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INTERNATIONAL DEVELOPMENT ASSOCIATION  
PROGRAM PAPER  
ON A  
PROPOSED ADDITIONAL CREDIT  
IN THE AMOUNT OF SDR36.8 MILLION  
(US\$50 MILLION EQUIVALENT)  
INCLUDING US\$35 MILLION IDA CREDIT FROM THE CRISIS RESPONSE WINDOW  
TO THE  
REPUBLIC OF KENYA  
AND  
A PROPOSED RESTRUCTURING  
OF THE  
NATIONAL SAFETY NET PROGRAM FOR RESULTS

April 5, 2017

Social Protection and Labor Global Practice  
Africa Region

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CURRENCY EQUIVALENTS  
(Exchange Rate Effective January 31, 2017)  
Currency Unit = Kenya Shilling (Ksh)  
103.90 Ksh = US\$1  
0. 73592723 SDR = US\$1

FISCAL YEAR  
July 1 – June 30

#### ABBREVIATIONS AND ACRONYMS

AF	Additional Financing
BWC	Beneficiary Welfare Committee
CEO	Chief Executive Officer
CT-OVC	Cash Transfer for Orphans and Vulnerable Children
C&G	Complaints and Grievance
CRW	Crisis Response Window
DCS	Department of Children Services
DfID	U.K. Department for International Development
DLI	Disbursement Linked Indicator
DLR	Disbursement Linked Result
DSD	Department of Social Development
EFC	Error, Fraud, and Corruption
ESSA	Environmental and Social Systems Assessment
FM	Financial Management
G&CM	Grievance and Case Management
GDP	Gross Domestic Product
GoK	Government of Kenya
GRS	Grievance Redress Service
HSNP	Hunger Safety Net Program
IAD	Internal Audit Department
ID	Identification
IFAR	Integrated Fiduciary Assessment Report
IFMIS	Integrated Financial Management Information System
IPRS	Integrated Population Registry System
IPSAS	International Public Sector Accounting Standards
KENAO	Kenya National Audit Office
KIHBS	Kenya Integrated Household Budget Survey
M&E	Monitoring and Evaluation
MEACL&SP	Ministry of East African Community, Labour, and Social Protection
MIS	Management Information System
MDP	Ministry of Devolution and Planning
MTEF	Medium-Term Expenditure Framework
MTEFF	Medium-Term Expenditure and Financing Framework (program specific)
NCPWD	National Council of Persons with Disabilities

NDEF	National Drought Emergency Fund
NDMA	National Drought Management Authority
NEDI	North and Northeastern Development Initiative
NRB	National Registration Bureau
NSNP	National Safety Net Program
NT	National Treasury
OM	Operations Manual
OPCT	Older Persons Cash Transfer
PAC	Principal Accounts Controller
PAD	Program Appraisal Document
PAP	Program Action Plan
PDO	Program Development Objective
PforR	Program for Results
PIBS	Project Implementation and Beneficiary Satisfaction Survey
PMT	Proxy Means Test
PPRA	Public Procurement Regulatory Authority
PS	Permanent Secretary
PSP	Payment Service Provider
PWC	Program Working Committee
PWSD-CT	Persons with Severe Disabilities - Cash Transfer
RC	Rights Committee
SAU	Social Assistance Unit
SPS	Social Protection Secretariat
SR	Single Registry
TA	Technical Assessment
TWG	Technical Working Group
VMGs	Vulnerable and Marginalized Group
UNICEF	United Nations Children's Fund
WFP	World Food Programme

Regional Vice President:	Makhtar Diop
Country Director:	Diarietou Gaye
Senior Global Practice Director:	Michal Rutkowski
Practice Manager:	Jamele Rigolini
Task Team Leaders:	Emma Mistiaen and Iftikhar Malik

**KENYA**

**Additional Financing for the National Safety Net Program for Results**

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*KENYA*

*Additional Financing for the National Safety Net Program for Results*  
**Additional Financing Data Sheet**

Basic Information - Additional Financing (AF)						
Country Director: Diarietou Gaye			Sectors: Public administration – other social services			
Practice Manager/ Senior GP Director: Jamele Rigolini/Michal Rutkowski			Themes: Social Safety Nets			
Team Leader: Emma Mistiaen/Iftikhar Malik			Expected Effectiveness Date: June 30, 2017			
Program ID: P161179			Expected Closing Date: June 30, 2020			
Basic Information - Original Program						
Program ID: P131305			Effectiveness Date: October 31, 2013			
Program Name: National Safety Net Program for Results			Expected Closing Date: June 30, 2020			
Lending Instrument: Program for Results						
AF Project Financing Data						
<input type="checkbox"/> Loan <input checked="" type="checkbox"/> Credit <input type="checkbox"/> Grant <input type="checkbox"/> Other: Proposed terms:						
Program Financing Plan						
Source			Total Amount (US\$, millions)			
Total Program Cost:			1,213			
Co-financing:						
Borrower:			913			
Total Bank Financing:			300			
IBRD						
New IDA			50 (including 35 from CRW)			
Recommitted			250			
Client Information						
<b>Recipient:</b> Republic of Kenya						
<b>Responsible Agency:</b> Ministry of East African Community, Labour, and Social Protection						
Contact Person: Judy Ndungu, Project Coordinator						
Telephone No.: +254 710 426 055						
Fax No.:						
Email: <a href="mailto:judybetsynjoki@yahoo.com">judybetsynjoki@yahoo.com</a>						
AF Estimated Disbursements (Bank FY/US\$, millions)						
FY	17/18	18/19	19/20			
Annual	10.7	21.17	18.13			
Cumulative	10.7	31.87	50			

**Program Development Objective and Description**

**Original Program Development Objective (PDO):** “To support the Republic of Kenya to establish an effective national safety net program for poor and vulnerable households.”

**Revised Program Development Objective:** “To support the Republic of Kenya’s efforts to establish an effective national safety net program for poor and vulnerable households.”

**Program description:** The AF will enable the Government to respond to the ongoing drought emergency, build households’ resilience in the long term, and strengthen systems for more efficient implementation. The AF with restructuring builds on progress made in the original National Safety Net Program (NSNP) and continues financing results in three areas: (a) expanding cash transfer programs to promote more comprehensive and equitable coverage; (b) strengthening program systems to ensure good governance; and (c) harmonizing cash transfer programs to increase the coherence of the safety net sector. The AF essentially focuses on improving safety net support to the households living in the most drought affected counties: the North and Northeastern region of Kenya which is already lagging behind in development outcomes. It will increase the coverage of beneficiary households to promote more equitable growth and increase resilience of targeted households in these counties. In addition, the AF would ensure the long-term sustainability of the program by enabling the Government to take over financing of additional households, including the funding for 60,000 households under two cash transfer schemes currently being financed by the U.K. Department for International Development (DfID). Furthermore, the AF will support improvements in the delivery systems, which will strengthen the Government’s capacity to respond to the future shocks in a timely manner, and strengthen the fiduciary controls for improved financial management and oversight. Finally, the AF would support the Government in building the foundation for provision of complementary social and productive services to the beneficiaries in the Single Registry (SR) through linkages and partnerships with other organizations and programs already delivering the relevant services. The Program is also being restructured to enhance overall outcomes with extension of the closing date by two years. The PDO in the original Financing Agreement is being revised to make it consistent with the PDO from the original Program Appraisal Document (PAD) by adding the word “efforts”, which will make it more concrete.

**Exception to Policies**

Is approval of any policy waiver sought from the Board (or MD if RETF operation is RVP approved)?	[ ] Yes [X] No
Has this been endorsed by Bank Management? ( <i>Only applies to Board approved operations</i> )	[ ] Yes [ ] No
Does the Program require any exception to Bank policy?	[ ] Yes [X] No
Has this been approved by Bank Management?	[ ] Yes [ ] No

**Conditions and Legal Covenants:**

Financing Agreement Reference	Description of Condition/Covenant	Date Due
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<p>Section V. A. of Schedule 2 – Other Undertakings</p>	<p>The Recipient shall ensure that: (a) by not later than July 1 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</p>	<p>By July 1 each year</p>
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## I. INTRODUCTION

1. **This Program Paper seeks the approval of the Executive Directors to an AF in the amount of US\$ 50 million (including US\$ 35 million from the IDA Crisis Response Window)<sup>1</sup> to the Republic of Kenya and a level 1 restructuring** of the National Safety Net Program for Results (Program) (P131305: Credit #5287). This operation has been requested by the Government of Kenya in the context of its appeal to the development partners in responding to the drought related crisis that the country is currently suffering from, and the effects of which are particularly being felt acutely by the poorest and most vulnerable communities. This AF is specifically focused on the North and Northeastern counties which are the most drought affected and where some of the most vulnerable Kenyans reside. As such it builds upon the original Program, and enables delivery of social assistance cash transfers in a timely manner to some of the most drought affected households.

2. **The recent onset of drought and famine in the country is particularly affecting the North and Northeastern region.** President Uhuru Kenyatta declared a National Disaster in Kenya on February 10, 2017.<sup>2</sup> Presently, 48 percent of Kenya's counties are affected by the crisis, with an official drought alarm having been activated in 13 counties, including all 10 counties in the North and Northeastern region. Moreover, an additional 10 counties in the country are under drought alert. The concentration of the affected counties lies in the Arid and Semi-Arid Lands, which have high levels of poverty representing about 30 percent of the Kenyan population. Based on recently released data<sup>3</sup>, an estimated 2.7 million people are now acutely food insecure; more than triple since February 2016 (640,000) and food prices are on a record high due to food shortages. Since the effects of drought are concentrated in already poor areas, it is pushing poor people deeper into poverty. The Presidential declaration of National Disaster also includes a direct appeal to the development partners to assist and supplement national efforts to address the disaster. On March, 16, 2017, the Government made a specific request to the World Bank to mobilize IDA resources from the CRW to enable further support to the drought response.

3. **The Government is making satisfactory progress toward achieving key results under the original Program.** These results include, among others, the expansion of the number of beneficiaries according to the agreed Expansion Plan, electronic payments of benefits with two-factor authentication, an improved Management Information System (MIS), a fully operational SR of beneficiaries, and consolidation of three of the four cash transfer programs under the NSNP.<sup>4</sup> The progress ratings toward achievement of the PDO, as well as overall implementation progress, are Satisfactory. The original Program was approved in July 2013 in the amount of SDR 166.9 million (US\$ 250 million equivalent), and was declared effective in October 2013. The current closing date is March 31, 2018, and disbursements are at 63 percent. Based on the performance of the Program, by the end of FY16/17, disbursements are expected to be at 84 percent, exceeding the originally planned 75 percent disbursement level. The Program Paper also seeks the approval of a proposed restructuring of the original Program, including an extension of the closing date to June 30, 2020 to provide the Government with sufficient time to implement the Program, including the AF.

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<sup>1</sup> Management informed the Board of Executive Directors its intention to allocate up to US\$60 million equivalent from the CRW to support the drought response in Kenya through the NSNP in a briefing on March 16, 2017. See the note entitled "IDA Crisis Response Window Support for a Regional Drought Response in Africa and MNA" to be submitted on April 12, 2017.

<sup>2</sup> Executive Order 1/2017.

<sup>3</sup> Kenya: Humanitarian Snapshot (UN-OCHA, February 27, 2017).

<sup>4</sup> Throughout the Program Document the World Bank financed National Safety Net Program for Results is referred to as "the Program" and the overall Government-led National Safety Net Program is referred to as "the NSNP" or "the program".

4. **The proposed additional IDA credit with restructuring continues to support the original result areas of the Program.** The PDO in the original Financing Agreement is being slightly adjusted to make it consistent with PDO in the original PAD. The word “efforts” is being added to make the PDO more concrete<sup>5</sup>, which will read as “to support the Recipient’s *efforts* to establish an effective national safety net program for poor and vulnerable households”.

5. **The proposed AF expands an existing Disbursement Linked Indicator (DLI) and introduces two new DLIs, remaining consistent with the PDO.** The existing DLI supports an expansion of the coverage of the NSNP in the North and Northeastern region, which has the highest prevalence of poverty and includes the counties most affected by the ongoing drought emergency in the country. The AF will enable an expansion of 50,000 new households in these drought affected counties, as well as Government taking over financing of 60,000 existing beneficiary households (of which 20,000 are in the North and Northeastern region and currently financed by DfID). Together with the AF, the Program will likely disburse US\$ 60 million before the end of the current FY<sup>6</sup>. The new DLIs also support the Government in building the foundation for provision of complementary social and productive services to NSNP beneficiaries through linkages and partnership with other relevant organizations/programs, as well as in enhancing fiduciary controls for the overall program through improved financial management and oversight. Learning from the implementation experience, modifications in three DLIs are proposed to enhance the overall outcomes of the Program.

## II. BACKGROUND AND RATIONALE FOR ADDITIONAL FINANCING

6. **Kenya continues to experience economic growth and poverty incidence is declining, but inequality remains high.** Between 2004 and 2015, economic growth in Kenya averaged about 5.5 percent. Following the rebasing of the gross domestic product (GDP) in September 2014, Kenya was classified as a lower-middle-income country with gross national income per capita of US\$1,146. Between 2006 and 2016, poverty incidence (measured against the official national poverty line) is estimated to have dropped from 46 percent to 36 percent. However, inequality remains high with a Gini coefficient of about 0.48, which places Kenya among the 30 most unequal countries in the world.<sup>7</sup>

7. **High rates of poverty and prevalent droughts undermine investments in human capital and limit the potential for the benefits of economic growth to be shared by all Kenyans.** Many Kenyans continue to lack access to food security, clean water, good health care, and proper housing, and the maternal mortality rate remains one of the highest in Africa at 488 deaths per 100,000 live births. 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. In particular, girls in arid and semi-arid regions have significantly lower enrolment rates, while primary-age girls from the poorest 60 percent of households are three times more likely to be

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<sup>5</sup> The PDO in the original PAD read: “To support the Republic of Kenya to establish an effective national safety net program for poor and vulnerable households.” However, in the original Financing Agreement the PDO read “to establish an effective national safety net program for poor and vulnerable households”.

<sup>6</sup> This includes: US\$ 20 million for setting up the National Drought Emergency Fund (NDEF), which will enable channeling of emergency funds for cash payments, including in the most drought affected counties; US\$ 10 million for improving efficiency of the NSNP implementation by advancing the consolidation of the cash transfer programs; US\$ 15 million for Government making timely payments to beneficiaries, including over 230,000 households in the North and Northeastern region; US\$ 3 million for NSNP expansion of around 8,000 households nationwide; and US\$ 12.5 million as an advance from the AF resources.

<sup>7</sup> [PovcalNet database](#), World Bank.

out of school as those from the wealthiest households (the same disparities apply even more at secondary level).<sup>8</sup>

8. **Development challenges are particularly severe in the North and Northeastern region of Kenya which is also the most drought prone area in the country.** Poverty on average is around 70 percent in this region,<sup>9</sup> and all welfare indicators are lower than the national average. The region has historically been underserved in basic services such as education, health, water, sanitation, electricity and roads, and the absence of infrastructure further limits service delivery, including the provision of security and justice. It is also much more affected by dire climatic conditions, such as periodic droughts and famine, as well as high levels of displacement, and internal conflicts over cattle among and across clans.

9. **Social protection interventions can play a key role in strengthening the resilience of poor and vulnerable households by protecting them from shocks and by helping them to avoid negative coping mechanisms.** Cash transfer programs help to strengthen food security and prevent households from sliding into poverty, as it provides them with necessary funds to purchase food and other critical household items, particularly in times of shocks, such as droughts. It also assists households to refrain from relying on negative coping mechanisms, such as selling off livestock during the time of drought or pulling children out of school due to lack of funds. These programs maintain the households' ability to invest in regular household expenses such as food, healthcare, and education. Furthermore, it supports households with access to resources to engage in entrepreneurial activities, leading to better savings and credit. Consequently, cash transfer programs have been used across the world to protect the poor from unanticipated shocks and stresses, such as natural disasters. In the long run, cash transfers strengthen the resilience of poor and vulnerable households as it contributes to improved welfare through strengthened food security; enhanced human capital through continued investment in health and education outcomes; and increased engagement in financially productive activities leading to greater savings and access to credit.

10. **Social protection has long been an important part of the strategy of the Government to fight poverty and promote equitable economic growth and social inclusion.** The Constitution of Kenya (2010) asserts the "right for every person to social security and binds the State to provide appropriate social security to persons who are unable to support themselves and their dependents." This is further reflected in Kenya Vision 2030 which seeks to build "a just and cohesive society with social equity." To that end, the Kenya National Social Protection Policy (2011) endeavors to protect the poor and the vulnerable from negative impacts of shocks; promote resilience through investments in human capital and physical assets, including through nutrition investments in early years of life; and strengthen operational systems to improve the efficiency of delivery mechanisms of social protection interventions.

11. **The World Bank supports the Government's efforts in social protection through the NSNP.** With support from the World Bank and other development partners, the Government established the NSNP in 2013. The NSNP seeks to improve the welfare of and increase resilience among specific vulnerable groups to reduce poverty and vulnerability in Kenya by creating a framework around which the four main cash transfer programs in the country can be better coordinated and harmonized. These four cash transfer programs are Cash Transfer for Orphans and Vulnerable Children (CT-OVC), Older Persons Cash Transfer (OPCT), Persons with Severe Disability Cash Transfer (PWSD-CT), and Hunger Safety Net Program (HSNP). The first three programs are managed by the MEACL&SP, and the fourth is managed by the NDMA in the Ministry of Devolution and Planning (MDP).

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<sup>8</sup> World Bank, 2014, *Kenya Country Partnership Strategy*.

<sup>9</sup> World Bank, 2016, *Proposal for Support to the North & Northeastern Development Initiative (NEDI)*, World Bank internal note.

12. **The original Program supports the expansion of the NSNP coverage, strengthening of program systems, and harmonization of the cash transfer programs under the NSNP.** It focuses 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, and (c) harmonizing cash transfer programs to increase the coherence of the safety net sector.

13. **The Government has made significant progress on the original Program, which was structured around nine DLIs, accompanied by 20 disbursement linked results (DLRs).** Eleven out of the total twenty DLRs have been achieved, whereas three more are likely to be achieved by June 2017. The progress in all three results areas is summarized in the following paragraphs.

14. First, the Government has expanded the cash transfer programs under the NSNP at a much larger scale than originally expected, demonstrating its commitment to the program. The NSNP is now reaching close to 765,000 households (over 4 million people), significantly exceeding the originally expected coverage of 530,000 households by 2017.<sup>10</sup> The proportion of program beneficiaries financed by Government has also increased considerably, with 86 percent of program beneficiaries being financed by the Government in 2015/16 (compared to 38 percent in 2012/2013).

