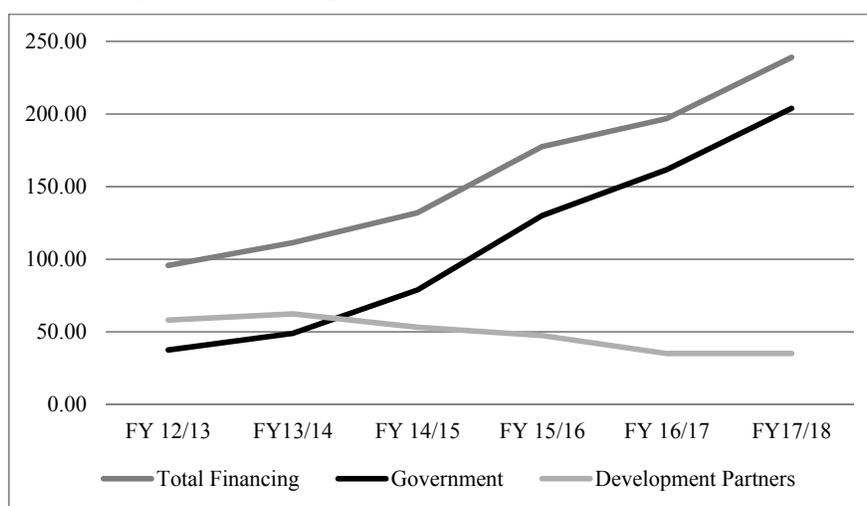
Table 2.3: Budget and Sources of Financing for the NSNP, by fiscal year, US\$ millions

	FY12/13	FY13/14	FY14/15	FY15/16	FY16/17	FY17/18	Total
Budget	95.76	111.43	132.04	177.57	196.88	238.99	952.68
Sources of Financing:							
Government	37.58	49.00	78.86	130.13	161.77	203.89	661.23
<i>of which PforR operation</i>		20.00	32.50	70.90	67.40	59.20	250.00
DFID	33.74	48.11	48.86	43.12	30.79	30.79	235.40
SIDA	3.03	3.03	3.03	3.03	3.03	3.03	18.16
UNICEF	1.30	1.30	1.30	1.30	1.30	1.30	7.78
World Bank	20.11	10.00					30.11
Total Financing	95.76	111.43	132.04	177.57	196.88	239.00	952.68

Notes: (i) Financing figures from development partners for FY17/18 are indicative only and are based on the assumption that current commitments from FY16/17 continue. (ii) DFID resources include financing from AusAid to the HSNP. (iii) World Bank financing in FY12/13 and FY13/14 reflects the IDA financing to the CT-OVC Project.

37. **Importantly, there is a need to balance the aim of increasing safety net coverage with the need to ensure the long-term sustainability of the NSNP.** The government is committed to gradually taking over the funding that is currently being provided by development partners while simultaneously increasing the number of people who benefit from these programs. This will amount to a significant increase in government financing for cash transfer programs, rising from an annual budget of Ksh 3.16 billion (US\$37.58 million) in FY12/13 to 17.13 billion (US\$203.89 million) in FY17/18. In proportional terms, according to the MTEFF, government financing will increase from 39 percent of total NSNP financing in FY12/13 to 85 percent in FY17/18 (see Figure 2.1).

Figure 2.1: Projected financing for NSNP in USD millions, FY12/13 to FY17/18



38. **The government has begun to formulate an expansion plan that will guide the five programs as they begin to increase their coverage.** Program managers will use analysis of the most recent poverty and vulnerability data to identify those geographic areas within which they will target and enroll new beneficiary households. This process will be coordinated by the Social Protection Secretariat to ensure that the expansion of the five programs is harmonized and that key policy questions are addressed, such as whether multiple programs should operate in the same geographic area. This expansion plan will be

based on the MTEFF to ensure that the government and development partners are able to finance the proposed expansion.

39. **While ambitious, the increasing coverage of, and increasing government financing to, the NSNP, is deemed to be sustainable.** Firstly, the proposed annual increase in government financing to the NSNP would be used, in part, to support an increasing number of households that are currently being financed by development partners, thus avoiding a situation whereby the government must suddenly begin financing a large number of households in 2017, when development partner financing ends. Secondly, the proposed increase in government financing to the NSNP would require that a very small percentage of the government's annual additional revenue arising from economic growth (as estimated by the IMF model), which is deemed to be affordable. Thirdly, the NSNP, and development partner support to it, includes a number of activities to build the capacity of the government to ensure that it is able to sustainably implement the program once it has achieved a significantly increased scale (paragraph 58).

40. **Finally, the government is seeking to reform the delivery of cash transfers by changing the way in which the five cash transfers that constitute the NSNP are delivered.** The government aims to improve the delivery of cash transfers by slowly moving towards more consolidated programming. Opportunities to move in this direction have emerged differently. For example, the adoption of the M&E framework for the five programs that constitute the NSNP significantly improves the coordination and harmonization among the five programs, as each produces the same monitoring data to input into a single report for the NSNP. The roll-out of the common MIS system across all five programs, with automatic links to a single registry, similarly moves the NSNP in this direction. At the same time, the MGCSO has adopted a single Operations Manual for OPCT, PWSD-CT and UFS-CT and is in the process of establishing common implementation arrangements at local levels. As a result, a number of core processes, such as the complaint and grievance systems, for these three programs are being consolidated. The MGCSO will explore options to further consolidate the four programs it manages through the consolidation strategy discussed in paragraph 34.

B. Program Development Objective

41. The Program Development Objective (PDO) for the PforR operation is *“To support the Republic of Kenya to establish an effective national safety net program for poor and vulnerable households”*. To this end, the operation will focus on achieving results in three areas:

- a. Expanding cash transfer programs to promote more comprehensive and equitable coverage
- b. Strengthening program systems to ensure good governance
- c. Harmonizing cash transfer programs to increase the coherence of the safety net sector

42. The PDO is embedded in the government's M&E framework for the NSNP and is aligned with the objectives of the program. To achieve the PDO, the World Bank's operation will support all activities taking place under the five cash transfer programs that constitute the NSNP.

C. Program Key Results and Disbursement Linked Indicators

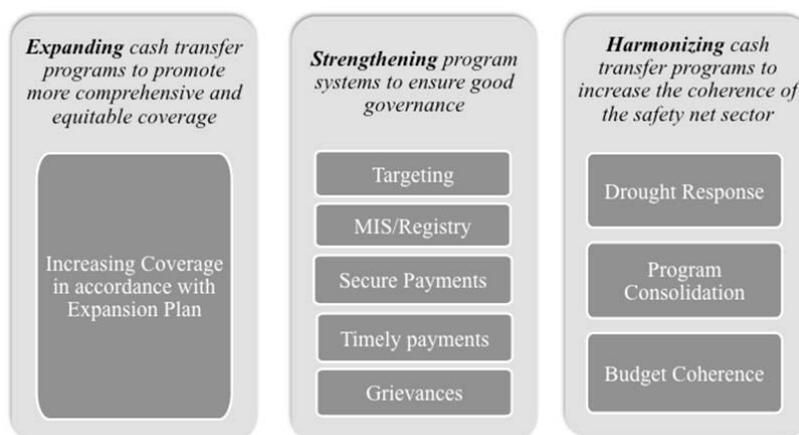
43. **The government's M&E framework for the NSNP will measure progress towards the achievement of the PDO.** As detailed in the M&E framework for the NSNP, progress towards achieving the PDO will be measured by:

- The net change in the monthly consumption expenditure among beneficiary households, reflecting the positive impact of the program on beneficiaries' welfare.
- Number of NSNP beneficiaries, reflecting the increasing coverage of the NSNP.
- Percent of NSNP beneficiaries who conform to program targeting criteria, reflecting improvements in the implementation of the targeting methods
- Percent of payments disbursed to payment service providers on time, reflecting the delivery of timely payments to beneficiaries.

44. Additionally, the M&E framework includes nine indicators that will provide an assessment of progress in each of the three intermediate results areas, as detailed in Annex 2.

45. **The PforR operation aims to help the government to achieve the key results required to deliver the objectives of the NSNP.** The key aim of the government for the NSNP is to expand the coverage of cash transfers in an equitable manner. The three Assessments carried out as part of the preparation of this PforR²⁹ as well as the Bank's dialogue with government have highlighted that, to deliver an effective safety net for poor and vulnerable households, the government will also need to (i) strengthen the implementation and oversight of the five programs that constitute the NSNP to ensure good governance; and, (ii) increase coordination among the five programs and thus improve sectoral harmonization. To this end, nine disbursement-linked indicators (DLIs) have been selected from the government's M&E framework for the NSNP and the action plans from the three Assessments to promote the achievement of results in these areas. Figure 2.2 presents an overview of these nine DLIs. The rationale behind the selection of each of the DLIs for the operation is described in Table 2.4. Annex 3 discusses the DLIs and verification protocols in more detail.

Figure 2.2: Overview of Program-for-Results focus and Disbursement Linked Indicators



46. **The nine DLIs have been selected because they represent key steps in the results chain for the NSNP or critical activities to strengthen operational systems.** The first DLI aims to promote the equitable expansion of the NSNP. Progress towards this DLI will be

²⁹ The three Assessments were a Technical Assessment, an Integrated Fiduciary Assessment, and an Environmental and Social Systems Assessment. The findings of these three Assessments are briefly summarized in section 4 below and in Annexes 4, 5, and 6. The full reports are all available in the project file.

measured through four disbursement-linked results (DLRs).³⁰ The second set of DLIs aims to strengthen core operating systems that, together, will better ensure that the right people are paid the right amount at the right time: a core governance concern for any safety net program. These five DLIs aim to promote incremental improvements in program systems and thus each will be assessed twice during the life of the PforR operation.³¹ The final set of DLIs aims to promote harmonization in the safety net sector through the adoption of new systems and a mechanism by which cash transfers can respond to shocks on the basis of transparent shared information.

Table 2.4: The rationale behind the Disbursement Linked Indicators

Disbursement-linked Indicators	Rationale
I. Expanding Cash Transfers to Promote More Comprehensive and Equitable Coverage	
<i>DLI 1: Number of additional households enrolled in the NSNP according to expansion plan.</i>	The government aims to gradually expand the coverage of cash transfer programs as a way to fully realize the constitutional right to social assistance. Presently, each program sets expansion targets based on its available budget according to differing principles and therefore, despite increasing geographic overlap among programs there is little consideration for how programs work in the same area and the overall equity of coverage. Furthermore, there has been limited long term planning for all five programs resulting in unpredictable government funding and a heavy reliance on donor funding for two of the five programs. This DLI aims to ensure that the government coordinates expansion among programs on the basis of objective poverty and vulnerability criteria. It also aims to ensure that government financing to the NSNP is predictable, that commitments are made in advance, and that the government finances an increasing proportion of the NSNP, thus ensuring long-term sustainability.
II. Strengthening Program Systems to Ensure Good Governance	
<i>DLI 2: Percent of program beneficiaries who conform to the targeting criteria for the program in which they are enrolled.</i>	The cash transfer programs that constitute the National Safety Net Program have clearly defined eligibility criteria. Reviews have found that the programs generally select beneficiaries who meet these criteria. There are concerns, however, that in some areas targeting has been rushed or implemented poorly, resulting in the inclusion of beneficiaries who are not eligible for program support, however there is no up-to-date information on targeting accuracy for all five programs. This DLI aims to strengthen the implementation of targeting and recertification by the five programs.
<i>DLI 3: Single registry is fully operational with program MISs using agreed standards for internal payroll controls.</i>	The current targeting and verification procedures provide limited scope to use already existing data to corroborate household eligibility for program support. Moreover, while the programs' MISs are used to generate the payrolls, there has been little use made of their potential to support internal controls and minimize leakage. This DLI aims to (i) strengthen the verification of beneficiary eligibility by adopting a single registry to share information on beneficiaries among the five programs and with the civil registration system, and (ii) improve the internal controls on the program payrolls. As this DLI aims to strengthen core operating systems, it will be assessed once early in the life of the operation to confirm that

³⁰ While the DLIs express what is trying to be achieved, the DLRs state the specific targets against which progress will be assessed before funds are released. Most DLIs have more than one DLR. In some cases these simply represent differing percentages of achievement required (such as what percentage of timely payments meet the disbursement threshold. In other instances they may measure different aspects of meeting a DLI (such as the establishment of complaint and grievance mechanisms and the need for people to know how to access them).

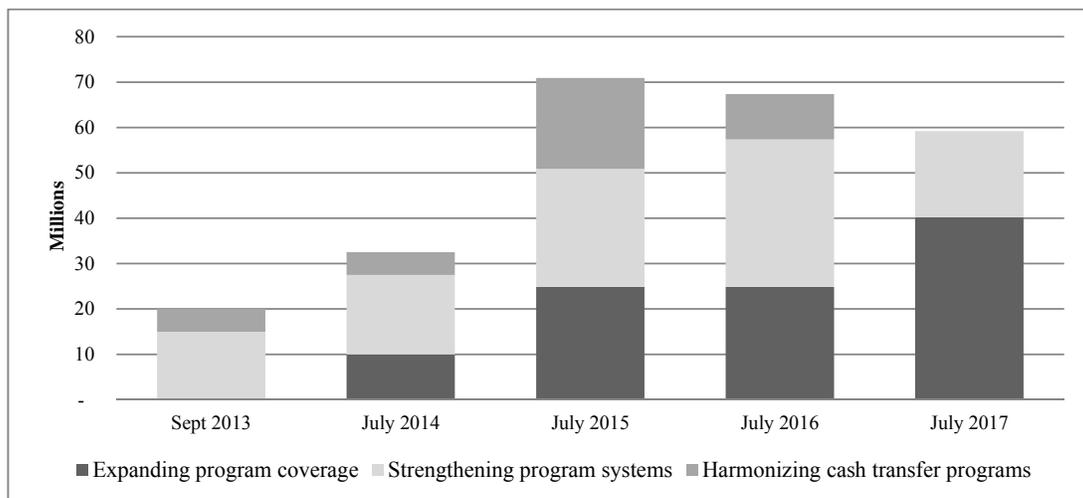
³¹ The specific protocols for how progress will be assessed are detailed in Annex 3.

	the basic systems are operational, with more complex system requirements being assessed during Year 3 of the operation.
<i>DLI 4: Percent of NSNP payments made electronically using two-factor authentication</i>	An essential component of a cash transfer program is a payment mechanism that delivers payments securely to the intended recipients. While the payment mechanisms for the cash transfer programs have improved significantly, the majority of payments are made using a paper-based system with only limited authentication of beneficiaries' identity. This DLI aimed to gradually increase the use of payment service providers (PSPs) that (i) make payments electronically and (ii) use two-factor authentication.
<i>DLI 5: Percent of payments disbursed to Payment Service Providers on time.</i>	To be an effective safety net, the NSNP needs to provide regular, predictable payments to beneficiaries. Analysis shows that payments made by the five cash transfer programs are often late, in other words, they arrive after the scheduled dates for the payments. A main source of these delays is (i) the length of time it takes to perform reconciliations at the end of each payment cycle and (ii) the late release of funds by the Ministry of Finance. These two factors result in the late disbursements by the programs to the PSPs. This DLI aims to ensure that an increasing proportion of payments are made to beneficiaries within the scheduled payment period, by improving the timeliness of disbursements to PSPs.
<i>DLI 6: Functional complaint and grievance mechanisms.</i>	International evidence shows that safety nets are more effective when citizens are able to hold decision-makers to account. Experience in Kenya shows that this can be achieved by having a well-functioning complaint and grievance mechanism. Two of the five cash transfers have a complaint and grievance mechanism, which is being strengthened, while the other three programs are in the process of establishing them. For a complaint and grievance mechanism to function well, beneficiaries need to be aware of their rights and responsibilities under the program. Evidence shows, however, that many beneficiaries are not aware of the program's procedures for addressing their concerns. This DLI aims to promote the establishment and maintenance of well-functioning complaint and grievance mechanisms within the NSNP, including promoting an understanding of these mechanisms among beneficiaries.
III. Harmonizing Cash Transfer Programs to Increase the Coherence of the Safety Net Sector	
<i>DLI 7: System for scaling up the NSNP as part of the national drought risk management system.</i>	At present, none of the five cash transfer program has the ability to rapidly scale up its coverage or increase the amount of support it provides in response to shocks. This limitation undermines the ability of these programs to provide effective safety net support to poor and vulnerable households. While the government aims to create the systems and procedures for the NSNP to scale-up in response to shocks, as a first step, these efforts will focus on creating this capacity in the HSNP, which operates in drought-prone areas. This DLI therefore aims to create such a drought-response capacity within the HSNP, closely linked to the government's existing drought risk management system.
<i>DLI 8: Strategy for consolidating the cash transfer programs.</i>	The four programs currently implemented by the MGCSD each have dedicated staff, but their numbers and skill mix tend to be insufficient. Meanwhile, the programs aim to reach similar target groups and many operate in the same geographic area. This DLI promotes (i) the adoption of a plan to consolidate these four cash transfer programs to take advantage of any economies of scale and streamline implementation arrangements; and (ii) the subsequent implementation of this plan.
<i>DLI 9: The government finances the HSNP in line with policy commitments</i>	Safety nets are, by design, long-term interventions that require multi-annual commitments and financing by government to ensure long-term sustainability. Unlike the other four programs, the HSNP is fully donor-financed. The government has made a commitment to begin financing the HSNP but this has yet to be realized. This DLI aims to initiate government financing to the HSNP to promote the financial sustainability of the program.

D. Disbursement Arrangements and Verification Protocols

47. **Disbursement Arrangements:** The nine DLIs selected for the PforR operation reflect key results the government aims to achieve with the NSNP or critical systems strengthening activities that are required to mitigate the risks identified through the three Assessments, as discussed above. Within this set of DLIs, each has been allocated a specific amount of the PforR resources, with the overall allocation of resources reflecting the relative importance of each of the results' areas. Accordingly, US\$ 100 million has been allocated to the DLI to expand program coverage, a key objective of the NSNP. The DLIs related to improving the functioning of the complaint and grievance mechanisms (US\$ 35 million), upgrading the program MISs and establishing the single registry (US\$25 million), improving the targeting (US\$20 million), and establishing a system to respond to shocks (US\$ 20 million), are allocated higher amounts than the other DLIs to again reflect their relative importance for achieving the objectives of the NSNP. US\$15 is allocated to the remaining DLIs, with the exception of DLI 9, for which US\$ 5 million has been allocated. The resulting disbursement profile for the PforR operation is shown in Figure 2.3.

Figure 2.3: Indicative Program for Results Disbursements Profile, in US\$ millions



48. The timeframe for achieving each of the DLIs (and their associated DLRs), as shown in Table 2.5, has been designed to take into account the government's need for budget predictability and flow of funds. An assessment of progress towards the DLIs will be carried out in September/October of each year by the government and World Bank in order to inform the preparation of the government's budget for the following fiscal year. The DLRs (the specific targets) will then be formally assessed in late April/early May of each calendar year so that the Bank can then make the PforR resources available to the government at the start of the following fiscal year in July. To provide greater certainty over its annual budget, the government may request an advance of up to 25 percent of the operation. This will possibly be done on a revolving basis in anticipation of meeting the DLRs in the future. Once it has achieved the results for which the advance was made, the government may choose to request another advance for the subsequent fiscal year against another DLR.

Table 2.5: Total Amount per DLI, in US\$ millions, and Indicative Disbursement Schedule

Disbursement-linked indicators	Value US\$ million	Schedule				
		Sept 2013	July 2014	July 2015	July 2016	July 2017
1: The number of additional households enrolled in the NSNP according to the expansion plan	100		10	24.9	24.9	40.2
2: Percent of program beneficiaries who conform to the targeting criteria for the program in which they are enrolled	20		5		15	
3: Single registry is fully operational with program MISs using agreed standards for internal payroll controls	25	15		10		
4: Percent of NSNP payments made electronically using two-factor authentication	15			6		9
5: Percent of payments disbursed to Payment Service Providers on time	15		7.5		7.5	
6: Functional complaint and grievance mechanisms	35		5	10	10	10
7: System for scaling up the NSNP as part of the national drought risk management system	20			20		
8: Strategy for consolidating the cash transfer programs	15		5		10	
9: Government finances the HSNP in line with budget and policy commitments	5	5				
Total	250	20	32.5	70.9	67.4	59.2

49. A number of the DLIs are scalable, which means that the amount disbursed can be proportional to the progress made towards achieving the relevant result. This is calculated as the net change from the baseline divided by the percentage improvement required by the DLI. Also, non-achievement of a DLI by the indicative time will not result in immediate loss of the allocated resources; subsequent achievement of the DLI target (either full or partial) during the project period will enable the government to access the allocated resources depending on the level of achievement. Conversely, should a DLI be achieved earlier than indicatively scheduled, the government may request disbursement of resources commensurate with the actual result achieved at that time.

50. **Verification Protocols:** The achievement of the results detailed in the DLIs will be verified in ways that are both credible and sustainable by using, to the fullest extent possible, existing government systems for oversight and monitoring. In this way, the operation will contribute to strengthening these systems. The verification protocols vary according to the nature of the DLI. These are summarized below and in Table 2.6. Annex 3 discusses these verification protocols in detail.

51. A number of DLIs aim to reform the systems and procedures of the five cash transfer programs that constitute the NSNP. These DLIs (DLIs 3, 6, and 9) will be verified, in part, through a review of the Operations Manuals for the programs to assess if the reforms have been institutionalized as intended. For these DLIs, the Social Protection Secretariat will submit the Operations Manuals to the World Bank and partners. For those reforms that would not be documented in the Operations Manuals, such as the plan to consolidate the four cash transfer programs in the MGCSD and the assignment of staff to the programs to carry-out specific functions, these will be documented in letters from the MGCSD to the World Bank,

with the appropriate attachments, as evidence of the adoption of these reforms by senior management.

52. The implementation of these reforms, as detailed in the Operations Manuals, will also be assessed through independent reviews to determine if the systems are functioning as intended. As the internal auditor does not yet have the capacity to carry-out a systems audit of the program MISs and Single Registry, an independent agency will be contracted to assess the functionality of the program MISs and the Single Registry and program MISs (DLI 3) through an MIS/SR Systems Assessment. The agency will submit a report on this assessment to the World Bank.

53. The programs regularly collect administrative data on the performance of the program with regards to payments, which will be used to assess progress towards the DLIs that aim to promote the use of PSPs making payments using electronic, two-factor authentication (DLI 4) and to improve the timeliness of payments (DLI 5). Administrative data will also be analyzed to assess progress towards DLI 1 related to the number of households enrolled in the NSNP and paid by the government. The five programs will each produce a report on progress toward the relevant DLI that analyses the data in the MISs and, as required, financial data. These reports will be verified by the Social Protection Secretariat, which will then submit them to the World Bank. These data, and the associated analysis, may be included in the performance reports that the programs will regularly submit to the Social Protection Secretariat.

54. To reach three DLIs, the government is required to allocate financing to the NSNP to support the planned increase in coverage (DLI 1), to the NDDCF (DLI 7) and to the HSNP (DLI 9). For these DLIs, the Social Protection Secretariat will submit to the World Bank the government's annual budget to confirm that these financial commitments have been made.

Table 2.6: Summary of proposed arrangements for DLI Verification

DLI	Data Source	Sept 13	July 14	July 15	July 16	July 17	Verification Arrangements
2, 6	PIBS survey		✓	✓	✓	✓	Independent third-party carries-out survey
3	MIS/SR Systems Assessment	✓		✓			Independent third-party carries-out assessment
3, 6, 7	Operations Manuals		✓	✓	✓		Social Protection Secretariat verifies and submits to the World Bank
1, 4, 5	Administrative data from program MISs		✓	✓	✓	✓	Programs analyze data and prepare reports, which are verified by the Social Protection Secretariat
8, 7	Written evidence of adoption reforms by senior management		✓	✓			Letters from the MGCSD to the World Bank, with the appropriate attachments (DLI 8); gazette legal notice of NDDCF and MoU between NDDCF and NDMA (DLI 7)
1, 7, 9	Government's annual budget	✓		✓	✓	✓	Social Protection Secretariat submits to the World Bank

55. Finally, progress towards the DLIs which aim to promote improvements in quality of targeting (DLI 2) and the functioning of the complaints and grievances (DLI 6) will be assessed through the annual Program Implementation and Beneficiary Satisfaction (PIBS) Survey. The Social Protection Secretariat will contract an agency to carry out the annual

PIBS survey. This survey will be based on a sample of all existing NSNP beneficiary households and interviews with front-line implementers, including the Beneficiary Welfare Committees/Rights Committees.

56. **Assessment of verification entities:** While the Social Protection Secretariat is currently located in the MGCSO, it will be accountable to the National Social Protection Council, once established. As part of its mandate, it will coordinate the NSNP (as discussed in paragraph 61) and, as it is not involved in program implementation, is independent from the five programs that constitute the NSNP. As the program coordinator, the Social Protection Secretariat will produce regular performance reports on the NSNP and will commission the annual PIBS survey, which provides an independent review of implementation performance. This, together with its management of the Single Registry, provides the Social Protection Secretariat with the authority to reliably verify the progress made towards the DLIs by the five programs that constitute the NSNP. To enhance transparency, the Social Protection Secretariat will publish the annual NSNP progress reports on its website, in addition to its regular reporting to Parliament.

57. The Secretariat is run by a cadre of dedicated staff, including staff members dedicated to monitoring and evaluation and to managing the Single Registry. The Secretariat is currently reviewing its functions and filling staff positions in anticipation of its new role in supporting the National Social Protection Council and to coordinating the NSNP. To this end, it is recruiting a number of short-term staff members to enhance its capacity in financial management, procurement, and payment services, among others.

E. Capacity Building and Technical Assistance to the NSNP

58. **To achieve these results, the government will need to make significant investments in staffing, systems and infrastructure.** Many of these results will require significant investment from the government to establish or strengthen the required systems and procedures and also to employ enough staff. The government is providing from FY13/14 dedicated operating budgets to all five programs, equivalent to 15 percent of the total program costs. This percentage was set based on the experience of the CT-OVC program, which has had an operating budget since it was established; the sufficiency of these budgets will be reviewed on an ongoing basis. The operating budgets will be used to support effective program implementation, particularly activities related to targeting, payments, complaints and grievances and monitoring and evaluation. The government is also considering how to augment the staffing levels in the programs and the Social Protection Secretariat to ensure that these are close to the level required to implement and coordinate program activities.

59. **Technical assistance will also be needed, particularly in the short- and medium-term to support program implementation.** The three Assessments carried out as part of project preparation identified a range of technical assistance required to support the achievement of the objectives of the NSNP. Some of the technical assistance requirements have been detailed in the Program Action Plan (PAP, see Annex 8) and include the need for help with the payment architecture of the NSNP, monitoring and evaluation (including the program MISs and the management of the single registry), establishing the complaint and grievance mechanisms (including rolling out a communication strategy), and putting in place the systems and procedures to enable the NSNP to expand in response to shocks. These needs will be detailed further based on the outcome of a planned Functional Review and the results of the ongoing ministerial restructuring (see paragraph 64). The Functional Review will assess the capacity of the cash transfer programs that constitute the NSNP to deliver on their

objectives and propose means of consolidating the four cash transfer programs managed by the MGCSD.

60. Development partners will provide a coordinated stream of financing to the government for technical assistance to support the achievement of these results. In recognition of the size of the investments required to achieve the desired results of the NSNP, the World Bank and other development partners will provide dedicated resources to finance the technical assistance. The World Bank intends to use the existing IDA-financed CT-OVC Project to provide this support through additional financing. This is consistent with the objectives of the CT-OVC project, which includes a component that supports the social protection sector overall and the additional financing will expand activities under that component. To this end, the closing date of the Project will be extended for three years to overlap with the implementation period of the PforR.³² DFID has already contributed resources through the CT-OVC Project for this purpose. Other development partners have indicated their intention to provide support to the NSNP through Appropriations in Aid, such as consultants to support the Social Protection Secretariat. In addition, other development partners, such as the World Food Program (WFP), are exploring how to align their support to the NSNP.

3. PROGRAM IMPLEMENTATION

A. Institutional and Implementation Arrangements

61. **National Oversight:** The government is in the process of establishing the National Social Protection Council, which will provide overall policy direction and oversight for social protection in Kenya.³³ The Council will be supported by a Social Protection Secretariat, which is already established and currently located within the MGCSD. The Social Protection Secretariat will oversee the implementation of the National Safety Net Program, including assessing the program's implementation according to the monitoring and evaluation framework, producing management reports, maintaining the single registry, and updating the MTEFF and expansion plan. It is not involved in program implementation.

62. The National Safety Net Program Steering Committee is being established to provide oversight of the program and to address key policy and operational issues as they may arise. This Steering Committee will be chaired by the principle secretary of the ministry responsible for social assistance and comprised of relevant senior managers within the Social Protection Secretariat, Treasury, the Department of Gender and Social Development, the Department of Children Services, and the National Drought Management Authority. The Steering Committee will be supported through a Technical Working Group, which will regularly monitor implementation progress.

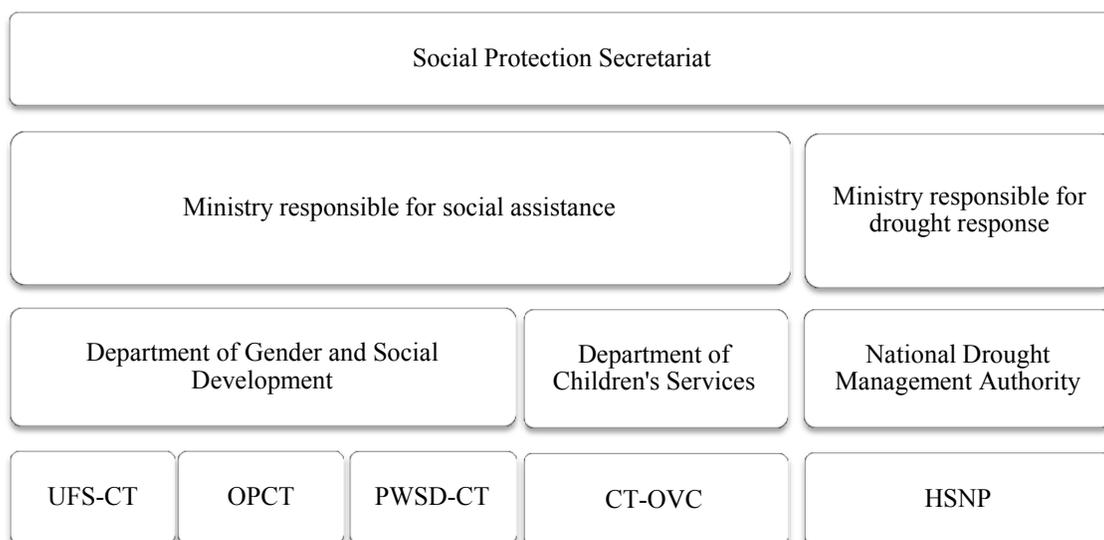
63. **Program Management:** As outlined in Figure 3.1, the HSNP is managed by the National Drought Management Authority, a state corporation, the CT-OVC is implemented by the Department of Children's Services within the MGCSD, and the remaining three cash transfer programs (the UFS-CT, the OPCT, and the PWSD-CT) are implemented by the Department of Gender and Social Development, which is also within the MGCSD.³⁴

³² CT-OVC IDA CR-4553. The project is rated satisfactory and is scheduled to close on December 31, 2013.

³³ The National Social Protection Policy mandates the establishment of this council.

³⁴ The National Council for People with Disabilities also plays a role in the PWSD-CT. The National Development Fund for Persons with Disabilities, which is the funding arm of the council, finances the cash transfers, and the National Council oversees its implementation by the MGCSD.

Figure 3.1: Current Institutional Structure for Administering Cash Transfer Programs



64. There is an ongoing process of ministerial restructuring, which started after the recent elections, including a significant reduction in the total number of ministries to comply with the new constitution. The MGCSO has been affected by this restructuring with responsibilities moving to another ministry.³⁵ The Government confirmed that the ministerial restructuring will not lead to a disruption in implementation of the programs and that the departments currently mandated with implementation, as described below, will move in tact to their new ministerial homes. The CT-OVC and the HSNP have experienced similar shifts in their institutional arrangements in the past without disruption to day-to-day implementation. Moreover, the focus on putting in place program-wide systems for the NSNP (for example for financial management and monitoring and evaluation) will ensure the sustainability of implementation arrangements and the continued coordinated oversight of programs within the NSNP following restructuring. The new constitution also outlines a new decentralized structure of government that will be rapidly implemented over the coming months. However, social protection remains a national-level function and therefore the division of national, sub-county and community level functions will remain as below.

65. **The programs managed by the MGCSO follow the general government administrative structure**, with national-level management and oversight, sub-county-level coordination of implementation, and community-level involvement.

- a. At the *national level*, the responsibility for implementing these programs lies with either the Department of Gender and Social Development (for the OPCT, the UFS-CT, and the PWSD-CT) or the Department of Children’s Services (for the CT-OVC). Payments are the responsibility of outsourced payment service providers, which are contracted by the ministry. At present, payments are made through the Postal Corporation of Kenya and Equity Bank. The Internal Audit Department of the

³⁵ NDMA has not been affected given its status as a state corporation. It has been agreed that the Integrated Fiduciary Assessment Report (IFAR), discussed under the Assessment Summary from page 30 onwards, will be updated to reflect the new ministerial arrangement once the ministerial restructuring has been completed. This agreement is reflected in the Program Action Plan (See Annex 8, action B8).

MGCSO undertakes periodic audits of the cash transfer programs as is required by their mandate.

- b. At the *sub-county level*, District Officers identify the beneficiaries to be targeted in consultation with relevant community leaders, committees (where they exist), and organize the work of enumerators to collect household level information. District Officers are also responsible for monitoring program activities at the local level and for reporting any adjustments that should be made to update information on beneficiaries.
- c. At the *community level*, the CT-OVC establishes Locational OVC Committees (LOCs) to support the targeting procedures. It is in the process of establishing Beneficiary Welfare Committees (BWC). The BWCs, which are composed of and are elected by beneficiaries, are responsible for representing and empowering beneficiaries.³⁶ The MGCSO intends to create LOCs and BWCs to support the implementation of the OPCT, PWSO-CT and UFS-CT.