15. Second, the program has made decent progress toward strengthening of key systems, though more work is needed to improve the fiduciary controls further. The program has successfully moved to an electronic two-factor authentication payment mechanism, currently operated through two different payment providers. It has also successfully put in place MISs to prepare and reconcile payments, as well as a SR of beneficiaries with links to the Integrated Population Registry System (IPRS). Furthermore, a functional Complaints and Grievance (C&G) mechanism at the national level for all four NSNP programs has been put in place. Finally, the Government has developed a draft framework and action plan to detect, deter, and combat error, fraud, and corruption (EFC) in the NSNP. This framework and implementation of the action plan are expected to further strengthen systems for greater fiduciary controls and ensure good governance.

16. Third, the Government has achieved results related to harmonization of the cash transfer programs, which are expected to increase coherence of the safety net sector. Not only has the Government developed a Consolidation Strategy for the three cash transfer programs under the MEACL&SP, but it has also started the implementation of the same. This includes creation of the Social Assistance Unit (SAU) within the MEACL&SP to lead the three cash transfer programs, effective July 1, 2016. Piloting of a harmonized targeting tool using a common poverty targeting mechanism is also at an advanced stage. This is another critical step in the consolidation of the NSNP, moving away from fragmented targeting approaches to a coherent and consistent approach for all four cash transfer programs supported by the NSNP. Consequently, once the tool has been finalized, it will be used for future targeting for all of the SAU programs and the HSNP, including for the expansion under the AF.

17. **The Government has requested World Bank's support for promoting equitable growth in the North and Northeastern counties in Kenya, including support to drought affected households.** The World Bank is currently discussing with the Government how to best support this region (which has the highest prevalence of poverty), through a multi-sectoral integrated response under the North and North Eastern Development Initiative (NEDI). The AF to the NSNP is one of the operations to support

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<sup>10</sup> It was expected in 2013 that by the end of its first phase (2013–2017), the NSNP would provide support to about 530,000 households, reaching a total population of approximately 2.85 million individuals.

this endeavour, assisting the Government in increasing the coverage of the NSNP in the ten NEDI counties, which are the ones worst affected by the ongoing drought and famine.<sup>11</sup>

18. **The NEDI counties however face unique operational challenges that make implementation more difficult compared to the rest of the country.** These counties suffer from weak institutional capacity and limited human resources. Poor infrastructure, lack of adequate physical assets such as vehicles, and remoteness of vast areas, further hinder implementation efforts. Moreover, high levels of poverty and low levels of development can translate into lower community capacity to engage effectively in key implementation processes such as targeting exercises. A large nomadic pastoralist population also makes it difficult to target and monitor beneficiaries. Lastly, a significant number of people do not have national Identification card (IDs), which is a prerequisite for NSNP beneficiaries to set up bank accounts and receive cash transfers.

19. **Despite these challenges, all four cash transfer programs under the NSNP are currently operating in the NEDI counties and are increasing the resilience of targeted households.** More specifically, the Hunger Safety Net Program (HSNP) has been operating in four of the ten NEDI counties for almost a decade, initially fully funded by the DfID. Government ownership has however increased gradually, and all operational processes for the HSNP are now led by NDMA, with continued technical assistance from the DfID (including through a Project Implementation and Learning Unit). The SAU led programs have also expanded operations in all ten NEDI counties since the start of the NSNP, although they have faced challenges in implementation.

20. **One of the features of the HSNP is a unique mechanism in its design, which enables expansion of coverage through disbursement of cash transfers to additional households during the time of drought.** For a number of years, the HSNP has been making payments to these additional households once the pre-agreed triggers for drought response have been met. To systematically address such needs as they arise, the Government is setting up a National Drought Emergency Fund (NDEF). The NDEF among others, will enable channelling of funds for a variety of support, including a scalability mechanism for the NSNP cash transfers to be paid out in times of emergency (including droughts). The Fund will also provide a platform to other development partners for a coordinated financing of the government led program. As the NSNP supports setting up of NDEF as one of the DLIs, it will go a long way in protecting those households affected by droughts, assist in their recovery efforts, and build their resilience to disasters. The proposed AF goes a step further by strengthening the delivery systems and implementation capacity in the NEDI counties being critical for program expansion to drought affected households as they need such support.

21. **Given the need to continue efforts to invest in implementation capacity of the government, particularly in the NEDI counties a rapid institutional assessment was commissioned by the World Bank in November 2016<sup>12</sup>.** The assessment highlights various gaps that need to be filled to enable successful expansion of the program in this region. The key gaps include: (i) lack of sufficient awareness among beneficiaries; (ii) lack of sufficient staff for implementation; (iii) challenges of the physical terrain in which the officers operate; and (iv) inadequate budget for equipping the respective offices for effective implementation. The assessment further provides recommendations on how to address these gaps (see paragraph 25 in annex 4). Continued support for additional technical assistance needed to increase capacity for NSNP implementation will be provided through an existing recipient-executed trust fund. Support will be provided to improve the quality of the Program including strategic investments to

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<sup>11</sup> The ten NEDI counties include Garissa, Isiolo, Lamu, Mandera, Marsabit, Samburu, Tana River, Turkana, Wajir, and West Pokot.

<sup>12</sup> Sonia Rasugu, *Institutional Capacity Assessment Report in NEDI Counties for the Additional Financing of the National Safety Net Program*. Draft report, January 6, 2017.

increase the Government's technical, fiduciary and monitoring and evaluation capacity. The World Food Program (WFP) and the United Nations Children's Fund (UNICEF) will also continue to provide complementary technical assistance to the NSNP.

22. **Going forward, the Government recognizes the importance of balancing the aim of increasing coverage with the need to ensure the long-term sustainability of the NSNP.** While good progress has already been made, the proposed AF would enable the Government to continue to increase coverage in the NEDI counties, which are the ones most affected by the ongoing drought emergency, by reaching 50,000 new beneficiary households and taking over the financing of 20,000 existing households under the HSNP, currently being financed by DfID in the NEDI counties. In addition, the AF supports the Government to take over the funding for 40,000 existing households under the CT-OVC, currently being financed by DfID. This would ultimately result in a total increase of an additional 110,000 households paid for by the Government of Kenya (GoK).

23. **Increased Government financing of the cash transfer programs contributes to the institutionalization and longer-term sustainability of the program.** Government financing of NSNP households would come from its general revenue and, as such, would be presented in the national budget going forward. It is expected that this trend would continue beyond the life of the operation given that the program has broad political support and the Government has already demonstrated its commitment to the program through increased financing beyond expected targets.

24. **Strengthening the fiduciary systems for the NSNP to further ensure long-term sustainability of the program remains a priority.** While the Government has undertaken various fiduciary risk mitigation measures, additional efforts are needed to strengthen fiduciary systems of the NSNP. A number of previous audits highlight areas that need to be addressed to reduce fiduciary risks. These include the governance and management of information technology functions, and strengthening of oversight on beneficiaries'/caregivers' enrollment and payments. The audits also highlight risks related to the two Payment Service Providers (PSPs), and provide recommendations for moving forward. While the Government has been addressing some of the actions agreed from previous audits, weaknesses are recurring due to the evolving nature of the program. One such recurring weakness has been the movement to the electronic payment system, which has introduced a new set of challenges related to, for example, lack of regular oversight of the payment process and lack of automated reconciliation of payrolls. To address these risks systematically, the proposed AF is introducing a new DLI to strengthen the fiduciary systems for the program. This is expected to contribute to the second results area, that is, to strengthen systems to ensure good governance of the program.

25. **In addition to providing cash transfers to NSNP beneficiaries, the Government is exploring the potential of linking beneficiaries with complementary services.** A technical working group (TWG) has been constituted to advance discussions around how to support activities that can be complementary to existing beneficiaries, as well as target new beneficiaries that are currently not being covered. To support the Government in this agenda, while remaining within the scope of the Program and the key results areas, a new DLI is being introduced to build the foundation for the provision of complementary services to the NSNP beneficiaries through linkages and partnerships with other relevant organizations/programs. This DLI will contribute to the third result area to increase coherence of the safety net sector and is also expected to contribute to increased resilience of targeted households in the long term. It will do so by helping Government to diversify provision of broader social protection interventions, leading to improved access of existing cash transfer beneficiaries to complementary services being delivered by other partner organizations/programs. This will entail better use of SR data and formal linkages with relevant service providers.

26. **The proposed AF is consistent with the existing Program and the Country Partnership Strategy and enhances the Program’s contribution to poverty reduction.** The PDO remains unchanged<sup>13</sup> and the AF remains within the Program boundaries but intensifies the coverage in a subset of the 47 counties that are already covered by the Program. It also directly contributes to the World Bank Group’s twin goals of ending extreme poverty and boosting shared prosperity, by continuing to focus on improving the welfare of and increasing resilience among specific vulnerable groups.

27. **The Government has made good progress in implementing the Program Action Plan (PAP), and additional actions are proposed to be included as part of the AF.** The original PAP included 13 actions based on findings and recommendations from the original Technical Assessment (TA), the Environmental and Social Systems Assessment (ESSA), and the Integrated Fiduciary Assessment Report (IFAR). Six of these actions have been completed, and a further two have been removed, as they have been subsumed into one of the new actions. One action has also been removed since the Program is not expected to contribute further to that action. The remaining actions are underway. As part of the AF, five additional actions are being introduced to address emerging issues as a result of this AF and restructuring, as well as the updated assessments. These actions would be closely monitored by the Government and the World Bank.

28. **Progress has been made on compliance with other legal covenants, all of which are expected to be completed by December 2017.** The Government has complied with the first legal covenant to develop and adopt the NSNP Expansion Plan. The Government has also made important progress toward achieving the second legal covenant to put in place a system for scaling up the NSNP, which is expected to be finalized by June 2017. The third legal covenant has been partly achieved through the finalization and adoption of the consolidation strategy, and progress is being made on the implementation of the strategy, expected to be finalized by December 2017. These covenants are however being removed, as part of the restructuring, since they are monitored under DLI 7 and 8. One new covenant is also being introduced to ensure preparation of a Financial Management (FM) action plan (see paragraph 40).

29. **Based on the recent implementation review, the ratings for progress toward achievement of the PDO and overall implementation are Satisfactory,** which will be updated in the upcoming Implementation Status and Results Report (ISR) due in April 2017. The ratings for technical soundness, social safeguards compliance, and DLIs are rated Satisfactory, and Fiduciary as Moderately Unsatisfactory. Table 1 presents summary actions and next steps related to the ratings, as appropriate.

**Table 1. Summary of Implementation Status and Results Report Ratings, Summary Actions, and Next Steps**

	Rating	Summary Action(s)	Responsibility	Date	Progress since Concept/Next Steps
PDO	S	Revisions to the Results Framework to reflect the AF and update target values and end dates	MEACL&SP	January 2017	Agreement reached on changes to the Results Framework
Implementation Progress	S	Continue strengthening capacity and systems to enable effective implementation of the NSNP, including AF	MEACL&SP	n.a.	Ongoing. Stronger leadership at the Ministry level to oversee program implementation, has already resulted in, among others, completion of payments to beneficiaries for the first half of the FY.

<sup>13</sup> The PDO in the original Financing Agreement is however being slightly revised to correct the inconsistency with the original PAD (see paragraph 4).

	Rating	Summary Action(s)	Responsibility	Date	Progress since Concept/Next Steps
Technical	S	Institutional capacity assessment of the NEDI counties to identify gaps and recommend measures necessary for proposed expansion	MEACL&SP and the World Bank	February 2017	Ongoing. Field work has been completed. Draft report received in January 2017. Government will prepare implementation plan as part of the modified PAP.
Fiduciary	MU	Implementation of new DLI to strengthen fiduciary systems, including addressing recommendations of previous audits	MEACL&SP	Ongoing, June 2020	Agreement reached on the new DLI and protocols.
Environmental and Social	S	Confirmation that the original ESSA remains valid for the AF	MEACL&SP	n.a.	Confirmed. Update on implementation included as annex 6.
DLI	S	Continue effort to achieve the remaining DLIs and new and modified DLIs/DLRs.	MEACL&SP	Ongoing, June 2020	New and modified DLIs/DLRs and protocols agreed.

Note: S = Satisfactory; MS = Moderately Satisfactory; n.a. = Not applicable.

30. **To enhance Program outcomes, there is a need to restructure some of the existing DLIs under the Program.** The Government is facing challenges around measuring improvements in the DLIs related to targeting conformity (DLI 2) and timeliness of payments (DLI 5), due to a number of reasons explained below. Making the Complaints and Grievance mechanism functional at all levels (DLI 6a) and improving beneficiary awareness of entitlements and complaints procedures have also been challenging and proposed modifications to enhance outcomes under that DLI are discussed below.

### III. PROPOSED CHANGES

31. **As mentioned above, the PDO of the original Financing Agreement is being adjusted to be consistent with the PDO in the original PAD.** A few other adjustments in the Results Framework are being introduced due to the introduction of two new DLIs, the expansion of one DLI, and modifications to three existing DLIs, based on learning from NSNP implementation experience, and due to the proposed extension of the closing date. Annex 1 presents the revised Results Framework. Annex 2 presents a table summarizing the DLIs that form part of the AF (Table 2.1), includes a table summarizing the proposed changes to existing DLIs (Table 2.2), and a table summarizing achieved DLIs to date (Table 2.3).

32. **Scaling up of existing DLI 1: The number of additional households enrolled in the NSNP** (previously “number of new households enrolled in the NSNP according to agreed NSNP Expansion Plan and paid for by Government”). US\$38 million (76 percent of the AF and 13 percent of the total Program) is being allocated to the scaling up of this DLI. Three new DLRs are being introduced, as follows: (a) DLR 1c (i) and (ii): Government takes over the financing of 40,000 CT-OVC beneficiary households, which completes the transition from DfID financing to full Government financing; (b) DLR 1d: modification of the existing NSNP Expansion Plan to reflect the Government’s commitment to increase the expansion of the NSNP in the NEDI counties. The modified NSNP Expansion Plan would continue to be based on poverty criteria, and be informed by most recent poverty data, such as the Kenya Integrated Household Budget Survey (KIHBS) once it is accessible; and, (c) DLR 1e: implementation of the modified NSNP Expansion Plan, including enrollment of 50,000 new beneficiary households from the

NEDI counties, and the Government's taking over financing of an additional 20,000 HSNP beneficiary households in the NEDI counties, currently being financed by DfID.

33. **Introduction of new DLI 10: NSNP beneficiaries' access to complementary social and productive services promoted.** US\$3 million (six percent of the AF and one percent of the overall Program) is being allocated to this DLI. During recent years, the Government has made good progress on implementation of various aspects of the Kenya National Social Protection Policy, particularly in strengthening and scaling up the NSNP as the main national social assistance program. There are also some existing linkages with other service providers, including the National Hospital Insurance Fund (NHIF), providing support to a sub-set of the NSNP beneficiaries, and the Food-for-Assets Program, funded by the WFP. Efforts are now being made to explore the ways in which such linkages with other social protection interventions (i.e., social security, health insurance, and productive inclusion) could be strengthened. This entails, among others, coordination and partnerships with different service providers for delivery of broader social protection services to NSNP beneficiaries for improved welfare, economic self-sufficiency and household resilience to crisis (including droughts). The first DLR10a would add a module in the SR to analyse the characteristics of beneficiary data, which could be shared with potential service delivery partners through formal data sharing protocols. This would build the foundation for wider use of SR data as a common platform for poverty and vulnerability based social protection programs in the country. The second DLR10b would formalize partnerships through signing of agreements with at least two partners providing relevant complementary services to one or more members of NSNP beneficiary households.<sup>14</sup>

34. **Introduction of new DLI 11: Fiduciary systems for NSNP have been strengthened.** US\$9 million (18 percent of the AF and six percent of the overall Program) is being allocated to this DLI. The fiduciary risk rating for the program remains High, and a number of audits have consistently highlighted systemic weaknesses and provided recommendations to address them. While the Government is making efforts to address these issues, a number of actions remain to resolve them. During the recent months, the senior management of the MEACL&SP has demonstrated strong leadership by engaging in discussions with the World Bank and development partners to seek support to address these fiduciary weaknesses. The Government has agreed to prepare a comprehensive time-bound FM action plan and ensure its implementation. It is expected that this would bring improvements in all three cash transfer programs led by the SAU. To support this endeavor, a new DLI 11 is being introduced as part of the AF, which would support the implementation of the most critical actions in the FM action plan. The formulation of the FM action plan is included in the PAP, and three DLRs would have been deemed met once 30, 70 and 100 percent of the agreed critical actions have been achieved respectively. The FM action plan will include, but not be limited to: (i) improved reconciliation process of the payroll; (ii) strengthened payroll verification and approval workflows; (iii) better segregation of duties; and (iv) compliance of MIS with Operational Manuals.

35. **Modification in existing DLI 2: System for recertification of NSNP beneficiaries is in place** (previously "percentage of program beneficiaries who conform to the targeting criteria for the program in which they are enrolled"). Ensuring that the right people are benefiting from the NSNP continues to be a high priority. However, this indicator in its current form has limitations of measurement, and hence is being modified to support the Government in putting in place a system for recertification of the NSNP beneficiaries. The main rationale for proposing this change is because it is difficult under this DLI to capture the desired outcomes due to three key reasons: (i) the massive expansion of the NSNP took place before the baseline survey of the Program Implementation and Beneficiary Satisfaction Survey (PIBS) (an arrangement to measure achievement of the DLI) was conducted; and (ii) the conformity to targeting

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<sup>14</sup> Complementary services may include social services such as health, basic education and nutrition; or productive services such as micro-finance, skills training and links to employment opportunities.

criteria measured by the PIBS baseline proved much higher than contemplated originally and significant improvements are therefore not expected since Government has not confirmed funding for any other massive nationwide expansion during the life of the Program. Therefore, the main opportunity for reducing inclusion and exclusion errors lies with having a system in place for regularly recertifying beneficiaries to ensure that the NSNP maintains an up-to-date beneficiary registry that includes only eligible households.<sup>15</sup> Accordingly, the modified DLI has two DLRs, that is, development and adoption of a recertification plan (DLR 2b) and completion of the roll out of the recertification plan in at least 20 sub-counties (DLR 2c).<sup>16</sup>

36. Recertification will be undertaken using the harmonized targeting methodology, reinforcing NSNP consolidation efforts. The piloting of the tool will inform the formulation of the recertification plan. The Government is committed to commence the recertification in a number of sub-counties, however given the significant level of effort required to complete recertification and its measurement, the DLI aims to incentivize the completion of the roll out of the recertification plan in at least 20 sub-counties<sup>17</sup> (out of approximately 290 sub-counties). The Government plans to start recertification processes in a larger number of sub-counties. However, for the purpose of this DLR, the number of sub-counties where the roll out of the recertification plan is completed to the satisfaction of the protocol is kept modest in order to ensure that the achievement of the result is feasible during the Program period. The frequency and scale of recertification will depend on program needs and related costs, and will be spelled out in the recertification plan (DLR 2b).<sup>18</sup>

37. **Modification in existing DLI 5: Percentage of payments made on time to Payment Service Providers for transfer to Program beneficiaries.** This DLI remains the same, but minor modifications to the DLI protocol are being introduced. The main challenge with achieving this DLI relates to delays in submitting funding requests from the MEACL&SP to the National Treasury (NT), and subsequent delays in the release of funds from NT, which then delays the overall payment cycle. Various analyses suggest that to address this issue sustainably, the NT and MEACL&SP have to work together to develop and implement a solution that ensures timeliness of payments in the future. Discussion and agreement on such a solution has been included in the modified PAP (annex 7: action A2). That same action also includes monitoring of timeliness of payments throughout the life of the Program. DLR 5 continues to measure timeliness of payments. However, a modification is being made for the target (which is increased from the original target of 65 percent to 75 percent, with a new baseline of 12 percent).<sup>19</sup> In addition, based on analysis and lessons learned from implementation, the period for considering a ‘payment on time’ is also

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<sup>15</sup> Any households identified as no-longer eligible as a result of the recertification process will be exited and replaced by households that do meet eligibility requirements.

<sup>16</sup> It should also be noted that any significant improvement in measurement of the previous indicator on targeting conformity is not expected during the life of the Program, since recertification plan implementation will only commence.

<sup>17</sup> In the event that a sub-county covers part of a constituency, the entire constituency will be covered under the recertification.

<sup>18</sup> The recertification plan will provide: (i) clear principles of when recertification will be used to update the registry of beneficiaries, (ii) principles for establishing a proposed frequency with which recertification of beneficiaries will take place, (iii) a three-year implementation schedule for the roll-out of these principles in line with available budget and human resources for recertification, (iv) measures to be taken for households no longer eligible under the program, and (v) explanation for how recertification will be financed.

<sup>19</sup> Since 2013, the respective share of the four cash transfer programs within the NSNP has changed, such that the percentage of payments on time has also changed. The PWSD-CT tends to be on time as the cash transfers are provided out of the Government’s recurrent budget, and the HSNP also tends to make payments on time. In contrast, making timely payment for the OPCT and CT-OVC is more of a challenge. Recent analysis has found that once the data on percentage of payments on time are disaggregated by the four cash transfer programs, increasing the target to 75 percent is more relevant and appropriate for the current context.

being adjusted. A payment will be considered “on time” if funds and payroll documentation are sent to the PSPs within 15 days of the due date, which is defined as the five working days before the start of the payment window.<sup>20</sup> This DLI will be considered to have been achieved if the transfers to PSPs have been made ‘on time’ for three consecutive cycles.

38. **Modification in existing DLI 6: Grievance and Case Management Mechanisms for the Cash Transfer programs are functional (G&CM)** (previously “functional Complaints and Grievance mechanism”). The Government recognizes the importance of ensuring that a functional C&G system is in place for the NSNP. It however also recognizes the importance of including case management (such as updates to beneficiary status), as part of this function – the evidence from HSNP suggests that over 80 percent of ‘complaints’ are actually beneficiary updates. Therefore, this DLI is being rephrased to measure a functional G&CM mechanism. DLR 6a (ii) has accordingly been modified to include ‘case management’, and the DLI protocol has also been modified to enable decentralized recording of G&CM updates through the MISs. In addition, the previous DLR 6b intended to measure the percentage of beneficiaries who can name two means of making a complaint has also been modified. The PIBS baseline clearly shows that beneficiary awareness is low (only 8.8 percent of beneficiaries can name two means of making a complaint). To ensure a more comprehensive approach to increasing beneficiary awareness, three new DLRs are being introduced, replacing the previous one. The new DLR 6b (i) is ‘development of beneficiary outreach strategy’, DLR 6b (ii) relates to ‘implementation of this strategy’, and DLR 6b (iii) focuses on ‘beneficiary awareness above an agreed cutoff for at least three of the four programs’.<sup>21</sup> DLR 6b (iii) can be achieved independently of 6b (i) and (ii).

39. **Extension of the closing date.** It is proposed that the closing date is extended by two years to June 30, 2020 to enable adequate time for implementation and achievement of results. This is especially necessary to ensure a well-designed, supervised, and monitored expansion of the program in the NEDI counties, as well as to ensure quality of implementation of modified DLIs.

40. **Modification in the legal covenants:** Two of the legal covenants that have not yet been achieved (System for Scaling-up the NSNP and Consolidation Strategy) have been removed, since they are already monitored through DLI 7 and 8. The legal covenants for the original Program related to: (i) Program Institutions; (ii) Operations Manuals (OMs); (iii) the PAP; and (iv) Budget for Program Implementation will also apply for the AF. In addition, a new legal covenant has been introduced for the development of the FM action plan.

41. **Financing to the NSNP.** The Government’s financing to the NSNP has increased more rapidly than the initial projections made during the design phase of the original Program, primarily due to a rapid expansion of the program. As Table 2 shows, actual financing to date is 26 percent higher than the original commitment. These higher financing levels will be maintained and increased over the remaining years of the operation, with further takeover of the financing of existing beneficiaries and all newly enrolled beneficiaries being financed by the Government. With the AF and restructuring, the Government commitment would reach US\$1,213 million (US\$913 million once the Program for Results – PforR – is excluded). The following is the updated financing table.

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<sup>20</sup> By increasing the payment ‘window’, the Government will be incentivized to continue efforts to make payments as soon as possible after the intended date. This will then reduce both the length and the frequency of the delays.

<sup>21</sup> The proposed cut-offs are as follows: 60 percent for awareness of the amount of cash transfer and 30 percent for being able to name two means of making a complaint or program updates, an increase from the current level of 8.8 percent.

**Table 2 – Program Financing (US\$ Millions)**

Financing Source		Original Commitment for life of operation (July 2013 - June 2018) *	Original Commitment to date (July 2013 - June 2016) *	Actual Financing to date (July 2013 - June 2016) **	AF and Restructuring (July 2016 – June 2020) ***	Total Actual and AF/ Restructuring
Government		623.65	257.99	324.69	888.56	1,213.25
<i>Of which PforR</i>	<i>Original</i>	250	123.40	157.50†	92.50#	250.00
	<i>AF</i>		-		50.00	50.00
TOTAL		623.65	257.99	324.69	888.56	1,213.25

\* Table 2.3 Program Appraisal Document for the original Program

\*\* Government financing according to annual financial statements, and data on DLI disbursements

\*\*\* Estimates from GoK Social Protection, Culture, and Recreation Sector Report (2016)

† Current disbursement rate of 63 percent of original PforR

# Remaining disbursement of 37 percent of original PforR

42. **Other Development Partner Support.** A number of other development partners are also supporting the Government’s program with parallel financing. These include DfID’s support to the government on implementation of HSNP (including both regular cash transfer to beneficiaries and emergency payouts to targeted households in the time of crises) and CT-OVC, DfID financed Recipient-executed trust fund and various technical assistance supported by UNICEF and the WFP. In addition, the CT-OVC program was supported by an IDA Credit (CR-4533), which has fully disbursed, but continues to administer the DfID-financed trust fund (mentioned above). While this assists the broader Government program and enhances the overall quality of operation, the achievement of the DLIs under the AF is not dependent on any development partner support, and therefore donor funding is not considered co-financing to the AF.

## IV. APPRAISAL SUMMARY

### A. Technical

43. **Strategic relevance.** The NSNP clearly remains a key priority for the Government. Cash transfer programs continue to serve as an appropriate instrument to target direct support to the poor and vulnerable, thereby contributing to the goal of reducing poverty and inequality in the country and increasing resilience of vulnerable households. Recognizing the positive impacts of the NSNP, the Government is showing stronger commitment to the program, as evidenced by an increased investment in the sector. Besides expanding the NSNP beyond the originally envisioned targets, the Government has also demonstrated its commitment to set up the NDEF to enable the NSNP to make payments to households in time of crisis and to improve coordination and harmonization by adopting a consolidation strategy for the NSNP and creating the SAU with the mandate of coordinating implementation of three of the four NSNP programs. Moving beyond cash transfer programs, the Government is now keen to develop a more comprehensive social protection program, and has established a technical working group to work on this issue, which enjoys high level political backing.

44. **Technical soundness.** The overall objective and boundaries of the Program remain the same as the AF intensifies coverage in a specific geographic area where the Program is already operational. In addition, the two new DLIs that have been introduced support existing results areas. As highlighted in the addendum to the TA (annex 4), the Program continues to be technically sound. A number of important results have been achieved in areas that were identified in the original TA (2013). These achievements are detailed in the addendum to the TA.

45. The addendum to the TA highlights that the targeting conformity of the NSNP is relatively higher than the original estimates, but confirms that there is still an important need to continue efforts to further improve the program targeting. To achieve this goal, the Government is in the process of developing a harmonized targeting tool, which would also be used for expansion of the coverage under the AF. There is no current confirmed funding for further expanding the NSNP (beyond the AF expansion) and it is of great importance to put in place a system for recertification of existing NSNP beneficiaries to ensure that the right beneficiaries are enrolled in the program. It is also of increased importance to support the Government in strengthening implementation capacity, particularly in the NEDI counties, which are the ones where it is most difficult to implement the program and where the most households are affected by crisis such as droughts.

46. While a national-level G&CM system for the NSNP is fully in place, further work is needed to make the system functional at all levels. Some progress has been made as detailed in the addendum to the TA. Nonetheless, significant challenges exist in information flow and regular complaints and grievance reporting from the county to the national level, particularly for the MEACL&SP programs. The current system also does not adequately reflect the high volume of information received and actions taken regarding case management updates. To address these issues, the AF aims to expand the “C&G” mechanism to include case management information, as well as support strengthening of systems to better capture complaints and updates on the ground through the decentralization of the MIS; and improve information flow and feedback to service providers, implementation officers, and beneficiaries. Furthermore, efforts would focus on improving beneficiary awareness of entitlements and making complaints and updates by promoting the development and implementation of a beneficiary outreach strategy.

47. **Institutional arrangements and implementing capacity.** The institutional arrangements have been adjusted according to the recent restructuring of the MEACL&SP and the creation of the SAU. To reduce fragmentation and overlap, and benefit from increased coordination and synergy, the MEACL&SP

adopted a consolidation strategy. Accordingly, the three cash transfer programs managed by the MEACL&SP (CT-OVC, OPCT, PWSD-CT) are now being managed by the SAU. The mandate of the Social Protection Secretariat (SPS), guided by the Social Protection Policy, continues to be in policy formulation, setting standards, maintaining the SR, and performing all other roles related to the coordination of social protection activities in the country. The new implementing arrangements are expected to improve coordination between the two departments implementing the NSNP at the lower level (the Department of Children Services (DCS) and the Department of Social Development (DSD)) and enable the NSNP to benefit from officers from the two departments working jointly on NSNP activities, as needed. The new arrangements however also represent a risk, since the officers do not report directly to SAU. This risk is mitigated by having NSNP implementation included in the performance contracts of the county and sub-county officers.

48. Implementation capacity is, however, generally lower in the NEDI counties than elsewhere in Kenya, and additional support to ensure sufficient capacity will be needed. A rapid institutional capacity assessment has been undertaken, highlighting the main gaps and providing recommendations for necessary actions and investments to enable expansion in NEDI counties. Continued support for additional technical assistance needed will be provided through the existing recipient-executed trust fund. In addition to this specific focus on capacity in the NEDI counties, on-going support to enhance nationwide implementation capacity for the overall program will continue.

49. **Even with the expanded coverage as a result of the AF, the program is still considered affordable and sustainable.** Expanding to another 50,000 new beneficiary households represents an increase in NSNP coverage of 7 percent nationally and an increase of 25 percent in the coverage of the NEDI counties. At the end of this expansion, the program would cost about Ksh 26 billion, of which Government would finance about Ksh 25 billion (assuming that no other expansion takes place) but still only represents 0.32 percent of GDP.

50. **Program budgets, as presented in printed estimates,<sup>22</sup> are sufficient for expenditure needs, but bottlenecks in the flow of funds can result in delayed transfers.** The annual printed estimates, including estimates for government financing, are sufficient to meet program needs. Although budgeted amounts and government financing are adequate, disbursements of funds from the NT throughout the year have not always met the cash flow needs of the four programs (see paragraph 37).

51. **The program has already demonstrated its economic impact, and this impact would be further enhanced as the AF expands coverage.** To date, cash transfers have a proven record of reducing poverty internationally and in Kenya. Previous evaluations of NSNP cash transfers have found that participation in cash transfer programs have led to a 13 percent reduction in the share of CT-OVC households living on less than US\$1 a day, and a 10 percent reduction in extremely poor households under the HSNP. Further studies have shown that cash transfers have resulted in a broad range of positive development impacts on beneficiary households, including increased food consumption and dietary diversity, improved school attendance and use of health care, and improved psycho-social outcomes.

52. **Gender.** Gender considerations have been effectively incorporated into the design of the four cash transfer programs, which have been demonstrating positive impact on gender outcomes as a result. For example, vulnerability of female-headed households is recognized in the program targeting of both the CT-OVC and HSNP, resulting in the majority of the recipients being women, although women are not explicitly targeted as the main beneficiaries. This has enabled women to take more control of the household budgets and participate more in income-generating activities, as reported in the NSNP Progress

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<sup>22</sup> “Printed estimates” means budget estimates that are approved by the parliament before the start of the financial year.

Report.<sup>23</sup> The HSNP in particular, indicated that there may also be small spillover effects into household decision making in general. Evaluations have also found that the cash transfer programs resulted in young women being less likely to become pregnant (5 percentage points lower) and enjoying better mental health outcomes, such as lower rates of depression, greater belief in their self-agency and self-efficacy, and more positive views of the future. The NSNP collects gender-disaggregated data on key indicators, which the AF would continue. Likewise, the programs MISs and the SR will continue to be utilized to collate and analyze data and facilitate monitoring and reporting.

53. **Citizen engagement.** The NSNP has in place a citizen engagement mechanism through the G&CM system, and work is ongoing to strengthen it further. A fully functional G&CM system has been established at the national level with adequate staff, with established procedures for receiving, recording, and acting on complaints. It also includes service charters to guide program engagement with beneficiaries, as well as functioning MIS modules for tracking complaints and working hotlines for receiving them. Constituency Social Assistance Committees (CSACs) play a key role in raising awareness of the NSNP among community members and have responsibilities to oversee, support and monitor program activities at the sub-county level including targeting and payment processes. In addition, at the local level, Beneficiary Welfare Committees (BWCs) and Rights Committees (RCs) have been established and provided with G&CM guidance materials to complement program officers and serve as an additional conduit for engaging with the beneficiaries and stakeholders. Progress has also been made in one of the programs (HSNP) in decentralizing the MIS related to case management to facilitate two-way information flow. Further, the HSNP has increased access points from which beneficiaries can register updates and complaints - currently being rolled out. The program has also established protocols for case resolution with the PSPs to ensure timely resolution of cases. Beneficiary awareness and feedback mechanisms have been established, and a communication campaign to inform beneficiaries of the multiple accessibility options is under preparation. Lastly, work is also under way to link the HSNP G&CM mechanism with national-level G&CM mechanisms through referrals.

54. Efforts to ensure that the G&CM mechanism is further strengthened and fully effective at all levels for the three cash transfer programs managed by the SAU would continue through the AF. These efforts would be informed by lessons from the HSNP experience. Specifically, support would include the decentralization of the programs MIS, allowing local-level staff to record and update complaints and/or beneficiary information. In addition, a communication strategy is being finalized to improve beneficiary understanding of the program objectives, design, and components, among others, which would be rolled out in 2017. This would be complemented by the beneficiary outreach strategy, which would be developed and implemented through the AF, with the purpose of improving program engagement with beneficiaries to ensure that they are more aware of their rights and entitlements and are empowered to participate more effectively in the decision-making process of the program, as appropriate.

55. **Climate and disaster risk management.** The North and Northeastern region of Kenya has historically been exposed to drought, which has been a leading cause of food insecurity in the area. This program is focused on transferring cash grants to poor eligible households that will support them in coping with shocks and stresses of drought, among others. In addition, strengthening of delivery systems and investments in institutional capacity will enable the government to support the affected households with social assistance as and when needed. As the main activity planned under the AF is the provision of cash transfers, no potential impact is expected on an overall basis on any climate and geophysical hazards present in the program area at the sector or subsector level. It is, however, expected that the cash transfers will lead beneficiary households to make better economic choices and improve their welfare. Moreover, given that the region is drought prone, the NDMA is part of the program implementation in the four

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<sup>23</sup> Republic of Kenya, 2016, *Inua Jamii: Towards a More Effective National Safety Net in Kenya. Progress Report.*

NEDI counties where the HSNP is operating. They have capacity and long-standing experience in dealing with drought and climate risk-related issues, including mitigating climate change-related risks in the area.

## **B. Fiduciary**

56. As part of the addendum to the IFAR, an assessment was undertaken that reviewed the fiduciary aspects of the program in a manner consistent with the World Bank Policy and World Bank Directive on PforR Financing. The assessment revealed that the MEACL&SP has adequate fiduciary capacity to manage the minimum requirements of the AF. For instance, budgeting and planning, funds flows and treasury, accounting and financial reporting, internal controls and internal audit, and external audit are deemed to be adequate. The overall risk rating of the program is however High, due to (i) continued fiduciary weaknesses as highlighted in a number of program audits (see paragraph 24); and (ii) as the cash transfers require strong controls to prevent, detect and deter inherent systemic financial risks. Consequently there is a need to systematically address fiduciary risks of the program.

57. The Program would assist the Government to formulate the financial management procedures and invest in the capacity of the MEACL&SP Internal Audit Department (IAD) for carrying out periodic internal audit for the MEACL&SP to enforce corrective actions (see PAP). The program accounting system is managed by the Ministry Head of the Accounting Unit/Principal Accounts Controller (PAC), who is a qualified certified public accountant, and is supported by a program accountant. The program FY16 external audit report was received by the World Bank after the stipulated six months of submission deadline, and was qualified. However, the MEACL&SP is in the process of addressing the audit report qualification issues.

58. MEACL&SP has shown strong leadership and willingness to address fiduciary risks and is committed to develop and implement a comprehensive FM action plan, which will be monitored by the World Bank as part of the PAP. The conclusion of the assessment is that the fiduciary arrangements are adequate to support the AF. In addition, DLI 11 has been introduced under the AF, supporting the implementation of the FM action plan through three DLRs. A priority sub-set of the critical FM actions would be mutually agreed between the World Bank and Government for the purposes of this DLI, with DLRs linked to Government implementation of 30 percent, 70 percent and 100 percent, respectively, of the agreed critical FM actions.