66. **The HSNP is managed by the HSNP Secretariat, which is housed in the NDMA, with implementation support from NGOs.** The key functions of the HSNP Secretariat include preparing work plans, establishing mechanisms of coordination, regularly reviewing program progress, and managing fiduciary risk. The UK DFID, the main program funder to date, has played a key role in overseeing the program and in contracting with the NGOs responsible for implementing different components of the program, such as targeting and enrolment and the Rights Committees. Payments are made to beneficiaries by Equity Bank under a service agreement with FSD, which is contracted by DFID. The large distances covered by the program combined with severe capacity constraints within the government administration in Northern Kenya have meant that all key areas of the HSNP's implementation are sub-contracted.³⁷ As part of the NSNP, the capacity of NDMA will be enhanced to take on a more active role in coordination and oversight. Rights Committees, which are composed of beneficiaries, have been established in all program areas to inform people of their entitlements under the program and to resolve (or escalate to higher levels) complaints people may have with the program.

67. **The NDMA will also be responsible for scaling up the HSNP in response to shocks and for establishing and maintaining the systems and procedures to allow this to happen effectively.** The Authority will oversee the collection of early warning information, monitor whether contingent financing should be triggered, and oversee the disbursement of funds.

68. In addition to the above, four other government bodies play key roles in the implementation of the NSNP:

- a. The *Ministry of Finance* will play a greater role in future cash transfer programming in accordance with the PforR approach. As the program will be relying on mainstream government financing and will be focused on ensuring that disbursement-linked indicators are met, it will be particularly important for the Treasury to be closely involved with program processes and in ensuring that the necessary budgets are

³⁶ This is done, for example, by informing beneficiaries of payment dates, compiling a list of beneficiaries who did not receive a payment during a payment cycle and giving it to the District Children's Officer (DCO) to take action, collecting and forwarding information to DCOs concerning any changes in beneficiary status, and forwarding any complaints submitted by beneficiaries to DCOs.

³⁷ A new tendering process for project implementers is being launched to coincide with the new phase of the program, which will begin in the second half of 2013.

allocated to the programs within the NSNP so that the desired results can be achieved. The program financial reports will also be generated using IFMIS, based on the government's Standard Chart of Accounts, for which the Ministry of Finance is responsible.

- b. The *National Drought and Disaster Contingency Fund* (NDDCF) is being established as a trust fund under the Ministry of Finance. This Fund will finance the scaling up of the NSNP in the event of a shock. The NDDCF will be managed by a Board of Trustees constituted of the Principle Secretaries of the ministries responsible for disaster response and the management of the HSNP, the Ministry of Finance, and at least three other members with expertise on drought management and crisis response.³⁸
- c. *Kenya National Audit Office* (KENAO) will carry out the external audit of all five programs.

B. Results Monitoring and Evaluation

69. **The Social Protection Secretariat is responsible for monitoring the results and activities of the NSNP.** As such, it is also responsible for assessing progress towards the program's development objective using the government's monitoring and evaluation (M&E) system for the NSNP.³⁹ The Secretariat will produce two NSNP performance reports each fiscal year that will evaluate how much progress is being made towards meeting the results indicators.⁴⁰ These are (i) a half-yearly report and (ii) an annual report. The formats for these reports require that program managers generate reports from their respective Program MISs every two-months on key performance indicators. The half-yearly and annual reports will present an analysis of the bi-monthly reports generated by the MISs and Single Registry, other administrative data from the program MISs and program implementers, as well as the findings from the Program Implementation and Beneficiary Satisfaction (PIBS) survey (see paragraph below) and any other independent surveys and reviews. These reports will be accompanied by the consolidated NSNP financial reports generated from the government financial management system (IFMIS).

70. **The Social Protection Secretariat will commission an independent third party assessment of the NSNP which will be carried-out once a year.** The Program Implementation and Beneficiary Satisfaction (PIBS) Survey⁴¹ will assess progress in implementing the five cash transfer programs, it will verify that the programs are being implemented according to the operations manuals, and it will assess beneficiaries' own experience of the program and their perceptions of the impact of the programs on their wellbeing and that of their children. The survey will be based on a representative sample of each of the NSNP programs in order to ensure that progress across all five programs can be assessed.

71. **The impact evaluations (IEs) for the CT-OVC and the HSNP will provide a detailed, independent assessment of the impact of the NSNP on beneficiary households.** These two impact evaluations will be used to assess the impact of the NSNP because they can

³⁸ The Board of Trustees will be responsible for determining the policy of the Fund and controlling its operations. It will hold the Fund in trust for the National Drought Management Authority and the agency, which is still to be established, that will be responsible for disaster response.

³⁹ The M&E system is detailed in the NSNP M&E Plan. This is discussed in Annex 2.

⁴⁰ Many of these results indicators are also DLIs. As such, this reporting function of the Social Protection Secretariat is detailed in the verification protocols for the DLIs.

⁴¹ The design of the survey instrument will combine a quantitative household survey with qualitative interviews.

give a longer-term perspective as they were initiated in 2012 and 2007 respectively and because their methodology is rigorous. Both employ quasi-experimental impact evaluation methodologies to attribute changes in outcome indicators to the programs. Finally, the PIBS survey will provide an independent assessment of the quality of implementation across the five programs, and if it finds that the quality is similar in all of the programs, then the impact of these two programs is likely to be a reasonable proxy for the impact of the NSNP as a whole.

4. ASSESSMENT SUMMARY

A. Technical

72. *Strategic Relevance:* The World Bank's Technical Assessment of the sector confirms that the operation is strategically relevant to the government's development objectives. Overall the Assessment concluded that the NSNP, and the World Bank's support for it, are an appropriate response to the continued high rates of poverty in Kenya. It is also timely given the government's commitment to social protection in general and cash transfers in particular, as evidenced in the Constitution, the National Social Protection Policy, and Vision 2030.⁴² The NSNP also provides a significant opportunity to strengthen the quality and enhance the coherence of interventions within the sector. Conversely, without further investment in the sector, there is a risk that coverage will remain low, that the sector will stay fragmented, and that several of the existing programs will never function on a large enough scale to achieve measurable results.

73. *Technical Soundness:* Cash transfer programs have proven to be a cost effective and appropriate response to poverty and vulnerability both internationally and in Kenya. The Technical Assessment concluded that the design of the NSNP has the elements necessary to deliver a successful cash transfer program. It has also adopted innovations that are relevant to the Kenyan context and necessary to facilitate the government's shift from providing support to poor and vulnerable households through fragmented programs to a safety net system. The elements (targeting, enrolment, payments, grievance and appeals, response to shocks, and monitoring and evaluation) of the NSNP are based on implementation experience, assessments and evaluations of the five cash transfer programs and international good practice. These elements form a solid base on which to further enhance the NSNP, and to deliver an effective and efficient safety net support to poor and vulnerable households.

74. The Technical Assessment reports that beneficiaries largely meet the programs' **eligibility criteria**, particularly in relation to the categorical criteria, and are almost always poor. Program reviews found some weaknesses in the targeting process, which often result from insufficient investments in operating systems, most often for the OPCT, PWSD-CT and UFS-CT. Much of the data concerning these weaknesses is anecdotal, based on small samples or out of date, highlighting the need for a robust baseline on the efficacy of targeting. The targeting procedures for these programs are currently being upgraded and the Program Action Plan includes steps to strengthen program implementation, including targeting and change management. Program managers have also recognized the need to coordinate the geographic expansion of the five programs.

75. While all **payments** are now made independently of government through a payment service provider (PSP), only Equity Bank makes these electronically and uses two-factor

⁴² Vision 2030 is the Government of Kenya's long-term development plan for the country. It is implemented through successive five-year plans, the first of which covered 2008 to 2012.

authentication, which is considered the industry standard. Furthermore, despite these advances, payments to beneficiaries are often late. A recent assessment recommended that the NSNP (i) adopt two-factor authentication for all transactions, (ii) use the mainstream banking infrastructure and (iii) include performance standards in any new contracts for PSPs to improve the timeliness of payments.⁴³ Finally, impact evaluations show that the value of the transfer is sufficient to improve the consumption among beneficiary households. However, the value of the transfers has been adjusted only once for inflation and is not varied according to household size, which evaluations show have undermined the potential impact of the programs.

76. Only HSNP and CT-OVC have functional **complaint and grievance mechanisms**, although the government is currently putting these in place for the OPCT, PWSD-CT and UFS-CT. The MGCSO has also taken steps to strengthen the management of complaints and grievances under the CT-OVC. These program-specific mechanisms complement the mainstream government complaints procedures. Reviews have found that knowledge of the complaint and grievance mechanism among HSNP and CT-OVC beneficiaries is often low and, in some cases, beneficiaries feel that they do not have the right to complain given that this support is ‘free money from government’. Concerns have also been raised by beneficiaries on the limited number of complaints resolved. These findings draw attention to the need for dedicated awareness raising activities by the programs and for regular follow-up by program managers.

77. The **monitoring and evaluation system** for the NSNP has been developed. The Technical Assessment found that the CT-OVC and HSNP have robust M&E systems. Those for the OPCT, PWSD-CT and UFS-CT are currently being upgraded and will complement the work ongoing on the NSNP framework. A key element of this system is the individual cash transfer programs’ MISs and the Single Registry. Electronic MISs are being put in place for the OPCT, PWSD-CT and UFS-CT and that for the CT-OVC is being upgraded based on the HSNP’s MIS. The limited capacity of district staff and the lack of resources remains a constraint to ensuring the quality of the data entered into the MISs. There are also weaknesses in the institutional capacity at national-level to manage these systems effectively and to make use of the data generated.

78. The NSNP is designed to scale-up the coverage of cash transfers in **response to shocks**. The National Drought Management Authority (NDMA) will manage the system to trigger the use of funds to scale-up the NSNP. This will use established early warning system, local contingency plans and the (to be established) National Drought and Disaster Contingency Fund that will incorporate a cash-based response to drought. This proposed system builds on international best practice and also addresses weaknesses in the current system for responding to droughts and emergencies in Kenya. As such, it will position Kenya as a leader in this field.

79. *Fraud and corruption*: Evidence generated by KENAO audits and program evaluations suggest that rates of error, fraud and corruption (EFC) are low, but that incidents do occur. Systems for the detection and control of EFC are stronger under HSNP and CT-OVC than under the other three programs. A number of efforts are already being made to improve these systems for all five programs. These include (i) strengthening the targeting systems used by the three smallest programs; (ii) upgrading the complaint and grievance

⁴³ Pulver, C. (2012), Strategic Assessment of Payment Services for the Kenya National Safety Net Program-For-Results, Unpublished

procedures; (iii) investing in program MISs and a Single Registry; (iv) establishing more rigorous checks on enrolment and internal controls on the payroll; and, (v) introducing electronic payments using two-factor authentication in the NSNP. The DLIs for the proposed operation have been formulated to support progress in these areas.

80. *Gender responsiveness:* Evaluations of the HSNP and the CT-OVC have shown that, although women are not explicitly targeted as the main recipient of transfers, in practice the majority of recipients are women. Both evaluations indicated that the transfer recipient plays a significant role in deciding how the cash transfers are spent. These benefits come with potential costs, as women incur the significant time-costs related to collecting transfers. There is room to enhance the gender responsiveness across all the programs making the NSNP, by enabling women to better participate in program decision-making and for greater gender disaggregation of program. Steps are being taken in this regards by, for example, setting a quota for the number of women to participate in the LOCs and BWCs for the OPCT, PWSD-CT and UFS-CT and collecting sex-disaggregated data on all households enrolled in the five programs.

81. *Expenditure Framework:* The government has formulated a Medium Term Expenditure and Financing Framework (MTEFF) to support the proposed expansion of the NSNP. According to the MTEFF, the government allocation to the NSNP will reach Ksh. 17.13 billion (US\$ 203.89 million) in 2017/18, which, based on current projections of GDP growth, can reasonably be financed from general revenue. There is also strong development partner commitment to social protection in Kenya, which has translated into financial commitments in the MTEFF. Despite such strong support, steps are being taken to ensure that the government gradually takes over those households in the CT-OVC and HSNP that are currently supported through donor resources. This will avoid a scenario wherein the government must suddenly allocate large amounts of resources to a single program, specifically the HSNP, when donor funding stops. As a result, the expenditure framework is deemed to be sound.

82. *Institutional arrangements:* The establishment of a National Social Protection Council and the Social Protection Secretariat will enhance the coordination and oversight of social protection in Kenya, and the NSNP specifically. The performance of HSNP and CT-OVC has indicated that their institutional structures are functioning well and that lines of accountability are working. With regard to the HSNP, the program's key operations are sub-contracted to NGOs and the private sector, with only limited oversight by the government. In contrast, because of their relative small size and newness, but also because of a lack of technical assistance from development partners, there has been less investment in the systems within the OPCT, PWSD-CT and UFS-CT. To begin to address these short-comings, the government will be providing dedicated operating budgets to these three programs and development partners will be providing Technical Assistance to the NSNP (see paragraph 58).

83. Assessments of the cash transfer programs consistently refer to capacity gaps at all levels, with particular constraints at the district and community level. The ongoing devolution and restructuring of government ministries is also creating uncertainty. Furthermore, all programs rely heavily on voluntary efforts by community members. While this heavy reliance on volunteers can address capacity constraints at local levels in the short-term, it has serious implications for the sustainability of the programs, as unpaid volunteers are unlikely to remain committed to the program in the long-term. This use of unpaid volunteers also increases the risk they will demand payments from beneficiaries or potential beneficiaries. The government intends to carry-out a functional review of all five cash transfer programs

which will inform a consolidation plan for the four programs managed by MGCSO and assess gaps in capacity. This will also address any changes brought about by devolution and ministerial restructuring.

84. *Economic justification:* Cash transfers have a proven track record internationally in reducing poverty, and the same is true in Kenya, as evidenced by the impact evaluations of the CT-OVC and HSNP. The CT-OVC impact evaluation found a reduction of 16.1 percent in the number of beneficiaries living on less than \$1 a day compared to a reduction in the control group of only 2.9 percent. Evidence from the HSNP shows that beneficiaries withstood a severe drought without any increase in poverty levels, whereas in the control group, 5.3 percent were more likely to be found in the bottom decile following the drought. Evaluations of the CT-OVC, HSNP, and OPCT have all found that households spend a significant proportion of their cash transfer on food (88 percent in the HSNP and 71 percent in the OPCT), which increased both the quantity and quality of their consumption. Participating in the cash transfer programs also increased beneficiary households' use of health and education services more than that of non-beneficiaries and enabled beneficiary households to invest in and protect their livelihoods.

85. There is also emerging evidence that cash transfer programs benefit young adults by, among others, improving their reproductive health. A recent study found that young adults, particularly young women, who had benefitted from the CT-OVC were less likely to have engaged in unprotected sex and had had fewer sexual partners than those who had not been program beneficiaries. This in turn means that the program may be playing a role in preventing the spread of HIV. The same study also found that young people, particularly men, who benefitted from the program were 15 percent less likely to suffer from depressive symptoms and were 19 percent more likely to score above the median on the Hope scale⁴⁴ than similar non-beneficiaries.⁴⁵

86. Finally, the recent CT-OVC impact evaluation observed that the transfers had significant positive spillovers. This was because, as the CT-OVC injected cash into local economies, the demand for goods and services increased. Simulations in the impact evaluation found that the total impact was significantly greater than the amount transferred under the program in nominal terms, with income multipliers estimated at 1.8. These indicate that the transfers have had significant positive spillovers.⁴⁶ These benefits, combined with positive social impacts of reduced poverty and inequality provide a clear justification for the public provision and financing of cash transfers.

B. Fiduciary

87. The Integrated Fiduciary Assessment Report (IFAR) of the National Safety Net Program concluded that the program financial management and procurement systems are adequate to provide reasonable assurance that the financing to the program will be used for the intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency and accountability. Notwithstanding this general conclusion, the IFAR identified a number of weaknesses in the fiduciary systems of the five cash transfer

⁴⁴ The Hope Scale is a six-item Likert scale measuring children's perception of their ability to influence their future because they can see ways of achieving their goals and have the motivation to try and achieve them.

⁴⁵ Handa, S., C. Huang, K. Kilburn, C. Halpern, A. Pettifor, M. Rosenberg, and H. Thirumurthy (2012), "Impact of the Kenya CT-OVC on the Transition to Adulthood," University of North Carolina, Chapel Hill, NC.

⁴⁶ Taylor, J.E., J. Kagin, and M. Filipowski (2012), "Evaluating General Equilibrium Impacts of Kenya's Cash Transfer Program for Orphans and Vulnerable Children (CT-OVC)," Department of Agricultural and Resource Economics, University of California.

programs that constitute the NSNP. Some these weaknesses have been addressed by government during project preparation and through the design of the PforR operation, specifically the DLIs. The Program Action Plan provides additional risk mitigation measures to improve implementation capacity, as well as systems and procedures, centred on transparency, accountability, and participation. Progress towards meeting the DLIs and activities in the Program Action Plan will be monitored regularly as part of implementation support.

88. The key risks identified by the IFAR arise from the need for cash transfers to ensure that the *right people are being paid the right amount at the right time*. Indeed, this is the central governance concern of the program, and is the focus of the section on fraud and corruption below (paragraph 93). In this regard, risks arise in three primary areas: (i) provision or input of incomplete or inaccurate personal/household data at the point of targeting; (ii) delay or leakage in payments to beneficiaries; and (iii) failure to notify or act on a subsequent change in beneficiary circumstances. The NSNP, and the PforR operation, have been designed to mitigate these risks.

89. The specific fiduciary risks of the NSNP that require attention relate to the weaknesses in the public financial management (PFM) system, on which the program will rely. Notably, while the IFAR identified a number of issues with the PFM system, ranging from weaknesses in internal controls to delays in disbursements, many of these have been mitigated through design of the NSNP, together with specific capacity building measures that have been carried-out as part of project preparation. For example, while FM arrangements at the lower levels of government tend to be rather weak with little management oversight, there is very limited involvement of county- and district-level staff in the management of program funds in the NSNP since the payments to beneficiaries are a national-level function. More importantly, the adoption of enhanced program MISs linked to the single registry will address many of the weaknesses inherent in the PFM system and those identified in the five cash transfer programs.

90. The IFAR identified a number of risks to the NSNP arising from the NSNP's use of the government public financial management system. These are (i) inadequate segregation of total program level expenditures and the lack of 'ring-fenced' resources for operational costs for the three cash transfers implemented by the Department of Gender and Social Development in MGCSD, as these programs are budgeted under a single budget-line for cash transfers; (ii) the fact that IFMIS is not yet reliably used for program-based budgeting, accounting and financial reporting; (iii) inadequate segregation in the management of the program payrolls; (iv) inadequate internal audit coverage of the programs and limited use of risk-based audit approaches; (v) inadequate financial management and operations staff in the Departments managing the programs; (vi) weak linkages between technical departments and finance/accounting departments within the MGCSD; and (vii) funds and cash flow management inefficiencies at the ministry and program levels.

91. As noted above, the PforR operation, specifically the DLIs, have been designed to address some of these risks, notably with regard to strengthening the internal controls on the payroll, promoting the timely flow of funds through government systems to the programs, and ensuring the production of regular financial reports on the program. The Program Action Plan includes a number of activities to strengthen the FM systems of government as they relate to the NSNP, specifically, with regards to the coverage of the internal and external audits, the adoption of specific program codes for the NSNP based on the Standard Chart of Accounts to enable program-based budgeting and reporting, and improving the functionality of IFMIS. This will enable the government to submit NSNP financial reports to the World

Bank every six months and audited financial statements on an annual basis. Finally, as the NDDCF has not yet been established, a further fiduciary review will be carried-out as part of the assessment of progress towards meeting the associated DLI (a system for scaling up the NSNP).

92. The IFAR also identified key fiduciary risk arising from the need for the NSNP to procure a new payment service provider, as any delays arising from the procurement and contract award processes disrupt payments to beneficiaries and thus undermine the core objective of the program. The MGCSD undertook a competitive procurement for the CT-OVC payment service provider (Equity Bank) and has experience managing this contract. However, this procurement process demonstrated that the ministry has insufficient technical and procurement capacity to successfully carry-out the procurement process without external technical support. The process also revealed that, due to market constraints, the response by potential PSPs may be limited. As a mitigation measure, the Social Protection Secretariat will hire an expert on payment services to oversee the procurement of any new PSP. It should be noted that it is anticipated that no high value procurement will be carried-out by the NDMA for the HSNP.

93. *Fraud and corruption issues:* As discussed extensively in the earlier sections of this document, the NSNP, and the PforR operation, have been designed to strengthen the provision, detection and deterrence of fraud and corruption in the NSNP. These current and proposed measures are summarized in Table 4.1. Within this framework, suspected cases of fraud and corruption will be forwarded to the relevant agencies for investigation and possible prosecution.

94. The 2010 Constitution has provided a foundation for addressing Kenya's longstanding governance challenges, including improving the checks and balances between the three branches of government, strengthening the independence of the judiciary, increasing public access to information, and introducing a new bill of rights. The Constitution established the Ethics and Anti-Corruption Commission (EACC), which replaced the Anti-Corruption Commission, and increased the oversight of the Auditor General. In parallel, the country is reforming the public financial management (PFM) system, with the aim of preventing fraud and corruption. Despite these gains, the EACC is mandated only to investigate but not prosecute cases of corruption, which is the responsibility of the Director of Public Prosecution, and the number of corruption cases that have been (or are being) prosecuted remains low. Moreover, sustained investments are required to ensure that the provisions in the Constitution are implemented as intended.

95. The EACC received 5,230 reports in FY2011/12, of which 2,183 were deemed to fall within the mandate of the Commission to investigate and 173 were forwarded to other investigative agencies. Of the complaints received, 12 percent related to allegations of bribery, 8 percent to the embezzlement of public funds, 7 percent to abuse of office, and 5 percent to procurement irregularities.⁴⁷ During the same year, 2,663 cases were under investigation, of which 236 were completed and forwarded to the Director of Public Prosecution. The vast majority of the remaining cases (1,809) were still under investigation.

⁴⁷ Ethics and Anti-Corruption Commission Annual Report 2011-2012. Other types of complaint received include: administrative issues (21%), civil issues (17%), criminal offences (6%), fraudulent disposal of public property (6%), and other offences (8%).

Table 4.1: Current and Planned Controls to Minimize Error, Fraud and Corruption in the NSNP

Stage	Current	Planned
Registration/ Enrollment	<ul style="list-style-type: none"> • Targeting methodology, including community involvement • Enrolment form asks about participation in other CT programs • Corruption can be reported on the MGCS D website but procedures are vague 	<ul style="list-style-type: none"> • Stronger ID verification (use of national IDs mandatory) • Automatic controls in MIS to identify households registered in more than one program • Single registry to identify duplicate IDs • The single registry cross-check IDs against the IPRS database • Improved and standardized complaint and grievance channels
Payment	<ul style="list-style-type: none"> • Same transfer value helps beneficiary to know how much to expect and reduces scope for error and short changing by agents/carers • Pre-payment payroll checks at the national level • Post-payment reconciliations • Termination after three successive failures to collect transfers • Internal audit scrutiny • Complaints and grievance reporting 	<ul style="list-style-type: none"> • MISs to flag irregular amounts outside norm to be scrutinized before payment • Extension of electronic payments • Extension of two-factor ID authentication for collection of payments • Ex- ante and ex-post-payroll checks to duplicate payments or irregular payment amounts • Improved and standardized complaint and grievance channels
Change/Exit	<ul style="list-style-type: none"> • Form for notifying change exists • Beneficiaries and local committee members told about notifying change of circumstances 	<ul style="list-style-type: none"> • The new MIS to automatically remove beneficiaries of CT-OVC from payroll if maximum eligible age has been reached⁴⁸
Replacement	<ul style="list-style-type: none"> • Waiting lists controlled at the district level • Revalidation of households before enrolment 	<ul style="list-style-type: none"> • Management of waiting list improved. • Recertification in response to monitoring reports and complaints and grievances

96. The 2008 service charter of the MGCS D outlined a series of commitments by the MGCS D along with a complaints mechanism that people can use if they feel that these commitments have not been fulfilled. The ministry has an established anti-corruption committee which is mandated to respond to the complaints that are raised, including those of the four cash transfer programs it manages. However, cases of suspected corruption are forwarded to the relevant authorities for investigation. With regards to procurement, the IFAR found that there are systems and procedures for handling bidder’s enquiries and complaints in both ministries and that the procuring entities are taking adequate remedial

⁴⁸ To qualify for the CT-OVC, children in the household must be under 18 years of age. Based on the age of the children at enrollment, the MIS can automatically calculate when this cut-off is reached. In contrast, the OPCT specifies that older persons must be 65 years or above and a household ceases to be eligible when the older person dies.

action on any Review Board⁴⁹ decisions and observations made following appeals. However, the Review Board refers any procurement complaints perceived to involve fraud and corruption to the EACC and the Criminal Investigation Department (CID) of the police for investigation.

97. Significant investments have also been made in the complaint and grievance mechanisms for the CT-OVC and HSNP, and, more recently, in those for the OPCT, PWSD-CT and UFS-CT (as discussed in paragraph 29). These mechanisms aim to ensure that citizens in the communities where the programs operate have sufficient information to understand how the programs work and are able to lodge complaints and grievances. Experience from the HSNP and CT-OVC shows that people do use these mechanisms, along with the anti-corruption system of the MGCS, to raise a range of issues, including concerns with fraud and corruption. Annex 5 presents a detailed overview of how complaints from beneficiaries, non-beneficiaries and third-parties are lodged and responded to and, for those related to fraud and corruption, channeled to national program managers, the Ministerial Anti-Corruption Committees and, as appropriate, to the EACC.

98. The Anti-Corruption Guidelines for PforR Operations include other measures that will further mitigate the risk of fraud and corruption in the NSNP. Their application to the NSNP PforR operation, as currently proposed is summarized below.

99. *Sharing information on fraud and corruption allegations:* As required under Kenyan law, program managers forward any allegations of fraud and corruption to the EACC for investigation. The EACC will share information with the World Bank every six months on all allegations of fraud and corruption related to the NSNP received from the general public, including on procurement from activities conducted by the five safety net programs.

100. *Sharing of debarment list of firms and individuals:* The Social Protection Secretariat will share with the procurement units responsible for the five cash transfer programs the Bank's debarment list to ensure that persons or entities debarred or temporarily suspended by the Bank are not awarded a contract under the NSNP during the period of such debarment or suspension.⁵⁰ This will be undertaken every six months. The Internal and External Audit for the NSNP will confirm that procurement contracts have not been awarded to any firms on the debarment list.

101. *Investigation of fraud and corruption allegations:* The EACC is mandated by the Constitution to investigate allegations of fraud and corruption. Consequently, all allegations of fraud and corruption under the NSNP will be investigated by the EACC, and those that are found to be credible will be forwarded to the Director of Public Prosecution for prosecution. The World Bank may also undertake its own investigations of fraud and corruption allegations under the Program. In this context, the investigation of fraud and corruption allegations under the Program will be handled through two possible modalities, depending on circumstances: (i) The EACC may undertake its own independent fraud and corruption investigations arising from allegations reported to it and report the outcomes of these investigations as part of the sharing of information under paragraph 99 above; and (ii) World Bank's Integrity Vice Presidency (INT) may undertake its own fraud and corruption investigations related to the Program. In this case, the Social Protection Secretariat will

⁴⁹ The Public Procurement & Disposal Act of 2005 (PPDA 2005) and the associated regulations of 2006, which came into force in January 2007, established the Public Procurement Administrative Review Board (Review Board).

⁵⁰ This requirement applies only to the signing of new contracts, and only to new contracts signed after the date from which the PforR operation becomes Effective.

collaborate with INT to acquire all records and documentation that INT may reasonably request from the Program regarding the use of Program funding.

C. Environmental and Social Effects

102. According to the *OP/BP 9.00*, the Environmental and Social Systems Assessment (ESSA) should consider applicable and relevant environmental and social issues. In this regard, the NSNP and the PforR operation to which it contributes are solely concerned with the management of targeted cash transfers, and do not include any physical activities, land acquisition or displacement of people. As such, it will not involve any direct environmental effects. This includes any effects on biodiversity and cultural resource areas; natural habitats; physical cultural property; community, individual or worker safety; management of hazardous materials; and, land acquisition or resettlement. Given the absence of direct environmental effects and the limited range of potential social effects, the ESSA focused on potential issues related to the equitable access to the five cash transfer programs that constitute the NSNP and the ability of these programs to meet the needs of vulnerable and marginalized groups.

103. To assess these issues, fieldwork was carried out in four counties that were purposively selected to reflect (i) the coverage of the NSNP and differences in program implementation; and, (ii) differences in livelihoods of beneficiaries. The counties were also selected to complement other fieldwork that was recently carried out for program assessments and evaluations. In each area, in-depth interviews and focus group discussions were held with program implementers, community members and beneficiaries (who were members of the vulnerable groups) and local organizations. The assessment team supplemented this fieldwork with additional data collection among five marginalized communities to assess circumstances that hinder and/or facilitate their involvement in the cash transfer programs.

104. *Policy and institutional context:* The ESSA concluded that the current policy environment in Kenya provides an appropriate framework for managing the potential social effects of the NSNP. The Constitution of Kenya (2010), and the associated Bill of Rights, sets out the economic, social, and cultural rights of all Kenyans, and the application of these rights to certain vulnerable groups, which are identified as children, women, older people, people with disabilities, minorities and marginalized groups and marginalized communities. These commitments are reiterated in the National Social Protection Policy and various other Acts of Parliament, Bills, Strategies and policies. The ESSA also found that the institutional arrangements for the five cash transfer programs are adequate, although there are reports of capacity constraints at all levels. The process to consolidate the four cash transfer programs managed by the MGCSO and to build overall implementation capacity will strengthen the system to manage social effects in the NSNP.

105. *Participation and 'voice':* Overall, there is a better understanding of program objectives and the eligibility criteria for those programs that have well-defined community structures and higher-levels of community engagement, such as the HSNP and, to a lesser extent, the CT-OVC. The five cash transfer programs all use community meetings, mainly in the form of chief's *barazas*, to inform communities about the programs. While these were found to be a trusted source of information in some areas, notably in those areas supported by the HSNP, some concerns were raised about the effectiveness of this approach. The ESSA also observed that information materials on the programs were rarely available. Finally, none of the programs seem to have a regular means of disclosing information on the program at local levels, although the HSNP and CT-OVC make information on the list of potential

beneficiaries available to communities during targeting. The process underway to strengthen the operational systems of the OPCT, PWSD-CT and UFS-CT in general and the complaint and grievance systems specifically is expected to better ensure the ‘voice’ of poor and vulnerable people in these programs. The Program Action Plan proposes additional actions to ensure that these systems promote the participation of poor, vulnerable groups in the programs.

106. *Program inclusion and exclusion:* As discussed in the Technical Assessment, while beneficiaries almost always meet the program eligibility criteria, concerns have been raised in some areas regarding possible inclusion of households in the OPCT, PWSD-CT and UFS-CT that do not qualify for support. However, the ESSA also found evidence that program managers at local-levels employ means of reducing the number of potentially eligible households in the face of widespread need and limited program resources. These practices, which are not documented in the Operations Manuals, may result in the exclusion of especially needy households and limit the transparency of program targeting. In addition, the ESSA observed that people may choose not to seek entrance into the programs for fear of being identified as disabled, for example. The exclusion of some ethnic groups was subtly referred to during the fieldwork. This issue arose in areas that are prone to resource-based conflicts. In such cases, if the leadership of an area is vested in one ethnic group, people from other groups may not be included in the process of targeting the cash transfer support. As discussed in the sections above, steps are ongoing to strengthen the programs’ targeting procedures under the NSNP. However, it will be important for program reviews and evaluations to assess, to the full extent possible, whether particular groups are being excluded from the NSNP.

107. *Social effects of the NSNP:* Evaluations of the CT-OVC, HSNP, OPCT and USF-CT have reported the positive impact that these programs have on beneficiary households in terms of improved consumption, enhanced social standing and increased access to social service, among others. The ESSA reconfirmed these findings, but also found that the cash transfer programs sometimes create tension within communities because of the small number of households that benefit in the context of widespread need. Often, such tension arose in areas where the program eligibility criteria were not well understood or where there was the perception that one group or area was benefiting at the expense of another. There were also reports that beneficiaries paid (in cash or favors) program staff or local leaders to be enrolled in the program. The program regulation that caregivers could collect the payment on behalf of beneficiaries (i.e. in the OPCT, PWSD and CT-OVC) resulted in tension within households, and, at times, the wider community, when the caregiver did not use the resources to the benefit of the intended recipient or simply pocketed the funds. The planned expansion of the NSNP will make more resources available to support eligible households. More immediately, the complaint and grievance mechanisms will assist in addressing these social effects, as will the application of the framework for EFC, which is discussed in paragraphs 79 and 93.⁵¹

108. *Marginalized people’s rights:* The five cash transfer programs target resources to poor households with members who are vulnerable, as identified in the Constitution. While marginalized communities in Kenya reside in some areas that are covered by these four programs, there has been no particular emphasis by the programs on the identification and inclusion of these groups. The fieldwork carried out to inform the ESSA sought to assess the extent to which marginalized communities may be included in or excluded from the four

⁵¹ This framework is discussed in more detail in Annexes 4 and 5.

programs managed by the MGCSD.⁵² This fieldwork did find incidences of potentially eligible households from marginalized communities not being included in the program, but it was not possible to determine whether this was a consequence of their marginalized situation or the low coverage of programs in these areas. There were some indications of potential bias given the limited number of households benefiting from the programs, as discussed above. When eligible households are prioritized by communities for support from the programs, there was some suggestion that minority groups might be ranked lower than the dominant ethnic groups but also that their residence in more remote areas also reduces their opportunities to access the program. A first step in ensuring that marginalized communities benefit equally from the NSNP - for those members who qualify based on the programs' eligibility criteria - is making this issue visible to program managers. For this, the Operations Manuals for the five programs should be reviewed to include guidance on how to ensure that these communities are equally considered during the targeting process and participate during program implementation; and staff will be trained in the use of the new guidelines. The application of these guidelines would then be assessed by the PIBS survey.