## **C. Safeguards**

59. The ESSA for the NSNP was approved and disclosed in May, 2013. It was carried out for the NSNP which covers all 47 counties in Kenya. Since the AF remains within the existing scope of the program and will be expanded in 10 of the 47 counties where the program is already operating, the original ESSA remains relevant to the AF, and accordingly was re-disclosed as part of the appraisal on January 19, 2017. It should be noted that the ESSA is complemented by the Government initiative under the Kenya Devolution Support Project PforR operation, where all the 47 counties are in the process of developing an environment and social risk management system. In addition, the restructured DLI 6 further emphasizes the importance of a G&CM system functional at all levels, as well as a beneficiary outreach strategy and its implementation, promoting increased beneficiary awareness.

60. The original ESSA is adequate as it takes into account the existing Government NSNP systems including the capacity to plan and implement measures for environmental and social impact management. The assessment focused on the social effects of the NSNP cash transfer programs, and confirmed that they are not considered to have any direct environmental effects. The assessment also evaluated whether there is equitable access to the existing cash transfers and whether the program is meeting the needs of vulnerable and marginalized groups. It paid attention to how poor, vulnerable and marginalized groups

are included in, and therefore benefit from, the NSNP cash transfer programs. It also examined the measures put in place to ensure that vulnerable and marginalized groups have a say in the program, through a robust consultative process and grievance and appeals mechanism and paid due attention to targeting, power imbalance at the community level, the role of local administrators in controlling access to the program, existing public complaints and grievance structures, social conflicts and gender (an update on the implementation of the ESSA is included in annex 6).

#### **D. Summary of Modifications to the Program Action Plan**

61. **The PAP has been modified to include key actions to ensure efficient program implementation** (see annex 7). Some of the existing actions have been modified to better reflect the current situation and needs. The action related to updating OMs is revised to include recommendations of the addendums to the IFAR and TA. The action related to timeliness of payments has been adjusted to include the critical action for the MEACL&SP to discuss and agree with NT on a solution to ensure timely payments, as well as the development of a long-term strategy for PSPs. Five new actions have also been introduced to ensure that key critical actions are taken to improve overall program outcomes. The new actions introduced include; (i) development and implementation of an FM action plan; (ii) the finalization and implementation of the EFC framework to improve program governance and accountability; (ii) the finalization of the harmonized targeting tool and updating of Proxy Means Test (PMT) when new KIHBS data becomes available, (iii) collaboration with the National Registration Bureau (NRB) to facilitate issuance of IDs for beneficiaries; and (iv) adequate implementation capacity in the NEDI counties through the development and implementation of a capacity development plan.

#### **E. Implementation Support**

62. The World Bank task team will continue to provide the necessary support to facilitate the achievement of the PDO during implementation of the Program. Implementation support will place an emphasis on (a) reviewing implementation progress (including that of the PAP) and achievement of Program results and DLIs; (b) providing support to resolve emerging program implementation issues; (c) monitoring the adequacy and performance of systems, and compliance with the Financing Agreement; and (d) supporting MEACL&SP in key areas of technical assistance. Implementation support will be provided through regular engagement with the SAU, SPS, and the NDMA.

63. Technical assistance will also be provided to support strategic investments such as increasing the Government's technical, fiduciary and monitoring and evaluation capacity through the existing recipient-executed trust fund. The objective of this trust fund is to strengthen the NSNP implementation capacity, including to deliver and monitor and evaluate the activities needed to achieve the Program objectives. In addition, other development partners, such as WFP and UNICEF, will continue to provide complementary technical assistance to the Government.

### **V. WORLD BANK GRIEVANCE REDRESS**

64. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate GRS, please visit <http://www.worldbank.org/GRS>. For

information on how to submit complaints to the World Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org).

**ANNEX 1: REVISED RESULTS FRAMEWORK AND MONITORING INDICATORS<sup>24</sup>**

<b>Program Development Objective: To support the Republic of Kenya's efforts to establish an effective National Safety Net Program for poor and vulnerable households.</b>									
	PDO-Level Results Indicators	Core	DLI	Unit of Measure	Baseline	Target Values			Rationale for Change
						December 2017	December 2018	December 2019	
1	<b>Net change in beneficiary household monthly per adult equivalent consumption expenditure</b>	□	□	Ksh	n.a.	150	150		<b>Original.</b>
2	<b>Number of NSNP beneficiaries, by sex<sup>25</sup></b>	×	□	Million beneficiaries	1.65	4.04 (2.5)	4.13	4.28	<b>Original.</b> The indicator is unchanged, but target values updated based on the current status of the program. The targets for 2018 and 2019 reflect the proposed expansion in the NEDI counties.
	<b>% of Program Beneficiaries who conform to the Targeting Criteria</b>	□	□	Indicator Removed					<b>Removed.</b> The massive expansion of the NSNP took place before the PIBS baseline and no massive expansion is envisioned to take place in the next few years. As a result, it is difficult to record improvement in targeting conformity.
3	<b>System for recertification of NSNP beneficiaries is in place</b>	□	×	n.a.	n.a.		Plan adopted for how all four NSNP programs will maintain an up-to-date registry of beneficiaries	Completion of the recertification plan in at least 20 sub-counties	<b>New.</b> This indicator replaces the previous indicator on targeting conformity. Recertification is a more important focus, since no new massive expansion is envisioned at this stage. It is important for the NSNP to ensure

<sup>24</sup> Targets in parenthesis reflect the baseline and target values for the original Program. These targets only exist for some of the indicators and only for FY17/18 since the original Program was expected to close in March, 2018.

<sup>25</sup> This will report on the total number of people benefitting from the four programs that constitute the NSNP. If this figure cannot be generated from the MIS, it will be calculated by multiplying the total number of households enrolled in the three programs managed by SAU x 5 members per household and x 7 members per household for households enrolled in the HSNP. The sex distribution for those households for which the MIS has complete information will be used to impute a figure for the entire caseload.

							through recertification		that the right people are in the program, making recertification of existing beneficiaries necessary.
4	% of all payments are made on time to Payment Service Providers for transfer to Program Beneficiaries	□	×	%	12 (26)	75 (70)	75	90	<b>Original.</b> The indicator remains the same, but targets have been included for additional years due to the proposed extension of the closing of the Program. The targets for 2017 and 2018 are in line with modified DLR 5. The target for 2019 builds upon the achievements made in the previous years. The baseline has also changed to reflect the current status of payment timeliness.
<b>Intermediate Results Area 1: Expanding cash transfer programs to promote more comprehensive and equitable coverage</b>									
5	Number of households paid for by the Government <sup>26</sup>	□	□	Households	114,384	702,000	754,000	792,000	<b>Revised.</b> This indicator has been modified to account for the massive expansion of the program and increased Government financing of the cash transfers, rather than only reporting on additional households enrolled and financed by the Government as per the NSNP Expansion Plan. The target for December 2017 has been revised to reflect the current overachievement of enrolling and financing new households. New target values for additional years have been introduced based on the proposed AF expansion as well as on projected Government take-over of financing of households in HSNP and CT-OVC. The baseline has also

<sup>26</sup> This indicator previously read ‘Number of new households enrolled in the NSNP according to agreed expansion plan and paid for by GoK’.

									changed due to the revision of the indicator.
	<b>Number of households on the NSNP payroll</b>	□	□	Indicator Removed					<b>Removed.</b> This indicator has been removed to streamline the Results Framework. This indicator is already captured in another indicator “Number of NSNP beneficiaries, by sex.”
<b>Intermediate Results Area 2: Strengthening program systems to ensure good governance</b>									
<b>6</b>	<b>% of beneficiaries who know correct program transfer amount for the program in which they are enrolled<sup>27</sup></b>	□	□	%	56.3 (37)	60 (70)	65	70	<b>Revised.</b> The original indicator included both objectives and entitlements, which are distinct elements and difficult to measure together. This revised indicator is in line with the modified DLR on G&CM systems (DLR 6b).
<b>7</b>	<b>% of beneficiaries for whom payments are made electronically using Two-Factor Authentication</b>	□	×	%	40	90	90	90	<b>Original.</b> Achieved. However, given the importance of this indicator in ensuring a robust and accountable payment mechanism, it will continue to be monitored, with updated values to be consistent with assumption on % of beneficiaries on the payroll.
<b>8</b>	<b>Grievance and Case Management mechanisms for the Cash Transfer Programs are functional</b>	□	×	n.a	n.a.	Beneficiary outreach strategy developed and adopted	Beneficiary outreach strategy implemented in 10 counties <sup>28</sup>  Design and implementation of a G&CM system through the MIS at county and sub-county levels in	Beneficiary outreach strategy implemented in at least 20 counties	<b>New.</b> This indicator has been introduced to emphasize the importance of beneficiary outreach and functional G&CM systems at the local level. The targets are informed by the achievement of the different DLRs in DLI 6. The Results Framework, however, has set targets higher than the DLR for the implementation of the beneficiary outreach strategy, reflecting ambition of the

<sup>27</sup> The indicator previously read “% beneficiaries who know program objectives and entitlements.”

<sup>28</sup> Within these 10 counties, the beneficiary outreach strategy must be implemented in at least 20 sub-counties as per the related DLR.

							at least 20 sub-counties		Government.
9	% of Program Beneficiaries who can name two means of making a complaint	<input type="checkbox"/>	<input type="checkbox"/>	%	8.8 (15)	30 (65)	30	40	<b>Original.</b> This has been a difficult target to achieve as the G&CM mechanism has not been effectively established at all levels. The targets have therefore been readjusted to more realistic values based on the real baseline value (lower than expected).
	% complaints actioned <sup>29</sup>	<input type="checkbox"/>	<input type="checkbox"/>	Indicator Removed					<b>Removed.</b> This indicator has been removed to streamline the Results Framework. This indicator is already captured in another indicator “Functional Grievance and Case Management mechanisms.”
10	Single Registry is operational and program MISs use the Standards for Internal Payroll Controls	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Yes	n.a.	Achieved			<b>Original.</b>
<b>Intermediate Results Area 3: Harmonizing cash transfer programs to increase the coherence of the safety net sector</b>									
11	% of NSNP funding financed by the Government	<input type="checkbox"/>	<input type="checkbox"/>	%	41	91	94	96	<b>Revised.</b> The indicator has been revised to reflect the measurements reported on the annual financial reports (funding vs. spending). Targets have been introduced based on the current trend in Government financing of NSNP for additional years included under the extension of the AF. The baseline value has also been changed to reflect the baseline of NSNP funding financed by the Government.
	Amount spent on the NSNP by the Government as % of GDP	<input type="checkbox"/>	<input type="checkbox"/>	Indicator Removed					<b>Removed.</b> This indicator has been removed to streamline the Results Framework. This indicator is already captured in

<sup>29</sup> This is defined as a complaint for which action is taken and feedback given to the complainant.

									another indicator “% of NSNP funding financed by the Government.”
12	Number of households per year paid through the NSNP out of NDEF <sup>30</sup>	□	□	Households	n.a.	No targets as this indicator will only be measured when the early warning system triggers a response.			<b>Original.</b>
13	NSNP beneficiaries’ access to complementary social and productive services is promoted	□	×	n.a.	N/A	Complementary Services module in SR is ready and formal data sharing protocols are available for use of potential partners	Agreements signed with at least two partners providing relevant complementary services to NSNP beneficiary households		<b>New.</b> New indicator being introduced to support the Government in building the foundation for provision of complementary social and productive services to the NSNP beneficiaries through linkages and partnership with other organizations/programs delivering the relevant services. The targets are in line with the DLRs under DLI 10.
14	Fiduciary systems for NSNP has been strengthened	□	×	n.a.	N/A	Implementation of 30 percent of agreed critical FM actions	Implementation of 70 percent of agreed critical FM actions	Implementation of 100 percent of agreed critical FM actions	<b>New.</b> New indicator being introduced to ensure that the fiduciary systems for the NSNP are strengthened to address the high-risk rating and systemic weaknesses, as highlighted in repeated audits. The targets are in line with the DLRs under DLI 11.

<sup>30</sup> NDEF stands for National Drought Emergency Fund.

### Description of Results Framework Indicators

Indicator Description					
Indicator Name		Description	Frequency	Data Source / Methodology	Responsibility for Data Collection
1	Net change in beneficiary household monthly per adult equivalent consumption expenditure	Household monthly per adult equivalent consumption expenditure is being calculated at both baseline and end line surveys for the CT-OVC and HSNP impact evaluations, which will provide net change estimates. As there are no impact evaluations for the OPCT or PWSD-CT, it is assumed that these figures can be extrapolated to the NSNP as a whole.	2017, 2018, 2019	Evaluations of CT-OVC and HSNP	Independent firm
2	Number of NSNP beneficiaries, by sex	This is calculated as total number of people benefiting from the four programs, disaggregated by sex. It is assumed that the average household size for a beneficiary household is 5 for the SAU programs and 7 for the HSNP. The NSNP also aims to have 95 percent of the target number of households on the payroll and benefiting from the program, assuming some loss resulting in issues around identification (ID) card expiration, bank card challenges, and so on. The target for December 2017 reflects the current target values for the SAU and HSNP programs (with the aim of having 95 percent of these households on the payroll). The targets for December 2018 and 2019 reflect the proposed expansion of the SAU in the NEDI counties (an additional 20,000 households in 2018 and a further 30,000 households in 2019)	Annual	MIS	SAU
3	System for recertification of NSNP beneficiaries is in place	This indicator aims to strengthen the application of the eligibility criteria for each of the programs through putting in place a system to effectively and accurately recertify NSNP beneficiaries. This system includes establishing and implementing a plan on maintaining an up-to-date registry of beneficiaries. The first target will be deemed to have been met when a recertification/re-registration plan is adopted. The second target will be met when the roll out of the recertification plan is completed in at least 20 sub-counties.	2018, 2019	Target 1: Recertification and re-registration report Target 2: Report on the completion of the roll-out in at least 20 sub-counties	SAU
4	% of all payment are made on time to Payment Service Providers for transfer to Program	The indicator aims to improve the flow of funds for cash transfers and to ensure that an increasing proportion of payments are made within the scheduled window. The first and second targets for December 2017 and 2018 aim to increase the percent of timely payments to PSPs to 75 percent in line with the DLI 5. For payments to be made on time, funds	Annual	Timeliness of transfers report	SAU and NDMA

	Beneficiaries	and payroll documentation need to be sent to the PSPs at least five working days before the start of the window. For the purposes of reporting on this indicator, payments will be considered to be on time, if the funds and payroll documentation are sent to the PSPs within 15 calendar days of this deadline. The percentage of ‘on time’ payments is calculated as the number of NSNP payments sent to the PSPs within 15 days of the due date divided by the total number of NSNP payments made for each payment cycle. The target for December 2019 increases the percent of timely payments to PSPs to 90 percent.			
5	Number of households paid for by the Government	<p>This indicator reflects the expansion and Government financing of the NSNP. It is important to note that the NSNP aims to have 95 percent of households enrolled in the program on the payroll and thus, the target values reflect 95 percent of the projected enrolment. It is assumed not all enrolled households are on the payroll as there may be some losses from issues around identification (ID) card expiration, bank card issues, and so on.</p> <p>Target 1: The first target has been adjusted to reflect the projected number of households in the program that are funded by the Government, including the projected take-over of financing of households in the CT-OVC and HSNP in the 2017 year (15,000 households in CT-OVC and 54,000 households in HSNP).</p> <p>Target 2: By December 2018, the Government plans to take over the financing of an additional 25,000 CT-OVC households, previously financed by the DfID. Further, after the adoption of a modified NSNP Expansion Plan detailing planned expansion in the NEDI counties, it is expected that an additional 20,000 households will be enrolled as per this modified plan. By December 2018, the Government is also expected to take over the financing of 10,000 households under the HSNP.</p> <p>Target 3: The December 2019 target includes an additional expansion of 30,000 households in the NEDI counties, as per the modified plan, and the take-over of financing of a further 10,000 households in HSNP.</p>	Annual	CT-OVC payroll/ GoK Budget; Program MISs and financial reports	SAU and NDMA
6	% of beneficiaries who know correct program transfer amount for the program in which they are enrolled	Knowledge of transfer value is of utmost importance for cash transfer programs to allow households to plan for the future. This indicator measures beneficiary knowledge of payment values in each of the 4 programs from the PIBS.	2017, 2018	PIBS	Independent agency contracted to carry-out the PIBS survey

7	% of beneficiaries for whom payments are made electronically using Two-Factor authentication	Cash transfers should be made in a manner that provides confidence that payments are reaching intended recipients. The indicator aims to progressively increase the use of PSPs that make payments electronically and using two-factor authentication to increase the security of payments.	Payment cycle	Contract with PSPs and payment report	SAU
8	Grievance and Case Management mechanisms for the Cash Transfer Programs are functional	A well-functioning G&CM mechanism is necessary for promoting demand-side accountability in cash transfer programs. Beneficiaries must have an understanding of their rights and the means by which they may lodge a grievance or an update. The first target for December 2017 involves the SAU programs developing a strategy detailing outreach strategies, key communication messages, and a 3-year implementation schedule. One of the December 2018 targets is to implement the strategy in at least 10 counties (in which at least 20 sub-counties must be reached as per the related DLR 6b (ii)). The December 2019 target aims to have the strategy implemented in at least 25 counties. These targets will be deemed to have been met when an agreed sub-set of activities from the implementation plan of the beneficiary outreach strategy have been implemented in at least 10 counties (and 25 counties for 2019). The second target for December 2018 aims to have a county and sub-county G&CM system designed and implemented through the programs MISs. This target will be deemed to have been met when the system has been implemented in at least 20 sub-counties.	2017, 2018	December 2017 Target: Beneficiary outreach strategy; December 2018/2019 Outreach implementation targets: Report of implementation of outreach; December 2018 Local G&CM mechanism target: Description <sup>31</sup> of the local-level G&CM system	SAU
9	% of Program Beneficiaries who can name two means of making a complaint	This indicator assesses resulting improvements in beneficiary awareness of G&CM systems. This indicator target will be deemed to have been met when beneficiary awareness of G&CM procedures is above the agreed cut-offs, 30% of beneficiary households by December 2018 and 40% of beneficiary households by December 2019. This will be measured through the PIBS survey and will be assessed based on whether households in the sampled locations have a member present during the survey who can name two means of contacting the program for the purposes of submitting a grievance or updating their information.	2017, 2018	PIBS	An independent agency contracted to carry-out the PIBS survey
10	Single Registry is operational and program MISs use Standard for Internal Payroll Controls	This indicator aims to strengthen the verification of beneficiary eligibility by adopting an SR and improve the internal controls on the program payrolls. The MISs are deemed to be fully operational if related procedures and standards for internal payroll controls are documented in the OMs, the MISs have up-to-date information, and the MISs are being used to carry out the checks on enrolment and beneficiary lists. The SR will be deemed to be fully operational if the SR is housed on servers in the SPS with up-to-date information; the SR	Annual	MIS	SPS

<sup>31</sup> This description could, for example, form part of a revised OM or could be a standalone set of guidelines for county and sub-county level staff.

		is being used to analyze the list of existing non-beneficiary households to identify households not complying to targeting criteria; the SR is linked with the IPRS; and the SR is being used to produce reports on the M&E) framework.			
11	% of NSNP funding financed by the Government	Safety nets are long-term interventions that require multi-annual commitments from the Government. To be sustainable, they need Government financing and must be reflected in the Government budget document. This indicator tracks the Government commitment to financing the NSNP.	Annual	Printed estimates and subsequent analysis	SAU
12	Number of households per year paid through the NSNP and of NDEF	This indicator is in response to the need to create a crisis response capacity within the NSNP. The NDEF requires that the Government allocate resources to scale up the NSNP. Once the NDEF is operational and funded, this indicator will track the number of households paid out by this fund.	Annual	MIS	HSNP
13	NSNP beneficiaries' access to complementary social and productive services is promoted	This indicator tracks the foundation building for provision of complementary social and productive services to NSNP beneficiaries. This indicator will be deemed to have been met when (i) a complementary services module in the SR and formal data sharing protocols are ready and (ii) agreements have been signed with at least two complementary service providers. Specific actions and number of beneficiary households to be included under the agreements will be based on identified complementary services, existing capacities, and conditions on the ground, and will be detailed in the agreements.	2017, 2018	Target 1: SR module assessment, and a letter signed by PS MEACL&SP adopting the data sharing protocol, with the protocol attached. Target 2: Signed agreements	SPS
14	Fiduciary systems for NSNP have been strengthened	The MEACL&SP will develop a comprehensive time-bound FM action plan to systematically address the fiduciary risks to the program. The FM action plan will include concrete measures with clear deadlines, and the achievement of the indicator target will be measured against actions related to four areas related to: (i) improved reconciliation process of the payroll; (ii) strengthened payroll verification and approval workflows; (iii) better segregation of duties; and (iv) compliance of program MISs with Operational Manuals. The three targets will be deemed to have been met once the MEACL&SP implements cumulatively 30 percent, 70 percent, and 100 percent of the agreed critical actions listed in the FM action plan.	Annual	A report detailing the ways in which the agreed priority short term actions have been achieved.	Independent Consultant

## ANNEX 2: DISBURSEMENT LINKED INDICATORS, DISBURSEMENT ARRANGEMENTS, AND VERIFICATION PROTOCOLS

**Table 2.1. Disbursement Linked Indicator Matrix - Additional Financing (US\$50 million)**

DLI Description	US\$ million	% of Total US\$	DLI Baseline	Indicative Time Line for DLI Achievement				Rationale for Change
				July 2017	December 2017	December 2018	December 2019	
DLI 1 - Additional households are enrolled in the NSNP			0	1c (i) Government takes over the financing of 15,000 CT-OVC beneficiary households	1d Modified NSNP Expansion Plan, including NEDI expansion, adopted	1c (ii) Government takes over the financing of the remaining 25,000 CT-OVC beneficiary households (US\$5)  1e (i) 30,000 additional households in the NEDI counties enrolled in the NSNP and paid for through the Government's budget (US\$11.57)	1e (ii) 40,000 additional households in the NEDI counties enrolled in the NSNP and paid for through the Government's budget	This indicator remains the same, but four new DLRs are introduced. The DLRs proposed focus on (a) Government taking over financing of additional beneficiary households to ensure sustainability and (b) expansion in the NEDI counties. Expansion will be targeting poor households (not categorical groups).
Allocated amount:	38	76%		3	3	16.57	15.43	
DLI 10 NSNP beneficiaries' access to complementary social and productive services is promoted.			n.a.		10a Complementary services module in SR is ready and formal data sharing protocols are available for	10b Agreements signed with at least two partners providing relevant complementary services to		This indicator has been introduced to support the Government in building the foundation for provision of complementary social and productive services to the NSNP beneficiaries through linkages and partnership with other organizations/programs

					use of potential partners	NSNP beneficiary households		delivering the relevant services.
Allocated amount:	3	6%			2	1		
DLI 11 - Fiduciary systems for NSNP have been strengthened			n.a.		11a Implementation of 30 percent of agreed critical FM actions	11b Implementation of 70 percent of agreed critical FM actions	11c Implementation of 100 percent of agreed critical FM actions	This indicator is being introduced to ensure that the fiduciary systems for the NSNP are strengthened to address the high-risk rating and the mention of systemic weaknesses in repeated audits.
Allocated amount:	9	18%			2.7	3.6	2.7	
<b>Total AF</b>	<b>50</b>			<b>3</b>	<b>7.7</b>	<b>21.17</b>	<b>18.13</b>	
<b>% of Total AF</b>				<b>6%</b>	<b>15.4%</b>	<b>42.3%</b>	<b>36.3%</b>	

**Table 2.2. Disbursement Linked Indicator Matrix - Modifications of Existing DLIs**

DLI Description	US\$ million	% of Total US\$	DLI Baseline	Indicative timeline for DLI Achievement				Rationale for Change
				July 2017	December 2017	December 2018	December 2019	
DLI 2 - Percentage of Program Beneficiaries who conform to the Targeting Criteria				Indicator removed				This indicator has been removed, since the massive expansion of the NSNP happened before the baseline was undertaken and there is no new massive expansion envisioned currently to enable significant improvements. Recertification needs to be the focus moving forward.
DLI 2 - System for recertification of NSNP beneficiaries is in place			Not in place			2b Plan adopted for how all four NSNP programs will maintain an up-to-date registry of beneficiaries through recertification	2c Completion of the rollout of the recertification plan in at least 20 sub-counties	The important focus for the Program to ensure that the right people are in the Program should be on recertifying existing beneficiaries. The new DLI therefore focuses on putting in place a functioning recertification system, including the plan and its implementation. Protocols will include re-registration for the HSNP.

DLI Description	US\$ million	% of Total US\$	DLI Baseline	Indicative timeline for DLI Achievement				Rationale for Change
				July 2017	December 2017	December 2018	December 2019	
Allocated amount:	15	19%				5	10	Reallocation from original DLI 2
DLI 5 - Percentage of payments made on time to Payment Service Providers for transfer to Program Beneficiaries			12%			5. 75% of all payments disbursed to Payment Service Providers on time		The DLI remains the same, but the DLR is modified. The main challenge with achieving this DLI relates to delays in submitting funding requests from the MEACL&SP to the NT, and the subsequent delayed release of funds. The DLI 5 continues to measure timeliness of payments, but it is proposed that the target for the DLI is increased from the original target of 65 percent to 75 percent (with a new baseline of 12 percent). Further, the 'window' for considering a payment on time is increased and payments will still be considered to be on time, if the funds and payroll documentation are sent to the PSP within 15 calendar days of the deadline.
Allocated amount:	15	19%				15		
DLI 6 - Grievance and Case Management mechanisms for the Cash Transfer Programs are functional			Not functional		6b (i) Beneficiary outreach strategy developed	6a (ii) Grievance and Case Management mechanism is functional at all levels for all four cash transfer programs (US\$10)  6b (ii) Beneficiary outreach strategy	6b (iii) Beneficiary awareness of transfer amount and G&CM system	DLR 6a (ii) has been modified to include 'case management' and the protocol has been modified, including the following: 'implementation of a system to enable decentralized recording of grievances and case management updates through the MIS and its implementation in at least 20 constituencies'. The new 6b is introduced to replace the previous indicator measuring beneficiary awareness. It is proposed that the indicator focuses on the beneficiary outreach strategy and its implementation, as well as

DLI Description	US\$ million	% of Total US\$	DLI Baseline	Indicative timeline for DLI Achievement				Rationale for Change
				July 2017	December 2017	December 2018	December 2019	
						implemented in at least 20 sub-counties (US\$10)		measures beneficiary awareness above an agreed cut-off for at least three of the four programs (proposed cut-offs: 60% for awareness of amount of transfer and 30% for being able to name two means of making a complaint or program updates—current baseline for G&CM awareness is 8.8%). DLR 6b (iii) will be binary.
Allocated amount:	30	37%			3	20	7	Reallocation from original DLI 6b
DLI 6.2 Percentage of Program Beneficiaries who can name two means of making a complaint	Indicator Removed							This indicator will be removed and included under 6b (iii) (see above). It is important to widen the scope of C&G to include program updates.
<b>Total undisbursed amount from original Program</b>	<b>60</b>				<b>3</b>	<b>40</b>	<b>17</b>	

**Table 2.3. Results Achieved as of December 2017**

DLI	DLR	Disbursed SDR millions
DLI 1 - Additional households are enrolled in the NSNP	a. Expansion plan for the NSNP, informed by poverty and vulnerability criteria adopted	6.80
	b (i) 65,000 additional households enrolled in the NSNP according to the agreed expansion plan and paid for by the GoK in comparison with the July 2013 baseline	16.60
	b (ii) 130,000 additional households enrolled in the NSNP according to the agreed expansion plan and paid for by the GoK in comparison with the July 2013 baseline	16.60
	b (iii) 235,000 new households enrolled in the NSNP according to the agreed expansion plan and paid for by the GoK in comparison with the July 2013 baseline*	24.20
DLI 2 – Percentage of Program Beneficiaries who conform to the Targeting Criteria	a. Establishment of baseline	3.50
DLI 3 - Single Registry is operational and program MISs use Standards for Internal Payroll Controls	a. Program MISs fully operational using agreed standards for internal payroll controls	10.00

<b>DLI</b>	<b>DLR</b>	<b>Disbursed SDR millions</b>
	b. Single registry is fully operational with links to the IPRS	6.70
DLI 4 - Percentage of NSNP payments made electronically using Two-Factor Authentication	a. 60% of NSNP payments made electronically using two-factor authentication	4.00
	b. 90% of NSNP payments made electronically using two-factor authentication	6.00
DLI 6 - Grievance and Case Management mechanisms for the Cash Transfer Programs are functional	a (i) C&G mechanism is functional at the national level for all four cash transfer programs	3.34
DLI 8 - Recipient has adopted consolidation strategy	a. Strategy for consolidating the CT-OVC, OPCT, PWSD-CT, and UFS-CT adopted	3.34
DLI 9 - HSNP is financed	a. The GoK finances the HSNP in line with budget and policy commitments	3.34
		<b>104.42</b>

\* DLI 1d has been fully achieved, but the Government is yet to submit the evidence for an outstanding SDR 2.6 million for an expansion that happened in October 2016.

**Table 2.4. Consolidated DLI Table including AF and Original Program**

*Allocation per DLR (US\$, millions)*

DLI	DLR			
	FY17/18 Assessment: July 2017	FY17/18 Assessment: December 2017	FY18/19 Assessment: December 2018	FY19/20 Assessment: December 2019
<b>Results Area 1: Expanding cash transfer programs to promote more comprehensive and equitable coverage</b>				
1. Additional households are enrolled in the NSNP	1c (i) Government takes over the financing of 15,000 CT-OVC beneficiary households (US\$3)	1d Modified NSNP Expansion Plan, including NEDI expansion, adopted (US\$3)	1c (ii) Government takes over the financing of the remaining 25,000 CT-OVC beneficiary households (US\$5)  1e (i) 30,000 additional households in the NEDI counties enrolled in the NSNP and paid for through the Government's budget (US\$11.57)	1e (ii) 40,000 additional households in the NEDI counties enrolled in the NSNP and paid for through the Government's budget (US\$15.43)
<b>Results Area 2: Strengthening program systems to ensure good governance</b>				
2. System for recertification of NSNP beneficiaries is in place			2b Plan adopted for how all four NSNP programs will maintain an up-to-date registry of beneficiaries through recertification (US\$5)	2c Completion of the rollout of the recertification plan in at least 20 sub-counties (US\$10)
3. Single Registry is operational and program MISs use Standards for Internal Payroll Controls	Achieved			
4. Percentage of NSNP payments made electronically using Two-Factor Authentication	Achieved			
5. Percentage of payments made on time to Payment Service Providers for transfer to Program Beneficiaries			5 75% of all payments disbursed to Payment Service Providers on time (US\$15)	
6. Grievance and Case Management mechanisms for the Cash Transfer Programs are functional		6b (i) Beneficiary outreach strategy developed and adopted (US\$3)	6a (ii) Grievance and Case Management mechanism is functional at all levels for all four cash transfer programs (US\$10)  6b (ii) Beneficiary outreach strategy implemented in at least 20	6b (iii) Beneficiary awareness of transfer amount and the G&CM system (US\$7)

DLI	DLR			
	FY17/18 Assessment: July 2017	FY17/18 Assessment: December 2017	FY18/19 Assessment: December 2018	FY19/20 Assessment: December 2019
			sub-counties (US\$10)	
<b>Results Area 3: Harmonizing cash transfer program to increase coherence of the safety net sector</b>				
7. System for scaling up the NSNP has been adopted	7 System for scaling up the NSNP as part of the national drought risk management system has been created with agreed levels of Government contingency financing (US\$20)			
8. The Government has adopted the consolidation strategy		8b Strategy for consolidating the CT-OVC, OPCT, and PWSD-CT implemented (US\$10)		
9. HSNP is financed	Achieved			
10. NSNP beneficiaries' access to complementary social and productive services is promoted		10a Complementary Services module in SR is ready and formal data sharing protocols are available for use of potential partners (US\$2)	10b Agreements signed with at least two partners providing relevant complementary services to NSNP beneficiary households. (US\$1)	
11. Fiduciary systems for the NSNP have been strengthened		11a Implementation of 30 percent of agreed critical FM actions (US\$2.7)	11b Implementation of 70 percent of agreed critical FM actions (US\$3.6)	11c Implementation of 100 percent of agreed critical FM actions (US\$2.7)
<b>Number of DLRs per assessment</b>	<b>2</b>	<b>5</b>	<b>8</b>	<b>4</b>
<b>Total disbursement per assessment</b>	<b>US\$23 million</b>	<b>US\$20.7 million</b>	<b>US\$61.17 million</b>	<b>US\$35.13 million</b>
<b>Total = US\$140 million</b>	<b>16%</b>	<b>15%</b>	<b>44%</b>	<b>25%</b>

### DLI Verification Protocol

#	DLI	DLR	Definition/ Description of achievement	Scalability of Disbursement (Yes/No)	Protocol to evaluate achievement of the DLI and data/result verification			Rationale for any Changes
					Data source/ agency	Verifica tion Entity	Procedure	
1	Additional households are enrolled in the NSNP	Remaining 40,000 CT-OVC beneficiary households financed by the Government from July 2018	At December 2016, 40,000 CT-OVC beneficiary households were financed by DfID financing. 15,000 of these are expected to be financed by Government from its general revenue from the July/August 2017 payment cycle and the remaining 25,000 from the July/August 2018 payment cycle. For a household to be financed by Government, they must have received at least one payment in which the payment has been financed from the Government from its general revenue.	Yes, and time bound. The amount disbursed is proportional to the additional number of households financed by Government from its general revenue from any payment cycle prior to and including the July/August 2018 payment cycle. <sup>32</sup> By July/August 2018, Government take-over of the total 40,000 CT-OVC beneficiary households has to be achieved for full disbursement, with evidence	CT-OVC payroll and 2017/18 Government of Kenya Budget	SPS	SAU will prepare a report that confirms: (i) the number of CT-OVC beneficiaries previously paid for by DfID that are now financed by Government from its general revenue (and have been paid for at least one cycle); and (ii) the date at which Government financing started. The SPS will submit this report by December 2018 to the World Bank.	This is a new DLR to support the Government in taking over financing of beneficiary households to ensure sustainability.

<sup>32</sup> The July/August payment cycle in any given year is due to be paid in September of that year. Even if this payment is delayed, as long as it is financed by Government it will count as contributing to the achievement of the DLI.

				submitted by December 2018. For this DLR, US\$200 will be disbursed for each additional household paid for by the Government.				
		Modified NSNP Expansion Plan, which includes NEDI expansion and adopted	The Government adopts a modified NSNP Expansion Plan detailing (i) any planned expansion including, at a minimum, the planned expansion in the NEDI counties; (ii) the criteria used to inform the geographic expansion of SAU programs, should be informed by the most recent poverty data, such as the KIHBS 2016/17; (iii) the policy decisions on expansion of the three SAU programs will work alongside the ongoing operation of the HSNP program in the four counties where HSNP operates; (iv) evidence that the Government's Printed Estimates for the relevant Sector(s) reflects, at a minimum, the resources required to finance the expansion and maintain existing coverage.	No	Letter signed by MEACL& SP and MODP adopting the NSNP Expansion Plan with the plan and Printed Estimates attached.	SPS	The SAU and NDMA together will amend the existing NSNP Expansion Plan to (i) update current coverage by each of the four programs on a location by location basis; (ii) include any planned expansion for the period up to the end of December 2019 including, at a minimum, the planned expansion in the NEDI counties; (iii) any adjustments to the vulnerability and poverty analysis; and (iv) any adjustments to the policy decisions. The SPS will submit the modified	This DLR establishes the framework under which expansion targeted specifically at the NEDI counties can take place. Further, changes in Government organizational structures and consolidation of the three cash transfer programs which established the SAU, results in changes to data/source / agency and procedures.