109. *Consultations were held in Nairobi on the draft ESSA on March 28, 2013, with members of civil society.* Overall, the report was well received by the participants, who suggested that some of the issues discussed in the report would benefit from further emphasis. Participants observed, for example, that many of the concerns highlighted in report could be mitigated through aggressive, well-planned and extensive communications and awareness raising community campaigns. It was also recommended that development partners consider investing resources to enhance the capacity of government and other stakeholders to implement and monitor programs more effectively. Similarly, the potential role of civil society to independently monitor the performance of the NSNP and in giving "voice" to marginalized groups was re-emphasized. The participants recommended that the ESSA include a brief discussion on the effects of the program on enhancing social inclusion in communities, as a number of studies have been undertaken in this area. Secondly, the complaint and grievance system should include enforcement mechanisms, so that such grievances are not only lodged and documented, but action is taken on those who abuse the program and the beneficiaries.

D. Integrated Risk Assessment Summary

110. A number of country-level risks have been identified that largely arise from Kenya's current political and governance context. Beyond the significant risks that are present at the country level, there are a number of technical and other risks to the proposed operation that need to be considered. The main risks to the proposed operation are those arising from the policy context, the need for the government to continue to demonstrate strong leadership to drive forward the proposed program, potential resistance to these reforms, and the general weak capacity for both program implementation and coordination and oversight in the responsible line ministries. A number of mitigating activities are already ongoing. The risk of fraud and corruption is the main fiduciary risk given the experience of other Bank operations in Kenya, while the possible social and environmental risks are largely limited to the possibility that marginalized communities may not be benefitting equally from program resources. Additionally, government and development partner financing to the NSNP may not increase to the extent that will be needed to achieve the proposed program expansion. A number of risk mitigation measures have been identified and have been incorporated into the

⁵² This is because the HSNP targets four counties in Northern Kenya that are populated with groups that have been classified as being marginalized communities.

design of the NSNP and the World Bank’s operation in support of it, including in the Program Action Plan. The task team will work with the government to mitigate these risks further during the implementation of the operation. The overall risk rating for the project is high.

Table 4.2: Risk Rating

Risk	Rating
Country *	High
Sector*	High
Stakeholder *	Substantial
Technical	Moderate
Fiduciary	Substantial
Environmental and Social	Moderate
Disbursement Linked Indicator	Moderate
Other	Moderate
Overall Risk	High

E. Program Action Plan

111. The following table is a summary of the draft Program Action Plan that is found in Annex 8. The Program Action Plan lists those activities that were recommended in the Technical, Integrated Fiduciary, and Environmental and Social Systems Assessments as being critical to ensuring the adequacy of government systems, and identified as being critical to enabling progress towards the intended results. The activities aim to: (i) improve the technical dimensions of the five cash transfer programs (targeting, payment, complaints and grievances, M&E); (ii) increase the capacity of SP Secretariat, MGCSD and NDMA for oversight and implementation; and (iii) mitigate risks, including by addressing fiduciary and social concerns.

Table 4.3: Summary Program Action Plan

No	Result Area/Action	Responsible Party
A. <i>Expanding cash transfer programs to promote more comprehensive and equitable coverage</i>		
A1.	Ensure financial allocations to the NSNP as per the program MTEFF are included in the sectoral MTEF and annual budgets	MGCSD ⁵³ /NDMA
A2.	Targeting and enrolment of beneficiaries according to annual targets	MGCSD/NDMA
B. <i>Strengthening program systems to ensure good governance</i>		
B1.	Revise Operation Manuals to respond to findings of the Technical, Environmental and Social Systems, and Integrated Fiduciary Assessments	MGCSD/NDMA
B2.	Update IFAR of the NSNP upon completion of the ministerial restructuring and agree any mitigating measures	World Bank
B3.	Carry out recertification of eligibility for OPCT, USF-CT and PWSD-CT as per Programs Operations Manual procedures	MGCSD
B4.	Review transfer levels including options for varying transfer amount according to household size and periodically for adjustment for inflation.	MGCSD/NDMA
B5.	Improve the timely delivery of payments to beneficiaries and adopt more robust payment systems	MGCSD/ NDMA
B6.	Establish national, county and community level structures to manage	MGCSD

⁵³ These responsibilities will shift to the new ministry with responsibility for the management of the four cash transfer programs currently managed by MGCSD.

No	Result Area/Action	Responsible Party
	complaints and grievances and enhance awareness of the programs	
B7.	Strengthen the audit function for the NSNP	MGCSD/Treasury/ KENAO
B8.	Implement IFAR recommendations with respect to procurement	MGCSD/NDMA
C.	<i>Harmonizing cash transfer programs to increase the coherence of the safety net sector</i>	
C1.	Functional Assessment to inform consolidation plan for MGCSD-managed programs and assess current implementation capacity	MGCSD
C2.	Improve the quality of financial reports generated from IFMIS	Treasury/MGCSD
C3.	Adopt NSNP M&E Framework and implement M&E Plan	MGCSD

Annex 1. Detailed Program Description

113. To deliver on the objectives of the National Social Protection Program, the government proposes to establish, and gradually expand, the National Safety Net Program (NSNP) by creating a framework around which the five principle cash transfer programs – the Cash Transfers to Orphans and Vulnerable Children (CT-OVC), the Hunger Safety Net Programme (HSNP), the Older Persons Cash Transfer (OPCT), the Persons with Severe Disability Cash Transfer (PWSD-CT), and the Urban Food Subsidy Cash Transfer (UFS-CT) – will increasingly be coordinated and harmonized.

114. The World Bank’s Program for Results (PforR) operation aims to support the government to achieve the objectives of the National Safety Net Program. The PDO for this operation is “*to support the Government of Kenya to establish an effective national safety net program for poor and vulnerable households.*”

115. To this end, the PforR operation will focus on achieving results in three areas: (i) expanding cash transfer programs to promote more comprehensive and equitable coverage, (ii) strengthening program systems to ensure good governance; and, (iii) harmonizing cash transfer programs to increase the coherence of the safety net sector.

116. The World Bank’s operation will support all activities taking place under the five cash transfer programs that constitute the NSNP. With this in mind, this annex first describes the government’s NSNP and then the institutional arrangements that the government intends to use to implement it. The final section of the annex describes the World Bank’s support to the NSNP through the PforR.

A. Program Description: National Safety Net Program

117. The main objective of the National Safety Net Program is to improve the welfare and resilience of beneficiary households with the aim of reducing poverty in Kenya.⁵⁴ The NSNP targets poor households that are particularly vulnerable because of where they live (the ASALs of Northern Kenya or informal settlements of major urban centers) or because of their circumstances (households caring for orphans and vulnerable children, people with severe disabilities, and older people). This objective is to be achieved by delivering an effective safety net to poor and vulnerable households. This will consist of activities contributing to the following six results:⁵⁵

- The most vulnerable and poor households are enrolled in the NSNP
- NSNP beneficiaries receive appropriate, reliable, and accessible payments
- Citizens are able to appeal and complain to improve program performance
- A monitoring and learning system is functioning
- The cash transfer sector is harmonized and is government-managed
- Programs are responsive to shocks

118. Most of the activities associated with these areas of focus or outputs will be carried out initially on a program-by-program basis, but as the NSNP proceeds, the government will exploit any opportunity to ensure that functions are shared across programs, as outlined in the sixth output (“the cash transfer sector is harmonized and government-managed”). This will

⁵⁴ See the NSNP’s monitoring and evaluation framework that is discussed in Annex 2 for more information.

⁵⁵ These six areas correspond to the six outputs of the NSNP logframe as presented in Annex 2.

lead to an increasingly coordinated approach to safety net support in Kenya. The activities that are expected to achieve these outputs are detailed in the sections below.

1. The most vulnerable and poor households are enrolled in the NSNP.

119. The five cash transfers that constitute the NSNP all target support to eligible households, which are defined on the basis of their vulnerability and poverty. For this, each program uses a two-stage targeting process. Resources are first allocated to geographic areas and then to eligible households within those areas.

120. *Geographic targeting:* Of the five programs, three are national in coverage and two (the HSNP and the UFS-CT) operate in defined geographic areas (four counties in Northern Kenya and Mombasa City respectively). The CT-OVC, the OPCT, and the PWSD-CT currently operate in all constituencies in the country, although the level of coverage in each county or constituency has been limited by the availability of resources. To guide the allocation of scarce resources, the CT-OVC provides more resources to those districts with higher levels of poverty and a greater number of OVCs. The OPCT and the PWSD-CT have sought to provide standard levels of coverage in all constituencies in response to political pressure for broad coverage. As all programs continue to incrementally expand as resources allow, the government is formulating an NSNP expansion plan based on poverty and vulnerability criteria, which aims to ensure that more resources are allocated to geographic areas with higher levels of need.

121. *Household targeting:* The five cash transfer programs have clearly defined eligibility criteria. For each program, this is based on household-level vulnerability and poverty. The methods used to select which eligible households are included in the program vary among the programs and include categorical targeting, community-based targeting, poverty score cards, and proxy means testing. These are described in the relevant program documents. All programs involve communities in the targeting process, either by using community-based targeting or by the use of community meetings to validate the potential beneficiary lists compiled by committees or enumerators. Additionally, the CT-OVC uses a proxy means test (PMT), and based on this experience, the HSNP is also introducing a PMT to complement their use of community based targeting. Reviews of the OPCT, the PWSD-CT, and the UFS-CT programs were recently completed and the findings of these reviews have led to revisions in the targeting procedures used in these three programs, building on lessons learned from implementation and from the other two programs. These adjustments to these targeting processes will be documented in the operations manual for these programs.

122. *Change management:* Most of the cash transfer programs under the NSNP specify events that will cause the beneficiary households to lose their eligibility, such as the death of the eligible household member or the failure to collect three successive transfers. In the event of a household exiting the program for any such reason, a new household is then selected from a waiting list to enter the program.

123. *Recertification:* In addition to ongoing change management, both the HSNP and the CT-OVC manuals specify the need for beneficiaries to be periodically re-registered in order to confirm their eligibility, including their continued impoverished status. The CT-OVC manual states that a recertification exercise should be carried out five years after the initial targeting exercise, while the HSNP requires a retargeting exercise upon the launch of the second phase of the program in 2013. The HSNP is currently carrying out a recertification. The CT-OVC has not yet carried out recertification given the costs associated with this exercise. In response to this, instead of mandating periodic retargeting, the MGCSD intends to strengthen the procedures for the CT-OVC, OPCT, PWSD-CT and UFS-CT guiding the

recertification of households in response to information from the complaint and grievance mechanisms and findings from program monitoring.

2. *NSNP beneficiaries receive appropriate, reliable, and accessible payments.*

124. All programs make payments to beneficiary households every two months, although these are often delivered late. These delays arise from the length of time it takes to perform the reconciliation at the end of each payment cycle using a paper-based system and the late release of fund from MOF to MGCS D. The roll-out of the enhanced program MISs is anticipated to address the first of these two problems, while analysis is ongoing to identify how to improve the predictability of the flow of funds through governments systems.

125. Two benefit levels are currently used in the five programs. The HSNP provides a monthly transfer of Ksh 1,750 (US\$21) per month, while the other four programs provide Ksh 2,000 (US\$24) per month.⁵⁶ The HSNP is currently considering raising the value of its transfer to Ksh 2,000 to bring its support in line with other programs under the NSNP.⁵⁷ There has been no mechanism for regularly reviewing and, as required, adjusting the value of the cash transfer. The value of the transfers paid by the programs managed by the MGCS D was adjusted once in response to inflation. In December 2011, the MGCS D increased the transfer level for the four programs from Ksh 1,500 (US\$18) per month to Ksh 2,000 per month. Also, the value of the transfer provided by the HSNP was adjusted twice from Ksh 1,075 (US\$13) per month to Ksh 1,500 per month in October 2011 and from Ksh 1,500 per month to Ksh 1,750 per month in April 2012. There is no variation in the transfer amount according to household size in any of the programs.

126. The five programs have all out-sourced the delivery of payments to a payment service provider (PSP), and thus the payment process for the NSNP is independent from the government. The Postal Corporation of Kenya (PCK) and Equity Bank currently carry out this function for the five cash transfer programs. The PCK currently delivers transfers to 200,443 households (72 percent of the total payments), while Equity Bank provides transfers

to nearly 80,000 (the remaining 28 percent), as seen in Annex Table 1.1.⁵⁸ The PCK uses a paper-based system to record the payments made to beneficiaries through its networks of post offices, and these data are then entered into the computer to be reconciled electronically with the program payrolls. When they receive the payment, each beneficiary must produce a program or national ID to prove his or her identity and must sign for each

Annex Table 1.1: Number of Beneficiaries in Each Program, by PSP

Program	Equity Bank	PCK
CT-OVC	10,400	139,600
HSNP	69,000	
OPCT		35,943
PWSD-CT		14,700
UFS-CT		10,200
Total	79,400	200,443

⁵⁶ The transfer levels differ because they are calculated on a different basis. Please see the Technical Assessment of the National Safety Net Program for more information.

⁵⁷ Annex 4 provides an assessment of the generosity of the transfer.

⁵⁸ These figures are based on the September 2012 payroll for all five programs. The number of households enrolled in the OPCT as of September 2012 was 35,943. The target for this year was 55,00, which is reflected in the NSNP MTEFF and in Annex Table 1.1.

payment. In contrast, Equity Bank makes payments electronically using point-of-sale devices through its network of banking agents.⁵⁹ The payments are made to beneficiaries using a smartcard which is verified by a fingerprint reader.⁶⁰

127. A process is underway to review and upgrade the payment mechanisms for the NSNP. Among other things, this aims to address the weaknesses associated with using paper-based methods and one-factor authentication to deliver cash transfers and to respond changes in Kenya's regulatory framework for the provision of payment services. As a result, the government intends to work towards ensuring that future contracts for payment service providers adhere to the following key standards:

- New contracts will only be signed with service providers that comply with the Anti-Money Laundering Act, which requires that PSPs must be regulated financial service providers.⁶¹
- Transfers will be made through the mainstream payment infrastructure. The *de facto* standard for national and international payments is two-factor authentication using a magstripe card and a PIN.
- Beneficiaries, where possible, will be provided with an account that will allow them to take advantage of financial services, for example, to save a proportion of their transfer.

128. In the case of the CT-OVC, payments are made to the caregiver in the households (the adult responsible for the welfare of the OVC). Under the other four programs, caregivers are registered as the recipient of the transfer when the beneficiary is under age or unable to collect or responsibly use the payment because of old age or severe disability. In the case of HSNP payments made through Equity Bank, adults without a national ID are currently required to nominate an alternative recipient with a national ID to collect the payments. This is to ensure compliance with the country's banking regulations. Under the NSNP, the government will require that at least one adult in a household have a national ID before the eligible household can be allowed to be enrolled in the program. In this case, the NSNP would help applicants to acquire such IDs whenever needed.

3. *Citizens are able to appeal and complain about program performance.*

129. The 2008 service charter of the MGCSO outlines a series of commitments by the MGCSO along with a complaints mechanism that people can use if they feel that these commitments have not been fulfilled. In addition to this, two of the five programs that make up the NSNP have established complaint and grievance procedures. These are formal mechanisms for beneficiaries and non-beneficiaries to give feedback to program managers on how the program is being implemented. The HSNP has established Rights Committees that are responsible for ensuring that beneficiaries of the program are aware of their rights and for

⁵⁹ The agency banking network came into being as a result of the Banking Act Amendment of 2009, which authorizes banks to appoint agents (usually shopkeepers) to provide limited banking services such as taking deposits and managing withdrawals.

⁶⁰ Smartcards are electronic cards used to access a bank account or a cash transfer that contains biometric information unique to the client. In other words, the PCK uses one-factor authentication and Equity bank uses two-factor authentication. Annex 4 presents a more detailed analysis of these issues.

⁶¹ The other requirements are as follows: (i) all payments must be made in real time online; (ii) banks must fulfill stringent "know your customer" checks, thus making it almost impossible to provide payments to recipients without a national ID; (iii) agents cannot be exclusive to a single bank; and (vi) no systems can be used that are based on technologies or standards that cannot be integrated with other elements of the national payment system.

collecting any complaints and appeals and sending them to program managers for action. The CT-OVC has dealt with complaints and grievances in several different ways, both internal and external, as outlined in Annex Table 1.2. The external system was managed by an independent firm. Additionally, the CT-OVC Locational Committees (LOCs) at local level conduct awareness-raising sessions. To better ensure the rights of beneficiaries, the CT-OVC is in the process of establishing Beneficiary Welfare Committees (BWCs) that are responsible for supporting program implementation once beneficiaries are enrolled, that is, with regards to informing beneficiaries of payments and forwarding complaints and grievances to program managers.

130. During project preparation, the MGCSO designed program-specific complaint and grievance arrangements for the OPCT, PWSO-CT and UFS-CT based on experience in the CT-OVC and the HSNP. These are being documented in a revised Operations Manual covering the three programs. These three programs will use a harmonized complaint and grievance system building on the experience of the CT-OVC. For this, LOC and BWCs are being established and sensitized on how to field complaints from program beneficiaries and non-beneficiaries, escalating sensitive complaints to higher levels for action. A hotline will be operated by the Department of Gender and Social Development to provide a route for people to raise concerns with the programs that is independent from front-line implementers. All five programs that constitute the NSNP are in the process of developing procedures for recording the complaints and grievances that were lodged at national-level or escalated to national program managers in a dedicated module in their management information systems (MIS). This will enable consolidating reporting by the Social Protection Secretariat, which will be carried-out on a six-monthly basis and shared with the World Bank and partners. Finally, the M&E framework for the NSNP includes indicators to monitor the functioning of the complaint and grievance mechanisms, including an assessment of the time it takes for feedback to be given to people who lodge complaints.

Annex Table 1.2: CT-OVC Complaint and Grievance Procedures

Complaint and Grievance Procedures		Types of Complaints Received
Internal	External	
<ul style="list-style-type: none"> • Verbal complaint submitted on Form C1 and sent to: • District Children’s Officer • District Commissioner • Location OVC Committee • Central Program Unit • Health clinics or schools 	<ul style="list-style-type: none"> • Postal complaints • SMS hotline • Telephone hotline • Email complaints account 	<ul style="list-style-type: none"> • Late cash payment from the PCK • Recipient not sharing with beneficiaries • Complaints against LOC members • Enquiries about program procedures • Appeal against households not being selected • Program not selecting people in need

131. Additionally, the CT-OVC and the HSNP have distributed service charters to program beneficiaries and communities. These, together with the use of *barazas* (open community meetings) and awareness raising sessions, help to ensure that beneficiaries and their communities have the necessary information to understand how the programs work. The three smaller programs are also formulating Service Charters that will inform beneficiaries of their rights and entitlements under the programs.

4. *A monitoring and learning system is functioning*

132. The government has developed a Monitoring and Evaluation (M&E) framework for the NSNP. The framework includes a number of indicators to monitor progress in program implementation. The MISs of each of the programs will be enhanced to ensure they have the capability to produce regular monitoring reports. The monitoring and evaluation system is

discussed at length in Annex 2 and includes three MISs covering the five cash transfer programs and a Single Registry which are discussed in more detail below.

133. All five programs have a management information system (MIS), but, until recently, only two of programs had well-functioning MISs, while the other programs used less efficient Excel-based systems. These MISs play key roles in program monitoring and program implementation. The HSNP MIS,⁶² which is an open source MIS, has been adapted for use by the CT-OVC, the UFS-CT, PWSD-CT and OPCT, thereby creating common standards and functionality across the MISs for the NSNP, including links to the Single Registry, a common database within which information on the beneficiaries of all five cash transfer programs is consolidated. The beneficiary lists for the OPCT, PWSD and UFS-CT have been migrated to the enhanced MISs, which have been used to prepare the payroll since February/March 2013. This process identified a number of households with duplicate names or ID number. In response, the programs have ceased payments to these households while they investigate the source of these issues.⁶³ The CT-OVC has similarly migrated to the new, enhanced MIS and is also investigating cases of duplicate names and IDs. The enhanced MISs include common reporting modules that will be used to automatically generate the bi-monthly reports for program managers. The HSNP model is also being used to develop a single registry for all of the NSNP programs.

134. The single registry is housed on servers within the Social Protection Secretariat and will interact in real time with the program-level MISs to obtain data on beneficiaries from each of the programs. This will enable programs to share information on their beneficiaries, thus reducing the possibility that they are benefitting from more than one cash transfer program. The single registry will provide the Social Protection Secretariat, and by extension the National Social Protection Council and policymakers, with accurate and up-to-date information on the overall performance of the NSNP. It will also yield data on the core indicators on which the NSNP must report to the National Integrated Monitoring and Evaluation System (NIMES), which the government uses to track its progress towards meeting its development goals. Once operational, the single registry will be connected to the government's Integrated Population Registration System (IPRS), which houses data from the national ID system and from the civil register that contains birth and death information. This will provide an additional way of verifying households' eligibility for support. Furthermore, the Single Registry will make it possible to cross-check beneficiary lists to reduce the possibility of individuals benefitting unintentionally from more than one program⁶⁴; and will be a foundation for creating other common delivery systems for other social protection programs, including payment systems, which will reduce the costs associated with delivering benefits.

⁶² The HSNP MIS is currently being revised in line with the design of the second phase of the program. This includes significant revisions to the targeting and enrolment modules to incorporate changes to the targeting methodology, along with adjustments to the payments and complaint and grievance modules to reflect the additional controls introduced by the NSNP.

⁶³ There are many common names in Kenya and past weaknesses with the civil registration system has led to the government issuing duplicate IDs. As a result, instances of duplicate names and IDs cannot be assumed to be a result of fraud without further investigation.

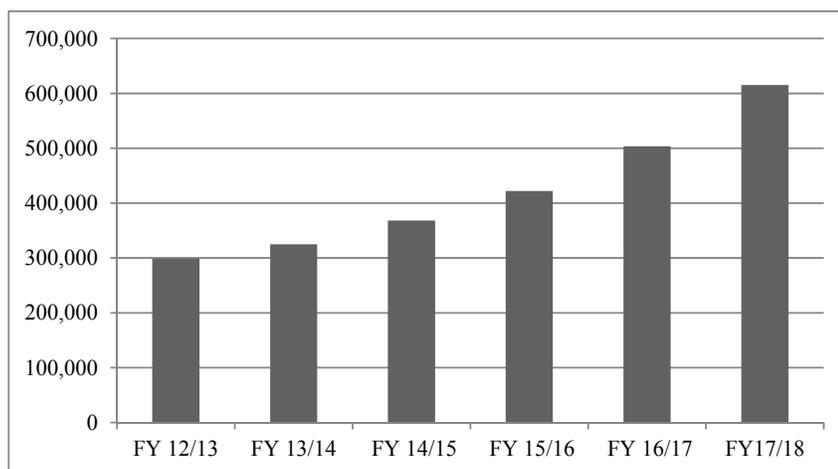
⁶⁴ While the government acknowledges that a single household may experience multiple vulnerabilities, and thus would be eligible for support from more than one program, because of the very small size of the programs, a decision was made to restrict access to these programs so that more households could benefit. Therefore, once a household is enrolled in one program, it ceases to be eligible for support from any other program.

5. *The cash transfer sector is harmonized and is government managed.*

135. The government's aim to increasingly harmonize the five cash transfer programs will be the first critical step in a longer-term reform agenda that aims to establish a national safety net system. This will be achieved by putting into operation a unified expansion plan for the five cash transfer programs underpinned by a medium-term expenditure and financing framework (MTEFF), by moving all financing for the NSNP on-budget, and by formulating (and then implementing) a consolidation plan for the four cash transfer programs managed by the MGCSD.

136. A key feature of the NSNP is its aim of expanding the coverage of the five programs in a coordinated manner that will gradually realize the constitutional right to safety net support. The coverage of these cash transfers has grown considerably since the first program was launched in 2005. The government will continue to increase the coverage of the NSNP over the next five years from its current level of 1.65 million beneficiaries to 3.30 million in 2017/18 (Annex Figure 1.1).⁶⁵ By the end of this period, the NSNP will reach 16 percent of the estimated poor population and 8 percent of the population, assuming perfect targeting.

Annex Figure 1.1: Projected Increase in NSNP Beneficiary Households (2012/13-2017/18)



Notes: These figures are from the government's MTEFF for the NSNP. As the MTEFF is agreed on a rolling basis, the figures for FY17/18 have not yet been confirmed. As a result, the figures presented here are indicative and assume that each of the five programs grows at a constant rate.

137. The government is in the process of formulating an expansion plan for the NSNP that will specify objective poverty and vulnerability criteria to guide this increase in coverage. It will also ensure that each program expands in a manner that is coordinated with the expansion of the other programs, thus creating equity in the overall coverage of the NSNP. Program managers will use analysis of the most recent poverty and vulnerability data to identify those geographic areas within which they will target and enroll new beneficiary households. This process will be coordinated by the Social Protection Secretariat to ensure that the expansion of the five programs is harmonized and that key policy questions are addressed, such as whether multiple programs should operate in the same geographic area.

⁶⁵ Annex Table 1.1 and Annex Figure 1.1 reported the number of households that are supported by the five cash transfer programs. The number of beneficiaries is calculated by multiplying the number of households by an average of five.

This plan will be driven by the MTEFF, which combines all sources of financing to the five programs with the budget requirements for the planned expansion.

138. The draft MTEFF for the NSNP shows that the proposed increase in program coverage would increase the annual budget for the five cash transfer programs from Ksh 8.04 billion (US\$95.76 million) in FY2012/13 to Ksh 20.08 billion (US\$238.99) in 2017/18. This increase in the annual budgets is presented in Annex Table 1.3. According to these estimates, the annual budget of the NSNP will amount to between 0.25 percent and 0.36 percent of GDP over this time period.

Annex Table 1.3: Budget Requirements by Program, by Fiscal Year, millions USD

Cash Transfer Programs	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17	FY 17/18	Total
CT-OVC	52.44	49.29	57.96	69.22	84.67	99.06	412.64
OPCT	17.86	18.07	21.44	25.61	31.32	36.65	150.95
PWSD-CT	4.58	4.83	7.86	12.93	21.36	33.74	85.30
UFS-CT	2.12	3.35	5.35	8.74	15.17	25.18	59.91
HSNP	18.76	35.90	39.43	61.07	44.36	44.36	243.87
Total	95.76	111.43	132.04	177.57	196.88	238.99	952.68

Notes: (i) The HSNP budget for FY14/15 includes US\$ 20 million for a response to drought. These resources would be in addition to the regular budget and would be used to scale-up the program to support new households and/or to increase the level of payments to existing program beneficiaries. This figure is indicative only, as the actual timing and size of such a response will be triggered by the early warning system. Should such a response be required, the resources would be disbursed from the National Drought and Disaster Contingency Fund. (ii) The budget for FY17/18 is indicative, as the MTEFF, which is the source for these figures, is agreed on a rolling basis. As a result, the figures for FY17/18 assume that the programs grow at a constant rate and that the transfer level remains the same as in FY16/17

139. As detailed in the MTEFF, to ensure the sustainability of the NSNP, the government will gradually take over all of the financing of these programs from development partners. As the NSNP starts to be implemented in 2013/14, government financing will represent 39 percent of total program financing. The government will slowly increase its funding so that, by 2017/18, its allocation will have increased substantially from Ksh 3.16 billion (US\$ 37.58) in 2012/13 to Ksh 17.13 billion (US\$204.62) in 2017/18. Projected government and development partner financing to the NSNP by fiscal year can be seen in Annex Table 1.4. According to this plan, the government (including the PforR resources) will provide 85 percent of financing for the NSNP by FY2017/18. Over time, this will enable the government to manage and fund the cash transfer programs with only limited external financing, thus building the sustainability of and ownership in the NSNP.

140. Additionally, the government is already taking steps to ensure that all expenditures by the five cash transfer programs are brought on-budget.⁶⁶ While this is already the case for the four programs managed by the MGCS D, the HSNP program – largely financed by the DFID and implemented by contractors including NGOs – has remained off-budget. The government will include this financing in their budget from FY13/14 and will begin putting government funds into the program.

⁶⁶ Resources to the NSNP are presently either reflected on-budget (as part of the government’s printed budget estimates, either disbursed through government financial systems or as “Appropriations in Aid”) or off-budget (outside of the government’s budgeting and financial management system).

Annex Table 1.4: NSNP Budget and Sources of Financing, by fiscal year, USD Millions

	FY 12/13	FY13/14	FY 14/15	FY 15/16	FY 16/17	FY17/18	Total
Budget	95.76	111.43	132.04	177.57	196.88	238.99	952.68
Sources of Financing:							
Government	37.58	49.00	78.86	130.13	161.77	203.89	661.23
<i>of which PforR operation</i>		20.00	32.50	70.90	67.40	59.20	250.00
DFID	33.74	48.11	48.86	43.12	30.79	30.79	235.40
SIDA	3.03	3.03	3.03	3.03	3.03	3.03	18.16
UNICEF	1.30	1.30	1.30	1.30	1.30	1.30	7.78
World Bank	20.11	10.00					30.11
Total Financing	95.76	111.43	132.04	177.57	196.88	239.00	952.68

Notes (i) Financing figures from development partners for FY17/18 are indicative only and are based on the assumption that current commitments from FY16/17 continue. (ii) DFID resources include financing from AusAid to the HSNP. (iii) World Bank financing in FY12/13 and FY13/14 reflects the IDA financing to the CT-OVC Project.

141. The government will review the current institutional structure of the NSNP in an attempt to increase coordination among and harmonization of the cash transfer programs. The key objectives of this restructuring will be: (i) to ensure that there is sufficient capacity to implement the program; (ii) to enhance cross-learning and coordination between programs; and (iii) to make use of common functions, where appropriate.⁶⁷ Although no definite decision has yet been taken, it is likely that in future there will be two operational secretariats responsible for the NSNP cash transfer programs, one for the HSNP, which is likely to remain the responsibility of the National Drought Management Authority (NDMA), and one for the programs that are currently managed by the MGCSD.

6. *Programs are responsive to shocks.*

142. Building on the experience of responding to drought emergencies in Kenya and internationally, the government intends to build the capacity of the NSNP to use cash transfers to respond to shocks. There is currently a process underway to design a mechanism for scaling up the National Safety Net Program in response to shocks, of which droughts are the most frequent in Kenya. As a result, it is expected that the current systems will be adapted along the following lines:

- *The Early Warning System.* The current early warning system is being reviewed to identify the indicators that will be used to trigger the release of contingent financing.
- *Contingency Planning.* The government has already invested in district/county-level contingency planning tools, but they do not include a cash transfer response. Therefore, it is necessary to adjust the current tools to include a way to increase the coverage or value of cash transfers in response to an emergency. This should include mechanisms for determining the most appropriate scale of support, how resources will be targeted to affected households, and how scaled-up cash transfers will work alongside other emergency support or long-term food or cash transfers.
- *Contingent Financing.* The design process will consider how the contingent resources, once triggered, will flow from the National Drought and Disaster Contingency Fund through the cash transfer programs to the targeted beneficiaries.

⁶⁷ These may include contracting of payment service providers, grievance mechanisms, the single registry, and some monitoring and evaluation functions.

- *Monitoring and Evaluation.* This will establish how program managers will monitor the scaling up of the National Safety Net Program within the existing monitoring systems of the cash transfer programs and the National Drought Management Agency (NDMA). It will also consider how the government will assess the effectiveness of this overall approach.

143. This approach is particularly relevant for the HSNP, which operates in drought-prone areas, and is managed by the NDMA, and thus, the initial efforts to build this capacity will focus on the HSNP.

B. Institutional Arrangements

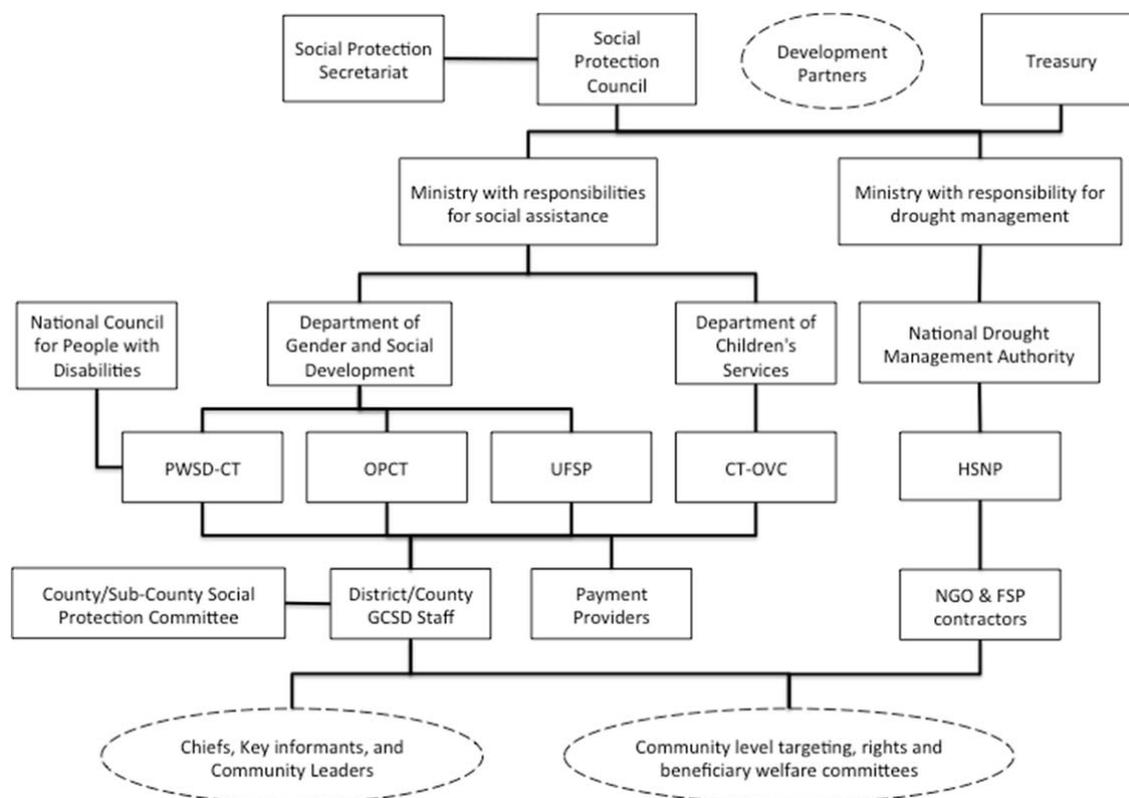
144. **National Oversight:** The government is in the process of establishing the National Social Protection Council, which will provide overall policy direction and oversight for social protection in Kenya.⁶⁸ This Council is supported by a Social Protection Secretariat, which is already established and is currently located within the MGCSD. The Social Protection Secretariat will oversee the implementation of the National Safety Net Program, including assessing program implementation according to the monitoring and evaluation framework, producing management reports, maintaining the single registry, and updating the MTEFF and expansion plan. The Social Protection Secretariat is not involved in program implementation.