							NSNP Expansion Plan to the PS MEACL&SP and the Chief Executive Officer (CEO) NDMA for approval. Once approved, the SPS will submit this plan to the World Bank.	
							Should the NSNP Expansion Plan need to be modified, this will be done in consultation with the World Bank, include the same information as detailed in the original plan, and be approved by the relevant authorities.	
		Number of additional households, in the NEDI counties, enrolled in the NSNP and paid for through the Government's budget	This DLR is concerned specifically with (i) expansion by the SAU programs in the NEDI counties according to the modified NSNP Expansion Plan (DLI 1c) and (ii) increased financing of the HSNP by the Government of Kenya. Expansion by the SAU programs in the NEDI counties would target poor households (and not use the existing	Yes. The amount disbursed is proportional to the additional number of households. This is calculated as the net change from the baseline from the modified NSNP	Program MISs and Financial Reports	SPS	SAU will prepare a report that details: (i) data from the SAU programs MISs on the number of households (existing and new) enrolled and paid by the NSNP, by program and sub-county for one preceding	This DLR represents the importance of expanding assistance to new households and ensure sustainability through Government take-over of financing assistance. Further, changes

			<p>categorical targeting by SAU programs) and is expected to reach 50,000 additional households. Increased financing of the HSNP by the Government of Kenya builds on already confirmed commitments to finance at least 54,000 households and seeks to increase financing beyond this figure by 20,000 (reaching 74,000 households). Therefore, additional households include:</p> <p>(i) 50,000 households newly targeted by the SAU in the NEDI counties that have been selected in accordance with the modified NSNP Expansion Plan (see DLR 1c)</p> <p>(ii) An increase of 20,000 in the number of HSNP beneficiary households financed by the Government from its general revenue beyond the current confirmed commitment of 54,000 households</p> <p>The targets are cumulative figures against a December 2017 baseline (established by the modified NSNP Expansion Plan) with a total of 70,000 additional households paid for by</p>	<p>Expansion Plan.</p> <p>For this DLR, US\$385.72 will be disbursed for each additional household enrolled.</p>			<p>payment cycle as compared to December 2017 baseline and confirmation that all of the beneficiaries of the SAU programs are financed by the Government from its general revenue; (ii) analysis confirming that these households were selected in accordance with the modified NSNP Expansion Plan and (iii) changes in the amount of Government financing to HSNP from its general revenue and the number of additional households supported by this change. The SPS will submit this report to the World Bank.</p>	<p>in Government organizational structures and consolidation of the three cash transfer programs which established the SAU, results in changes to data/source/ agency and procedures.</p>
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			Government by June 2020.					
2	System for recertification of NSNP beneficiaries is in place	Plan adopted for how all four NSNP programs will maintain an up-to-date registry of beneficiaries through recertification	The Government adopts a plan for recertification which details: (i) clear principles of when recertification <sup>33</sup> will be used to update the registry of beneficiaries; (ii) principles for establishing a proposed frequency with which recertification of beneficiaries will take place; (iii) a three year implementation schedule for the roll-out of these principles in line with available budget and human resources for recertification; (iv) Measures to be taken for households no longer eligible under the program; and (v) explanation for how recertification will be financed.  The DLR will be deemed to have been met once the plan is finalized and adopted.	No	Letter to be co-signed by the PS MEACL&SP and CEO NDMA adopting the plan (and associated Implementation Schedule) with the relevant plan attached	SPS	The SAU and NDMA will prepare the plan that details the vision for recertification for the SAU programs and re-registration for the HSNP; and the implementation schedule detailing steps to rolling this out in the subsequent three years. The MEACL&SP will submit the adopted decision and related plan to the World Bank.	The original indicator was replaced as it was difficult under the original DLI to capture the desired outcomes due to three main reasons: (i) the massive expansion of the NSNP took place before the baseline survey of the PIBS (an arrangement to measure achievement of the DLI) was conducted; (ii) the PIBS reported a baseline much higher than the one originally estimated; and (iii) the Government has not confirmed funding for any massive expansion during the Program's lifetime. Given the current
		Completion of the rollout of the recertification plan in at least 20 sub-	The DLR will be deemed to have been met once the roll out of the recertification plan has	Yes, after the first ten sub-counties. For this DLR, US\$5	A report on the completion of the	SPS	The SAU will develop a report on the completion of the	

<sup>33</sup> For the purposes of this protocol recertification is deemed to be a process in which registered beneficiaries are reassessed to ensure that they remain eligible for the program in which they are enrolled. The plan will specify HSNP plans for re-registration and MEACL&SP plans for recertification of the SAU programs.

		counties	been completed in at least 20 sub-counties. <sup>34</sup> This roll-out will not include counties where the HSNP is operating.	million will be disbursed for the total of the first ten sub-counties, and US\$500,000 will be disbursed for each sub-county, thereafter.	roll out of the recertification plan in at least 20 sub-counties		roll out of the recertification plan in at least 20 sub-counties, including the evidence of the achievement and analysis of the new data as a result of recertification, and measures taken <sup>35</sup> in accordance with the recertification plan. The SPS will submit this report to the World Bank.	reality, these two DLRs will thus help to develop and implement the recertification plan, which is more appropriate at this stage of the Program.
5	Percentage of payments made on time to Payment Service Providers for transfer to Program Beneficiaries	75% of all payments disbursed to Payment Service Providers on time	For payments to be made on time, funds and payroll documentation need to be sent to the Payment Service Providers (PSPs) at least five working days before the start of the payment window. For the purposes of this DLR, payments will still be considered to be on time, if the funds and payroll documentation are sent to the PSP within 15 calendar days of this deadline. The percentage of on time payments is calculated as	Yes. The amount disbursed is proportional to the performance improvement as defined by the lowest result <sup>38</sup> achieved over the three prior payment cycles. This is calculated as the net change from the baseline divided by the percentage	Timeliness of transfers report	SPS	The SAU will prepare a timeliness of transfers report based on information provided by the four cash transfer programs. The report will indicate for each program and by each payroll <sup>39</sup> (i) the date the disbursement and payroll were due to the Payment	The DLI remains the same, but the DLR is modified. The main challenge with achieving this DLI relates to delays in submitting funding requests from the MEACL&SP to the NT, and the subsequent delayed release of funds. The DLI 5 continues to

<sup>34</sup> In the event that a sub-county covers part of a constituency, the entire constituency will be covered under the recertification to ensure effective involvement and oversight by the relevant CSAC (Constituency Social Assistance Committee).

<sup>35</sup> The measures described in this report will include actions and communications (to beneficiaries) regarding program exits and suspensions; but will not include the completion of the necessary actions to identify and enroll replacements.

			<p>the number of NSNP payments sent to the Payment Service Provider within 15 calendar days of the due date<sup>36</sup> divided by the total number of NSNP payments made for each payment cycle. An NSNP payment is defined as a per beneficiary transaction for which both funds and payroll documentation have been sent to the PSP. First payments (including any lump-sum payments which make-up the first payment) to beneficiaries newly enrolled as part of program expansion will not be included in this calculation,<sup>37</sup> but all subsequent payments to such households will be considered. DLI 5 will have been deemed to be met if the percentage achieved meets the required level for three consecutive payment cycles.</p>	<p>improvement required by the DLR. The baseline is 12 percent based on a recent assessment of timeliness of transfers.</p> <p>For this DLI, US\$238,096 will be disbursed for each percentage point increase from the baseline of 12 percent up to a maximum of 75 percent.</p>			<p>Service Provider;<sup>40</sup> (ii) the date the payroll was provided to the Payment Service Provider; (iii) the date the funds were transferred to the Payment Service provider; and (iv) the number of beneficiaries covered by the payroll. The SPS will submit one report for this DLI following assessment of DLI 5 to the World Bank.</p>	<p>measure timeliness of payments, but it is proposed that the target for the DLI is increased from the original target of 65 percent to 75 percent (with a new baseline of 12 percent). Further, the 'window' for considering a payment on time is increased and payments will still be considered to be on time, if the funds and payroll documentation are sent to the PSPs within 15 calendar days of the deadline.</p>
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<sup>38</sup> For example, the percentage of payments disbursed to Payment Service Providers on time for three consecutive cycles could be 50 percent, 27 percent, and 35 percent, respectively, with the lowest achieved result being 27 percent. Then, the disbursement would be proportional to 27 percent, with US\$238,096 being disbursed for each percentage point increase from the baseline of 12 percent (i.e. 15 percentage point).

<sup>39</sup> Most programs have one payroll, but the CT-OVC program currently has five payrolls. This is because it has contracts with two Payment Service Providers and because it is supported by multiple financing sources.

<sup>36</sup> The due date being 5 days before the transfer window is opened.

<sup>37</sup> Such payments may constitute a special payroll which may be generated at any point during a payroll cycle.

<sup>40</sup> Five days before the start of the transfer window.

6	Grievance and Case Management Mechanisms for the Cash Transfer Programs are functional	Grievance and Case Management mechanism is functional at all levels for all four cash transfer programs	This DLR is concerned with the existence of G&CM mechanisms. DLR 6a (ii) incorporates structures at local level and is defined as (i) the continued functioning of the G&CM mechanism at the national level, <sup>41</sup> (ii) the establishment of BWCs/RCs, according to the program OMs <sup>42</sup> in at least 70 percent of (PIBS) sampled locations; and (iii) the design and implementation <sup>43</sup> of a system to enable recording of G&CM through the programs MIS at county and sub-county levels in at least 20 sub-counties.	No	(i) Program OMs detailing the G&CM for each of the programs; (ii) program MISs; (iii) letter documenting staff assignments and existence of hotlines; (iv) service charters; (v) the annual PIBS Survey, (vi) description <sup>44</sup> of the	SPS	The SAU and NDMA will collate the above (i) – (vii) data sources from the program and consolidate them. The sampling for the PIBS survey will be as defined in the survey ToR and subsequent modifications. In each location visited, the survey will verify the presence of the BWCs/RCs. <sup>45</sup> The SPS will submit to the World Bank a letter confirming achievement of the DLR, with the consolidated report on the functionality of the G&CM system and a	The previous indicator was changed due to challenges in measuring improvement of knowledge of beneficiaries on the complaint and grievance mechanisms and as it did not include case management updates. This modified DLR includes case management updates, and also stresses the need to improve information flow and regular reporting from county to national level through program MISs at local levels.
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<sup>41</sup> Functional Grievance and Case Management Mechanism at the national level is made up of the following: (i) the Operations Manual for each of the four programs detailing the Operations Manual for each of the four programs detailing the procedures for making, receiving, recording and responding to grievances and case management updates; (ii) the programs’ MISs have a functional module to record the grievances and case management 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, as specified in the Operations Manuals.

<sup>42</sup> The Program Operational Manuals detail the composition of the BWCs/Rights Committees and whether there is one committee per program, or one committee covering several programs.

<sup>43</sup> The system can be considered implemented when the sub-counties have the necessary equipment (i.e. computers), with the G&CM MIS modules installed and functioning, data entered, and the ability to generate reports using this data

<sup>44</sup> This description could, for example, form part of a revised Operations Manual or could be a standalone set of guidelines for county and sub-county level staff

					system to enable recording of G&CM at the county and sub-county levels through the programs MISs, and (vii) report detailing its implementation in at least 20 sub-counties.		copy of the PIBS attached.	
		Beneficiary outreach strategy for SAU programs implemented in at least 20 sub-counties and beneficiary awareness improved across NSNP	This set of DLRs assesses efforts to improve beneficiary awareness of key program parameters including awareness of the transfer amount and how to communicate with the program regarding grievances and updates.  DLR 6b (i) assesses the development and adoption of a beneficiary outreach strategy for the SAU programs. This DLR will be deemed to have been	No	Copy of the beneficiary outreach strategy in form and substance acceptable to the World Bank	SPS	The SAU will prepare the beneficiary outreach strategy. The SPS will submit it to the World Bank.	This new indicator focuses on the beneficiary outreach strategy to improve awareness, and measures beneficiary awareness in at least 3 out of 4 programs above agreed cut-off levels for grievance mechanisms and

<sup>45</sup> The survey will comprise of both a beneficiary survey and a process component focused on program implementation which will involve key informant interviews.

			met when a beneficiary outreach strategy for the SAU programs has been developed detailing, at a minimum: (i) the outreach strategies to be used; (ii) the key communication messages; and (iii) a three year implementation schedule.						awareness of program transfer values.
			DLR 6b (ii) assesses the implementation of the beneficiary outreach strategy. This will be deemed to have been met when an agreed sub-set of activities from the implementation plan of the beneficiary outreach strategy has been implemented in at least 20 sub-counties.	No	A report detailing implementation of the beneficiary outreach strategy in at least 20 sub-counties	SPS	The SAU will prepare a report detailing implementation in at least 20 sub-counties. The SPS will submit this report to the World Bank.		
			DLR 6b (iii) assesses resulting improvements in beneficiary awareness. This DLR will be deemed to have been met when beneficiary awareness of the amount of the transfer and grievance and case management procedures are above the agreed cut-offs for at least three of the four programs, with proxies for awareness and cut-offs defined as follows: (1) 60 percent of beneficiaries or primary caregivers in the PIBS	Yes. Half of the DLR can be disbursed if 60 percent of beneficiaries or any member of the beneficiaries' household present during the PIBS survey are aware of the correct amount of the transfer for the program in which they are enrolled.	The PIBS	SPS	The SAU will coordinate the PIBS undertaken by an external firm. The sampling for the PIBS will be as defined in the survey ToR and subsequent modifications. The survey will include questions assessing beneficiary awareness of core program		

			sampled locations are aware of the correct amount of the transfer for the program in which they are enrolled; (2) 30 percent of beneficiary households in the sampled locations have a member present during the survey who can name two means of contacting the program for the purposes of submitting a grievance or updating their information.	Another half of the DLR can be disbursed if 30 percent of beneficiary households in the sampled locations have a member present during the survey who can name two means of contacting the program for the purposes of submitting a grievance or updating their information.			parameters, including amount of the transfer, and how to communicate with the program for the purposes of submitting a grievance or updating their information. The SPS will submit a letter confirming achievement of the DLR, with copy of the PIBS attached, to the World Bank.	
10	NSNP beneficiaries' access to complementary social and productive services is promoted	Complementary Services module in the SR is ready and formal data sharing protocols are available for the use of potential partners	The SPS will coordinate the development of a module in the SR to analyse the characteristics of the NSNP beneficiaries who may be eligible for complementary services provided by other service providers. This module will complement the ongoing efforts by the Government to map complementary services relevant for beneficiaries in the SR, and will build the foundation for wider use of SR data as a common platform for poverty and vulnerability based social protection programs in the	No	SR module assessment, and a letter signed by PS MEACL& SP adopting the data sharing protocol, with the protocol attached.	Independent consultant	The SPS will develop the SR module assessment and data sharing protocols.	The Government is keen to move beyond cash transfer programs to more comprehensive social protection programs. The Government has already started mapping of the relevant complementary services. This new DLI would complement this effort and support the Government in their efforts to develop a more

			country. The development of the module will be sub-contracted to an independent agency. Protocols for sharing the data on beneficiaries for the use by other service providers as potential partners will also be finalized.					comprehensive social protection program.
		Agreements signed with at least two partners providing relevant complementary services to NSNP beneficiary households	This DLR will formalize partnerships through signing of new agreements with at least two partners providing relevant complementary services to relevant members of NSNP beneficiary households. Specific actions and number of beneficiary NSNP households to be included under the agreements will be based on identified complementary services, existing capacities, and conditions on the ground, and will be detailed in the agreements.	No	At least two new agreements signed with two partners providing relevant complementary services.	Independent Verification Agency	The SPS will enter into formal agreements with at least two partners providing relevant complementary services. These will be verified by an independent verification agency, engaged by the Government or one of its partners. Once verified, the SPS will submit to the World Bank the module assessment, along with the signed letter by the PS MEACL&SP adopting the data sharing protocol, with the protocol	

							attached, as well as the two new signed agreements.	
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11	Fiduciary systems for NSNP have been strengthened	Implementation of agreed critical FM actions	<p>The MEACL&amp;SP will develop a comprehensive time-bound FM action plan to systematically address the fiduciary risks to the program, which has been included in the PAP. The FM action plan will include concrete measures with clear deadlines, and the achievement of the DLR will be measured against critical agreed FM actions related, but not limited to, four areas, which are: (i) improved reconciliation process of the payroll; (ii) strengthened payroll verification and approval workflows; (iii) better segregation of duties; and (iv) compliance of programs MISs with OMs. A priority sub-set of the critical FM actions will be mutually agreed between the World Bank and Government for the purpose of this DLI.<sup>46</sup> The three DLRs will be deemed to have been met once the MEACL&amp;SP implements 30, 70, and 100 percent of the agreed critical FM actions, cumulatively.</p>	<p>DLI 11a is not scalable. Once DLI 11a has been achieved DLR 11b is scalable and US\$90,000 will be disbursed for each percentage point above 30 percent of the agreed critical FM actions implemented, up to a maximum of US\$3,600,000. DLR 11c is scalable and US\$90,000 will be disbursed for each percentage point above 70 percent achieved of the agreed critical FM actions implemented, up to a maximum of US\$2,700,000. Funds can only be claimed for actions that have been fully completed.</p>	<p>Three separate reports, prepared by an independent consultant, detailing the ways in which 30, 70 and 100 percent of the agreed critical FM actions, cumulatively, have been achieved.</p>	SPS	<p>The SAU will prepare three separate reports detailing how 30, 70 and 100 percent of the agreed critical FM actions, cumulatively, have been implemented. SPS will submit each of the three reports to the World Bank.</p>	<p>The fiduciary risk rating for the Program remains High, and a number of audits have consistently highlighted systemic weaknesses and provided recommendations to address them. This DLI will support the Government to strengthen the fiduciary systems for the Program.</p>
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<sup>46</sup> It is expected that the total number the priority sub-set of the critical FM actions will not exceed 10.

### ANNEX 3: INTEGRATED RISK ASSESSMENT

<b>Systematic Operations Risk-Rating Tool (SORT)</b>			
<b>Risk Category</b>	<b>Original Rating* (H, S, M, L)</b>	<b>Revised Rating (H, S, M, L)</b>	<b>Rationale for Change</b>
1. Political and Governance*	H	H	—
2. Macroeconomic	—	M	—
3. Sector Strategies and Policies	H	S	Social Protection Policy has been developed, providing a vision and strategy for the sector. Steps are also under way to draft a new Social Assistance Bill to provide a framework for cash transfer programs.
4. Technical Design of Project or Program	M	M	—
5. Institutional Capacity for Implementation and Sustainability	—	S	The implementation capacity in the NEDI counties is lower than other parts of the country. A rapid assessment will guide how to mitigate against this risk. Creation of SAU and new implementing arrangement also constitute a risk of disruption in implementation and lack of accountability of field officers.
6. Fiduciary	S	H	The fiduciary risk has been increased to High due to the reoccurrence of similar weaknesses in a number of different audits and the need to systematically address these risks in the Program.
7. Environment and Social	M	M	—
8. Stakeholders	S	L	The Government has shown strong commitment to the NSNP, including significant expansion and restructuring of the MEACL&SP to consolidate three of the four cash transfer programs and enhance coordination and efficiency.
9. Lack of ID cards in NEDI counties	—	S	This challenge is particularly large in the NEDI counties and this poses a risk to the Program since a national ID card is required to enable payments to be made to beneficiaries or caregivers of the NSNP.
<b>OVERALL</b>	<b>H</b>	<b>S</b>	The overall risk of the AF is considered to be Substantial. It is supporting an existing functioning and well-performing program.

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

\* Political and Governance, Macroeconomic, and Institutional Capacity were not included in the risk rating for the original project. Instead Country (H) and DLI (M) risks were included. In this table, the original ‘Country’ risk rating (H) has been inserted under Political and Governance.

## ANNEX 4: TECHNICAL ASSESSMENT - ADDENDUM

### Introduction

1. **As part of the preparation of the original NSNP, a comprehensive TA was completed in 2013.** Since this AF is only supporting the expansion of the coverage of the existing Program in 10 of the 47 counties where the Program is already operating, the main parts of the original TA remain valid. The NSNP, including the AF, seeks to improve the welfare of and increase resilience among specific vulnerable groups to reduce poverty and vulnerability in Kenya by creating a framework around which the four main cash transfer programs in the country can be better coordinated and harmonized. These four cash transfer programs are as follows: CT-OVC; OPCT; PWSD-CT; and HSNP.<sup>47</sup> The first three programs are currently being managed by the MEACL&SP, while the last is managed by the NDMA in the MDP. This addendum (a) summarizes key results achieved since 2013 that are relevant for the assessment of technical soundness; (b) provides additional relevant information related to the AF; and (c) provides an analysis of how the AF remains relevant to the original TA.

### Strategic Relevance

2. **The NSNP clearly remains a key priority for the Government.** Cash transfer programs continue to serve as an appropriate instrument to target direct support to the poor and vulnerable, thereby contributing to the goal of reducing poverty and inequality in the country. The recent PIBS<sup>48</sup> found that 94 percent of the beneficiaries reported positive results on household consumption, and 88 percent agreed that the cash transfer programs have led to positive impact on health. Recognizing these positive impacts, the Government is demonstrating strong commitment to the NSNP, as evidenced by an increased investment in the sector. First, it has expanded the NSNP beyond the originally envisioned targets (see paragraph 5 of this annex). Second, to improve coordination and harmonization for more effective delivery of services, the Government has adopted a consolidation strategy and created the SAU under the MEACL&SP with the mandate of implementation of the CT-OVC, OPCT, and PWSD-CT programs supported through the NSNP (see paragraph 22 for more details). Lastly, a harmonized targeting tool has been developed, which will be applied to all four cash transfer programs to further strengthen their targeting efficiency (see paragraph 8).

### Technical Soundness

3. **The Program continues to be technically sound.** A number of important results have been achieved in areas highlighted in the original TA (2013). The following section summarizes key achievements relevant for the technical soundness of the Program, a few challenges that still exist, and how they relate to the AF.

#### *Program Boundaries, Scope, and Target Group*

4. **The overall objective and boundaries of the Program remain the same as the AF intensifies coverage in a specific geographic area, where the Program is already operational.** The existing Program currently covers all 47 counties in the country and the AF will support an increased coverage in 10 of these counties located in the North and North Eastern region of Kenya. The rationale to expand in these specific counties is underpinned by the need to fast-track development in the region that is experiencing high levels of poverty and development deficit. The exact locations where the AF will

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<sup>47</sup> The fifth cash transfer program - the Urban Food Subsidy Cash Transfer (UFS-CT), which was part of the original NSNP design in 2013 was discontinued in 2014, and therefore no longer forms part of the NSNP.

<sup>48</sup> Phase I of the PIBS was carried out between April and September 2015.

increase coverage within these 10 counties will be spelled out in a modified NSNP expansion plan to be informed by poverty criteria.

5. **The scope of the Program has expanded since 2013 with enhanced Government ownership and commitment.** It was expected in 2013 that by the end of its first phase (2013–2017), the NSNP will provide support to about 530,000 households, reaching a total population of close to 3 million individuals, constituting approximately 15 percent of the absolute poor. As of now, the NSNP coverage has increased to about 765,000 households, reaching over 4 million people, an increase of almost 43 percent of the expected coverage of households, or about 35 percent increase in coverage of individuals.<sup>49</sup> The proportion of program beneficiaries financed by the Government has also increased considerably, with Government financing representing 86 percent in 2016 (compared to 38 percent in 2013).<sup>50</sup> Despite these efforts, a large number of eligible poor households however remain uncovered, particularly in the North and Northeastern region where poverty levels are highest in the country. The AF will contribute to this objective. As the Government gradually increases the financing for the NSNP, it will be particularly important to also pay attention to a gradual takeover of the implementation of the HSNP to ensure sustainability of its implementation.

### ***Targeting, Change Management, and Recertification***

6. **To ensure that the expansion of cash transfer programs is guided by need and follows a coherent approach, the Government developed and adopted an NSNP Expansion Plan** in October 2014 (with further revisions in October 2015). The NSNP Expansion Plan, supported by the original Program, outlines how each of the cash transfer programs will be expanded between FY14/15 and FY16/17. This was based on ranking locations according to the poverty level and estimating the total number of potentially eligible households under each program in each part of the country.<sup>51</sup> The pace of expansion was determined by the budget allocated to the NSNP each year.

7. **The targeting conformity of the NSNP is relatively higher than the original estimates.** However, as evident from the PIBS baseline (2016), there is still a need to continue efforts to further improve the Program targeting. The PIBS indicates that 76.5 percent of beneficiaries conform to the respective program poverty targeting criteria (proxy means test [PMT]/poverty score) and 75.2 percent of beneficiaries conform to the program categorical targeting criteria (although the categorical conformity is low mainly due to a categorical requirement that the per household equivalence must be less than Ksh 2,000 for urban households and less than Ksh 1,500 for rural households for the OPCT and PWSD-CT).<sup>52</sup>

8. **To further improve targeting of the NSNP, the Government has developed a harmonized targeting tool, which will be used for expansion of the coverage and recertification under the AF.**<sup>53</sup> The harmonized targeting tool, which is currently being piloted, is using a PMT formula that was

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<sup>49</sup> These calculations are based on the same average number of households used for the original TA: 5.56 people per household.

<sup>50</sup> Note that the percent of total program expenditures paid for by Government is less than 86 percent. Data is from a report on evidence of achievements of DLR 1.2 (January 2017).

<sup>51</sup> Using a combination of data from the 2009 Census and from the 2005/06 KIHBS.

<sup>52</sup> Although 96.9 percent of OPCT beneficiary households were found to have at least a household member aged 65 years or over, and 99.3 percent of the PWSD-CT households were found to have at least a household member who is disabled, categorical conformity for these two programs is negatively affected by the following: (a) 38.8 percent of OPCT and 25.4 percent of PWSD-CT households have a higher per household equivalence (more than Ksh 1,500 and Ksh 2,000 for rural and urban households, respectively) and 2.5 percent of OPCT and 3.5 percent of PWSD-CT beneficiaries are beneficiaries of other CT programs.

<sup>53</sup> Previously, the programs used different targeting tools and undertook targeting processes at different times without any coordination on the ground.

developed using the 2005/06 KIHBS. It will be important for the program to revise this formula once the new KIHBS data become available – expected in September 2017. For the expansion planned under the AF, the Government has agreed that the target group will no longer focus only on the categorical groups, but will also consider the poverty profile of the relevant households. This is a key decision given the higher level of poverty in the NEDI counties, and to ensure that some of the poorest households are not left out by simply applying the categorical targeting criteria.

9. **There is also a need to strengthen community awareness and a validation process to ensure effective targeting.** Recognizing the need for effective engagement with communities and beneficiaries in improving program delivery, the Government is finalizing a communications strategy to raise awareness of program objective, design, and entitlements, among others. In addition, the AF will also support the development and implementation of a beneficiary outreach strategy to build ownership and increase participation in program implementation. It is expected that these efforts will complement the harmonized targeting process by strengthening community capacity for targeting validation.

10. **Since there are no current plans for further expanding the NSNP (beyond the AF expansion), it is of great importance to put in place a system for recertification of existing NSNP beneficiaries.** To support this objective, DLI 2 in the original Program (percentage of program beneficiaries who conform to the targeting criteria for the program in which they are enrolled), which is no longer as important as recertification, is being revised to ensure that a recertification system is in place for the NSNP. The Government is already in the process of finalizing a pilot for recertification of the CT-OVC beneficiaries, using the harmonized targeting tool, and the revised DLI should help in accelerating the process for the entire Program.

11. **The Government is also making increased efforts to put in place procedures to ensure that beneficiary information is kept updated.** It is evident from previous audits that more work is needed to strengthen the MIS for the SAU-led cash transfer programs to ensure that beneficiary information is kept updated, beneficiary eligibility conditions are regularly assessed, and where needed, rules on exit from the Program are enforced. Efforts are already under way to strengthen the MIS through a technical assistance financed by the WFP and UNICEF. In addition, a modification is proposed to a DLI in the original Program (DLI 6a (ii)) to support a decentralized use of the MIS and expand its scope from complaints and grievances<sup>54</sup> to updates<sup>55</sup> as well (see paragraph 16 for further details). Notwithstanding these procedural and systematic improvements, double-dipping by households that are benefitting from multiple programs is expected to remain a challenge. While it could be partly addressed through an enhanced MIS, a policy decision is nonetheless needed on how to handle cases where households are receiving multiple benefits from various programs due to diverse eligibility criteria.

### ***MIS and Single Registry (SR)***

12. **The Government has developed an SR of beneficiaries and is embarking upon an effort to link the SR with other complementary services.** As noted in the TA in 2013, over the years, the NSNP has successfully supported the development of MISs for all four cash transfer programs, as well as an SR. This SR is fully operational with links to the Integrated Population Registration Service (IPRS) and individual program MISs, using agreed standards for internal payroll controls (DLI 3). As part of the consolidation of the SAU programs, efforts are now under way to develop a strategy to merge the SAU programs MISs. Attention is also being given to creating linkages with the SR to other existing databases,

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<sup>54</sup> A grievance could be regarding eligibility, quality of service by the program and/or its partners such as payment providers, issues related to payment amount, and so on.

<sup>55</sup> An update could be, for example, reporting a life event (birth, marriage, or death) and change of address.

as relevant, and to promote NSNP beneficiaries' access to complementary social and productive services through the new DLI 10 introduced under the AF (see paragraph 18 for further details).

### *Payments*

13. **Improvements have been made to the payment system, but challenges still remain and there is a need to improve timeliness of payments.** Despite considerable efforts by the Government to streamline the payment process, the Program has not managed to successfully transfer payments on time, particularly for the SAU programs. The inability to make regular and predictable payments to beneficiary households compromises the welfare objectives of the Program. The AF will therefore continue to assist the Government in its efforts to transfer payments on time. The modified Program Action Plan (annex 7) includes an action to encourage collaboration between the NT and MEACL&SP to find a solution to allow for timely flow of funds. The same action also includes monitoring of timeliness of payments throughout the life of the Program. DLI 5 also continues to measure the percentage of payments disbursed to Payment Service Providers (PSPs) on time. However, a minor modification is being made to the result (DLR 5) whereby the original target of 65 percent of payments provided to the PSPs is being increased to 75 percent,<sup>56</sup> with a new baseline of 12 percent. It is expected that these measures will allow the Government to address the procedural and operational loopholes in addressing this important area of the Program.

14. **Going forward, efforts will also be needed to develop a long-term strategy for the NSNP payment mechanism, as well as to assess adjustments to payment amounts, as needed.** The NSNP has put in place a payment system ensuring that all payments to beneficiaries are done electronically, using two-factor authentication (DLI 4). While this has reduced the financial management (FM) risk, further work is needed to develop automated links with the programs MISs and the PSPs in the medium term, including encryption and reconciliation of the payroll. This can, however, not be done until the SAU has finalized the harmonized MIS for the SAU programs, as indicated earlier (see paragraph 12). A number of challenges also remain with the PSPs, and the Government needs to strengthen PSPs contract management in the short term to ensure that they comply with the service standards spelled out in the respective contracts. In the long term, there is a need to develop a payment strategy to guide the future direction on how to move forward with PSPs, and put in place a new and comprehensive solution for payment services. The Government has already requested support from the Financial Sector Deepening Trust to develop such a strategy. Moreover, there is a need to introduce a system to regularly review and adjust transfer amounts to ensure that their value is maintained regardless of inflation. Consideration is also needed to decide whether it is possible to vary the transfer amount by the size of the beneficiary household.<sup>57</sup>

### *Accountability and Grievance Procedure*

15. **While a national-level C&G system for the NSNP is fully in place, further work is needed to make the system functional at all levels.** Complaints and appeals procedures are crucial for ensuring the transparency and accountability of cash transfer programs. The Program has been successful in

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<sup>56</sup> Since 2013, the respective share of the four cash transfer programs within the NSNP has changed, such that the percentage of payments on time has also changed. The PWSD-CT tends to be almost always on time as the cash transfers are provided out of the Government's recurrent budget, and the HSNP also tends to make payments on time. In contrast, making timely payment for the OPCT and CT-OVC is more of a challenge. Recent analysis has found that once the data on percentage of payments on time are disaggregated by the four cash transfer programs, increasing the target to 75 percent is more relevant and appropriate for the current context.

<sup>57</sup> There are several ways of doing this, including (a) full family targeting; (b) per eligible member targeting; and (c) per family member or eligible member supplement to a household level transfer. See Technical Assessment in 2013 (p. 24) for further details.

establishing a national-level mechanism (DLI 6a (i)) with adequate staff, setting forth procedures for receiving, recording, and acting on complaints. It also includes service charters to guide program engagement with beneficiaries, as well as functioning MIS modules for tracking complaints and working hotlines for receiving them. Some progress has been made in operationalizing the system further at the local level by establishing CSACs and BWCs in all counties, as well as merging HSNP RCs with BWCs in the four HSNP counties.<sup>58</sup> Nonetheless, significant challenges exist in information flow and regular C&G reporting from the county to national level, particularly for the MEACL&SP programs.

16. **The current system does not adequately reflect the high volume of information received and actions taken regarding beneficiary household updates.** Beneficiary awareness of ways to register complaints has been found to be especially low, such that only 8.8 percent of beneficiaries are aware of two means of making complaints, according to the PIBS baseline (2016). To address these issues, the AF has expanded the C&G mechanism to also include case management information, as well as support strengthening of systems to better capture complaints and updates on the ground through the decentralization of the MIS (modifying DLI 6a (ii): Complaints and Grievance mechanism functional at all levels). The revised DLI is now called G&CM system, accordingly. Efforts will also be made to improve beneficiary awareness of entitlements and make complaints and updates by promoting the development and implementation of beneficiary outreach (this replaces DLI 6.2: Percentage of program beneficiaries that can name two means of making a complaint), complementing the communication strategy that is being finalized.

### *Complementary Actions and Conditions*

17. **Lack of access to national ID cards by potential beneficiaries continues to be an impediment for households to benefit from the NSNP.** The TA in 2013 noted that having a national ID card can enable individuals to access critical social services. It is also a requirement in Kenya under the Anti-Money Laundering Act for beneficiaries to receive cash transfers from a PSP. The lack of ID cards is a particular challenge in the 10 counties where the AF intends to expand NSNP coverage, as it may exclude the most deserving people from benefiting from the Program. Currently, the Program allows alternate caregivers or any other family member with an ID to receive payments on behalf of the beneficiary. Moreover, the NDMA has had some experience in addressing this challenge through the HSNP, and has established a relationship with the NRB, including a Memorandum of Understanding on how to address this issue in the four counties where the HSNP is operating. The MEACL&SP is committed to learn lessons from the NDMA experience and commence collaboration with the NRB to (a) better understand the extent of the problem with regard to the number of people who lack ID cards in the target counties; (b) better understand the procedures and related constraints around issuing a national ID card; and (c) initiate discussions around collaboration needed to ensure a successful expansion in the 10 counties under the AF.

18. **The Government has demonstrated its commitment to move beyond cash transfer programs under the NSNP toward a more comprehensive social protection program.** The Government has recently created a TWG tasked with preparing a Comprehensive and Integrated Social Protection Program. The working group enjoys high-level political backing, as its mandate is a top priority of the Permanent Secretary (PS) as well as the Cabinet Secretary for the MEACL&SP. It consists of members from key line ministries and development partners who are responsible for conceptualizing what the Government should support moving forward. MEACL&SP is already collaborating with some service providers providing complementary services, but more needs to be done to formalize and systematize such collaboration. For example, the NHIF is already using the SR to identify beneficiaries to whom they

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<sup>58</sup> These community level structures play a key role in raising awareness of the NSNP among community members and have responsibilities to oversee, support and monitor program activities at the sub-county level including targeting and payment processes.

provide health insurance, through which a sub-set of the NSNP beneficiaries is currently receiving such support. However, there is no formal agreement or systematized collaboration between the MEACL&SP and the Ministry of Health. An improved system will consist of better coordination with existing complementary interventions such as livelihood activities, as well as creating stronger linkages among such activities to ensure that they are adequately accessible by currently eligible beneficiaries. To support Government efforts in this area, the AF has therefore introduced a new indicator on enhancing the NSNP beneficiaries' access to complementary services, focused on adding a module in the MIS for SR along with finalization of data sharing protocols to govern the use of data by relevant partners, and partnership agreements with the relevant service providers (DLI 10).

### ***Gender and Citizen Engagement***

19. **Gender considerations have been effectively incorporated into the design of the four cash transfer programs, which have been demonstrating positive impact on gender outcomes as a result.** For example, vulnerability of female-headed households is recognized in the program targeting of both the CT-OVC and HSNP, resulting in majority of the recipients being women, although women are not explicitly targeted as the main beneficiaries. This has enabled women to take more control of the household budgets and participate more in income-generating activities. The HSNP, in particular, has indicated that there may also be small spillover effects into household decision making in general. Evaluations have also found that the cash transfer programs resulted in young women being less likely to become pregnant (5 percentage points lower) and more likely to enjoy better mental health outcomes, such as lower rates of depression, greater belief in their self-agency and self-efficacy, and more positive view of the future. The NSNP collects gender-disaggregated data on key indicators, which the AF will continue. Likewise, the program MISs and the SR will continue to be utilized to collate and analyze data and facilitate monitoring and reporting.

20. **The NSNP has in place a citizen engagement mechanism through the G&CM system, and work is on-going to strengthen it further.** As previously mentioned, a fully functional G&CM mechanism has been established at the national level, and progress is being made to operationalize it at the local level also (see paragraph 15 for further details). The HSNP, in particular, has come the furthest by decentralizing the MIS related to case management, increasing access points from which beneficiaries can register updates and complaints—currently being rolled out—and establishing protocols for case resolution with the PSP to ensure timely resolution of cases. Beneficiary awareness and feedback mechanisms have also been established, and a communication campaign to inform beneficiaries of the multiple accessibility options is under preparation. Lastly, work is also under way to link the HSNP C&G mechanism with national-level C&G mechanisms through referrals.