145. The National Safety Net Program Steering Committee is being established to provide oversight of the program and to address key policy and operational issues as they may arise. This Steering Committee will be chaired by the principle secretary of the ministry responsible of social assistance and will be supported through a Technical Working Group, which will regularly monitor implementation progress.

146. **Program Management:** As outlined in Annex Figure 1.2, the HSNP is managed by the Hunger Safety Net Programme Secretariat in the National Drought Management Authority, which is a state corporation, the CT-OVC is implemented by the Department of Children’s Services within the Ministry of Gender, Children, and Social Development (MGCSD), and the remaining three cash transfer programs (the UFS-CT, the OPCT, and the PWSD-CT) are implemented by the Department of Gender and Social Development also within the MGCSD. Under the 2010 Constitution, social protection remains a national-level function, and, as such, institutional arrangements described below will continue to be those used for program implementation.

⁶⁸ The National Social Protection Policy mandates the establishment of this council.

Annex Figure 1.2: Institutional Structure for Administering Cash Transfer Programs



147. There is an ongoing process of ministerial restructuring, which started after the recent elections, including a significant reduction in the total number of ministries to comply with the new constitution. The MGCSO has been affected by this restructuring with responsibilities moving to another ministry. The NDMA has not been affected. The CT-OVC and the HSNP have experienced similar shifts in their institutional arrangements in the past without significant disruption to day-to-day implementation.⁶⁹ Moreover, the focus on putting in place program-wide systems for the NSNP (for example for financial management and monitoring and evaluation) will ensure the sustainability of implementation arrangements and the continued coordinated oversight of programs within the NSNP following restructuring. The new constitution also outlines a new decentralized structure of government that will be rapidly implemented over the coming months. However, social protection remains a national-level function and therefore the division of national, sub-county and community level functions will remain as below.

148. The programs managed by the MGCSO follow the general government administrative structure, with national-level management and oversight, sub-county level coordination of implementation, and community-level involvement.

- a. At the *national level*, responsibility for implementing these programs lies with either the Division of Social Welfare of the Department of Gender and Social Development (for the OPCT, the UFS-CT, and the PWSD-CT) or the Department of Children's Services (for

⁶⁹ The CT-OVC was managed by the Ministry of Home Affairs prior to 2009. Following restructuring, the team responsible for the program's day-to-day implementation and oversight was shifted almost in its entirety to a new ministry. Similarly, the HSNP moved from the Ministry for Special Programmes in the Office of the President to the new MSDNKAL when it was formed in 2008.

the CT-OVC). Payments are the responsibility of outsourced payment service providers, which are contracted by the national-level program managers. At present, payments are made through the Postal Corporation of Kenya (PCK) and Equity Bank. The Internal Audit Department of the ministry undertakes periodic audits of the cash transfer programs as per their mandate.

- b. At the *sub-county level*, District Officers target program beneficiaries in consultation with relevant community leaders, committees (where they exist), and organize the work of enumerators to collect household level information. District Officers are also responsible for monitoring the programs' operations at the local level and for reporting any adjustments that should be made to update information on beneficiaries.
- c. At the *community level*, the CT-OVC establishes Locational OVC Committees (LOCs) to support the targeting procedures. It is in the process of establishing Beneficiary Welfare Committees (BWC). The BWCs, which are composed of and are elected by beneficiaries, are responsible for representing and empowering beneficiaries.⁷⁰ The MGCSD intends to create LOCs and BWCs to support the implementation of the OPCT, PWSO-CT and UFS-CT.

149. The HSNP is managed by the HSNP Secretariat, which is housed in the NDMA and implemented by NGOs. Key functions of the HSNP Secretariat include preparing work plans, establishing mechanisms of coordination, regularly reviewing the program's progress, and managing fiduciary risk. DFID, the main program funder to date, has played a key role in overseeing the program oversight and in contracting with the agencies responsible for implementing different components of the program. The large distances covered by the program combined with severe capacity constraints within the government administration in Northern Kenya has meant that all key areas of the HSNP's implementation are sub-contracted as follows:⁷¹

- The administrative component, including targeting, enrollment, registration, and case management, is implemented by a consortium of NGOs headed by Oxfam GB.
- The payments component is managed by the Financial Sector Deepening Trust,⁷² which in turn sub-contracted Equity Bank to deliver payments to beneficiaries through a network of banking agents.
- The social protection rights component, which is designed to spread awareness of beneficiaries' rights, entitlements and responsibilities and to manage the complaint and grievance mechanism, is implemented by HelpAge International.
- The monitoring and evaluation component has been implemented by Oxford Policy Management, which collects and analyzes data on a range of process and impact indicators.

⁷⁰ This is done, for example, by informing beneficiaries of payment dates, compiling a list of beneficiaries who did not receive a payment during a payment cycle and giving it to the District Children's Officer (DCO) to take action, collecting and forwarding information to DCOs concerning any changes in beneficiary status, and forwarding any complaints submitted by beneficiaries to DCOs.

⁷¹ This discussion reflects the arrangements for phase 1 of the HSNP. A new tendering process is being launched to coincide with the new phase of the program, which will begin in the second half of 2013.

⁷² FSD Kenya is an independent Trust established to support the development of inclusive financial markets. It works in partnership with the financial services industry to expand the access of lower-income households and small-scale enterprises to services.

- The management information system was initially managed by an independent consultant but since 2010 has been managed by an MIS Officer based in the HSNP Secretariat.

150. The NDMA will also be responsible for scaling up the HSNP in response to shocks and for establishing and maintaining the systems and procedures to allow this to happen effectively. The Authority will oversee the collection of early warning information, monitor whether financing should be triggered, and oversee the disbursement of funds.

151. In addition to the above, four other government bodies play key roles in the implementation of the NSNP:

- The *Ministry of Finance* will play a greater role in future cash transfer programming in accordance with the PforR approach. As the program will be relying on mainstream government financing and will be focused on ensuring that disbursement linked indicators are met, it will be particularly important for the Treasury to be closely involved with program processes and in ensuring that the necessary budgets are allocated to the programs within the NSNP so that the desired results can be achieved. The program financial reports will be generated using IFMIS, based on the government's Standard Chart of Accounts, for which the Ministry of Finance is responsible.
- The *National Drought and Disaster Contingency Fund (NDDCF)* will be established as a Trust Fund under the Ministry of Finance. This Fund will finance the scaling up of the NSNP in the event of a shock. The NDDCF will be managed by a Board of Trustees constituted of Principle Secretaries of the ministries responsible with disaster response and the management of the HSNP, the Ministry of Finance, and at least three other members with expertise on drought management and crisis response.⁷³
- *National Council for Persons with Disabilities* is formally responsible for the PWSD-CT. Because of capacity constraints, it has requested that the MGCSD implement the program on its behalf. The annual budget for the PWSD-CT is allocated to the National Council by Treasury, which is then transferred to the Postal Corporation to pay beneficiaries on the basis of the payroll prepared by the MGCSD.
- *Kenya National Audit Office (KENAO)* will carry out the external audit of all five cash transfer programs.

C. The World Bank Operation

152. As discussed above, the World Bank aims to support the government's NSNP. This will be achieved by linking the disbursement of resources to results in three key areas. Each of these three results areas is described in turn below.

1. Expanding cash transfer programs to promote more comprehensive and equitable coverage

153. *Increasing household coverage:* The World Bank's PforR operation will support the government in gradually expanding the coverage of the NSNP to the poorest and most vulnerable households within the program areas. This will be underpinned by an MTEFF, which will be agreed between the government and development partners. It will provide a

⁷³ The Board of Trustees will be responsible for determining the policy of the Fund and controlling its operations. It will hold the Fund in trust for the National Drought Management Authority and for whichever agency is chosen to be responsible for disaster response.

comprehensive analysis of the financing for and the funding requirements of the NSNP. The World Bank is working with the MGCSD and the Ministry of Finance to ensure that this MTEFF, and the proposed expansion plan, are reflected in the government's overall medium-term plan and in the sectoral plans and budgets for social protection, thereby enabling the government to make multi-annual commitments. However, the coverage of cash transfer programs will need to be expanded in a way that will ensure the long-term sustainability of the NSNP. This requires that government financing should gradually increase in relation to development partner financing. Therefore, the pace at which the cash transfer programs expand their coverage will depend, in large part, on the pace at which the government is able to expand its safety net budget.

154. *Geographic expansion:* Currently, the decision to increase the size of one program is taken on an *ad hoc* basis with little consideration for the coverage (and expansion plans) of the other programs. As a result, there is increasing geographic overlap among programs but little consideration for the overall equity of coverage of cash transfers. The World Bank and the government have agreed on a DLI to address this. This will involve the adoption of a consolidated scale-up plan for the NSNP in accordance with the MTEFF and based on transparent criteria on poverty and vulnerability using data from the most recent national census (2009) and Kenya Integrated Household Budget Survey (2005/6).

2. *Strengthening program systems to ensure good governance*

155. The World Bank's support will assist the government in adopting common standards for all cash transfer programs to strengthen program governance. This will entail the adoption by all programs of the emerging best practices in the sector, which include: (i) strengthening program targeting to ensure that only those households that are eligible for the program are selected; (ii) establishing a single registry to strengthen the checks on enrollment, thereby providing additional confirmation that households registered in the programs are eligible for support; (iii) adopting internal controls on the payrolls produced through the programs' electronic MISs to ensure that the correct amount is paid to beneficiaries; (iv) contracting payment service providers that make payments electronically and use two-factor authentication to ensure that payments reach the intended beneficiary efficiently and effectively; and (v) establishing well-functioning grievance and appeals systems to strengthen demand-side accountability in the programs. Each of these areas of focus – from targeting and enrollment to payments to appeals and monitoring and evaluation – is considered in turn below.

156. *Targeting:* Safety net programs are, by definition, targeted in some way to poor and/or vulnerable populations. A well-functioning targeting system ensures that those who are most in need and who are entitled to the benefits provided by a program receive support. Each of the five cash transfer programs that constitute the National Safety Net Program has specific eligibility criteria. While reviews have found that the programs generally select beneficiaries who meet these criteria, there are concerns that their limited implementation capacity results in some ineligible households being selected.⁷⁴ Much of the data concerning these weaknesses is anecdotal, based on small samples or out of date, highlighting the need for a robust baseline on the efficacy of targeting. The findings of these reviews show that these concerns generally arise from: (i) the limited amount of program resources allocated to

⁷⁴ The Technical Assessment for the Kenya National Safety Net Program for Results provides the detailed findings of these reviews.

counties and, within them, Locations⁷⁵ and (ii) weaknesses in the targeting process resulting from shortages in staffing, operational budgets, and time. This second finding is consistent with international experience that shows that targeting outcomes are heavily dependent on the quality of implementation.

157. Recognizing the steps that are already being taken to further clarify the targeting procedures in the OPCT, the PWSD, the UFS-CT, and the HSNP, the World Bank's PforR operation aims to strengthen the way in which targeting is implemented in the NSNP.⁷⁶ This will be done by making the Bank's disbursement of resources to the NSNP contingent on evidence that an increasing percentage of beneficiaries are indeed eligible for the programs from which they are benefitting (DLI 2).⁷⁷ Focusing on improved implementation draws attention to the need for the government to take steps to strengthen change management⁷⁸ and to conduct recertification (or retargeting) of beneficiaries. However, it also draws the attention of program managers to the human and physical resources that each program needs to carry out targeting (and recertification) as detailed in the programs' operations manuals. Given current capacity limitations, the government is exploring the possibility of harmonizing the targeting process used by all five programs. As a first step, a common approach to targeting will be piloted in counties in 2014.

158. Notably, under this result area, the World Bank PforR operation aims to reduce inclusion errors in the NSNP based on the current eligibility criteria and targeting guidelines. The results framework for the operation (and for the NSNP) is designed to ensure that program managers also review the targeting criteria for each program based on the results of the impact evaluations to better ensure that the poorest and most vulnerable households are being selected into the programs. For example, the results of the ongoing impact evaluation of the CT-OVC may find that there is a need to review the PMT for that program. Additionally, to reduce exclusion errors, the government aims to gradually expand the coverage of the NSNP and to take steps to promote a broader awareness of the NSNP among communities and beneficiaries.

159. *Enrollment:* Currently, the five programs rely on self-reported data to determine if households are eligible for support. This information is collected by enumerators through home visits, a sample of which is then checked by sub-county officials. This information is entered into the program MISs to calculate a score and ranking of households. This information is then verified by the communities themselves who have detailed knowledge of their members' circumstances. Once validated in this way, program managers enroll (or register) these households in the program MIS. This beneficiary list then becomes the basis for making payments and for monitoring the program's implementation.

⁷⁵ As in any country with high levels of poverty, communities often voice concerns that many poor and deserving households are not enrolled in the programs (exclusion errors). This will be addressed, in part, through the scale-up plan described under the third results area: "Expanding cash transfer programs to promote more comprehensive and equitable coverage."

⁷⁶ The government is taking steps to retarget the OPCT and the PWSD in those areas where such concerns have been raised. The operations manuals for the OPCT, the PWSD, and the UFS-CT are also being reviewed to take account of the lessons learned from the recent reviews of targeting. The targeting for the HSNP is also being strengthened by the adoption of a PMT combined with community-based targeting.

⁷⁷ That is, by comparing their characteristics with the targeting criteria. The details of the DLI and the verification procedures can be found in Annex 3.

⁷⁸ Change management constitutes the updating of household information, such as the age of OVCs, to determine if they continue to be eligible for the program and to remove them from the beneficiary lists when they are no longer eligible.

160. While the enrollment process already works relatively well in all programs, the adoption of the single registry (linked to the electronic MIS for each program) will make it possible to do additional verification checks on households before they are formally admitted into the programs. Information on the beneficiaries of all five programs will be available on the single registry while all adults should be registered on the national population registry (the Integrated Population Registration Service or IPRS). Links between these two systems will enable program managers to confirm that beneficiaries meet the eligibility criteria for the programs, thus strengthening the checks on the targeting and enrollment procedures. The single registry is designed to enable such validation of beneficiary information, and the World Bank and the government have agreed on a DLI to ensure progress in this area (DLI 3).

161. *Payments*: At the same time, while the program MISs are used to generate the payrolls for each program, it is important to strengthen the internal controls on the payroll to ensure that the correct amount is being paid to beneficiaries and that any leakage to non-beneficiaries is minimized. A review of the five programs that was recently completed identified a set of actions that, together, would reduce the possibility of fraud, error, and corruption in the NSNP.⁷⁹ A key recommendation of this review was the adoption of *ex ante* and *ex post* reviews of the payrolls of the five programs. As this is a key stage in determining whether the right payments are being made to beneficiaries, a set of actions to ensure that progress is made in this area has been included in the DLI related to the establishment of the single registry and upgrading of program MISs (DLI 3).

162. An essential component of any cash transfer program is a payment mechanism that delivers regular, reliable transfers in a way that is accessible to program beneficiaries. This payment mechanism also needs to operate in a manner that allows program managers to be confident that the payments are reaching the intended recipients. While the payment mechanisms for the cash transfer programs have become significantly more effective over time, the majority of payments are not yet made electronically (paper-based payrolls are still used at the point of payment and are only later reconciled electronically) and the authentication of beneficiaries' identities at the payment point is not sufficiently rigorous. Therefore, the World Bank's PforR operation aims to encourage the NSNP to sub-contract only with payment service providers who make payments electronically and use two-factor authentication (DLI 4). Achieving this objective has implications for the government's contract with the PCK, which does not currently deliver transfers electronically using two-factor authentication.

163. The government intends to review the payment architecture for the NSNP to work towards ensuring that the payment service providers for the NSNP: (i) comply with the Anti-Money Laundering Act of Kenya; (ii) use mainstream payment infrastructure (most likely two-factor authentication using a magstripe card and a PIN); and (iii) provide beneficiaries with personal bank accounts to enable them to take advantage of financial services. While these steps are not required to meet the DLIs of the proposed operation, the aim of government is to adopt a more strategic approach to the provision of payments through the NSNP. The Payment Service Working Group will consider the options for payment service provision under the NSNP which includes the possibility of (i) modifying the existing contracts with Equity Bank and PCK; and, (ii) initiating a new tendering process based on a terms of reference that includes provisions to achieve these longer-term aims.

⁷⁹ Barr, D. (2012). Draft Framework for Controlling Error, Fraud and Corruption in Kenyan Social Assistance Programs. Washington D.C., World Bank

164. The NSNP needs to ensure that its payments to beneficiaries are regular and predictable. This helps households to smooth their consumption and protect their assets. Analysis carried out for the Technical Assessment shows that the payments made to beneficiaries of the five cash transfer programs are often late, in the sense that they are made after the scheduled dates when the payments are supposed to be made. Also, beneficiaries are rarely informed in advance about when they can expect to receive their payments. The World Bank PforR operation aims to help the government to ensure that an increasing proportion of payments are disbursed to the payment service providers according to the bi-monthly payment schedule (DLI 5). To achieve this result, the government will start by addressing the reasons behind the delays in the flow of funds and in the payment process. It will also consider incorporating performance standards related to the timely delivery of transfers into any new contract with payment service providers. Continuous monitoring will also identify any other causes of these delays and will focus the attention of program managers on ensuring that transfers are delivered on time to beneficiaries.

165. *Complaints and Grievances:* International evidence shows that safety nets are more effective when both beneficiaries and non-beneficiaries are able to hold decision-makers and front-line implementers to account. Well-functioning complaint and grievance mechanisms have proven to be effective for promoting this demand-side accountability both in Kenya and around the world. The World Bank's PforR operation will support the government in establishing and maintaining a well-functioning complaint and grievance mechanism within the NSNP (DLI 6.1). With this in mind, the government is currently designing complaint and grievance systems for the OPCT, the PWSD-CT and the UFS-CT, while also upgrading the system currently used in the CT-OVC. A module on complaints and grievances is also being added to the MISs for each of the programs to provide program managers with a regular stream of information on the complaints and grievances lodged and/or recorded at national-level and actions taken. This, together with regular reporting on complaints and grievances by county-level officials, will help program managers to follow up on and resolve any complaints or grievances.

166. Demand-side accountability requires that both beneficiaries and non-beneficiaries be aware what mechanisms are available for making complaints about aspects of the program. Therefore, the PforR aims to promote awareness of the complaint and grievance mechanism in the communities supported by the NSNP (DLI 6.2). To achieve this DLI, the government will develop and implement a communication strategy that will take into account the findings of the generally low levels of beneficiary awareness of the complaint and grievance mechanism in the CT-OVC program and the HSNP. Among other communication materials, this will include the widespread dissemination of Service Charters that will specify the rights and responsibilities of all beneficiaries under the NSNP.

3. *Harmonizing cash transfer programs to improve sectoral coherence*

167. *Building scalable safety nets to respond effectively to drought:* Currently, none of the five cash transfer programs has the ability to rapidly scale up its coverage or increase the value of its transfers in response to shocks. This limitation undermines the ability of these programs to provide effective safety net support to poor and vulnerable households. A DLI has therefore been agreed between the World Bank and the government that aims to create such a crisis-response capacity within the NSNP (DLI 7). While the government aims to create such crisis response capacity in the NSNP as a whole, the initial focus will be on building the capacity of the HSNP, as this program operates in those areas of the country that are particularly prone to drought. This will be closely linked to the government's existing drought-response mechanisms, particularly the activities of the National Drought

Management Authority (NDMA) and the proposed National Drought and Disaster Contingency Fund (NDDCF).

168. To achieve this DLI, the government will need to put in place the system to scale-up the HSNP in response to shocks, as evidenced by: (i) the establishment of the NDDCF, with associated regulation, and the adoption of the MoU between the NDDCF and NDMA; (ii) NDMA's ability to disburse money to beneficiaries through a PSP; (iii) a Drought Response Operations Manual of the NDMA detailing procedures as they apply to cash transfers for early warning systems, contingency planning, drought and disaster contingency fund management, and monitoring and evaluation; (iv) the revised HSNP Operations Manual that guide the scale up of the program in areas of targeting, enrolment, payments and complaints and grievances, and (iv) government allocation to the NDDCF to enable the HSNP to scale up. Upon receipt of these documents, the World Bank will review the systems and procedures to confirm that they are adequate. Providing safety net support to vulnerable households that are negatively affected by shocks will help to protect their consumption, human capital, and productive assets.

169. *Moving forwards program consolidation:* The MGCSO currently implements four cash transfer programs. Each of these programs has dedicated staff at the central and district levels, but their numbers and skill mix tend to be insufficient for the effective implementation of the programs. Additionally, the four programs aim to reach similar target groups and many operate in the same geographic areas. This creates overlaps of coverage, duplication of effort, and inefficiencies. To address these limitations, the MGCSO will formulate a strategy for consolidating its four cash transfer programs and then implement the strategy (DLI 8). This plan will detail the vision for consolidating the four cash transfer programs and the steps needed to achieve this vision in the short and medium term. This will include: (i) an agreed proposal for merging (or harmonizing) the main functions of the cash transfer programs, such as targeting, complaints and grievances, monitoring and evaluation, financial management, and procurement; (ii) the institutional arrangements at all levels, including local-level committees; (iii) the staffing requirements; (iv) the physical resources requirements; and (v) any policy, regulatory, or institutional changes required.

170. *Initiating government financing to the HSNP:* Safety nets are, by design, long-term interventions that require multi-annual financial commitments from government. Unlike the four other cash transfer programs, the HSNP remains fully donor financed. A DLI (DLI 9) has been agreed to encourage the government to begin to allocate resources from its general revenue to the HSNP. The government has already taking steps to achieve this result and it is anticipated that the FY13/14 Budget will allocate government resources to this program.

D. Capacity Building and Technical Assistance to the NSNP

171. **To achieve these results, the government will need to make significant investments in staffing, systems and infrastructure.** Many of these results will require significant investment from the government to establish or strengthen the required systems and procedures and also to employ enough staff. The government is providing from FY13/14 dedicated operating budgets to all five programs, equivalent to 15 percent of the total program costs. This percentage was set based on the experience of the CT-OVC program, which has had an operating budget since it was established; the sufficiency of these budgets will be reviewed on an ongoing basis. The operating budgets will be used to support effective program implementation, particularly activities related to targeting, payments, complaints and grievances and monitoring and evaluation. The government is also considering how to augment the staffing levels in the programs and the Social Protection Secretariat to ensure

that these are closer to the level required to implement and coordinate program activities. To this end, the technical assistance described in the paragraph below will be used to finance consultants or secondees to the NSNP, as needed.

172. **Technical assistance will also be needed, particularly in the short- and medium-term to support program implementation.** The three Assessments carried out as part of project implementation identified a range of technical assistance required to support the achievement of the objectives of the NSNP. Some of the technical assistance requirements have been detailed in the Program Action Plan (see Annex 8) and include the need for help with the payment architecture of the NSNP, monitoring and evaluation (including the program MISs the management of the single registry), establishing the complaint and grievance mechanisms (including rolling out a communication strategy), and putting in place the systems and procedures to enable the NSNP to expand in response to shocks. Examples of the Technical Assistance required by the NSNP are presented in Annex Table 1.5. These needs will be detailed further based on the outcome of a planned Functional Review and the results of the ministerial restructuring. This Review will assess the capacity of the cash transfer programs that constitute the NSNP to deliver on their objectives and propose means of consolidating the four cash transfer programs managed by the MGCSO.

Annex Table 1.5: Selected Technical Assistance to the NSNP

Capacity Building	Firm to carry-out the Functional Review of the five cash transfer programs to produce: Capacity Strengthening Plan to include Staffing & Training, Equipment, Systems; and Harmonization/Consolidation Strategy
	Capacity enhancement based on Functional Review (Staffing, Audit Office, Procure Equipment, Training, etc.)
Targeting	Firm to support recertification based on: MIS exception reports, stipulated recertification procedures based on Operations Manuals, and complaints and grievances lodged on the programs.
	TA to analyze the 2009 national census data, KIHBS, existing coverage by cash transfer programs and other relevant data to inform the Expansion Plan.
	Firm to support to large-scale targeting/recertification in line with expansion plan or as a result of targeting assessments/PIBS
	Individual consultant to review PMT Targeting methodology to harmonize poverty criteria across all programs if identified as needed by single targeting exercise pilot or Harmonization Strategy
Payments	Individual Consultant to support the SP Sec. to (a) determine the payment architecture for the NSNP, (b) provide input to the process to contract PSP(s), particularly the TOR, and (c) to support contract management
	Firm to support large-scale enrolment of beneficiaries particularly with respect to linking them with PSPs (as is currently the case in CT-OVC program).
	Individual consultant to support the Payment Working Group on flow of funds and timeliness of payments.
	Consultant to advise on benefit level and mechanisms for preserving purchasing power
Complaints and Grievances	Firm to support the development and implementation of the Communication Strategy.
Monitoring and Evaluation	Firm to conduct Program Implementation and Beneficiary Satisfaction Survey for period of PfR (PIBS)
	New contract to individual Consultant to (a) Enhance MIS/Single Registry; (b) Support MIS/Single Registry maintenance, training and trouble-shooting.
	Firm to conduct HSNP Evaluation

173. Development partners will provide a coordinated stream of financing to the government for technical assistance to support the achievement of these results. In recognition of the size of the investments required to achieve the desired results of the NSNP, the World Bank and other development partners will provide dedicated resources to finance the technical assistance. The World Bank intends to use the existing IDA-financed CT-OVC Project to provide this support through Additional Financing. This is consistent with the objectives of the CT-OVC project, which includes a component that supports the social protection sector overall and the additional financing will expand activities under that component. To this end, the closing date of the Project will be extended for three years to overlap with the implementation period of the PforR.⁸⁰ DFID has already contributed resources through the CT-OVC Project for this purpose. Other development partners have indicated their intention to provide support to the NSNP through Appropriations in Aid, such as consultants to support the Social Protection Secretariat.

174. In addition, other development partners have indicated their interest in aligning their support to the NSNP. The World Food Program (WFP), for example, will explore how to harmonize their assistance to the government's objectives for safety nets in Kenya. This includes expanding the single registry of the NSNP to include beneficiaries enrolled in the WFP-supported Cash or Food for Work Programs.

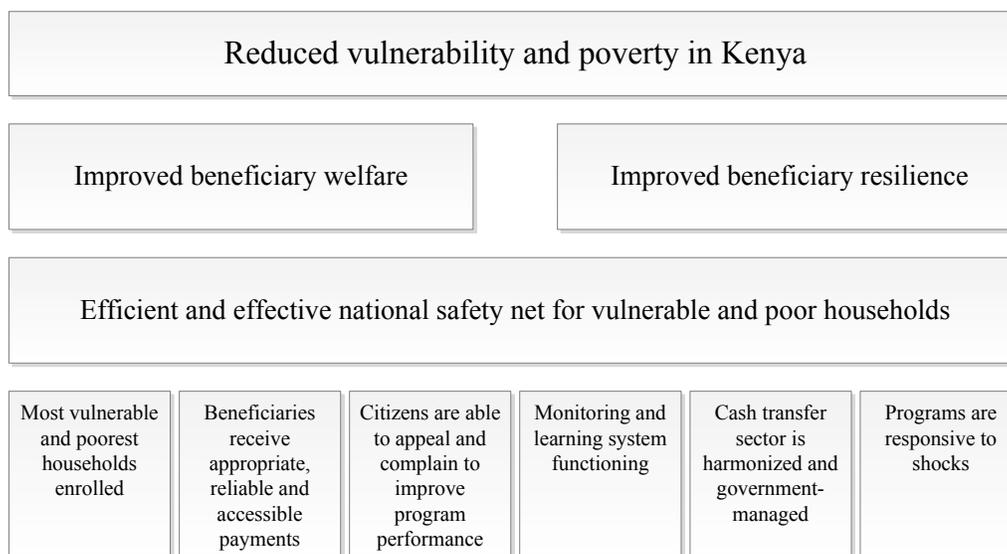
⁸⁰ CT-OVC IDA CR-4553. The project is rated satisfactory and is scheduled to close on December 31, 2013.

Annex 2. Monitoring and Evaluation

A. Monitoring and Evaluation Framework for the NSNP

175. The Social Protection Secretariat has developed a monitoring and evaluation (M&E) framework for the NSNP, with support from the World Bank and other partners. The NSNP framework links inputs, activities, outputs, outcomes, and impact (Annex Figure 2.1) and includes the results the Government aims to achieve through the PforR operation. Currently, 39 indicators have been chosen as measures of the progress being made towards the program’s objectives.

Annex Figure 2.1: NSNP Logical Framework



176. **Monitoring:** The Social Protection Secretariat will regularly monitor progress towards achieving the outcomes, outputs and activities of the NSNP as follows:

- a. *Bi-monthly reports:* These reports will draw on key data from the program MISs to analyse the performance of each bi-monthly payment cycle with the aim of providing program managers with information to support implementation. The reports will include information on the number of beneficiaries enrolled into and/or exited from the programs, the timeliness of payments, complaints lodged and actioned, and budget execution, among others
- b. *Quarterly reports:* These reports will draw on the program MISs and also the internal monitoring⁸¹ carried out by staff of the Secretariats implementing the five cash transfer programs. These reports will be accompanied by financial reports generated from IFMIS. The aim is to report on key indicators for the Vision 2030 Flagship programs, which includes the four cash transfer programs implemented by MGCSD, as required by the Ministry of State for Planning, National Development, and Vision 2030.
- c. *Half-yearly reports:* These reports will consolidate the information generated in the bi-monthly and quarterly reports and provide further narrative on NSNP inputs, activities and outputs. The aim is to provide information for program managers,

⁸¹ Previously referred to as spot checks by the MGCSD.

senior government officials and development partners on progress in program implementation.

- d. *Annual reports:* These reports will analyse progress against the overall M&E framework. They will draw on data from the programs' MISs and Single Registry, internal monitoring by program officers, the PIBS survey to monitor program performance, and evaluations (when these have been reported). These reports will be shared with development partners and will be made public by posting them on the website of the Social Protection Secretariat. They will also inform an annual NSNP learning event.

177. The format for each of these reports has been agreed as part of the M&E framework. The sources of information for these reports are described below:

178. *Programs' MISs and the Single Registry:* This information is generated regularly through program targeting, enrolment, payments, change management, and when complaints and grievances are lodged or recorded at national-level. The programs' MISs link to the Single Registry and a reporting module in Single Registry will automatically generate these data in the format required by the M&E framework.

179. *Internal monitoring by program officials:* Staff of the Secretariats managing the five cash transfer programs regularly visits program areas to assess progress in implementation. This is done by interviewing front-line officers, members of local committees, beneficiaries and non-beneficiaries. Staff aim to identify and respond to weaknesses in implementation during these monitoring visits, and may also investigate issues arising through the complaint and grievance mechanisms or feedback from front-line implementers. A format has been developed to guide these monitoring visits.

180. A *Program Implementation and Beneficiary Satisfaction (PIBS) Survey* of NSNP beneficiaries will be conducted by an independent firm every year. The PIBS survey will interview beneficiary households, members of local committees, such as the Beneficiary Welfare Committees, and front-line implementers to measure the quality of program implementation. More specifically, it will assess the current characteristics of beneficiary households to determine if these conform to the eligibility criteria of the program in which they are enrolled. It will consider how much beneficiaries know about their entitlements under the program, their awareness of program systems, such as the complaint and grievance mechanism, and their perceptions of the quality of program implementation, including the timeliness of payments. It will also seek their views on the impact that the program is having on their well-being and that of their family. Finally, the PIBS survey will also verify that the programs are being implemented according to the operations manuals, reviewing, for example, the targeting procedures, payments process and complaints and grievances. The survey will be carried-out annually, on a sample of locations that are representative of each of the five programs. The sample will also be drawn to ensure that the results are representative of urban and rural areas.

181. **Financial reports.** Financial reports for the NSNP will be produced from the IFMIS on a semi-annual and annual basis. The format for the financial reports is based on the Standard Chart of Accounts, which now includes the NSNP as a program, and will be generated automatically from IFMIS. The format will report all expenditure for each of the five cash transfer programs and then sum these figures to provide a total for the NSNP.

182. **Evaluation:** Progress towards the outcomes of the NSNP will be assessed through two *independent impact evaluations*, which are currently being carried-out on the CT-OVC and the HSNP. Since the CT-OVC and HSNP are the two largest programs in the NSNP and

provide support to poor households that are vulnerable because of their place of residence (ASALs, and to a lesser extent, urban areas) and their circumstances (predominantly households caring for OVCs, but also older persons) the results from these evaluations will be assumed to be similar for the NSNP as a whole (provided that the PIBS survey demonstrates that the quality of implementation is comparable across the five programs). There are currently no plans for the government or other development partners to finance impact evaluations of the other three programs, and the Bank team does not deem this to be necessary given the range of rigorous evaluations already in place.

183. The impact evaluations of the CT-OVC and HSNP are large-sample quantitative impact evaluations that compare control and treatment groups. The impact evaluation of the CT-OVC consists of a baseline and two follow-up surveys: the first 12 months after the baseline and the second 24 months after the baseline. The baseline survey interviewed (i) beneficiary and non-beneficiaries in Locations supported by the CT-OVC and (ii) households that were eligible for the program residing in Locations that were not supported by the CT-OVC. The impact evaluation will use non-experimental methodologies, including propensity score matching techniques, to attribute changes in outcome indicators to the CT-OVC.

184. The Kenya National Statistics Bureau (KNBS) conducts the *Kenya Integrated Household Budget Surveys* (KIHBS) approximately every five years. These surveys are fielded to determine national poverty rates, among other things. The Social Protection Secretariat and development partners are discussing with the KNBS whether a series of questions on the receipt of NSNP transfers can be introduced into the 2013 round of the KIHBS and whether its sample sizes can be adjusted to ensure that sufficient beneficiaries are included in the sample. This will make it possible to derive hardcore household poverty rates for different eligible program groups as well as to calculate overall program coverage and benefit incidence within the national population.

B. NSNP Monitoring and Evaluation Institutional Arrangements

185. **Social Protection Secretariat:** The M&E unit at the Social Protection Secretariat will coordinate the system and will report to the head of the Secretariat. This M&E unit will be responsible for: (i) compiling reports from the individual programs to construct NSNP-level indicators as per reporting requirement described above; (ii) contracting and supervising NSNP-level external surveys (specifically the PIBS Survey); (iii) compiling and circulating NSNP reports to the government, NIMES, and development partners; and (iv) ensuring that relevant data are uploaded to the Open Data Initiative website at specified intervals. The officer responsible for the Single Registry will ensure that the data housed in the Single Registry is up-to-date and that the automatic links with the programs' MISs are functioning as intended.

186. **Program Secretariats:** Each of the five cash transfer programs will have staff responsible for M&E within the program, and an officer responsible for the program MIS. The M&E officers will be responsible for (i) ensuring that the relevant reports are produced and sent to program managers and the Social Protection Secretariat on a timely basis, (ii) coordinating internal monitoring, and (iii) managing external surveys and evaluations. These officers will ensure that the required information is sent to the M&E officer in the Secretariat according to the M&E plan. The MIS officer will ensure that the program MIS is kept up-to-date and that data are available to the Secretariat, as required.

187. **County-level program officers:** County and sub-county officials will be responsible for regularly sending information to the program secretariats on program implementation and on any changes in the status of beneficiaries to be input into the program MISs. They are also

responsible to communicate to the program secretariats any other issues that may have arisen from Beneficiary Welfare Committees, other local committees, or their own monitoring, as stipulated in the Operations Manuals of the programs.

C. Capacity Requirements

188. The Technical Assessment of the NSNP identified weaknesses in the current M&E arrangements for the five programs and the Social Protection Secretariat that may impinge on their ability to provide regular and accurate monitoring data on the NSNP. These weaknesses involve: (i) the capacity of district officials to gather regular and reliable information for the MIS; (ii) the capacity of program decision-makers to demand and use monitoring and evaluation information; (iii) the limited capacity at national-level to develop, implement (or contract out), and supervise various evaluations; (iv) the absence of clear formats and procedures that simplify the process of reporting on indicators and reading those reports; (v) the absence of results frameworks and operational manuals in some programs that set out M&E procedures and key indicators; and (vi) the absence of a functional reporting module in each MIS to easily generate management reports.

189. The M&E Plan for the NSNP addresses several of these constraints by creating clear and simple templates to guide the collection of monitoring data. The Plan has also focused on a limited number of key indicators to facilitate the use of this information by program managers. Efforts are also underway to strengthen and streamline the M&E systems for the OPCT, the PWS-CT, and the UFS-CT, which are expected to be completed in the coming months as well as for developing a reporting module to automatically generate management reports.

190. The government has indicated that it intends to carry out a functional review to inform the plan to consolidate the four cash transfer programs managed by the MGCSD. This will include a review of the M&E systems and staffing and will be the basis for building capacity in this area. The impact evaluations are either in place or being procured and there is experience already in the responsible program Secretariats for managing these contracts. The Program Action Plan for the NSNP sets out more information on the steps to be taken to strengthen capacity in this area, as detailed in Annex 8.

D. The PforR Results Framework

191. The World Bank will use the government's M&E framework for the NSNP to monitor progress toward the PDO. The Results Framework for the PforR has been constructed by selecting the indicators from the NSNP M&E framework that are particularly relevant to the World Bank operation. A number of these indicators are also DLIs (see Annex 3), which have been selected because they will assess progress in key reform areas. Finally, the Results Framework includes those World Bank core indicators for social protection that are applicable to this operation.

192. The World Bank's PforR operation will use the M&E arrangements that the government is putting in place for the NSNP. These arrangements have been deemed to be credible, despite the country's capacity limitations. Furthermore, the use of the same monitoring arrangements as the government and other development partners will create unified demand for information, thus promoting capacity building in these institutions. The Results Framework is presented in Annex Table 2.1.

Annex Table 2.1: Results framework

Program Development Objective: To support the Republic of Kenya to establish an effective national safety net program for poor and vulnerable households											
PDO Level Results Indicators	Core	DLI	Unit of Measure	Baseline	Target Values				Frequency	Data Source/ Methodology	Responsibility for Data Collection
					Yr 1	Yr 2	Yr 3	Yr 4			
Net change in beneficiary household monthly per adult equivalent consumption expenditure	<input type="checkbox"/>	<input type="checkbox"/>	Ksh	n/a	150	150		150	2013/2014/2016 ⁸²	Evaluations of CT-OVC and HSNP	Independent firm
Number of NSNP beneficiaries, by sex ⁸³	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Million Ben.	1.65	2.1	2.25	2.5	2.5	Annual	MIS	Social Protection Secretariat
% NSNP beneficiaries who conform to program targeting criteria	<input type="checkbox"/>	<input type="checkbox"/>	%	n/a ⁸⁴	70	78	85	93	Annual	PIBS Survey	Independent firm
% all payments disbursed to payment service providers on time	<input type="checkbox"/>	<input type="checkbox"/>	%	26	40	50	60	70	Annual	MIS	Social Protection Secretariat
Intermediate Results Area 1: Expanding cash transfer programs to promote more equitable and comprehensive coverage											
Number of new households enrolled in the NSNP according to agreed expansion plan and paid for by GOK	<input type="checkbox"/>	<input checked="" type="checkbox"/>	HH	0	0	65,000	130,000	235,000	Annual	MIS; expansion plan	Social Protection Secretariat
Number of households on the NSNP payroll	<input type="checkbox"/>	<input type="checkbox"/>	HH	298,900	360,000	390,000	440,000	500,000	Annual	MIS	Social Protection Secretariat
Intermediate Results Area 2: Strengthening program systems to ensure good governance											
% beneficiaries who know program objectives and entitlements	<input type="checkbox"/>	<input type="checkbox"/>	%	37	40	50	60	70	Annual	PIBS survey	Independent firm
% beneficiaries for whom payments are made electronically through payment services providers using two factor authentication	<input type="checkbox"/>	<input checked="" type="checkbox"/>	%	40	50	60	75	90	Payment cycle	Contracts with payment service providers	Social Protection Secretariat
% program beneficiaries who can name two means of making a	<input type="checkbox"/>	<input checked="" type="checkbox"/>	%	15	30	50	47	65	Annual	PIBS Survey	Independent firm

⁸² The Impact Evaluation of the CT-OVC Program consists of a baseline (data collected December 2012/January 2013) and two follow-up surveys, the first of which is 12 months after the baseline and the second of which is 24 months after the baseline. This contract will be modified so that the follow-up surveys will be fielded 24 months and 48 months following the baseline. This will provide insights into the impact of the CT-OVC over the first four years of the NSNP.

⁸³ This will report on the total number of people benefiting from the five programs that constitute the NSNP. In the case that this figure cannot be generated from the MIS, it will be calculated by multiplying the total number of households enrolled in the four programs managed by the MGCSD x 5 members per household and x 7 members per household for households enrolled in the HSNP. In this case, the sex distribution for those households for which the MIS has complete information (i.e. on all household members) will be used to impute a figure for the entire caseload.

⁸⁴ The baseline for this indicator is not available because robust information on targeting performance is only currently available for the HSNP and will be available for the CT-OVC by June 2013. The HSNP evaluation found that 89 percent of program beneficiaries confirm with the targeting criteria.

complaint											
% complaints actioned⁸⁵	<input type="checkbox"/>	<input type="checkbox"/>	%	n/a	50	60	70	80	Annual	MIS	Social Protection Secretariat
Single Registry functional with program MISs using agreed standard for internal payroll controls	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Yes	n/a	Program MISs functional		Single Registry functional	80	Annual	MIS	Social Protection Secretariat
Intermediate Results Area 3: Harmonizing cash transfer programs to increase the coherence of the safety net sector											
% of NSNP spending which is government financed	<input type="checkbox"/>	<input type="checkbox"/>	%	39	41	56	66	79	Annual	Printed estimates	Social Protection Secretariat
Amount spent on NSNP by GoK as % of GDP	<input type="checkbox"/>	<input type="checkbox"/>	%	0.1	0.10	0.14	0.18	0.26	Annual	IFMIS & GDP figures from KNBS	Social Protection Secretariat
Number of households per year paid through the NSNP out of NDDCF	<input type="checkbox"/>	<input type="checkbox"/>	HH	N/A	No targets as this indicator will only be measured when the early warning system triggers a response.				Annual	MIS	Social Protection Secretariat/NDMA

⁸⁵ This is defined as a complaint for which action is taken and feedback given to the complainant.

Annex 3. Disbursement Linked Indicators, Disbursement Arrangements and Verification Protocols
Annex Table 3.1: Disbursement-linked Indicator Matrix, Timeline and Amounts, in US\$ million

#	DLI Description	DLI Baseline	Indicative timeline for DLR achievement					Total Financing Allocated to DLI	As % of Total Financing Amount
			Sept. 2013	July 2014	July 2015	July 2016	July 2017		
I. Expanding cash transfers to promote more comprehensive and equitable coverage									
1	Number of additional households enrolled in the NSNP according to the expansion plan	0	-	Expansion Plan adopted	65,000 additional households	130,000 additional households	235,000 additional households		
	Allocated amount:			10	24.9	24.9	40.2	100	40%
II. Strengthening program systems to ensure good governance									
2	Percent of program beneficiaries who conform to the targeting criteria for the program in which they are enrolled	No baseline	-	Establishment of baseline	-	15 percentage point increase	-		
	Allocated amount:		-	5	-	15	-	20	8%
3	Single registry is fully operational with program MISs using agreed standards for internal payroll controls	No	MISs operational	-	SR operational	-	-		
	Allocated amount:		15	-	10	-	-	25	10%
4	Percent of NSNP payments made electronically using two-factor authentication	40%	-	60%	-	90%	-		
	Allocated amount:		-	6	-	9	-	15	6%
5	Percent of payments disbursed to Payment Service Providers on time	25%	-	45%	-	65%	-		
	Allocated amount:		-	7.5	-	7.5	-	15	6%
6	(1) Functional complaint and grievance mechanism	Not functional	-	Functional at national level	-	Functional at all levels	-		
	(2) Percent of program beneficiaries who can name two means of making a complaint	15%	-	-	40%	-	65%		
	Allocated amount:		-	5	10	10	10	35	14%
III. Harmonizing cash transfer programs to increase the coherence of the safety net sector									
7	System for scaling up the NSNP as part of the national drought risk management system	No	-	-	System agreed and GoK financing	-	-		
	Allocated amount:		-	-	20	-	-	20	8%
8	Strategy for consolidating the cash transfer programs	No	-	Strategy adopted	-	Strategy implemented	-		
	Allocated amount:		-	5	-	10	-	15	6%
9	Government finances the HSNP in line with budget and policy commitments	No	GoK financing	-	-	-	-		
	Allocated amount:		5	-	-	-	-	5	2%
TOTAL FINANCING ALLOCATED:			20	32.5	70.9	67.4	59.2	250	100%

Annex Table 3.2: Summary Protocol for Verifying Achievement of DLIs

DLI 1: Number of additional households enrolled in the NSNP according to agreed expansion plan.

DLR 1.1: Expansion Plan for the NSNP, informed by vulnerability and poverty criteria, adopted.

A. Definition: The Expansion Plan consists of two parts: (a) the sector Medium Term Expenditure and Framework (MTEF) and (b) the physical expansion plan. This DLR will be deemed to have been met when: (a) The Government's MTEF for the relevant sectors reflect, at a minimum, the resources required to finance the expansion of the NSNP as detailed in the targets for this DLI (see below) and the Ending Drought Emergencies Medium Term Plan in addition to maintaining the existing number of beneficiaries financed by the Government. (b) The Government adopts a physical expansion plan detailing (i) the criteria used to inform the geographic expansion of the five cash transfer programs based on estimates of absolute poverty and vulnerability by Location generated from the 2009 national census data and the KIHBS; (ii) the policy decisions regarding whether programs will operate in the same Locations; and (iii) the planned number of beneficiaries each program will reach by Location and by year.

B. Scalability: No. Disbursement will be made against full completion of the target for this DLR.

C. Protocol to evaluate achievement of DLR:

- **Data source:** A letter signed by the MGCS D and the ministry responsible for NDMA adopting the Program Expansion Plan with the plan and Printed Estimates attached.
- **Verification Entity:** Social Protection Secretariat
- **Procedure:** The SP Secretariat will submit the (i) approved physical expansion plan for the NSNP to the World Bank and partners and (ii) the Printed Estimates along with the covering letter signed by the MGCS D.

DLR 1.2: Number of additional households enrolled in the NSNP according to agreed Expansion Plan and paid for by GOK in comparison with July 2013 baseline.

A. Definition: Additional households enrolled in the NSNP from July 2013 and for which payments are financed by Government from its general revenue. 'Additional households' are defined as: (i) households newly targeted in the five cash transfer programs that have been selected in accordance with the agreed Expansion Plan (see the first target for this DLI, as stated above) and financed by Government; and (ii) households already enrolled in the five cash transfer programs that had previously been paid by development partner resources but are now financed by Government.

B. Scalability: Yes. The amount disbursed is proportional to the additional number of households enrolled as compared with the anticipated expansion. This is calculated as the net change from the baseline divided by the improvement required by the DLR. Therefore, US\$382.98 will be disbursed for each additional household. The baseline for this DLR is zero.

C. Protocol to evaluate achievement of DLRs:

- **Data source:** Programs MISs and Financial Reports
- **Verification Entity:** Social Protection Secretariat
- **Procedure:** The Social Protection Secretariat will submit to the World Bank and partners a report that details: (i) data from the programs MISs on the number of households (existing and new) enrolled and paid by the NSNP, by program and Location for one preceding payment cycle; (ii) analysis confirming that these households were selected in accordance with the expansion plan and (iii) an overview of government financing to the NSNP and analysis indicating the number of additional households (as defined above) paid by GoK.

DLI 2: Percent of program beneficiaries who conform to the targeting criteria for the program in which they are enrolled.

DLR 2.1: Establishment of baseline.

A. Definition: The DLR will be deemed to have been met once a baseline for this DLI has been established through a Program Implementation and Beneficiary Satisfaction Survey.

B. Scalability: No. Disbursement will be made against full completion of the DLR

C. Protocol to evaluate achievement of DLR:

- **Data source:** The first Program Implementation and Beneficiary Satisfaction (PIBS) Survey.
- **Verification Entity:** An independent agency contracted to carry-out the PIBS survey.
- **Procedure:** The Social Protection Secretariat will contract an agency to carry-out the annual PIBS survey for the period of the PforR

DLR 2.2: The percent of program beneficiaries who conform to the targeting criteria for the program in which they are enrolled increased by 15 percentage points.

A. Definition: Percent of beneficiaries surveyed whose characteristics conform to the targeting criteria for the program in which they are enrolled.

B. Scalability: Yes. The amount disbursed is proportional to performance improvement for DLR 2.2. This is calculated as the net change from the baseline divided by the percentage improvement required by the DLR multiplied by the disbursement value of the DLR. Once the baseline has been established, US\$ 1 million will be disbursed for each percentage point improvement.

C. Protocol to evaluate achievement of DLR:

- **Data source:** The annual PIBS Survey.
- **Verification Entity:** An independent agency contracted to carry-out the PIBS survey.

- **Procedure:** The Social Protection Secretariat will contract an agency to carry-out the annual PIBS survey for the period of the PforR

DLI 3: Single registry is fully operational with program MISs using agreed standards for internal payroll controls.

DLR 3.1: Program MISs are fully operational and using agreed standards for internal payroll controls.

A. Definition: Program MISs will be deemed to be fully operational if:

- (i) Related procedures and standards for internal payroll controls are documented in the Operational Manuals of the five transfers consisting of:
 - a) A pre-payroll check on the list of beneficiaries on the payroll to identify any duplicate ID numbers and names and any suspicious payment values;
 - b) An ex-post payment report on the list of payments made by the PSP to identify any cases of payments being made to those households that had the same ID number, names or suspicious values as identified in the (i) above and the reasons why payments were made.
 - c) A payroll reconciliation report which compares the amounts actually paid to beneficiaries according to the PSPs to the amounts requested by the programs and identifies any balances to be refunded to the programs.
- (ii) The program MISs are populated with up-to-date information from all five cash transfer programs; and
- (iii) The program MISs are being used to carry-out the checks on enrolment and the beneficiary lists, specifically:
 - a) Exception reports on the list of households that have been registered⁸⁶ into any of the five cash transfer programs prior to enrolment to determine if any of these households are already benefiting from any of the five cash transfer programs (this will be done by identifying duplicate national ID numbers and/or names).
 - b) Exception reports on the beneficiary lists reflecting change management which will be generated before each payroll is prepared to identify households that no longer meet the eligibility criteria for the program. Any households that are no longer eligible are removed automatically from the beneficiary list, which then provides the basis for the preparation of the payroll.

B. Scalability: No. Disbursement will be made against full completion of each DLR.

C. Protocol to evaluate achievement of DLR:

- **Data source:** (i) MIS Systems Assessment; (ii) Operational Manuals for the five cash transfer programs.

⁸⁶ Once targeting is complete and the list of households to participate in the program has been finalized (following the application of the Poverty Means Test (PMT) and/or poverty score card and community barazas) information is collected on these households to facilitate registration and enrolment. This data is collected using Form 2 for the CT-OVC. The exception report will be generated on the information collected as part of registration.

- **Verification Entities:** (i) An independent agency contracted to carry out MIS/SR Systems Assessment
- **Procedure:** The MIS Systems Assessment will be submitted to the World Bank and partners by an independent agency by September 2013. The SP Secretariat will also provide to the World Bank and partners copies of the five program operations manuals where the procedures related to this DLI are detailed.

DLR 3.2: Single Registry is fully operational with links to IPRS.

A. Definition: The Single Registry (SR) will be deemed to be fully operational if:

- The SR is housed on servers in the Social Protection Secretariat, that each of the program MISs has an installed function to automatically replicate information with the SR, and that the SR is populated with up-to-date information from all five cash transfer programs.
- The SR is being used to analyze the list of all existing NSNP beneficiary households to identify any households that are benefiting from more than one program by cross-referencing enrolment data across programs within the SR.
- The SR is linked with the Integrated Population Registration Service (IPRS) to allow each program to cross-reference the national ID number for all beneficiaries, with the IPRS database to determine if (a) it is a valid ID number; and (b) the person meets the age criteria for adults.
- SR is being used to produce reports consistent with the agreed reporting requirements of the M&E framework.

B. Scalability: No. Disbursement will be made against full completion of the DLR.

C. Protocol to evaluate achievement of DLR:

- **Data source:** SR Systems Assessment.
- **Verification Entities:** An independent agency contracted to carry out SR Systems Assessment
- **Procedure:** The SR Systems Assessment will be submitted to the World Bank and partners by an independent agency by June 2015

DLI 4: Percent of NSNP payments made electronically using two-factor authentication.

A. Definition: The percentage of payments made to beneficiary households of the NSNP completed through payment service providers that make payments (i) electronically and (ii) using two-factor authentication.

B. Scalability: Yes. The amount disbursed is proportional to performance improvement. This is calculated as the net change from the baseline divided by the percentage improvement required by the DLR. The baseline is 40% based on current use of electronic and two-factor authentication. For this DLI, US\$300,000 will be disbursed for each percentage point increase from the baseline of 40% up to a maximum of 90%.

C. Protocol to evaluate achievement of DLRs:

- **Data source:** Payment report identifying, for each program, (i) the name of the PSP(s), (ii) the means of electronic and two-factor authentication for the payment, and (iii) the number of beneficiaries paid through each PSP in the payment cycle.
- **Verification Entity:** The Social Protection Secretariat.
- **Procedure:** The Social Protection Secretariat submits to the World Bank and partners a payment report based on information provided by the five cash transfer programs and verified by the SP Secretariat.

DLI 5: Percent of payments disbursed to Payment Service Providers on time.

- A. Definition:** The percentage is calculated as the number of NSNP payments sent to the Payment Service Provider (PSP) five working days before the start of the transfer window (as defined by each program's OM) divided by the total number of payments made for each payment cycle.
- B. Scalability:** Yes. The amount disbursed is proportional to the performance improvement as defined by the lowest result achieved over the three prior payment cycles. This is calculated as the net change from the baseline divided by the percentage improvement required by the DLR. The baseline is 25% based on a recent assessment of timeliness of transfers. For this DLI, US\$ 375,000 will be disbursed for each percentage point increase from the baseline of 25 percent up to a maximum of 65%.

C. Protocol to evaluate achievement of DLRs:

- **Data source:** Timeliness of transfers report
- **Verification Entity:** The Social Protection Secretariat.
- **Procedure:** The Social Protection Secretariat submits to the World Bank and partners a timeliness of transfers report based on information provided by the five cash transfer programs and verified by the SP Secretariat.

DLI 6: Functional complaint and grievance mechanisms.

DLR 6.1: Complaint and grievance mechanism is functional for all five cash transfer programs.

- A. Definition:** This DLR is concerned with the existence of a complaint and grievance mechanisms and consists of two targets. The first is defined as the existence of complaint and grievance mechanisms at national level which are made up of the following: (i) the Operations Manual for each of the five programs detailing the procedures for making, receiving, recording and responding to complaints and grievances; (ii) the programs' MISs have a functional module to record the complaints and grievances received and the actions taken; (iii) assigned staff at national level for managing complaints according to Operational Manuals; (iv) Service Charters; and (v) working hotlines in place for all of the programs. The second target also incorporates structures at local level and is defined as (i) the continued functioning of the above

systems, (ii) the establishment of Beneficiary Welfare Committees (BWCs)/Rights Committees, according to the program Operations Manuals, and the availability of BWC complaint and grievance guidance material in at least 50% of sampled locations and, (iii) the regular reports from county-level officials to program managers that summarizes the types of complaints received and actions taken and forwards unresolved complaints for the previous two months (to be defined in OM).

B. Scalability: No. Disbursement will be made against full completion of each DLR.

C. Protocol to evaluate achievement of DLRs:

- **Data source:** (i) Program Operations Manuals detailing the Complaint and Grievance mechanisms for each of the programs; (ii) program MISs; (iii) letter documenting staff assignments and existence of hotlines; (iv) national level reports summarizing complaints received at all levels; (v) service charters; and (vi) the annual Program Implementation and Beneficiary Satisfaction (PIBS) Survey.
- **Verification Entity:** Social Protection Secretariat.
- **Procedure:** The SP Secretariat will collate the above (i) – (v) data sources from the program, consolidate them and forward to the World Bank and partners. The Social Protection Secretariat will contract an agency to carry-out the annual PIBS survey for the period of the PforR.

DLR 6.2: Percent of program beneficiaries that can name two means of making a complaint.

A. Definition: This DLR measures the percentage of beneficiaries that are able to name two appropriate means of lodging a complaint or grievance concerning the services delivered by the NSNP as defined in the Operations Manual for each of the programs.

B. Scalability: Yes. The amount disbursed is proportional to the performance improvements. This is calculated as the net change from the baseline divided by the percentage improvement required by the DLR. The baseline is 15%. For this DLI, US\$ 400,000 will be disbursed for each percentage point increase from the baseline of 15% up to a maximum of 65%. A total value of US\$ 20 million is allocated to this DLI.

C. Protocol to evaluate achievement of DLRs:

- **Data source:** The Program Implementation and Beneficiary Satisfaction Survey.
- **Verification Entity:** An independent agency contracted to carry-out the PIBS survey.
- **Procedure:** The Social Protection Secretariat will contract an agency to carry-out the annual PIBS survey for the period of the PforR.

DLI 7: System for scaling up the NSNP as part of the national drought risk management system.

A. Definition: The system for scaling up the NSNP will be assessed as having been created if: (i) the revised Drought Response Operations Manual of NDMA details procedures as they apply to cash transfers in the following areas: (i) the early warning system; (ii) contingency planning; (iii) drought and disaster contingency fund management; and (iv) monitoring and evaluation. The Drought Response Operations

Manual will refer, at a minimum, to the procedures for scaling-up the HSNP in response to drought; (ii) the National Drought and Disaster Contingency Fund (NDDCF) is established and able to provide contingency financing to scale-up the NSNP; (iii) the NDMA has in place an arrangement for transferring payments to households affected by shock; and (iv) the HSNP Operational Manual will be revised to include the procedures required to rapidly expand program coverage and payments in response to drought. The agreed levels of government contingency funding requires that the Government allocate to the NDDCF resources to scale-up the NSNP in response to shocks equivalent to, or greater than, the resources allocated to this DLI, i.e. US\$20 million equivalent.

B. Scalability: No. For any funds to be released against this DLI the system to scale-up the NSNP has to be established as per the definition.

C. Protocol to evaluate achievement of DLR:

- **Data sources:** (i) Revised Drought Response Operations Manual of NDMA, (ii) NDDCF Regulations and MoU with NDMA, (iii) evidence of ability to disburse money to beneficiaries through appropriate PSPs, (iv) HSNP Revised Operations Manual and (v) National Budget and Bank statements.
- **Verification Entity:** Social Protection Secretariat
- **Procedure:** The NDMA will submit to the Social Protection Secretariat: (i) the revised Drought Response Operations Manual of NDMA that guides the scale-up of the National Safety Net Program; (ii) the gazetted legal notice for the NDDCF, its regulations and the MoU between the NDDCF and NDMA; (iii) evidence of ability to disburse money to beneficiaries through appropriate for the scale-up of cash payments; (iv) the revised HSNP Operations Manual; and (v) evidence that resources have been allocated to the NDDCF to enable the NSNP to scale-up in response to shocks (National Budget printed estimates). The Social Protection Secretariat will submit these to the World Bank. The evaluation of achievement of the DLI will include a fiduciary assessment of the proposed systems. Upon receipt of the documentation to demonstrate the achievement of this DLI, the World Bank will assess the adequacy of the fiduciary systems in place. As needed the Bank and Government may revise the Program Action Plan to address any identified risks in the proposed arrangements.

DLI 8: Strategy for consolidating CT-OVC, OPCT, PWSD-CT and UFS-CT.

A. Definition: There are two targets for this DLI. The first is that the Ministry adopts a strategic plan that details the vision for consolidating the four cash transfer programs and the steps to achieve this vision in the short- and medium-term. This will include, but is not limited to: (i) an agreed proposal for harmonizing the main functions of the cash transfer programs, *inter alia*, targeting, complaints and grievances, monitoring and evaluation, financial management, and procurement; (ii) the institutional arrangements at all levels, including local-level committees; (iii) the staffing requirements; (iv) the physical resources requirements; and (v) any policy, regulatory or institutional changes required. An Action Plan will be included that will guide how to put this strategic plan into operation (measures, responsible entity and timeline). The second target focuses on the implementation of the plan and will be deemed to have been met if the Ministry implements 60%

of the activities listed in the Action Plan including a common set of procedures and poverty criteria for targeting, enrolment and recertification.

B. Scalability: No. Each DLR needs to be reached in its entirety before their related disbursements can be made

C. Protocol to evaluate achievement of DLRs:

- **Data source:** For the first DLR: a letter from MGCSD adopting the Strategy (and associated Action Plan) with the relevant Strategy attached. For the second DLR: a report on the implementation of the Action Plan, indicating the actions taken and results achieved.
- **Procedure:** For the first DLR the SP Secretariat will submit to the World Bank and partners the strategy and action plan along with its accompanying letter. For the second DLR, the SP Secretariat will submit to the World Bank and partners a report on the implementation of the Action Plan that details those activities that have been achieved, the evidence of the achievement, and a discussion of why other activities were not achieved.

DLI 9: Government finances the HSNP in line with budget and policy commitments.

A. Definition: The government will allocate financing to HSNP from its revenue as reflected in Government's printed estimates in line with the financing commitments indicated in the Ending Drought Emergencies Policy Framework.

B. Scalability: No

C. Protocol to evaluate achievement of DLR:

- **Data source:** The Government of Kenya's Annual Budget
- **Verification Entity:** Social Protection Secretariat
- **Procedure:** The Social Protection Secretariat will submit to the World Bank and partners the most recent annual budget for the Government of Kenya identifying which line items contain the financing for the HSNP. The World Bank will review the budget lines for the HSNP to determine that the Government has allocated its resources to the HSNP.

Annex 4. Summary Technical Assessment

A. Strategic Relevance

193. High rates of poverty persist in Kenya despite sustained economic growth. Although poverty declined between 2000 and 2005/6, poverty incidence at the end of that period was still high at 47 percent. Inequality is growing, and there is an increasing gap between the consumption levels of those in the richest and poorest deciles.⁸⁷ At the same time, poverty rates are markedly higher in rural areas than in urban areas and in the ASALs of Northern Kenya and among particular groups, as detailed in Annex Table 4.1. The five cash transfer programs that constitute the NSNP target groups that the government has identified as being particularly vulnerable based on assessment of their poverty and general well-being. These groups include orphans and vulnerable children, those living in drought-affected arid lands, the elderly, people with severe disabilities, and those living in informal settlements in major towns.

194. The new Constitution aims to move Kenya towards a more equitable and inclusive future. Specifically, the Constitution states, *“Every person has a right to social security... [and] the State shall provide appropriate social security to persons who are unable to support themselves and their dependents.”*⁸⁸ The National Social Protection Policy (NSPP) outlines a vision for gradually realizing this right to social protection. In this regard, the NSPP recognizes the need to increase the scale and coordination and improve the quality of social assistance and lays out the government’s commitments in this area.⁸⁹ More specifically, the policy commits the government to strengthening and scaling up existing social assistance programs, establishing an institutional framework for coordinating social assistance to ensure consistent and adequate levels of support, and establishing the funds and institutions needed to provide this assistance. It is out of these commitments that the National Safety Net Program (NSNP) was developed.

195. Kenya has made rapid progress in recent years in increasing investments in and the coverage of cash transfer programs. However, the sector remains fairly new, and three of the five cash transfer programs operate on a very small scale. There is also significant fragmentation in the sector, with the government’s cash transfer programs being implemented by three different departments and two different ministries. Fragmentation that persists with the recent shift of the HSNP to the NDMA. As a result, there is limited coordination between programs and a duplication of effort. Furthermore, the total coverage by these programs of vulnerable groups and the absolute poor remains inadequate, covering only an estimated 9 percent of the absolute poor population, assuming perfect targeting

⁸⁷ For example, the average expenditure of those in the bottom rural decile is only 8 percent of the expenditure of those in the top rural decile, with an overall increase in the national consumption decile ratio from 13 to 19 between 1997 and 2005/6 (World Bank, 2008).

⁸⁸ The right to social security includes both social assistance and social insurance and is thus synonymous with social protection.

⁸⁹ MGCSD (2011), “Kenya National Social Protection Policy,” Ministry of Gender, Children, and Social Development, Nairobi.

Annex Table 4.1: Population and Poverty Rates of Vulnerable Groups in Kenya

Category	TOTAL	Absolute Poor a/ %	Hardcore poor b/ %
General Population			
Total Population	38,610,097	46.6	19.5
Rural Population	26,122,722	49.7	22.3
Urban Population	12,487,375	34.4	8.3
Categorically vulnerable groups			
Children	19,147,737	53.5	24.2
Orphans and Vulnerable Children	3,612,679	54.1	25.8
People with a disability	1,330,312		
People living with severe disability c/	241,545	58.8 d/	28.2
Chronically ill adults	1,947,484	45.1	17.5
Elderly over age 65	1,332,273	53.2	25.4
Geographically vulnerable groups			
Living in Arid Lands	4,453,967	78.3	54.4
Living in Informal Settlements e/	4,370,000	73 f/	
<p><i>Notes:</i> Data from Ministry of State for Planning, National Development, and Vision 2030 (2012) and KNBS (2007) and (2010) unless stated otherwise. a/ The absolute poor are defined as people who are unable to meet minimum overall basic consumption needs. Overall basic consumption needs include the cost of a minimum food basket and a minimum allowance for non-food consumption. b/ The hardcore poor are defined as people who are unable to meet their minimum food needs even if they use all of their expenditure on food. c/ Number of PWSD derived from data presented in NCAPD and KNBS (2008) combined with Census results. There is no poverty data available for the category PWSD. d/ The poverty headcounts are for those with a disability who face economic constraints, rather than those with any disability or those with a severe disability. The number of people meeting this category is approximately 480 thousand (internal calculations from KHIBS data KNBS, 2007). e/ There is significant variation in the estimates of how many people live in urban informal settlements. The above figure is estimated on the basis of 54.8% of people living in slums (as defined by a lack of durable housing, living area, access to improved water, access to improved sanitation, and secure tenure UNHABITAT, 2010, Global Urban Indicators Database). The above figure is as quoted in the database, the percentage applied to the recent census indicates a potential slum population of 6.7 million. f/ KNBS poverty data cannot be used to estimate poverty rates in informal settlements as enumeration areas do not match with slum boundaries. As a consequence it has been necessary to extrapolate from data related to selected slum areas. The figure used comes from an assessment by the World Bank on poverty rates of selected slums of Nairobi (2006). This report does not distinguish between absolute poverty and hardcore poverty.</p>			

196. Overall the NSNP, and the World Bank’s support for it, can be seen as an appropriate response to the continued high rates of poverty in Kenya and a timely intervention given the government’s commitment to social protection in general and cash transfers in particular. It also provides a significant opportunity to strengthen the quality and enhance the coherence of interventions within the sector. Conversely, in the absence of any further investment in the sector, there is a risk that coverage will remain low, that the sector will stay fragmented, and that several of the existing programs will never function on a large enough scale to achieve measurable results.

B. Technical Soundness

197. There is significant evidence that cash transfer programs are a cost-effective and appropriate response to poverty and vulnerability.⁹⁰ They enable households participating in these programs to purchase basic necessities such as food, to access health and education services, and to invest in their livelihoods. Two of the five cash transfer programs that

⁹⁰See, for example, the World Bank (2012), “Managing Risk, Promoting Growth: Developing Systems for Social Protection in Africa. The World Bank’s Africa Social Protection Strategy, 2012-2022.” World Bank Washington D.C

constitute the NSNP have an established track record of delivering effective support to poor and vulnerable households. For these two programs, there is robust evidence that such support improves household welfare and reduces poverty in Kenya.⁹¹ While implementation is weaker in the remaining three programs, they too have made progress in putting systems in place.

198. The NSNP includes the elements necessary to deliver a successful cash transfer program. It has also adopted innovations that are relevant to the Kenyan context and that will make it possible to turn a series of fragmented programs into a safety net system. These elements and innovations include: (i) targeting procedures to ensure that those who are in need and are entitled to support from the program receive this support; (ii) payment mechanisms that deliver reliable, and accessible payments; (iii) complaint and grievance mechanisms that enable beneficiaries and other citizens to raise concerns about program delivery and influence the service that they receive in the future; (iv) information systems that reliably track program beneficiaries and effectively supporting program operations; (v) steps to consolidate and harmonize cash transfer programs into a coherent safety net system; and (vi) a mechanism for scaling up cash transfers in response to shocks.

199. The activities that are required to implement these components and achieve the objectives of the NSNP have been designed on the basis of implementation experience, assessments and reviews of the five cash transfer programs, and international good practice. Together, these elements form a solid base to enable the NSNP to deliver effective and efficient safety net support to poor and vulnerable households.

200. *Targeting:* As described in Annex 1, the NSNP employs a combination of geographic, categorical, and poverty-related targeting mechanisms to identify those households that are eligible for support. Assessments have confirmed that most beneficiaries meet the programs' eligibility criteria, particularly in relation to the categorical criteria such as old age or orphanhood, and are almost always poor. However, the targeting mechanisms have been found to be less successful in identifying the poorest or most needy households among those that meet the eligibility criteria.⁹² These conclusions are supported by the fact that most beneficiaries report that the targeting process was fair (ranging from 78 percent in the OPCT to 96 percent in the HSNP) but concerns have been expressed regarding the large numbers of eligible households that are excluded from the programs because of resource constraints.⁹³

201. Despite the fact that all five programs have established methods for targeting households, the level of investments in these systems in terms of staffing and operating costs has varied significantly. Many of the challenges experienced within the PWSD-CT, the OPCT, and the UFS-CT programs have been traced to limited investment in their targeting systems, with district officers and community leaders reporting that there were insufficient funds and time to properly implement the targeting methods.⁹⁴ There have also been isolated

⁹¹ See the Impact Evaluations of the CT-OVC and HSNP. There are comparable, although less rigorous, findings from the other three programs.

⁹² Much of the data concerning targeting accuracy is anecdotal, based on small samples or out of date, highlighting the need for a robust baseline on the efficacy of targeting.

⁹³ OPM and IDS (2011), "HSNP Targeting Effectiveness Evaluation Report, Kenya Hunger Safety Net Programme: Monitoring and Evaluation Component," Oxford Policy Management (OPM), Oxford and Institute of Development Studies (IDS), Brighton. ADR (2011), "Impact of the Older Persons Cash Transfer (OPCT) Program in Kenya," Agency for Development Research, Kenya.

⁹⁴ Although these challenges were found to be most severe in the PWSD-CT, the OPCT, and the UFS-CT programs, budget constraints were also reported in the CT-OVC program, and the limited time to complete targeting was highlighted as a problem for both the CT-OVC program and the HSNP.

reports of targeting fraud (particularly in relation to the UFS-CT) or of enumerators or community leaders demanding payments from households in return for inclusion in the program.

202. To improve program targeting, further investments are needed in: (i) the design and documentation of procedures for the PWSD-CT, the OPCT, and the UFS-CT programs; (ii) the initial screening of eligible populations for the programs that are categorically targeted so that it becomes more comprehensive; (iii) the community verification process so that it is genuinely able to influence targeting decisions for the better; and (iv) the management of beneficiary waiting lists and the recording and reporting of changing beneficiary status.

203. As all programs expand their coverage, there is a growing number of counties and locations within which more than one program is functioning. At present each program decides to expand and change its geographic spread independently, so total safety net spending is not always allocated proportionally to those areas that are poorest or that have the largest poor population. There is an urgent need to improve the coordination of program expansion and to ensure that it is based on a strategy of responding to the greatest need.

204. *Payments:* Payment mechanisms have evolved considerably since the CT-OVC was launched in 2004. Payments were initially made through the District Treasury by government staff assisted by community volunteers before being outsourced in 2006 to the Postal Corporation of Kenya (PCK). The PCK was subsequently contracted as the payment service provider for all four programs managed by MGCSD. By the time the HSNP was launched in 2008, changes in the financial services industry and the low coverage by the PCK in Northern Kenya motivated HSNP managers to explore alternate payment mechanisms and thus they contracted with Equity Bank to deliver payments through a network of payment agents. The CT-OVC program is now also exploring the use of alternate financial service providers and has also awarded a contract to Equity Bank to deliver a proportion of their transfers. At present, only the payments made through Equity Bank are processed electronically and use two-factor authentication. However, the use of biometric smartcards for two-factor authentication is not standard practice in Kenya and so requires specialized, expensive infrastructure and might marginalize poor households.⁹⁵ A recent assessment of the provision of payment services for the five cash transfer programs recommended that the NSNP should use two-factor authentication for all transactions while making use of mainstream banking infrastructure. This along with other actions, such as making payments in real time, would ensure the program's compliance with new banking sector regulation.⁹⁶

205. Assessments have indicated that the value of the transfers provided by the five cash transfer programs is sufficient to enable the program to increase household consumption, as evidenced by the findings of the impact evaluations on the CT-OVC and HSNP, but that the positive effects of the programs have been eroded as a consequence of food price inflation and that larger households benefit less than smaller households. Although transfers have periodically been increased in an effort to mitigate the effects of inflation, this has not happened systematically and the value of transfers has fallen in real terms. Additionally, all

⁹⁵ The main form of two-factor authentication, used in Kenya and internationally is a magstripe card with a PIN.

⁹⁶ Pulver, C. (2012), Strategic Assessment of Payment Services for the Kenya National Safety Net Program-For-Results, Unpublished

programs provide a flat transfer rate that is not adjusted for household size.⁹⁷ Annex Table 4.2, indicates, the transfers within the NSNP are comparable with similar programs.

206. The planned frequency of transfers, which are paid every two months, appears appropriate for achieving the desired impact while maintaining the programs' efficiency.⁹⁸ However, the timeliness of payments is a serious constraint to the programs achieving their stated objectives. According to the available data, only 26 percent of payments are made during the scheduled payment period, with more than 25 percent of payments being more than one month late (Annex Figure 4.1). Delayed payments were the most common complaint among beneficiaries in the PWSD-CT and the OPCT⁹⁹. International evidence shows that late and irregular payments undermine beneficiaries' ability to make the best use of transfers, they increase the financial and time costs incurred by beneficiaries to collect their payments, and they reduce the positive impact of the transfers on these households.¹⁰⁰

Annex Table 4.2: Comparison of Monthly Benefits from Cash Transfer Programs

Country and Program	Min	Max	Transfer amount for a five person household			
	Local Currency	Local Currency	Local Currency	US\$ (2013)	Average, PPP\$ (2011)	Average, % of international poverty line (\$1.25 PPP)
<i>Rwanda</i> : Vision 2020 Umerenge Programme Direct Support Component	7,500	21,000	21,000	33.04	76.99	40%
<i>Tanzania</i> : Productive Social Safety Net	8,000	26,800	26,800	16.55	48.44	25%
<i>Kenya</i> : CT-OVC, OPCT, PWSD-CT, UFS-CT	2,000	2,000	2,000	23.32	47.65	25%
<i>Uganda</i> : Senior Citizen Grant and Vulnerable Families Grant	24,000	24,000	24,000	9.12	26.27	14%
<i>Ethiopia</i> : Productive Safety Net Programme (Amhara)	86	690	431	23.34	79.27	42%
<i>Nigeria</i> : Pilot Conditional Cash Transfer Programme in Bauchi and Katsina	1,250	3,750	2,500	15.75	27.40	14%
<i>Brazil</i> : Bolsa Famila for families in Extreme Poverty	68	200	134	67.30	79.36	42%
<i>Pakistan</i> : Benazir Income Support Programme	1,000	1,000	1,000	10.18	26.85	14%

Source: World Bank (2013), "Technical Assessment of the Kenya National Safety Net Program for Results". World Bank, Washington D.C.

207. A major reason for the delays in making payments in all of the programs is the time needed to perform reconciliations at the end of each payment cycle. This is due to the large amount of data that needs to be reconciled and the lack of an automated system for processing reconciliations. In addition, there are sometimes delays in the release of funds by the Ministry of Finance to the MGCSD caused either by problems in the transfer request

⁹⁷ Relatedly, at present, once a household is enrolled in one program, it ceases to be eligible for support from any other program, even though it may experience multiple vulnerabilities, This arises from the very small size of the programs and desire to ensure that the maximum number of households benefit.

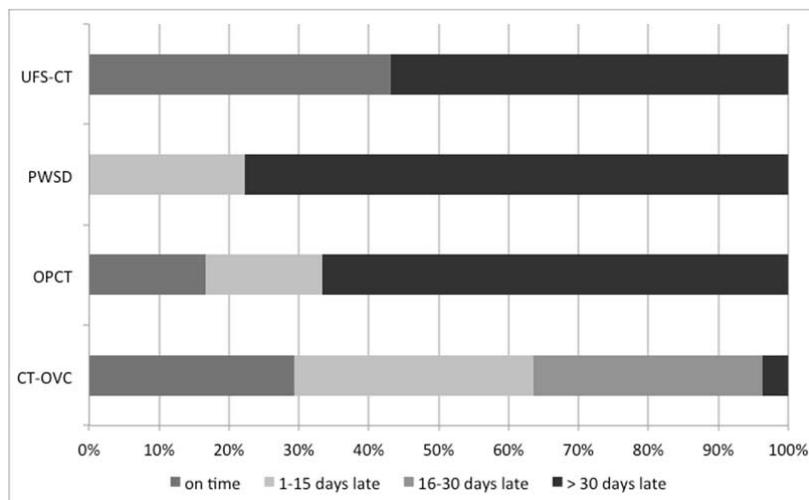
⁹⁸ More frequent payments would incur a greater proportion of bank charges.

⁹⁹ Kimetrica (2013)

¹⁰⁰ For example Gilligan, D., J. Hoddinott, N.R. Kumar, and A.S. Taffesse (2009). "An Impact Evaluation of Ethiopia's Productive Safety Nets Programme," International Food Policy Research Institute (IFPRI), Washington D.C.

process or by a shortage of government funds. Furthermore, there has been little monitoring of the timeliness of transfers, which indicates a lack of understanding as to the importance of timely payments to achieve the programs' objectives.

Annex Figure 4.1: The Timeliness of the Transfers Paid by Programs Managed by the MGCS D, October 2011-September 2012



Source: World Bank (2013)

208. *Complaint and Grievance Mechanisms:* Although complaint and grievance mechanisms are documented in the operations manuals of four of the five programs, they are only functioning in the HSNP and the CT-OVC program. The remaining programs are dependent on the government's general complaints procedures. Even in those programs that have a functioning complaints mechanism, beneficiaries have little knowledge about how to make a complaint (Annex Table 4.3) and beneficiary surveys highlight concerns about the limited number of complaints that are resolved.¹⁰¹ Efforts are also ongoing to upgrade the complaint and grievance mechanism for the CT-OVC program to streamline the system making it easier for people to lodge complaints.

Annex Table 4.3: Awareness of Complaint and Grievance Mechanisms by Beneficiaries of Each Cash Transfer Program

CT-OVC	HSNP	PWSD-CT	OPCT	UFS-CT
10-47% of beneficiaries are aware that they can make a complaint. ^{a/}	15% of respondents feel that they would know who to talk to if they had a problem with the program. ^{b/}	15% of beneficiaries understand how to make a complaint. ^{c/}	15% of beneficiaries understand how to make a complaint. ^{c/}	No data are available.

Sources: a/ Kimetrica (2012c) b/ OPM (2012a) c/ Kimetrica (2012b)

¹⁰¹ OPM (2012), "Consolidated Operational Monitoring Report, Kenya Hunger Safety Net Programme: Monitoring and Evaluation Component," Oxford Policy Management (OPM), Oxford. Kimetrica (2012b), "Review of the OPCT and PWSD-CT Safety Net Programs: Older Persons Cash Transfer Persons with Severe Disabilities Cash Transfer," Presentation to Technical Design Team Meeting 28th-30th November 2012, Kimetrica International Ltd, Nairobi. Kimetrica (2012c), "Spot Check Report for March and April 2012, External Process Monitoring System for the CT-OVC Programme in Kenya," Kimetrica International Ltd, Nairobi.

209. *Mechanism for Scaling up the NSNP in Response to Shocks:* The Government of Kenya's Drought Risk Management and Ending Drought Emergencies Medium-Term Plan¹⁰² identified a number of failures in the current system for responding to droughts and emergencies. These included the fact that responses were often late, there was a failure to respond to existing early warning information, and emergency responses were reactive (a crisis management approach) rather than anticipatory (a preventive risk management approach). At the same time, there is significant evidence internationally that a faster response is possible when existing instruments are used instead of developing new ones and that cash transfers can have a greater impact in terms of consumption smoothing and livelihood protection per dollar spent than slower and more expensive food transfers. The decision to incorporate a mechanism to scale up transfers in response to shocks in the NSNP is in accordance with this evidence and ensures that the NSNP is among the few programs worldwide that are adopting best practices in this area. This mechanism will be housed within the government's existing National Drought Management Authority (NDMA) and will take advantage of the established early warning system and local contingency plans, thus ensuring coordination with other humanitarian interventions. Financing will flow through a National Drought and Disaster Contingency Fund to be established under the Ministry of Finance with a Board of Trustees responsible for facilitating the rapid but transparent and accountable release of funds.

210. *Management Information Systems:* A full description of the NSNP monitoring and evaluation system can be found in Annex 2. Key elements of this system are the MISs of the individual cash transfer programs and the single registry, which is discussed here because of the role it plays in targeting, enrollment, payments, and program oversight. A recent scoping study¹⁰³ found that, while the MISs for both the HSNP and the CT-OVC program were fit for their purposes and functioned well, the CT-OVC MIS uses proprietary software, which means that making adjustments to its MIS can be expensive and untimely. As a result, it was decided to use the HSNP's open source software format as the basis of the electronic MISs for the remaining three programs, the upgrade of the CT-OVC MIS, and the development of a single registry. In addition to these critical actions, it is important to recognize that the quality of information contained in any MIS is only as good as the information put into the system. The limited capacity of district staff and the lack of resources will continue to have a negative effect on the quality of the data entered into the MISs. There are also weaknesses in the institutional capacity at the national level to manage these systems effectively and to make use of the data.

211. *Consolidate and harmonize cash transfer programs:* The current institutional and staffing arrangements mean that there is little coordination among programs and much duplication of effort. The government is responding to this situation by carrying out a functional review of the five cash transfer programs. This will yield insights that will inform a subsequent plan to consolidate the four cash transfer programs managed by the MGCSD, while also making recommendations about how best to respond to the changes brought about by the ongoing devolution process and ministerial restructuring. The functional review will consider the potential for pooling functions across these five programs, including the contracting and management of payment service providers, the management of grievance procedures, and, possibly, targeting in those areas where more than one program is being

¹⁰²Republic of Kenya (2013), "Drought Risk Management and Ending Drought Emergencies: Medium-Term Plan, 2013-17", Final Draft, February 2013. Nairobi: National Drought Management Authority

¹⁰³Chirchir, R. and S. Kidd (2011) "Scoping Study for a "Single Registry" MIS for Kenya's Social Protection Programmes," Development Pathways, London

implemented. Finally, this review will also assess current implementation capacity to inform the development of a capacity building plan (and plan for Technical Assistance) for the NSNP (including the HSNP).

212. *Error, fraud and corruption:* Some degree of error, fraud, and corruption (EFC) is inevitable in any cash transfer program. Evidence from KENAO audits and program evaluations suggest that rates of EFC are low in the five safety net programs but that incidents do occur. Examples of EFC in the NSNP programs include beneficiary households who do not meet the eligibility criteria,¹⁰⁴ allegations of discrimination and nepotism, suggestions of ghost beneficiaries in the UFS-CT, and evidence of some beneficiaries participating in more than one cash transfer program.¹⁰⁵ These incidents can be a consequence of error (for example, as a result of a household's circumstances being wrongly recorded) or as a result of fraud or corruption (for example, a beneficiary disguising the household's true economic position, or collusion among local representatives to ensure a particular household's acceptance into the program). The HSNP and the CT-OVC have the strongest systems for detecting and controlling EFC. The operations manuals for these programs are more detailed than those for other programs. Also, engagement by development partners has resulted in increased scrutiny and greater effort has been made to communicate the program's objectives, eligibility criteria, and recipients' rights and responsibilities to beneficiaries and local committees.

213. A number of efforts are already being made to improve the prevention, detection, deterrence, and monitoring of EFC. These include: (i) efforts to strengthen the targeting systems used by the three smallest programs; (ii) the mandatory requirement that at least one adult in each beneficiary household have a national ID to allow more rigorous methods of verifying their identities; (iii) the upgrading of the complaint and grievance procedures throughout the NSNP; (iv) the creation of program MISs and a single registry that will allow for additional checks on beneficiary eligibility and tighten payroll controls, thus making it simpler to prevent double-dipping and to minimize the potential for ghost beneficiaries; and (v) the introduction of electronic payments using two-factor authentication in the NSNP. These efforts should be strengthened through clear allocation of responsibility for controlling EFC at each tier of administration, updated operational manuals, better communication of what actions constitute EFC and the systems for reporting incidents and improved system for detection and investigation of possible cases of fraud, such as better analysis of types and frequency of complaints.

214. *Gender responsiveness:* Annex Table 4.4 shows how gender considerations have been incorporated into the design of the five cash transfer programs of the NSNP. Evaluations of the HSNP and the CT-OVC program have shown that, although women are not explicitly targeted as the main recipients of transfers, in practice the majority of recipients are women¹⁰⁶ (70 percent in the HSNP and 92 percent in the CT-OVC program).¹⁰⁷ Both

¹⁰⁴ For example, do not meet the age requirement of the OPCT or are not taking care of an OVC for the CT-OVC program.

¹⁰⁵ Various KENAO audit reports. MGCSD (2012), "Payroll and MIS Technical Review Report," Ministry of Gender, Children, and Social Development, Nairobi. OPM and IDS (2012), "Quantitative Impact Evaluation Report: 2009/10 to 2010/11, Kenya Hunger Safety Net Programme: Monitoring and Evaluation Component," Oxford Policy Management (OPM), Oxford and Institute of Development Studies (IDS), Brighton. Concern (2012), "Evaluation of Concern Kenya's Mombasa County Urban Food Subsidy Cash Transfer Implementation," Concern Kenya, Nairobi.

¹⁰⁶ It is interesting to note that there is an almost equal number of male-headed and female-headed beneficiary households.

evaluations indicated that the person who receives the transfer plays a significant role in deciding how the cash is spent. However, this advantage comes at a cost as women incur the significant time costs involved in collecting the transfers. Further work is needed to ensure that gender considerations are better addressed in the remaining three programs, and the ongoing reviews and the manuals that are being prepared will address this. Furthermore, there is room to increase the gender responsiveness of all of the programs in the NSNP. It is particularly important to enable women to participate fully in program decision-making and to disaggregate program data (on both participation in the programs and their impact) by gender. The draft results framework for the NSNP requires that reports about key program indicators should disaggregate data by gender. The new MISs should make it easier to collate and analyze gender-disaggregated data and will facilitate monitoring and reporting. The information from each program will be combined in the single registry, and key indicators will be reported to the government's central Monitoring and Evaluation Directorate for inclusion in the National Integrated Monitoring and Evaluation System (NIMES).

Annex Table 4.4: How Gender has been Incorporated into Aspects of Program Design

	CT-OVC	HSNP	OPCT	PWSD-CT	UFS-CT
Vulnerability of female-headed households recognized in program targeting	✓	✓			
Special provision for women to participate in program decision-making	*	#	*	*	*
Women selected as primary recipients of transfer	#	#			
Availability of gender-disaggregated data	✓	✓	✓	✓	✓
<i>Notes:</i> ✓ - Indicates that there is information that the issue has been addressed. # - Indicates that, although there is no information, there is some evidence that practice is in line with the indicator. * - Indicates that the Location OVC committees, which conduct targeting, make no specific provision for women but the rules governing the Beneficiary Welfare Committees state that no more than two-thirds of their members should be from one gender. Blank cells indicate either that this aspect has not been incorporated into the program's design or that there is no available information on how or whether it has been considered.					

C. Expenditure Framework

1. Program Financial Sustainability

215. In order to meet its medium-term objectives, the government intends to increase the coverage of the five cash transfer programs that constitute the NSNP. It has developed a medium-term expenditure and financing framework (MTEFF) to support this process. The MTEFF shows that over the next five years (FY2013/14 to FY2017/18), the annual budget of the NSNP will increase from Ksh 8.04 billion (US\$95.76 million) in FY 2012/13 to Ksh 20.08 billion (US\$238.99 million) in 2017/18. Of this, the overall government investment will amount to Ksh 17.13 billion (US\$203.89 million), which is estimated will be equivalent

¹⁰⁷ OPM (2010), "Cash Transfer Programme for Orphans and Vulnerable Children (CT-OVC), Kenya: Operational and Impact Evaluation, 2007-2009," Oxford Policy Management (OPM), Oxford. OPM and IDS (2012a), "Qualitative Impact Evaluation Report: 2009/10 to 2010/11, Kenya Hunger Safety Net Programme: Monitoring and Evaluation Component," Oxford Policy Management (OPM), Oxford and Institute of Development Studies (IDS), Brighton. OPM and IDS (2012b), "Quantitative Impact Evaluation Report: 2009/10 to 2010/11, Kenya Hunger Safety Net Programme: Monitoring and Evaluation Component," Oxford Policy Management (OPM), Oxford and Institute of Development Studies (IDS), Brighton.

to 0.36 percent of GDP in 2017/18. The government plans to use these resources to: (i) increase the overall coverage of beneficiaries from 1.65 million to 3.30 million in 2017/18 and (ii) take over the part of the financing of these programs that is currently provided by development partners, bringing its financing of the safety net sector up from 39 percent to 85 percent by FY2017/18. This incremental approach will enable the government to fund its cash transfer programs with limited external financing, thus ensuring the long-term sustainability of the NSNP.

216. Projections of GDP growth show that the government will have sufficient financial resources to fund the cash transfer programs even when they are scaled up as planned. Based on a projected annual economic growth rate of 6 percent, the government is expected to collect an additional Ksh 100 billion each year in revenue. If 3 percent of this envelope were allocated to safety net programs, then an additional Ksh 3 billion (US\$35.2 million) would be available to finance the cash transfer programs. Development partner financing will be required in the short to medium term to enable the government to achieve the desired rate of expansion in the NSNP. There is currently strong commitment from development partners to the NSNP, which is expected to translate into the required level of financing. These commitments are detailed in the government's MTEFF for the NSNP.

2. *Budget Execution*

217. Overall MGCSO spending is largely in line with agreed budgets, which indicates that the ministry's planning and budgeting is largely realistic and that the ministry has the capacity to spend its resources according to its plans.¹⁰⁸ However, the disbursements of funds from the Treasury to the ministry do not always meet the cash flow needs of its four cash transfer programs. This situation tends to arise because of two main challenges. First, the closing of the accounts at the end of the year frequently results in a delay in the first disbursement of the new financial year. Second, short-term cash flow constraints within the Exchequer, combined with the prioritization of other expenditures, can result in delays in disbursements to particular ministries. Delays in the flow of funds to the MGCSO result in turn in delays in delivering payments to beneficiaries. Not all government expenditure is subject to such delays, however. Salaries and emoluments, debt servicing, and public servant pensions are protected from such delays because these expenditures are paid directly from the consolidated account before the Treasury releases the allocations to the various ministries on the basis of their appropriations.

218. Although MGCSO spending is largely in line with the agreed government budgets, there is a tendency for the four cash transfer programs to under-spend their budgets. Under-spending on non-transfer expenditure tends to be higher than on transfer expenditure, but the greatest contribution to under-spending is the cash transfer budget because it is the largest budget component. The main reason for this under-spending is delays in carrying out household targeting, which leads to delays in delivering the cash transfer payments and indicates over-ambitious planning in the light of capacity constraints.

3. *Efficiency of Program Expenditure*

219. The cost-efficiency of cash transfer programs is dependent on a number of factors including: (i) the complexity of the program (such as the inclusion of co-responsibilities or work requirements); (ii) the size and geographic spread of a program and whether this makes it possible to take advantage of economies of scale; (iii) the costs of key administrative

¹⁰⁸ To date, the HSNP has been entirely donor-financed, with donors provided predictable financing directly to the implementing agencies partners.

components of the program such as targeting, monitoring systems, or the payment mechanism; and (iv) whether or not the program is in a start-up phase and therefore requires investment in systems and procedures.

220. The cost-efficiency of both the CT-OVC program and the HSNP has increased over time, with the initial cost-to-transfer ratio (CTR) for the CT-OVC, for example, falling from 1.81 in 2007/08 to 1.14 in 2011/12. In comparison, the CTR for the HSNP is currently 1.21. Notably, the data required to assess cost-efficiency are only available for the CT-OVC program and the HSNP while the remaining three programs do not have budget codes that distinguish program-related non-transfer expenditures from other costs incurred by the ministry. However, the non-transfer expenditures of these programs (other than salary costs) are known to be minimal, reflecting the limited investments that have been made in setting up effective management structures, in providing appropriate oversight, and in ensuring that those implementing the program have the required knowledge and skills. As a result, the average CTR for the NSNP is expected to reach 1.18 by 2017, which is within normal parameters for cash transfer programs internationally (see Annex Table 4.4). This figure reflects a continued decline in the overhead costs of the CT-OVC and the HSNP and a short-term increase in the non-transfer costs of the OPCT, the PWSD-CT, and the UFS-CT, which is required to ensure that these programs have sufficient operating budgets and the investments in systems and procedures required to strengthen their performance.

Annex Table 4.5: Cost to Transfer Ratio for Selected Programs

Program	CTR	Source
<i>Progressa</i> , Mexico, 1997-2000	1.058 by 4 th year	Caldes et al, 2004
LEAP Ghana 2007-10	2.11 by 4 th year	White, 2011
Dedzo Safety Nets Pilot, Malawi	1.65	White & McCord, 2006
Transfers Pilot, Zambia	1.09 by 3 rd year	White & McCord, 2006
PSNP, Ethiopia 2010-11	1.25 *	White and Ellis, 2012

Note: All sources quoted in White and Ellis (2012). * This excludes the costs of items procured to support the implementation of public works but includes the cost of transport and handling of food transfers, which make up a proportion of the program.

D. Governance structure and institutional arrangements

221. *Institutional arrangements:* The establishment of a National Social Protection Council and the support provided to it by the Social Protection Secretariat will raise the profile of the social protection sector and enhance the coordination and oversight of activities. The Social Protection Secretariat is expected to play an increasingly important role in the coordination and consolidation of the different cash transfer programs as detailed in the institutional arrangements for the NSNP.

222. The performance of the HSNP and the CT-OVC programs in their previous phases indicated that their institutional structures are functioning well and that lines of accountability are working. With regard to the HSNP, much of the functional elements of the program are sub-contracted to NGOs and the private sector, with only limited oversight by the government. Therefore, there is a need to enhance the government's ownership and oversight of the HSNP program. For example, although the HSNP Secretariat was located within the MSDNKAL and now within the NDMA, it is entirely staffed by contract staff and there are no civil service counterparts. Furthermore, the program has been entirely dependent on development partner financing. The government will need to build ownership of the program, staff it with government personnel, put the program's financing on-budget, and start providing government funding to the program in order to ensure the program's sustainability. In contrast, because of their smaller size and more recent creation but also because of a lack

of technical assistance from development partners, there has been less investment in the systems within the OPCT, the PWSD-CT, and the UFS-CT.

223. The ongoing restructuring of the ministries to comply with the new constitution has resulted in a significant reduction in their number to about half of the current level. The MGCS D has been affected with its responsibilities being moved to other ministries; the NDMA has not been affected. Any such changes clearly have implications for the NSNP, but the outcome of these changes will not be known until the start of the new fiscal year. While similar shifts have been experienced and managed in the past, it will be important for development partners to monitor the restructuring closely and to participate in relevant discussions in order to manage and address any risks posed by the changes. As a first step, the outcome of this restructuring will be considered in the Program Action Plan and efforts to build implementation capacity of the NSNP.

224. *Implementation capacity:* Assessments of the various cash transfer programs consistently refer to capacity gaps at all levels, with particular constraints at the district and community level. Such constraints include the lack of time and staffing allocated to support targeting.¹⁰⁹ The assessments also highlight the limited amount of financing and equipment that is available to support program implementation. The external monitoring for the CT-OVC program has highlighted the lack of a budget for program activities at either the district or the community level,¹¹⁰ while an assessment of the MGCS D's social protection capacity found a lack of equipment and, more seriously, vehicles at the district level.¹¹¹

225. All programs rely heavily on voluntary efforts by community members. The time demands put on these unpaid volunteers are significant, and there are frequent reports of them asking to be reimbursed in some way, for example, in the form of stipends or credit for their mobile phones.¹¹² While this heavy reliance on volunteers can ease capacity constraints at the local level in the short term, it has serious implications for the sustainability of the programs as unpaid volunteers are unlikely to remain committed to the program in the long term. This use of unpaid volunteers also increases the risk that they will demand informal payments or bribes from beneficiaries or potential beneficiaries.

E. Economic Justification for the Program

226. Cash transfers have a proven track record internationally in reducing poverty, and the same is true in Kenya. The CT-OVC impact evaluation found a reduction of 16.1 percent in the number of beneficiaries living on less than \$1 a day compared to a reduction in the control group of only 2.9 percent. Evidence from the HSNP shows that beneficiaries

¹⁰⁹ Calder, R., R. Chirchir, C. Cosgrove, S. Kidd, J. Sandford, J. Sibley and E. Wylde (2011), "Review of Targeting in the CT-OVC Programme," Development Pathways, London, UK. OPM (2012a), "Consolidated Operational Monitoring Report, Kenya Hunger Safety Net Programme: Monitoring and Evaluation Component," Oxford Policy Management (OPM), Oxford.

¹¹⁰ Kimetrica, (2010), "External Monitoring Guidance December 2010," Kimetrica International Ltd, Nairobi. Kimetrica (2010), "Spot Check Report: 14 July 2010 (revised 24 November 2010), External Process Monitoring System for the CT-OVC Programme in Kenya," Kimetrica International Ltd, Nairobi.

¹¹¹ MGCS D (2010), "Capacity Building Strategy for Social Protection for the Ministry of Gender, Children and Social Development," Ministry of Gender, Children, and Social Development, Nairobi.

¹¹² Kimetrica (2012), "Field Report, Support to the Design of the National Safety Net Program: Strengthening the Older Persons Cash Transfer Programme (OPCT) and the Programme for Persons with Severe Disability (PWD)," Kimetrica International Ltd, Nairobi. Calder, R., R. Chirchir, C. Cosgrove, S. Kidd, J. Sandford, J. Sibley and E. Wylde (2011), "Review of Targeting in the CT-OVC Programme," Development Pathways, London, UK.

withstood a severe drought without any increase in poverty levels, whereas in the control group, 5.3 percent were more likely to be found in the bottom decile following the drought.

227. Evaluations of the CT-OVC, the HSNP, and the OPCT programs have all demonstrated that households spend a significant proportion of their cash transfer on food consumption (88 percent in the HSNP and 71 percent in the OPCT). This expenditure on food has both increased the quantity (the number of meals a day) and improved the quality (greater dietary diversity) of the food consumed by households compared to non-beneficiaries.¹¹³ Participating in the cash transfer programs also increased beneficiary households' use of health and education services more than that of non-beneficiaries and enabled beneficiary households to invest in and protect their livelihoods. Notably, cash transfers appear to have increased enrollments in secondary schools, but this impact is only statistically significant for boys.¹¹⁴

228. There is also emerging evidence of how cash transfer programs benefit young adults by, among other outcomes, improving their reproductive health. A recent study found that young adults, particularly young women, who had benefitted from the CT-OVC were less likely to have engaged in unprotected sex and had had fewer sexual partners than those who had not been program beneficiaries. This in turn means that the program may be playing a role in preventing the spread of HIV. The same study also found that young people, particularly men, who benefitted from the program were 15 percent less likely to suffer from depressive symptoms and were 19 percent more likely to score above the median on the Hope scale¹¹⁵ than similar non-beneficiaries.¹¹⁶

229. The positive impact of cash transfer programs is felt beyond the direct beneficiaries to the wider community through multiplier effects. The recent CT-OVC impact evaluation found that, as the CT-OVC program injected cash into the local economy (when beneficiaries spent their cash transfer in local markets), the demand for goods and services increased.¹¹⁷ This extended the positive effects of the program beyond its direct beneficiaries to many non-beneficiaries who were engaged in providing food and other goods and services required by the beneficiary households. Simulations in the impact evaluation found that the total impact was significantly greater than the amount transferred under the program in nominal terms, with income multipliers well in excess of 1.0 and in some cases approaching 2.0. These indicate that the transfers have had significant positive spillovers.¹¹⁸ These benefits, combined with the positive social effect of reducing poverty and inequality provide a clear justification for the public provision and financing of cash transfers.

¹¹³ By 15 percent on a relatively simple dietary diversity scale used in the assessment of the CT-OVC program.

¹¹⁴ OPM (2010), "Cash Transfer Programme for Orphans and Vulnerable Children (CT-OVC), Kenya: Operational and Impact Evaluation, 2007-2009," Oxford Policy Management (OPM), Oxford.

¹¹⁵ The Hope Scale is a six-item Likert scale measuring children's perception of their ability to influence their future because they can see ways of achieving their goals and have the motivation to try and achieve them.

¹¹⁶ Handa, S., C. Huang, K. Kilburn, C. Halpern, A. Pettifor, M. Rosenberg, and H. Thirumurthy (2012), "Impact of the Kenya CT-OVC on the Transition to Adulthood," University of North Carolina, Chapel Hill, NC.

¹¹⁷ This assessment looked at the impact of cash transfers on the local economy using a combination of data analysis and simulations.

¹¹⁸ Taylor, J.E., J. Kagin, and M. Filipowski (2012), "Evaluating General Equilibrium Impacts of Kenya's Cash Transfer Program for Orphans and Vulnerable Children (CT-OVC)," Department of Agricultural and Resource Economics, University of California.

Annex 5. Summary Fiduciary Systems Assessment

230. The Integrated Fiduciary Assessment Report (IFAR) of the National Safety Net Program concluded that the program financial management and procurement systems are adequate to provide reasonable assurance that the financing to the program will be used for the intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency and accountability. Notwithstanding this general conclusion, the IFAR identified a number of weaknesses in the fiduciary systems of the five cash transfer programs that constitute the NSNP. Some these weaknesses have been addressed by government during project preparation and through the design of the PforR operation, specifically the DLIs. The Program Action Plan provides additional risk mitigation measures to improve implementation capacity, as well as systems and procedures, centred on transparency, accountability, and participation. Progress towards meeting the DLIs and activities in the Program Action Plan will be monitored regularly as part of implementation support.

231. The key risks identified by the IFAR arise from the need for cash transfers to ensure that the *right people are being paid the right amount at the right time*. Indeed, this is the central governance concern of the program, and is the focus of the section on fraud and corruption below. In this regard, risks arise in three primary areas: (i) provision or input of incomplete or inaccurate personal/household data at the point of targeting; (ii) delay or leakage in payments to beneficiaries; and (iii) failure to notify or act on a subsequent change in beneficiary circumstances. The NSNP, and the PforR operation, have been designed to mitigate these risks. The detailed findings of the IFAR are summarized below.

A. Legal and Regulatory Context

232. While the government has made improvements to its public financial management (PFM) system, its performance is still mixed, as measured by the PEFA Performance Indicators. An analysis of these indicators shows that the relevant strengths of the systems are budget credibility, policy-based budgeting, budget execution, and cash/debt management, while accounting and reporting remain weak. External scrutiny and audit is also weak but improving. This is due to more timely deliberation on the audited appropriation accounts by Parliament, although follow-up on audit queries by the Executive is still limited. Notably, Financial Management (FM) arrangements at the lower levels of government tend to be rather weak with little management oversight. The Ministerial Audit Committees, which were introduced in 2005, have not yet been effective in providing oversight. The on-going roll-out of the *Integrated Financial Management Information System (IFMIS)*; the movement of designated project accounts to the Central Bank of Kenya (CBK) and the introduction of electronic fund transfer (EFT) payments through the G-Pay/T-24 systems will further strengthen the PFM system in Kenya. Finally, the Public Financial Management Act 2012 provides a stronger legal framework for public financial management than has previously existed, as it clarifies the roles and responsibilities of the PFM institutions with regards to reporting, transparency and accountability for public funds.

233. Public procurement in the country is governed by the Public Procurement & Disposal Act of 2005 (PPDA 2005) and the associated Regulations of 2006 which came into force in January 2007. The Act and the associated Regulations provide for the establishment of the relevant administrative organs within procuring entities, the procedures for undertaking procurement and the mechanism for handling complaints from aggrieved bidders in the procurement process. However, due to structural weaknesses in the law and the need to make other important legislative changes, the government is in the process of reviewing the

procurement law so as to: (i) align it with the new Constitution enacted in August 2010; (ii) eliminate inherent weaknesses to conform to international good practices; and (iii) accommodate emerging contemporary needs in the public sector. This process commenced in June 2012 with a target completion of December 2013.

234. The Public Procurement complaints, Review and Appeals Board established in 2001 by another Act is continued under the PPDA as the Public Procurement Administrative Review Board (Review Board). The PPDA further provides for administrative reviews of procurement proceedings. An aggrieved participant in a procurement proceeding who claims to have suffered or risk suffering loss or damage may submit a request for review to the Review Board through its secretariat.

235. Despite these limitations, World Bank-financed social protection projects already rely on the governments PFM and procurement systems. More generally, with regards to Bank-assisted projects, the recent Use of Country Systems (UCS) report found that the government has adequate staffing for accounting purposes with relatively good internal and external audit arrangements.

B. Program fiduciary performance and significant fiduciary risks

1. Financial Management

236. *Planning and budgeting:* Planning for the four cash transfer programs implemented by the MGCSA is undertaken with stakeholders under the Sector Working Groups¹¹⁹, which fit into the Medium Term Expenditure Framework (MTEF) process, where budget ceilings are established. As is the case with all state corporations, the NDMA budget appears as a single budget line in the printed estimates under its parent ministry. DFID financing to the HSNP, which has until this fiscal year been ‘off budget’, will be integrated into the government’s planning and budgeting process as Appropriations in Aid.

237. The budgetary resources for the OPCT, PWSD-CT and UFS-CT have not been uniquely identified and were, until recently, subsumed under the expenditure line item “Other Current Transfers, Grants and Subsidies”. The ministry has developed a program code for the NSNP based on the Standard Chart of Accounts, which will be used by the ministry and NDMA from FY13/14. These programs have also, until this coming fiscal year, had no dedicated operating budget,¹²⁰ and thus had to compete with other ministry activities for operating resources. An assessment of the planning and budgeting for the cash transfer programs concluded that, based on overall resource availability and government-wide prioritization, the safety net budget reflects the resources required to achieve the expected results. There are no major discrepancies between the budget allocation, releases, and actual expenditures, although there is a need for an explicit operating costs budget.

238. *Accounting and financial reporting:* A complete set of financial statements are not prepared in accordance with international accounting standards. This is because Kenya has not adopted International Public Sector Accounting Standards (IPSAS). The new PFM Act 2012 provides for the establishment of a National Accounting Standards Board whose function is to prescribe and publish accounting standards for use in Kenya and to determine accounting policies that accord with generally accepted international accounting principles.

239. Despite the roll-out of the re-engineered Integrated Financial Management Information Systems (IFMIS), in-year budget execution reports are not consistently produced

¹¹⁹ Treasury Circular No 6/2012 dated August 3, 2012: Sector Composition

¹²⁰ These are costs other than salaries for civil servants implementing the projects.

for the program. NDMA is in the process of obtaining an IFMIS connection from Treasury. The CT-OVC has a standalone finance module in its MIS that is used for all program accounting and financial reporting. For the HSNP, all accounting and financial reporting for the program is undertaken under DFID's guidance, with little, if any, GOK participation. Once the HSNP is brought 'on-budget', it is expected that the government will apply a common accounting and financial reporting framework for all five cash transfer programs, utilizing the existing country fiduciary systems under a revitalized IFMIS platform¹²¹. A template for these financial reports was agreed between the government and World Bank. In addition, with regards to the program payrolls, the three programs in the Department of Gender prepare and maintain these in Excel. This system has serious weaknesses, but establishment of electronic program MISs linked to the Single Registry will significantly mitigate the relatively high accounting and reporting risks.

240. *Treasury management and funds flow:* The flow of funds for the five cash transfer programs is clearly established. Except for the government-wide first quarter (July-September) delays in Exchequer releases, the four programs managed by MGCSO do not suffer major delays in the flow of funds from Treasury to the Ministry. However, delays occur between the Ministry and Payment Service Providers (PSP) that arise from: (i) the late processing of Exchequer Requisitions by the technical departments leading to the late disbursement of resources to PSPs; (ii) the late submission of the payrolls to the PSP, which detail the beneficiaries to be paid; (iii) delays in the distribution of resources for payments from the PSP to its decentralized pay-points or branches; and, (iv) the short notice local implementers give beneficiaries of the scheduled payments. These delays largely arise from the manual nature of the payrolls through the Postal Corporation of Kenya and from the requirement that senior staff in the Ministry review payrolls for quality control and assurance. The ministry intends to establish a Payments Working Group, coordinated by the Social Protection Secretariat that will, among other things, propose steps to address these delays to the flow of funds.

241. For NDDCF, the expenditure on agreed projects and activities shall be paid according to a standing Memorandum of Understanding with NDMA and in compliance with Government Financial Management Regulations. The Memoranda of Understanding will set out pre-agreed criteria for expenditure, including the levels of finance and the triggers to release funds.

242. The PfR aims to support establishing a segregated account in the NDDCF that can be accessed, when an agreed set of early warning indicators are triggered, to scale-up the HSNP to populations affected by draught. For this, drought contingency finance will be channeled from the NDDCF through NDMA to the HSNP against clearly defined contingency plans and procedures. As the NDDCF is not yet established, upon receipt of the documentation to demonstrate the achievement of this DLI, the World Bank will assess the adequacy of the fiduciary systems in place. As needed the Bank and Government may revise the Program Action Plan to address any identified risks in the proposed arrangements.

243. *Internal controls (including internal audit):* The Internal Audit function is established, with staff located in the Ministries and District Offices, reporting to the Internal Auditor General and to the senior management/accounting officer in the Ministry, Department or Agency where they are located. The operational independence of the Ministerial Audit

¹²¹ More specifically, as part of its Memorandum of Understanding with government, DFID will regularly submit financial reports on the HSNP, using the Standard Chart of Accounts, which will be captured in the budget as Appropriations in Aid.

Committee (MAC) is compromised by its composition, as individual members have executive duties. This is, however, a country-wide issue, as the composition of the MACs is stipulated in Treasury Circular No. 16/2005. An Audit Committee has been established in NDMA that reports to the Board of the Authority.

244. With the exception of the CT-OVC, no comprehensive program-specific internal audit review has been completed for the cash transfer programs managed by MGCSD. The Internal Audit of the CT-OVC most recently completed a system audit of the payroll. This experience will be used to build the capacity of the Internal Audit Department to audit the NSNP Single Registry, programs' MISs and payrolls. Overall, the internal audit function for the NSNP is inadequate, with limited use of risk-based audit approaches. To address these limitations, the focus of the internal audit should shift to reviewing (including through field visits), classifying (intentional versus unintentional, fraud/corruption versus mistake), and giving recommendations to enhance controls to ensure that only eligible beneficiaries are paid and at the correct time and amount. The World Bank has agreed with the government a Terms of Reference for the internal audit function of the NSNP, which will be carried-out once a year.

245. The CT-OVC Operational Manual provides for adequate segregation of duties and authorization controls. Overall, the internal check mechanisms are considered adequate for the program. However, internal controls do not apply to the payroll, which is supported by payment voucher the preparation of which has several weaknesses. For the other four programs in MGCSD, there are many cases of non-compliance with established government internal control regulations, processes and procedures as revealed by internal audit reports over time, especially at the districts. It is anticipated that these will be addressed, in part, through the roll-out of the revised Operations Manual for these programs.

246. *Program Audit:* The Constitution (2010) establishes the independence of the Kenya National Audit Office (KENAO) and its mandate to audit all public funds.¹²² KENAO reports directly to Parliament. However, KENAO often lacks the required financial resources and professional expertise to carry-out this task. The focus is also on financial audit and it does not fully comply with the International Standards of Supreme Audit Institutions. The government/ministry financial statements do not clearly identify the basis of accounting used. Importantly, the failure by the Executive to act on audit queries breeds cynicism in the audit process. There is need to improve audit coverage to fully cover financial, compliance and performance audits applying the International Standards of Supreme Audit Institutions.¹²³

247. The IDA-financed CT-OVC Project has been subject to audits by KENAO since its inception and no major audit issues have been raised. The other four cash transfer programs in the MGCSD are audited by KENAO as part of the ministry's Appropriation Accounts. The Public Audit Act 2009 requires audit report to be submitted to Parliament within six months of the end of the financial year (i.e. within three months of receipt from Treasury), a deadline that is routinely breached. The MGCSD received a disclaimer of opinion by the Auditor-General.¹²⁴

248. The DFID-commissioned Fiduciary Risk Assessment of the HSNP¹²⁵ observed that while the program is serving its intended purposes, key fiduciary concerns remain including:

¹²² KENAO's role and powers are defined in the Public Audit Act 2009

¹²³ <http://www.issai.org/composite-347.htm>

¹²⁴ The "disclaimer of audit opinion" was not on the three programs but on the ministerial accounts of which these programs form a part.

¹²⁵ Dated December 2010. The approach adopted for this assessment was to obtain an understanding of, and thereafter document, the HSNP fiduciary management and other information systems with a view to

(i) the absence of appropriate program management and oversight including monitoring of expenditures and comparison with budget; (ii) the absence of key reconciliations over the formal MIS and other program information systems; (iii) the significant reliance on two key staff to perform undocumented key procedures, controls and systems maintenance; (iv) the absence of formal process review and external audit mechanisms; and (v) that program information systems and key staff will not be able to manage any significant increase in the scope of the cash transfer program as could be expected in phase 2 of the HSNP.

2. *Procurement*

249. *Procurement planning:* An assessment by the PPOA of the MGCSO in June 2012 showed weaknesses in procurement planning with excessive use of Request for Quotations (RFQs). The Procuring Entity (PE) did not often prepare consolidated procurement plans in the format prescribed by the law to guide its procurements. Further there was no evidence that Departments within the PE had prepared Departmental procurement plans. Other weaknesses observed during the assessment of the MGCSO include; (a) the procurement plans are not linked to the budgetary and financial framework as required by law; (b) the plans do not cover all procurements actually conducted during the review period; and (c) the plans focus on goods and works and do not cover non-consulting or consulting services.

250. *Procurement procedures:* The application of the procurement law is such that the objectives imbedded in these principles are generally not achieved. This Assessment found that procurements in MGCSO were not always initiated through purchase requisitions as required. In addition, and although procurements were processed through the Tender or Procurement Committee, the procurement committee was quite often not satisfied with the use of low value procurement method whenever it had been used. For the year 2010-2011, 240 quotations were raised. There was not a single open tender for that year despite the procurement plan having items whose threshold was suitable for open tender. There were also delays in internal approvals leading to significant delays in award of contracts. Drafting of appropriate contract agreements remains a challenge to MGCSO. Contract management was also found to be weak.

251. *Procurement capacity:* The MGCSO has nine procurement staff¹²⁶. The staff has attained various academic and professional qualifications necessary for effective implementation of the program, but lack requisite hands on experience in the procurement and management of large consultancy assignments and other complex procurable activities. The implementation units also have weak capacity in the areas of preparation of technical specifications, TOR, initiating technical reviews/revisions, supervision of contracts and contract administration.

252. *Filing and record keeping:* The Assessment found that the MGCSO's procurement filing systems are not well organized or systematically maintained, and are fragmented and stored in different locations due to limited storage space, which could cause difficulties in retrieving documents when needed and may further compromise the confidentiality of the procurement process and security of the records. Procurement reviews conducted by PPOA between 2010 and 2012 also identified weaknesses in procurement filing and record keeping that include lack of complete and comprehensive lists of tenders undertaken, procurements

determining their robustness and the fiduciary risks. The report acknowledges that FRA provides substantially less assurance than an audit.

¹²⁶ These nine staff members are the head of the Procurement Unit, deputy head of the Procurement Unit and seven procurement officers.

records stored in different locations, lack of contracts management records, and inadequate storage space and inappropriate filing.

253. *Contract management:* Contract management is often found to be weak due to inattention to details or inexperience on the part of Ministry staff concerned who may not have had any training in basic contract management practices. As a result there are considerable delays in implementation of contracts with some extending beyond the initial contractual period; however contract cost overruns were found to be limited in value. This is because the law provides for variations beyond the initial contract price to be reviewed and approved by the tender committee up to a maximum of 15 percent of the contract price, with the provision for retender for contracts with variations that exceed the threshold.

254. *Complaints handling mechanisms:* The existing PPDA provides a basic mechanism for addressing procurement related complaints. The Assessment found that there are systems and procedures for handling bidder's enquiries and complaints in both ministries and the PEs are taking adequate remedial action on any Administrative Review Board (ARB) decisions and observations made following appeals. However, procurement complaints perceived to be of fraud and corruption nature are referred to the Ethics and Anti-corruption Commission (EACC) and the Criminal Investigation Department (CID) of the police for investigation pursuant to the provisions of the existing laws.

255. *Anticipated procurement under the NSNP:* The most substantial procurement-related risk to the operation would be the contracting of a new payment service provider by government because of the potential this has to disrupt payments to beneficiaries. The competitive selection process for Equity Bank took more than two years to be completed partly due to: (i) lack of technical and procurement capacity within the MGCSO and (ii) limited understanding of the requirements of the bid from qualified firms offering similar services in the country. MGCSO nevertheless now has relevant experience in the procurement, contract management and administration of payment service providers. As it is likely that new PSPs will need to be procured for the programs managed by the MGCSO, the Social Protection Secretariat is hiring an expert on payment services to augment its capacity to oversee the contracting and managing of a PSP(s). No high value procurement is anticipated under the HSNP.

256. Other procurable expenditures under the NSNP include the procurement of goods, minor works, non-consulting services and consultant services required for the general administration of the sub-programs. These procurements will be relatively simple in nature. The majority of the requirements represent common, readily available goods and commodities and non-consulting services normally procured by most Government entities. Works contracts, if any, would represent low value and simple repairs and alterations to buildings to create adequate and good working environment. However, given the existing capacity within the two ministries, the procurement of large value and complex consultant assignments such as monitoring and evaluation may pose a challenge in the procurement process. The estimated value of contracts for goods, works and services, will be below the OPRC thresholds and the value of procurement relative to the overall cost of the program is also very low, with the vast majority of financing being channeled to cash transfers to beneficiaries.

3. *Fraud and corruption*

257. While program reviews make references to low rates of EFC in the five cash transfer programs, there are occasional reports of incidences of EFC including: OVC recipients in households with no orphan or vulnerable child; allegations of discrimination, corruption and

nepotism in OPCT; suggestions of ghost beneficiaries in the UFS-CT; UFS-CT beneficiaries found to be recipients of other cash transfer; changes reported in OVC but not processed on payroll; and, some OPCT recipients reported to have higher incomes than non-recipients. There is less evidence of EFC in HSNP; the 2012 Impact Analysis found corruption to be low or marginal. Across all five programs, there is no apparent systematic recording, collection and analysis of EFC data, without which it is difficult to ascertain, with any confidence, the actual extend of such incidents.

258. A number of steps are being taken to strengthen the systems and procedures of the NSNP to reduce the possibility of EFC occurring (see Annex Table 5.1). These include: (i) improving the targeting procedures under the OPCT, PWSD-CT, and UFS-CT; (ii) strengthening the checks on the enrolment into the programs by requiring that households have a national ID; (iii) adopting more robust internal controls on the payrolls; and (iv) strengthening the complaint and grievance mechanisms for all programs. These efforts will be complemented by changes to the budgeting, financial reports and auditing procedures for the NSNP that will improve the ability of program managers – and the government more broadly – to track the use of resources for the purposes intended.

259. The 2010 Constitution has provided a foundation for addressing Kenya's longstanding governance challenges, including improving the checks and balances between the three branches of government, strengthening the independence of the judiciary, increasing public access to information, and introducing a new bill of rights. The Constitution established the Ethics and Anti-Corruption Commission (EACC), which replaced the Anti-Corruption Commission, and increased the oversight of the Auditor General. In parallel, the country is reforming the public financial management (PFM) system, with the aim of preventing fraud and corruption. Despite these gains, the EACC is mandated only to investigate but not prosecute cases of corruption, which is the responsibility of the Director of Public Prosecution, and the number of corruption cases that have been (or are being) prosecuted remains low. Moreover, sustained investments are required to ensure that the provisions in the Constitution are implemented as intended.

260. The EACC received 5,230 reports in FY2011/12, of which 2,183 were deemed to fall within the mandate of the Commission to investigate and 173 were forwarded to other investigative agencies. Of the complaints received, 12 percent related to allegations of bribery, 8 percent to the embezzlement of public funds, 7 percent to abuse of office, and 5 percent to procurement irregularities.¹²⁷ During the same year, 2,663 cases were under investigation, of which 236 were completed and forwarded to the Director of Public Prosecution. The vast majority of the remaining cases (1,809) were still under investigation.

¹²⁷ Ethics and Anti-Corruption Commission Annual Report 2011-2012. Other types of complaint received include: administrative issues (21%), civil issues (17%), criminal offences (6%), fraudulent disposal of public property (6%), and other offences (8%).

Annex Table 5.1: Current and Planned Controls to Minimize Error, Fraud and Corruption

Stage	Current	Planned
Registration/ Enrollment	<ul style="list-style-type: none"> • Targeting methodology, including community involvement • Enrolment form asks about participation in other CT programs • Corruption can be reported on the MGCS D website but procedures are vague 	<ul style="list-style-type: none"> • Stronger ID verification (use of national IDs mandatory) • Automatic controls in MIS to identify households registered in more than one program • Single registry to identify duplicate IDs • The single registry cross-check IDs against the IPRS database • Improved and standardized complaint and grievance channels
Payment	<ul style="list-style-type: none"> • Same transfer value helps beneficiary to know how much to expect and reduces scope for error and short changing by agents/carers • Pre-payment payroll checks at the national level • Post-payment reconciliations • Termination after three successive failures to collect transfers • Internal audit scrutiny • Complaints and corruption reporting 	<ul style="list-style-type: none"> • MISs to flag irregular amounts outside norm to be scrutinized before payment • Extension of electronic payments • Extension of two-factor ID authentication for collection of payments • Ex- ante and ex-post-payroll checks to duplicate payments or irregular payment amounts • Improved and standardized complaint and grievance channels
Change/Exit	<ul style="list-style-type: none"> • Form for notifying change exists • Beneficiaries and local committee members told about notifying change of circumstances 	<ul style="list-style-type: none"> • The new MIS to automatically remove beneficiaries of CT-OVC from payroll if maximum eligible age has been reached¹²⁸
Replacement	<ul style="list-style-type: none"> • Waiting lists controlled at the district level • Revalidation of households before enrolment 	<ul style="list-style-type: none"> • Management of waiting list improved. • Recertification in response to monitoring reports and complaints and grievances

261. The 2008 service charter of the MGCS D outlined a series of commitments by the MGCS D along with a complaints mechanism that people can use if they feel that these commitments have not been fulfilled. The ministry has an established anti-corruption committee which is mandated to respond to the complaints that are raised, including those of the four cash transfer programs it manages. However, cases of suspected corruption are forwarded to the relevant authorities for investigation. With regards to procurement, the IFAR found that there are systems and procedures for handling bidder’s enquiries and

¹²⁸ To qualify for the CT-OVC, children in the household must be under 18 years of age. Based on the age of the children at enrollment, the MIS can automatically calculate when this cut-off is reached. In contrast, the OPCT specifies that older persons must be 65 years or above and a household ceases to be eligible when the older person dies.

complaints in both ministries and that the procuring entities are taking adequate remedial action on any Review Board¹²⁹ decisions and observations made following appeals. However, the Review Board refers any procurement complaints perceived to involve fraud and corruption to the EACC and the Criminal Investigation Department (CID) of the police for investigation.

262. Significant investments have also been made in the complaint and grievance mechanisms for the CT-OVC and HSNP, and, more recently, in those for the OPCT, PWSD-CT and UFS-CT (as discussed in Annex 1). Once completed, within this system, beneficiaries, non-beneficiaries or third-parties will be able to lodge a complaint in person to the Beneficiary Welfare Committees or program staff or in writing, via email or by calling a hotline for the program.¹³⁰ Once received, each complaint or grievance will be recorded and then channelled to the appropriate level for action, with feedback given to the complainant on the action taken. As noted elsewhere, the complaint and grievance mechanisms are designed to complement the existing anti-corruption system of government, and thus, any person may also lodge a complaint directly with the responsible ministries or the EACC.

263. More specifically, all five programs have established (or are in the process of establishing) Beneficiary Welfare Committees (or Rights Committees in the case of the HSNP) that will be mandated, among other things, to respond to complaints and grievances that arise from a lack of information among beneficiaries and non-beneficiaries on program rules and procedures. The BWCs will also maintain a registry of the complaints and grievances that they receive and the actions taken. Any complaint that relates to allegations of fraud and corruption will be escalated automatically to the national program administrators through the local program officers (in the HSNP this role is played by an international NGO, Help Age International). Similarly, the BWCs will escalate any complaint that relates to irregularities in program implementation, such as late payments, questions regarding households being exited from the programs, among others. Local program officers will similarly accept and record any complaint or grievances that are raised to them. As with the BWCs, these officers will respond to those complaints that can be addressed by clarifying program rules and procedures; all other complaints will be escalated, including specifically those related to fraud and corruption.

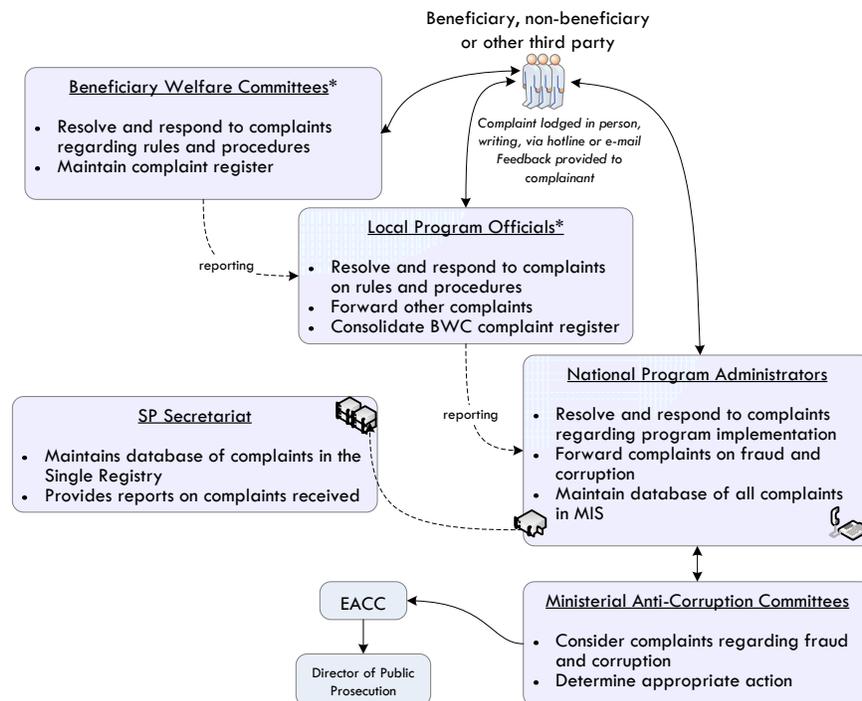
264. The program secretariats are mandated to respond to those complaints and grievances that require any action other than providing information to the complainant, such as investigating (and addressing) the causes of late payments or irregular payment amounts. The secretariats will forward any complaints regarding fraud and corruption to the Ministerial Anti-Corruption Committee, which is mandated by law to review the complaint and forward it to the appropriate authority, which would be the EACC for those complaints related to fraud and corruption. For complaint and grievance that relate to administrative issues, the Ministerial Anti-Corruption Committee forwards these to the Human Resource Advisory Committee. If the complaint is found to be valid, the principle secretary of the responsible ministry sanctions the government officials concerned.

¹²⁹ The Public Procurement & Disposal Act of 2005 (PPDA 2005) and the associated regulations of 2006, which came into force in January 2007, established the Public Procurement Administrative Review Board (Review Board).

¹³⁰ A distinction is made between complaints and grievances, which are lodged following the end of the targeting process, and appeals, which are lodged during the targeting process. While the section below considers the means by which complaints and grievances are lodged, recorded and responded to, these also apply to appeals, specifically if they are related to allegations of fraud and corruption. .

265. Finally, each of the program secretariats maintain a database of all the complaints and grievances received at all levels (i.e. the BWCs, Local Program Officers and National Secretariats) in the program MISs. A separate module has been created for this purpose. This information will be uploaded into the Single Registry on a regular basis to enable the Social Protection Secretariat to report on complaints and grievances as part of the six-monthly reporting on the NSNP. Annex Figure 5.1 provides an overview of the flow of complaints and grievances.

Annex Figure 5.1: Flow of Complaints and Grievances under the NSNP



Notes: *For the HSNP, in terms of the complaint and grievance system: (i) Rights Committees play the same role as the Beneficiary Welfare Committees; and (ii) Help Age International, an international NGO, plays the role of the local program officers.

266. The Anti-Corruption Guidelines for PforR Operations include other measures that will further mitigate the risk of fraud and corruption in the NSNP. Their application to the NSNP PforR operation, as currently proposed is summarized below.

267. *Sharing information on fraud and corruption allegations:* As required under Kenyan law, program managers forward any allegations of fraud and corruption to the EACC. The EACC will share information with the World Bank every six months on all allegations of fraud and corruption related to the NSNP received from the general public, including on procurement from activities conducted by the five safety net programs.

268. *Sharing of debarment list of firms and individuals:* The Social Protection Secretariat will share with the procurement units responsible for the five cash transfer programs the Bank's debarment list to ensure that persons or entities debarred or temporarily suspended by the Bank are not awarded a contract under the NSNP during the period of such debarment or suspension.¹³¹ This will be undertaken every six months. The Internal and External Audit for

¹³¹ This requirement applies only to the signing of new contracts, and only to new contracts signed after the date from which the PforR operation becomes Effective.

the NSNP will confirm that procurement contracts have not been awarded to any firms on the debarment list.

269. *Investigation of fraud and corruption allegations:* The EACC is mandated by the Constitution to investigate allegations of fraud and corruption. Consequently, all allegations of fraud and corruption under the NSNP will be investigated by the EACC, and those that are found to be credible will be forwarded to the Director of Public Prosecution for prosecution. The World Bank may also undertake its own investigations of fraud and corruption allegations under the Program. In this context, the investigation of fraud and corruption allegations under the Program will be handled through two possible modalities, depending on circumstances: (i) The EACC may undertake its own independent fraud and corruption investigations arising from allegations reported to it and report the outcomes of these investigations as part of the sharing of information under paragraph 267 above; and (ii) INT may undertake its own fraud and corruption investigations related to the Program. In this case, the Social Protection Secretariat will collaborate with INT to acquire all records and documentation that INT may reasonably request from the Program regarding the use of Program funding.

4. *Recommendations for Program Action Plan*

270. The findings of the Integrated Fiduciary Assessment have informed the design of the World Bank operation in support of the National Safety Net Program. A number of the DLIs aim to reduce fiduciary risks, such as the launch of the programs' MISs that are linked to the Single Registry, the adoption of agreed standards for internal controls on the payrolls, the use of PSPs that make payments electronically and using two-factor authentication. Additionally, the production of regular NSNP performance reports and financial reports by the Social Protection Secretariat will ensure a regular stream of monitoring data to program managers. As the NDDCF has not yet been established, and government is formulating the systems and procedures to guide the scale-up of the HSNP, further due diligence will be carried-out as part of the evaluation of the achievement of DLI 7 (a system for scaling up the NSNP).

271. In addition, the Program Action Plan includes a number of activities that aim to address the weaknesses identified by the Integrated Fiduciary Assessment. Of key importance is that the World Bank will agree with Treasury and KENAO during negotiation the Terms of Reference for an annual Program Financial Statement Audit to be completed and made public by the borrower in a timely and reliable manner. The Bank will also make the audit report available to the public in accordance with its Access to Information Policy. Technical assistance will be provided to KENAO to enhance their capacity in undertaking program audit including information systems audit. Additionally, the government will share with the World Bank financial statements for the NSNP based on the Standard Chart of Accounts, and generated from IFMIS, every six months.

272. With regards to procurement, the Program Action Plan details steps the government should take to address the weaknesses identified. It also suggests that Technical Assistance may be required by the program managers in the preparation of bidding and RFP documents and in post award contract management.

Annex 6. Summary Environmental and Social Systems Assessment

A. Introduction

273. The Environmental and Social Systems Assessment (ESSA) reviewed the existing systems of government, as they relate to the National Safety Net Program, in terms of their capacity to plan and implement effective measures for environmental and social impact management. More specifically, the ESSA reviewed the government's regulatory and administrative framework and the capacity of the relevant implementing agencies to implement these, including consideration of previous relevant experience in the sector, against the environmental and social effects that are likely to be associated with the NSNP. The aim was to determine if any measures are required to strengthen the government's environmental or social management system, which would be detailed in a mutually-agreed Action Plan and considered in the design of the World Bank support to the NSNP.

274. The ESSA was guided by the principles and elements for environmental and social impact management incorporated into World Bank OP/BP 9.00. Under OP/BP 9.00, the ESSA should consider applicable and relevant environmental and social issues. In this regard, the NSNP and the World Bank support to it are solely concerned with the management of targeted cash transfers, and do not include any physical activities, land acquisition or displacement of people. As such, it will not involve any direct environmental effects. This includes any effects on biodiversity and cultural resource areas; natural habitats; physical cultural property; community, individual or worker safety; management of hazardous materials; and, land acquisition or resettlement.

275. Given the absence of direct environmental effects and the limited range of potential social effects, the ESSA focused on potential issues related to the equitable access to the five cash transfer programs that constitute the NSNP and the ability of these programs to meet the needs of vulnerable and marginalized groups. These issues were assessed by reviewing how poor, vulnerable and marginalized groups are included in, and therefore benefit from, the five cash transfer programs, specifically through the targeting of the cash transfers and the means of ensuring that vulnerable and marginalized groups have a 'voice' in the program, through consultative processes and grievance and appeals mechanisms. Issues related to how the programs affect social conflict were also considered, as were the influence of local decision-makers in program implementation.

276. The ESSA was based on (i) a desk review of government policies and program documents, reviews and evaluations; (ii) semi-structured interviews with national-level program managers; (iii) field visits in four counties; and iv) additional data collection among five marginalized communities. These four counties were purposively selected to reflect differences in the livelihoods of beneficiaries, the mix of programs implemented and accessibility of the areas to the researchers. In selecting the sites, deliberate effort was made to avoid areas that have been evaluated recently as part of other reviews. In each of these counties, focus group discussions (FGDs) were held with groups of adult men and women (in separate groups). In addition, in-depth interviews were conducted with the program implementers, local leaders and other gatekeepers including community-based organizations, NGOs and faith-based organizations. Consultations were held on the ESSA with civil society organizations and other key stakeholders, including the Human Rights Commission, at national-level and with minority and marginalized communities. The findings of the ESSA, including the outcome of the consultations, are detailed below. The additional data collection among five marginalized communities was focused on an assessment on the circumstances which hindered and/or facilitated their involvement in the cash transfer programs. Focus

group discussions, in-depth interviews and community gatherings were used to collect information in communities containing groups recognized as marginalized.

B. Policy Context and Institutional Arrangements

277. The ESSA concluded that the current policy environment in Kenya provides an appropriate framework for managing the potential social effects of the NSNP. Article 43 of the Constitution of Kenya 2010 sets out the economic, social, and cultural rights of all Kenyans, including the right to social security. The Constitution also requires that the government ensure the application of these rights to certain vulnerable groups. These groups are defined in the Constitution as children, women, older people, and people with disabilities. The Constitution also identifies minorities and marginalized groups as well as marginalized communities that, because of their relatively small population, traditional lifestyles, and/or geographic isolation, have been unable to fully participate in the integrated social and economic life of Kenya.¹³²

278. The National Social Protection Policy (NSPP) identifies the poor and vulnerable as a key group requiring attention within the broader social protection framework. Several acts of parliament, bills, strategies and policies state the commitment of government to ensure that the basic needs of these vulnerable groups are met and that their rights are protected. Other policies aim to address the marginalization of certain parts of the country (such as the ASALs and informal settlements in urban areas), which has been recognized as a key driver of poverty.

279. The institutional arrangements for the five programs are in place, although these will likely evolve in response to devolution and the anticipated ministerial restructure, as discussed in Annex 1. Overall, the institutional arrangements are deemed to be adequate, although there are reports of capacity constraints at all levels. Such constraints negatively affect program implementation in general and the ability of the NSNP to respond to any potential social effects from the Program. As such, the process to consolidate the four cash transfer programs managed by the MGCSD and to build overall implementation capacity will strengthen the system to manage social effects in the NSNP.

C. Assessment of social risks and impacts

280. Given the policy context and institutional arrangements, the main social risks that are of concerns to program managers are: (i) the limited voice of poor, vulnerable people in program implementation; (ii) the exclusion of eligible households and groups from the program through the targeting process; (iii) potential negative social effects; and (iv) the responsiveness of the NSNP to marginalized communities. The findings of the ESSA confirmed that neither the NSNP nor the PforR operation include any activities that are judged to be likely to have a significant adverse impacts that are sensitive, diverse or unprecedented on the environment and/or affected people.

1. Promoting informed decision-making and 'voice' in program implementation

281. The five cash transfer programs that constitute the NSNP have all been designed to promote consultations with communities (and national-level stakeholders). Front-line implementers are mandated to carry-out information and awareness sessions before the programs are launched and at periodic intervals during implementation. All of the programs rely, to varying degrees, on local-level committees that are made-up of volunteers and/or

¹³² Article 260 of the Kenyan Constitution (2010)

beneficiaries. The ESSA found that there is a better understanding of program objectives and the eligibility criteria for those programs that have well-defined community structure and higher-levels of community engagement. The HSNP provides good practices in this regard, as does the CT-OVC. Conversely, in areas where program implementation was rushed or operational constraints prevented program staff from engaging with communities, levels of awareness among communities was low.

282. Community meetings, mainly in the form of chief's *barazas*, are used extensively to inform communities about the programs. While these were found to work well and to be a trusted source of information in some areas, notably in those areas supported by the HSNP, some concerns were raised about the effectiveness of this approach. These include: (i) low attendance by community members; (ii) discussions being managed by the chief, with only some people being allowed to speak; and (iii) fear of reprisal from the community if an individual challenges the decisions.

283. More generally, the ESSA found that information materials on the programs were rarely available to the public or program beneficiaries. This is either because the programs did not produce any communication materials (OPCT, PWSD-CT and UFS-CT) or that the local officers had run out of copies of such materials (CT-OVC and HSNP). Additionally, none of the programs seem to have regular means of disclosing information on the program at local levels, although the HSNP displays the list of potential beneficiaries for two-weeks following the selection process to enable community-members to appeal these decisions, if needed. The lists of CT-OVC beneficiaries are read out during a community meeting, but these are not left with local officials.

284. As discussed in the Technical Assessment, complaint and grievance mechanisms are an effective means by which people can provide feedback to program managers. The process underway to strengthen these systems under the NSNP will better ensure the 'voice' of poor and vulnerable people in these programs. This includes the production of program service charters that detail the rights and responsibilities of beneficiaries under the program. The Program Action Plan includes a number of activities that are designed to improve awareness of the program. Within these ongoing efforts, program managers need to: (i) improve the effectiveness of the *barazas* and other community meetings to better ensure that vulnerable and marginalized people actively participate; (ii) consider the accessibility of the communication materials and complaint and grievance mechanisms for the different targeting groups, including marginalized communities (see paragraph 291); and (iii) adopt guidelines to promote the disclosure of program information that will assist in holding program managers to account.

2. *Program inclusion and exclusion*

285. Program reviews and evaluations have found that beneficiaries of the programs almost always meet the program eligibility criteria. As discussed in the Technical Assessment, concerns have been raised in some areas regarding possible inclusion of households in the OPCT, PWSD-CT and UFS-CT that do not qualify for support. However, there is also evidence that program managers at local-levels are employing means of reducing the number of potentially eligible households in the face of widespread need and very limited program resources. These practices, which are not documented in the Operations Manuals, may result in the exclusion of especially needy households and may also reduce the transparency in program targeting. For example, in some areas, households must present a birth certificate and proof of orphanhood for a child to be enrolled in the CT-OVC although

this is not a requirement of the program; often a medical certificate confirming level of disability is required to be eligible for the PWSD-CT.¹³³ In the case that such documentation could not be produced, the household was denied access to the program. Program staff also reported that they are less likely to reach communities that are far from the county headquarters during program targeting because of resource constraints. In pastoral areas, the timing of the targeting process could lead to the exclusion of mobile families.

286. In addition to this quasi-formal means of limiting the number of eligible households, the ESSA found that there are other less formal factors that may result in the exclusion from the program. Households may not seek information on or entry into these programs because of the potential stigma that this may create. Cerebral palsy and schizophrenia, conditions that would be potentially eligible for support through the PWSD-CT, are deemed to be ‘bad omens’ in some parts of the country. Similarly, there are reports that some people may not wish to benefit from the cash transfer programs because beneficiaries are seen to be ‘lazy’ or the programs are viewed as part of a political campaign by politicians to create support. The exclusion of some ethnic groups was subtly referred to during the field work that was carried-out for the ESSA. This issue arose in areas that are prone to resource-based conflicts. In such cases, if the leadership of an area is vested in one ethnic group, people from the other groups may not be included in the process of targeting cash transfer support.

287. The five programs have procedures in place to respond to the potential wrongful exclusion of households from the program. The complaint and grievance mechanisms, which are functional in the CT-OVC and HSNP and being put in place for the OPCT, PWSD-CT and UFS-CT, are a means by which households can appeal against targeting decisions. However, given limited program resources, households that are successful in their appeal against targeting decisions may only be placed on the program waiting list. At the same time, as discussed in the Technical Assessment, steps are ongoing to strengthen the targeting procedures under the OPCT, PWSD-CT and UFS-CT. These steps, together with continued attention to addressing error, fraud and corruption in the NSNP, will respond to many of the findings above. However, it will be important for program reviews and evaluations (such as the PIBS survey) assess, to the full extent possible, whether particular groups are being excluded from the program.

3. *Social effects of the NSNP*

288. As elaborated upon in the Technical Assessment, evaluations of the CT-OVC, HSNP, OPCT and USF-CT have reported the positive impact that these programs have on beneficiary households in terms of improved consumption and enhanced access to social service, among others. These result in investments in human capital, particularly of children, and productive assets. The ESSA reconfirmed these findings. A common thread in the findings of the ESSA on social benefits was the fact that the cash transfers are unconditional, thereby providing the beneficiaries the flexibility to utilize the resources according to their needs. Terms such as “blessing” and “gift” were used to describe the cash transfers indicating that the transfers were timely and performed a critical role in the beneficiary households. Some participants in the assessment observed that the cash transfers had given them hope and something to look forward to. There is also evidence that the cash transfer programs lead to social empowerment, in terms of reduced stigma for families with a member who is disabled, improved self-esteem and dignity, and better standing and recognition within society.

¹³³ Such medical certificates cost Ksh 300-1,500.00 and accessing the required medical services can be difficult for someone with severe disabilities.

289. At the same time, there are also reports that the cash transfer programs create tension within communities because of the small number of households that benefit in the context of widespread need. Often, such tension arose in areas where the program eligibility criteria were not well understood. In others, local politicians were reported to be trying to influence the allocation of program benefits. This led to conflict in areas where it was perceived that one group or areas was benefiting at the expense of another. The ESSA also found some reports that beneficiaries paid (in cash or favors) program staff or local leaders to be enrolled in the program either once or repeatedly during paydays. The program regulation that caregivers could collect the payment on behalf of beneficiaries (i.e. in the OPCT, PWSD and CT-OVC) resulted in tension within households, and, at times, the wider community, when the caregiver did not use the resources to the benefit of the intended recipient or simply pocketed the funds.

290. It is anticipated that the planned expansion of the NSNP will begin to address the tension that arises in communities because of the small number of households that currently benefit from the programs. This is, however, a long-term agenda and it is unlikely that the size of the Program will be commensurate with need. The complaint and grievance mechanisms will assist in addressing those social effects arising from the perceived exclusion of certain groups from the program; clear communication regarding program eligibility requirements will also be important.

4. *Marginalized people's rights*

291. The five cash transfer programs target resources to poor households with members who are vulnerable, as identified in the Constitution of Kenya 2010, such as orphans and vulnerable children, older persons, and persons with disabilities. Additionally, the programs specifically targets resources to poor members of marginalized communities in the four counties in Northern Kenya covered by the HSNP. While marginalized communities in Kenya reside in some areas that are covered by these four programs, there has been no particular emphasis by the programs on the identification and inclusion of these groups (when they meet the program eligibility criteria). The fieldwork carried out to inform the ESSA sought to assess the extent to which these marginalized communities may be included or excluded in the other four programs in practice. This fieldwork did find incidences of potentially eligible households from marginalized communities not being included in the program, but it was not possible to determine whether this was a consequence of their marginalized situation or the low coverage of programs in these areas. There were some indications of potential bias given the limited number of households benefiting from the programs, as discussed above. When eligible households are prioritized by communities for support from the programs, there was some suggestion that minority groups might be ranked lower than the dominant ethnic groups but also that their residence in more remote areas also reduces their opportunities to access the program.

292. Furthermore, this remoteness may also limit their knowledge of the program and communication regarding enrolment or the onset of transfers. For example potential participants in some communities reported that they had been registered for the OPCT, CT-OVC and PWSD-CT but no cash had been disbursed and there had been no communication from the programs on the follow-up actions. In once community where this had happened people stated that they did not know why they had not been paid and explained that they had no mechanism for finding out. Finally, the only evidence of how local cultures are affecting the delivery of the cash transfers are reports that some people may be unwilling to complaint against poor program implementation because this is deemed to be inappropriate.

293. A first step in ensuring that marginalized communities benefit equally from the NSNP - for those members who qualify based on the eligibility criteria – is making this issue visible to program managers. For this, the Operations Manuals for the five programs should be reviewed to include guidance on how to ensure that these communities are equally considered during the targeting process and participate during program implementation; and staff will be trained in the use of the new guidelines. The application of these guidelines would then be assessed during the regular program monitoring, particularly the PIBS survey.

D. Consultations on the ESSA

294. Consultations were held in Nairobi on the draft ESSA on March 28, 2013, with members of civil society. Overall, the report was well received by the participants, who suggested that some of the issues discussed in the report would benefit from further emphasis. Participants observed, for example, that many of the concerns highlighted in report could be mitigated through aggressive, well-planned and extensive communications and awareness raising community campaigns. It was also recommended that development partners consider investing resources to enhance the capacity of government and other stakeholders to implement and monitor programs more effectively. Similarly, the potential role of civil society to independently monitor the performance of the NSNP and in giving “voice” to marginalized groups was re-emphasized. The participants recommended that the ESSA include a brief discussion on the effects of the program on enhancing social inclusion in communities, as a number of studies have been undertaken in this area. Secondly, the complaint and grievance system should include enforcement mechanisms, so that such grievances are not only lodged and documented, but action is taken on those who abuse the program and the beneficiaries.

Annex 7. Integrated Risk Framework

1. PROGRAM RISKS			
1.1 Technical Risk	Rating:	Moderate	
Description: The National Social Protection Policy was recently approved by the Cabinet. While it currently enjoys broad-based political support, the policy was not passed by Parliament prior to the recent election. The bill remains pending and the Social Protection Secretariat is following up.	Risk Management: While the National Social Protection Policy creates an important framework for the sector, the broad policy directions have already been well established in the 2010 Constitution, which establishes the right to social protection, and in Vision 2030, which commits the government to increasing financing for safety nets. Additionally, there is strong political interest in expanding the coverage of safety nets in both the Parliament and the Executive, and the government continues to demonstrate strong leadership in this area.		
	Resp: Government	Stage: Preparation	Due Date: March 2013 Status: Ongoing
Description: <i>Overall capacity in the sector remains low, and this is compounded by significant fragmentation. Moreover, the ministerial restructuring resulting in the reduction of ministries has implications for the MGCSD, and, by extension, the National Safety Net Program. Implementation capacity:</i> The five cash transfer programs are implemented by separate secretariats housed in the MGCSD and NDMA with separate implementation arrangements at the county-level. This contributes to a situation in which the number of staff and the skill mix within each secretariat is less than is required for effective program implementation. <i>Coordination and oversight capacity:</i> The institutional arrangements for cash transfers in Kenya require significant coordination within and across ministries, which can further strain already limited implementation capacity. The sector is coordinated by the Social Protection Secretariat, but this body also remains relatively weak as it has only recently been established by the NSNP.	Risk Management: The World Bank’s PforR operation has been designed to promote the consolidation of the four cash transfers implemented by the MGCSD and a set of DLIs has been formulated in this regard. As input into this process – and in recognition of the ongoing ministerial restructuring – a functional review will be carried out of these programs. Additionally, NSNP itself will significantly strengthen the Social Protection Secretariat by giving it a clear mandate to oversee and coordinate the five cash transfer programs that constitute the NSNP. Finally, the World Bank’s existing financing to the CT-OVC program will provide a vehicle to deliver technical assistance to the NSNP during its first years of operation.		
	Resp: Government	Stage: Implementation	Due Date: Continuous Status: Ongoing

1.2 Fiduciary Risk	Rating:	Substantial		
Description: Experience in Kenya suggests that there continues to be a significant <i>risk of error, fraud and corruption (EFC)</i> in Bank operations. A recent review of the CT-OVC payroll found that the scale of EFC was relatively small and within the boundaries of what is experienced in developed countries. The government is also responding to reports of ineligible households benefitting from the OPCT, PWSD-CT and UFS-CT. However, as the core activity of the NSNP is to make monthly cash payments to beneficiaries, there is a significant risk that EFC may arise. That said, two of the programs have introduced a number of measures to address this risk, many of which are currently being replicated in the remaining three programs (see Annex 5).	Risk Management: The five cash transfers will all have adequate systems and processes regarding targeting, payments, and monitoring in place before the proposed operation becomes effective. The proposed design of the operation aims to strengthen the governance of the five cash transfer programs in ways that will significantly reduce the risk that EFC will occur in the National Safety Net Program. For example, the proposed DLIs will result in the use of more effective payment systems by all programs and the adoption of robust internal controls on the payroll. These DLIs will significantly increase the likelihood that payments will reach the intended recipients. Systems for limiting and detecting fraud and corruption will be further enhanced through the introduction of a single registry. Concurrently, the Program Action Plan will detail steps that are required to further reduce the risk of fraud and corruption during program implementation.			
	Resp: WB/Government	Stage: Preparation	Due Date: April 2013	Status: Ongoing
1.3 Environmental and Social Risk	Rating:	Moderate		
Description: The five cash transfer programs may not always have procedures in place to ensure that eligible beneficiaries from <i>marginalized communities</i> are considered during the targeting process and that, if they meet the targeting criteria, they are then included in the program. This may arise because of the geographic isolation of these communities, their small size, or their traditional lifestyle.	Risk Management: In the targeting procedures used by each of the five programs, geographic areas (first counties, then locations) are selected based on objective criteria. Within these areas, steps are taken to ensure the broad representation of the community in the process to identify eligible households based on objective criteria. An action plan has been put in place based on the findings of the Environmental and Social Systems Assessment to strengthen the targeting and complaints and grievances, among other system procedures, to ensure that marginalized communities are benefitting equally from the NSNP.			
	Resp: WB/Government	Stage: Implementation	Due Date: Continuous	Status: Ongoing
1.4 Disbursement-linked Indicator Risks	Rating:	Moderate		
Description: The shift to the new Program-for-Results, approach and particularly the use of DLIs, may lead to delays in disbursements as resources are only disbursed upon the achievement of results.	Risk Management: The government has requested an advance of up to 25 percent of the funding from the operation to finance the initial investments needed to achieve the results detailed in the DLIs. Once these have been achieved, the government may request another advance for the subsequent fiscal years. The Program Action Plan has been formulated to clearly identify the investments and activities that will be required to achieve the DLIs. Additionally, the World Bank and development partners will provide technical assistance through the existing CT-OVC program to ensure that the investments required to meet the DLIs are forthcoming.			
	Resp: WB/Government	Stage: Implementation	Due Date: Continuous	Status: Ongoing

1.5 Other Risks (Optional)		Rating:	Moderate	
Description: <i>Government financing for cash transfers may not increase</i> as intended. This may be because of a change of policy arising from the outcome of the election or from lower than expected government revenue as a result of lower economic growth.	Risk Management: Vision 2030 identified the need to increase resources for safety nets, and the government has progressively increased the allocation of public resources to cash transfer programs. The level of government resources that is required to increase the coverage of the NSNP is modest given the current fiscal space. This level of financing is currently detailed in the MTEFF for the NSNP. The MGCSD is working with the Treasury to include these projections in the government’s sectoral MTEF and the next Medium-Term Plan. Additionally, a set of DLIs has been formulated to promote program expansion for which additional government financing is required.			
	Resp: Government	Stage: All Stages	Due Date: Continuous	Status: Ongoing
Description: <i>Climate change</i> may lead to more frequent, severe and unpredictable droughts in Kenya. It may also result in floods and other climactic events that could negatively impact upon the livelihoods of the poor and vulnerable populations.	Risk management: The proposed National Safety Net Program is designed to create a system to scale-up the coverage of cash transfer programs in response to drought. In the first instance, this effort will focus on the Hunger Safety Net Programme, as it operates in parts of Kenya that are most often affected by drought. International evidence shows that scaling-up an existing cash transfer program can be an effective means of protecting livelihoods from drought. The government and development partners are also investing in insurance products that would complement the use of safety net support to mitigate the impact of droughts on pastoral and agro-pastoral livelihoods. The government has also indicated its interest in explore means of investing in complementary livelihood support to promote the graduation of households out of poverty.			
	Resp: Government	Stage: Implementation	Due Date: Continuous	Status: Ongoing
2. OVERALL RISK RATING				
High				

Annex 8. Program Action Plan

No.	Result Area/Action	Source	Responsible Party	Date Due	Completion measurement
A	To create more robust systems for targeting, registering beneficiaries, making payments, and monitoring performance to strengthen the overall governance of these programs				
A1	<ul style="list-style-type: none"> Revise Operation Manuals to respond to findings of the Technical, Environmental and Social Systems, and Integrated Fiduciary Assessments 	ESSA, TA, IFAR	MGCS D & NDMA		
A2	<ul style="list-style-type: none"> Retarget the OPCT, USF-CT and PWS D-CT as per Programs Operations Manual procedures in areas where reviews have identified anomalies 	TA: 3.2 IFAR: 5	MGCS D		
A3	<ul style="list-style-type: none"> Regularly review transfer levels including options for varying transfer amount according to household size 	TA: 3.4.1	MGCS D/ NDMA		
A4	<ul style="list-style-type: none"> Improve the delivery of payments to beneficiaries by (i) regular monitoring of transfer steps against schedule; (ii) develop and implement a plan to address bottlenecks affecting timeliness of transfers; (iii) strengthen internal controls on the payroll, including review by senior ministry level officer; and (iv) establish payment architecture for NSNP in response to finding of TA and procure PSPs, as required 	IFAR: 13; 5; 3.5 TA: 3.4.2; 3.4.3 & 5.3	MGCS D/ NDMA		
A5	<ul style="list-style-type: none"> Establish national, county and community level structures to manage complaints and grievances in real time ensuring they adequately address marginalized groups and implement communication strategy to enhance awareness of programs 	ESSA: 3.6 & 3.7 TA: 3.5	MGCS D		
A6	<ul style="list-style-type: none"> Strengthen the audit function for the NSNP by building the capacity of the IAD and KENAO to carry-out annual information systems audits, establishing the required audit committees, applying the International Standards of Supreme Audit Institutions, and, publishing Treasury Memorandum on response to audit queries by the implementing agencies. 	IFAR: 3.2; 3.5; 4	MGCS D, Treasury and KENAO		
A7	<ul style="list-style-type: none"> Implement IFAR recommendations with respect to procurement 	IFAR	MGCS D, NDMA		
B	Harmonizing Cash Transfer Programs to Increase the Coherence of the Safety Net Sector				
B8	<ul style="list-style-type: none"> Update IFAR of the NSNP upon completion of the ministerial restructuring and agree any mitigating measures 	World Bank			

No.	Result Area/Action	Source	Responsible Party	Date Due	Completion measurement
B9	<ul style="list-style-type: none"> Functional Assessment to review the overall program organogram; national, county and district staffing; and technical assistance requirements 	TA: 4.4	SP Secretariat		
B10	<ul style="list-style-type: none"> Adopt international public sector accounting standards to improve the quality of financial reports and stabilize IFMIS to ensure it is fully operational to produce the required financial reports 	IFAR: 3.4	Treasury		
B11	<ul style="list-style-type: none"> Adopt NSNP M&E Framework and implement M&E Plan including simplification of monitoring systems and formats, staffing, development of manuals developed, and training 	TA: 3.3 & 6	MGCSD		
C	To expand coverage of the five programs in a coordinated manner that will progressively realize the right to safety net support				
C12	<ul style="list-style-type: none"> Ensure financial allocations to the NSNP as per the program MTEFF are included in the sectoral MTEF and annual budgets 	ESSA: 3.4 & 3.5	MGCSD & NDMA		
C13	<ul style="list-style-type: none"> Targeting and enrolment of beneficiaries according to annual targets 	TA: 3.2.1.1	MGCSD & NDMA		

Annex 9. Implementation Support Plan

295. **Program Coordination:** A National Safety Net Program Steering Committee will be established to support the management and oversight of the program. The Committee will be chaired by the Principle Secretary of the MGCSO and will comprise relevant senior managers within the Social Protection Secretariat, the Department of Gender and Social Development, the Department of Children Services, and the National Drought Management Authority. A number of Technical Committees will provide operational support to the Secretariats implementing the five programs, while also ensuring a harmonized approach to issues. These Technical Committees will consist of, among others, the Payment Working Group, which will determine the payment architecture for the NSNP, and the Expert Working Group on the Single Registry, which will continue to support the work on the single registry and program MISs. The Committees will be forums to promote coordination among development partners in their support to the NSNP.

296. The Government Program Document lays out the Government Program including the Disbursement Linked Indicators, their verification protocols, the MTEFF and the M&E Plan. A Memorandum of Understanding (MoU) between the government and development partners to guide development partner support to the NSNP is being developed. This MoU will consist of: (i) the principles of cooperation; (ii) a definition of the program; (iii) mechanisms for support and supervision; and, (iv) agreements for reporting and auditing.

297. **Implementation Support.** The NSNP will require focused, harmonized implementation support from the World Bank and other partners. As discussed in Annex 1, Technical Assistance will be provided by development partners to the NSNP through the existing IDA-financed CT-OVC Project and as Appropriations in Aid. The government has formulated a Technical Assistance Plan for the NSNP to guide the provision of this support. This Plan has identified the Technical Assistance that is required to fill critical, short-term gaps and the Social Protection Secretariat is coordinating among partners to ensure that these needs are met.

298. In addition to this Technical Assistance, the World Bank and partners will provide regular implementation support to the Social Protection Secretariat and five program-level Secretariats. The focus of the support from the World Bank will include: (i) assessing implementation progress (including that of the Program Action Plan) and achievement of the DLIs; (ii) providing support to resolve emerging implementation issues; (iii) monitoring the adequacy of systems performance and compliance with legal agreements; and (iv) supporting the Government in monitoring changes in risks.

299. Much of this implementation support will be through regular engagement with the Social Protection Secretariat and program Secretariats by the members of the task team located in Kenya. This will include, for example, participation in the Technical Committees discussed above, as appropriate. The World Bank will carry-out Review and Implementation Support Missions every six months. These Missions will be aligned with the government's planning and budgeting cycle so that the findings of the Missions with regards to progress towards the DLIs and Program Action Plan can inform the government's plan and budget for the following fiscal year. These Missions will be carried-out jointly with other development partners.

300. Implementation support to the NSNP will initially focus on the Technical Assistance requirements to the NSNP to ensure that these are in place and functioning at an early stage so that the Program can then deliver the anticipated results.

Annex Table 9.1: Main focus of Implementation Support

<i>Time</i>	<i>Focus</i>	<i>Skills Needed</i>	<i>Resource Estimate</i>	<i>Partner Role</i>
<i>First twelve months</i>	<p>Ensuring that verification entities are in place.</p> <p>Further support on fiduciary and social impact issues outlined in PAP.</p> <p>Support to putting in place any other agreed technical assistance.</p> <p>Monitoring progress towards the DLIs and PAP with an emphasis on: (i) Single Registry; (ii) Payment Service Providers; (iii) Complaints and Grievances; (iv) consolidation strategy for the MGCSD; and (v) Expansion Plan for the NSNP.</p>	<p>Payments</p> <p>Monitoring and evaluation</p> <p>Social Development</p> <p>Social Protection</p> <p>Management Information System/Single Registry</p> <p>Financial Management</p> <p>Procurement</p> <p>PFM</p> <p>Error, fraud and corruption</p> <p>Targeting and recertification</p>	\$200,000	DFID, UNICEF, SIDA and AusAid will provide coordinated support as outlined in MoU.
<i>12-48 months</i>	<p>Support to resolving emerging implementation issues</p> <p>Monitoring progress toward the DLIs and PAP</p>	<p>Payments</p> <p>Monitoring and evaluation</p> <p>Social Development</p> <p>Social Protection</p> <p>Management Information System/Single Registry</p> <p>Impact Evaluation</p> <p>Financial Management</p> <p>Procurement</p> <p>PFM</p> <p>Error, fraud and corruption</p>	\$200,000 per year	DFID, UNICEF, SIDA and AusAid will provide coordinated support as outlined in MoU.

Annex Table 9.2: Task Team Skills Mix Requirements for Implementation Support

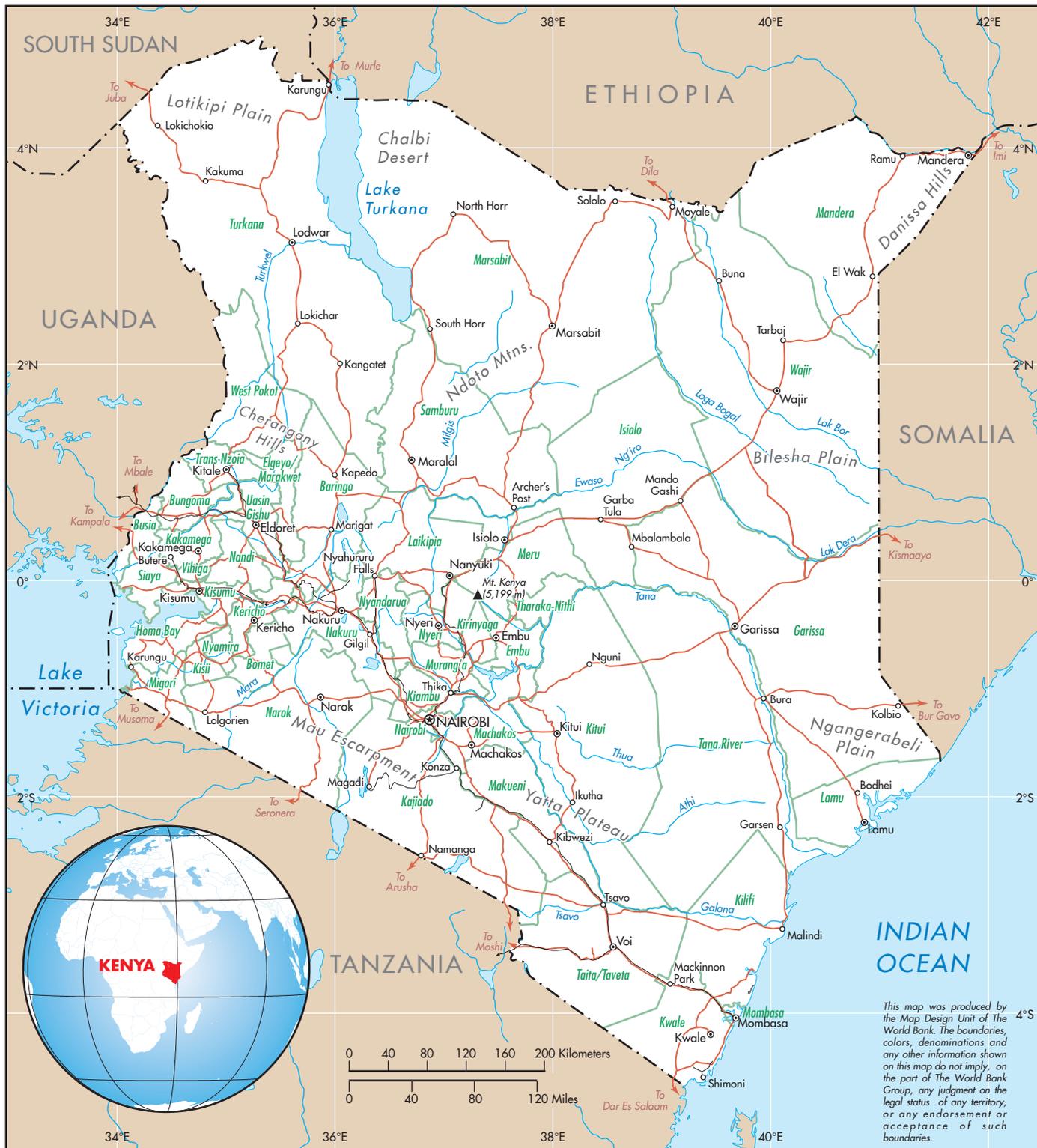
<i>Skills Needed</i>	<i>No. of Staff Weeks</i>	<i>No. of Trips</i>	<i>Comments</i>
Payments	24 weeks	8 trips	
Monitoring and evaluation	24 weeks	8 trips	
Social	24 weeks		<i>In country specialist</i>
Social Protection	72 weeks		<i>In country specialists</i>
Management Information System/Single Registry	12 weeks	4 trips	
Impact Evaluation	12 weeks	4 trips	<i>Aligned with impact evaluation schedule</i>
Financial Management	24 weeks		<i>In country specialists</i>
Procurement	12 weeks		<i>In country specialist</i>
PFM	8 weeks	4 trips	<i>Particularly to review the functioning of contingency</i>
Error, fraud and corruption expert	16 weeks	4 trips	

301. **Role of Development Partners.** A number of development partners, specifically AusAID, DFID, SIDA and UNICEF, will also support the NSNP, and will be signatories to the MoU discussed above. DFID is channelling resources for Technical Assistance to the NSNP through the existing IDA-financed CT-OVC Project, while UNICEF is providing discrete Technical Assistance to the CT-OVC and Social Protection Secretariats. The World Bank will work closely with these partners to provide harmonized implementation support to the NSNP. Additionally, other partners, such as the WFP, are exploring means of aligning their support to the NSNP.

KENYA

- CITIES AND TOWNS
- ⊙ DISTRICT CAPITALS*
- ⊕ NATIONAL CAPITAL
- RIVERS
- MAIN ROADS
- RAILROADS
- DISTRICT BOUNDARIES
- INTERNATIONAL BOUNDARIES

* not all District Capitals are shown.



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