21. **Continued support will be given through the AF to ensure that the G&CM system is fully effective at all levels** for the SAU management cash transfer programs, such that beneficiaries are able to successfully lodge complaints and/or make updates, as well as receive satisfactory action and resolution of the same (see paragraph 16 for further details). In addition, a communication strategy is being finalized to improve beneficiary understanding of the program objectives, design, and components, among others. This will be complemented by the beneficiary outreach strategy, which will be developed and implemented through the AF, to improve engagement with beneficiaries such that they are more aware of their rights and entitlements and are empowered to participate more effectively in the decision-making process of the program, as appropriate.

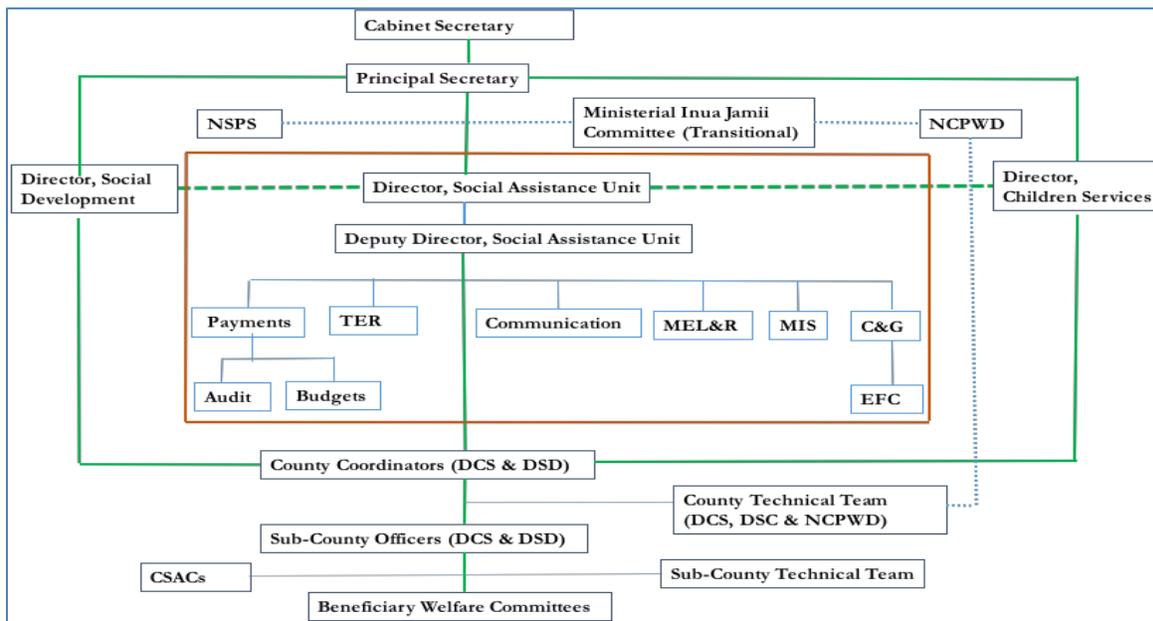
### **Institutional Arrangement**

#### ***New Institutional Architecture***

22. **The Government recently consolidated three of the four cash transfer programs under a newly established SAU, to reduce fragmentation and overlap and benefit from increased coordination and synergy.** As mentioned previously, these three cash transfer programs include the CT-OVC, OPCT, and PWSD-CT managed by the MEACL&SP with the aim of coordinating the delivery of cash transfers while increasing efficiency in the implementation of social assistance interventions within the ministry. The HSNP continues to operate under the NDMA, and the PWSD-CT continues to be implemented in collaboration with the National Council for Persons with Disabilities (NCPWD). The SAU has dedicated staff, headed by a Unit Head and Deputy Head, and operates at the same level with the Department of Children Services (DCS) and the Department of Social Development (DSD). County and sub-county officers from the DCS and DSD will continue to spearhead implementation at the local levels for the CT-OVC and OPCT and PWSD-CT, respectively. These officers will however not report directly to the SAU, but will report to their respective Directors. Implementation of the NSNP has nonetheless been included in their performance contract to ensure accountability against program implementation. The role of the SPS continues to be in policy formulation, setting standards, maintaining the SR, and performing all other roles related to the coordination of social protection activities in the country.

23. **Governance and oversight structures have also been established to support the transition process and address any challenges that may arise.** A transitional Ministerial Committee will support the transition process, and a Program Working Committee (PWC) will be formed comprising the SAU, DCS, DSD, SPS, HSNP, and development partners to review progress and address challenges. The NSNP Steering Committee, convened by the PS for social protection (MEACL&SP) and co-chaired by the PS for special programs (MDP), as a high-level forum will be retained to discuss policy issues and resolve any issues that cannot be addressed by the Ministerial Committee or the PWC. Previous specific thematic TWGs will also continue, as needed, and will be guided by the PWC. Figure 4.1 presents the new institutional structure.

**Figure 4.1. Institutional Structure for the SAU in the MEACL&SP<sup>59</sup>**



<sup>59</sup> NSPS: National Social Protection Secretariat; NCPWD: National Council for People with Severe Disabilities; TER: Targeting, Enrollment and Recertification; MEL&R: Monitoring, Evaluation, Learning and Research; CSAC: Constituency Social Assistance Committee.

24. **The Government's capacity to implement the NSNP has been gradually built, but capacity in the 10 NEDI counties where the AF will be expanding needs further strengthening.** A rapid institutional capacity assessment was undertaken in the North and Northeastern region between November and December 2016. The report summarizing the findings of the assessment and key recommendations is currently being finalized and will be used to agree with the Government specific measures needed to enhance implementation and supervision capacity in the NEDI counties. The assessment highlights key capacity gaps and provides recommendations for how to fill those gaps in the short, medium and long term. It recognizes that the consolidation strategy will enable the program to utilize officer from both DCS and DSD for program implementation. This harmonized approach is expected to increase efficiency in deployment of resources to the counties (human resources, equipment and facilities), reporting and key project processes such as targeting and payments. The report highlights the following key challenges: (i) lack of sufficient awareness among beneficiaries; (ii) lack of sufficient staff for implementation; (iii) challenges of the physical terrain in which the officers operate; (iv) budgetary limitation in adequately equipping the respective offices for effective implementation.

25. To address the key challenges identified in the assessment the following are the key recommendations: (i) develop a beneficiary outreach strategy; (ii) review and revise as needed the terms of reference, and guidelines for community-level committees to ensure that their oversight role is in tandem with the consolidation strategy and Harmonized Targeting Methodology; (iii) deploy technical officers to those counties in the NEDI that have insufficient staffing;<sup>60</sup> (iv) replace NSNP officers that formed part of the 210 officers recruited last year to support NSNP implementation in stations where they either did not report or have since left;<sup>61</sup> (v) ensure minimum required vehicles for program implementation; and (vi) ensure adequate budget allocation for program implementation. Finalization of an implementation plan, including actions and resources necessary to implement these recommendations has been included in the modified PAP (see annex 6). Based on these recommendations, an Implementation Support Plan will be developed which will focus on addressing implementation capacity gaps in the overall program nationwide, with specific focus on capacity in the NEDI counties. Continued support for additional technical assistance needed will also be provided through the existing World Bank-managed trust fund (both through a recipient-executed).

### ***Management of EFC***

26. **The Government recognizes that it is critical to put in place systems, processes, and procedures to detect, deter, and prevent EFC.** There is a need to build systems to prevent, detect, and deter EFC in the NSNP to ensure that funds are used for the purposes intended to maintain the integrity of the program. Recognizing the need to better understand measures to mitigate EFC risks, the ministry has drawn on acknowledged international EFC expertise to learn how EFC is controlled in other countries, including where social protection programs and EFC controls are at differing levels of development and maturity. An assessment of the controls for tackling EFC in the NSNP was prepared, focusing on analyzing existing EFC controls against the international best practice and recommending ways to strengthen capacity and improve controls in Kenya over time. Based on the assessment, a draft EFC framework has been prepared. The finalization of the EFC framework and accompanying action plan was delayed due to a number of reasons, including the restructuring of the implementation arrangements for

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<sup>60</sup> The respective departments should ensure that all sub-counties in the NEDI counties have at least one technical officer, an NSNP recruit, and adequate clerical support.

<sup>61</sup> It is important to ensure that the replacements have ICT skills, knowledge and interest in working in the NEDI counties to increase the chances of containing them in the program. Several earlier recruits left the program since they had found another job or due to the challenging NEDI environment.

the NSNP. Going forward, it will be important that the framework and action plan are finalized (and aligned with the FM action plan) and that implementation of the same commences.

## Budget Process and Expenditure Framework

### *Program Financial Sustainability*

27. **Even with the expanded coverage as a result of the AF, the Program is still considered affordable.** In 2013, the total budget allocated to the NSNP was Ksh 8 billion, reaching an estimated 1.6 million people (almost 280,000 households). Since then, the Program has expanded to a total budget of about Ksh 23.5 billion (of which Government budget is Ksh 21.4 billion),<sup>62</sup> paying an estimated 4 million people (over 760,000<sup>63</sup> households). This represents an expansion of almost 43 percent in terms of coverage of households, or about 35 percent increase in terms of coverage of individuals, compared to what was envisioned in 2013 and included in the original TA, where the Government was expected to reach close to 3 million people (534,000 households) in 2016/17.<sup>64</sup> Through the AF, the Program will expand with another 70,000 households in the target counties over a period of three years.<sup>65</sup> At the end of this expansion, the program will cost about Ksh 26 billion (of which Government will fund Ksh 25 billion, assuming that no other expansion takes place), but still only represents 0.32 percent of GDP (see table 4.1). It is therefore important to ensure that financial allocations to the NSNP as per the program Medium Term Expenditure and Financial Framework (MTEFF) are included in the sectoral Medium Term Expenditure Framework (MTEF) and annual budgets, such that adequate resources required for the expansion through the AF is assured.

**Table 4.1. Affordability of Government Financing of the NSNP (Ksh, millions)**

	<b>FY16/17</b>	<b>FY17/18</b>	<b>FY18/19</b>	<b>FY19/20</b>
GoK financing	21,428.35	21,956.50	23,944.98	24,946.67
DP financing <sup>66</sup>	2,080.00	2,050.00	1,565.22	1,130.43
Total financing	23,508.35	24,006.50	25,510.20	26,077.10
GoK financing as % of GDP				0.31%
Total Financing as % of GDP				0.32%

*Source:* Estimates based on the Social Protection, Culture, and Recreation Sector Report (2016), and proposed AF expansion.

### *Funding predictability*

28. **Program budgets as presented in printed estimates are sufficient for expenditure needs but bottlenecks in the flow of funds can lead to delays in transfers.** The annual printed estimates,

<sup>62</sup> GoK Social Protection, Culture, and Recreation Report (2016) and further analysis. Actual Government financing has typically fallen short of budget figures as stated in the annual printed estimates but remain above program projections.

<sup>63</sup> Households enrolled exceed 850,000, but not all enrolled households are included in the payroll because of delays in issuing bank cards and due to pre-payroll checks.

<sup>64</sup> Kenya National Safety Net Program for Results Technical Assessment (2013).

<sup>65</sup> It should be noted that the expansion under the AF through DLI 1 will include (a) new households targeted according to the modified NSNP expansion plan in the NEDI counties and (b) any increase in the number of HSNP beneficiary households financed by the GoK (beyond the current confirmed commitment of 54,000).

<sup>66</sup> Note that this is considered as parallel financing to the Program, as it does not utilize World Bank systems and the achievement of DLIs under the AF is not dependent on this funding.

including estimates for Government financing, are sufficient to meet program needs. Actual disbursements have historically fallen short of the budgeted amounts, but this, in part, reflects the fact that expenditure is less than budgeted (see table 4.2 below). Although budgeted amounts and Government financing have been adequate to date, disbursements of funds from NT throughout the year have not always met the cash flow needs of the four programs. Delays are particularly serious in the first disbursement of each new financial year. However, delays can also happen in any payment cycle because of delays in submitting funding requests from MEACL&SP or delays in responding to these requests by the NT.

**Table 4.2 Expenditure Review of NSNP (Ksh Million)**

Program	FY 2013/14		FY 2014/15		FY 2015/16	
	Approved estimates	Expenditure	Approved estimates	Expenditure	Approved estimates	Expenditure
CT-OVC	6,736	4,043	7,756	5,592	9,003	5,835
OPCT	2,857	2,560	5,931	3,233	7,785	4,302
PWSD-CT	770	352	770	715	1,120	1,676
UFS-CT	289	372	-	-	-	-
HSNP	2,164	1,216	4,262	4,077	5,492	5,455
SPS	19	15	578	329	849	176
TOTAL	12,835	8,558	19,297	13,946	24,249	17,444

### **Economic Justification**

29. **The Program’s economic impact will be further enhanced as the AF expands NSNP coverage.** To date, cash transfers have had a proven record of reducing poverty internationally and in Kenya. Previous evaluations have found that participation in cash transfer programs have led to a 13 percent reduction in the share of CT-OVC households living on less than US\$1 a day, and a 10 percent reduction in extremely poor households (those in the lowest national consumption decile) under the HSNP. Moreover, by increasing the coverage of the Program in under-served areas of the country, the AF is expected to result in a 7 percent increase in coverage nationally and 25 percent in the North and Northeastern counties, thereby enhancing further the Program’s economic impact.

30. **Significant development benefits are likely to accrue to the beneficiaries that will be targeted under the AF expansion,** similar to the original program. Various studies have shown that cash transfers have resulted in a broad range of positive development impacts on beneficiary households, including increased food consumption and dietary diversity, advanced school attendance and use of health care, and improved psycho-social outcomes. For example, the PIBS baseline (2016) found that almost 95 percent of the beneficiaries reported positive impacts on both household consumption and dietary diversity. The percentage of beneficiaries reporting positive impact on school attendance and performance was 85.7 percent and household health outcomes was 88.2 percent. Adolescents benefiting under the program also demonstrated safer sexual and social behavior, such that they were found to be less likely to have unprotected sex and multiple partners, and young women were 5 percentage point less likely to become pregnant compared to their counterparts not enrolled in the program.

31. **Participation in the NSNP under the AF is expected to lead to strengthened engagement in income generating activities by beneficiaries, as well as positive externalities on local economies.** Participation in the NSNP was found to have resulted in greater involvement in economic activities by beneficiaries. These were more pronounced for female headed households, as receiving transfers was

associated with an increase in female participation in household-run, non-farm business enterprises, as well as engagement in casual and non-agricultural wage labor activities. For HSNP female beneficiaries specifically, cash transfers enabled them to take more control of the household budget and increase savings and uptake of credit. A CT-OVC evaluation also found income multipliers in the West and the East regions, in which every Ksh transferred to poor households raised local income by Ksh 1.81 in the East region and Ksh 1.34 in the West region. It is therefore expected that a cash injection focused on targeting poor households in a high poverty region with low access to finance will have similar impacts in increasing uptake of credit and savings, as well as improve local income through greater economic activities.

## **Results Framework (RF)**

32. **The NSNP RF will remain largely unchanged for the AF, although some indicators and targets will be updated to reflect modified and new DLIs/DLRs, as well as the new closing date.** The NSNP Results Framework links inputs, activities, outputs, outcomes, and impact and specifies indicators, baselines and targets, frequency, means of verification (data sources), and responsibility. Indicators continue to be largely Specific, Measurable, Attainable, Relevant, and Timely (SMART), and procedures for routine monitoring will be as already established under the NSNP. The revised Results Framework is in annex 1.

33. **Capacity for regular monitoring of the NSNP indicators under the Results Framework has been growing but requires further strengthening.** Considerable work has been undertaken by the NSNP to build capacity in the programs related to Monitoring and Evaluation (M&E), but the Program is still experiencing challenges in producing regular M&E reports. This is expected to improve going forward as the SAU now has dedicated M&E officers. Monitoring of Results Framework indicators are on-going. In addition, monitoring of safeguards measures to protect Vulnerable and Marginalized Groups (VMGs) is being reviewed such that relevant indicators can be integrated within the wider M&E framework and M&E annual report. It should also be noted that there are two ongoing impact evaluations (one for the CT-OVC and one for the HSNP) which are both expected to provide further evidence of the program impact, but capacity has been constrained particularly to oversee and manage the CT-OVC impact evaluation. Several trainings have been held for program staff and managers on M&E activities to raise awareness of the importance of M&E and how to best utilize M&E information in program design and operations. An M&E learning workshop is now being planned to train other SAU officers and a subset of field officers on issues related to the M&E framework and indicators, DLIs, and ongoing external M&E activities.

## **Technical Risk Rating**

34. **The technical risk rating for the AF is considered Low as it will be building on systems and procedures already established and functioning under the NSNP.** The technical risk for the AF is considered to be Low as it builds on the design of the original NSNP, which has progressively put in place systems and procedures to strengthen program delivery, including cash transfer mechanism, EFC, G&CM, MIS, and so on. The following table provides further details on possible risks and mitigation measures.

**Table 4.2: Program Risks and Mitigation Measures**

<b>Program Risks</b>	<b>Mitigation Measures</b>
<p>The upcoming 2017 elections may lead to a politicization of the Program as candidates vie to gain popular support by catering to specific constituents through the cash transfers. It could also lead to slower pace of implementation due to potential shifting in priorities within the Government, reshuffling of staff, and so on.</p>	<p>The AF does not plan large-scale expansion before elections. Rather, a clear modified NSNP Expansion Plan will be developed, which will guide the moderate expansion in only 10 of the 47 counties, informed through poverty targeting. Moreover, management of the MEACL&amp;SP and the NT are also committed as it is financed through the PforR instrument.</p>
<p>A significant number of people in the North and Northeastern counties do not have a national ID card, which is a prerequisite for beneficiaries to set up bank accounts and receive cash transfers. As such, a lack of access to ID cards could impede large segments of otherwise eligible poor households from benefiting from the Program.</p>	<p>The Program currently allows alternate caregivers, which could be any member of the family or another person close to the beneficiary, who has an ID to receive payments on behalf of the beneficiary. Moreover, the NDMA has several years of experience trying to deal with this challenge through the HSNP, and has established a relationship with the NRB, including a Memorandum of Understanding, on how to address this issue in the four counties where HSNP is operating. The AF will support the MEACL&amp;SP to incorporate lessons from the NDMA experience and commence collaboration with the NRB (see paragraph 17 in this annex)</p>
<p>While some degree of error, fraud, and corruption is expected, capacity weakness in collecting, recording, and updating of beneficiary data could lead to challenges in Program management and beneficiary tracking, as well as lead to allegations of discrimination, corruption, and biased behaviour.</p>	<p>A number of initiatives are ongoing that will help strengthen the system against EFC. For one, a draft EFC framework and accompanying work plan has been developed. The NSNP AF will provide support to finalize and implement the framework, which will provide a systematic and consistent way to address EFC. Second, a harmonized targeting methodology is being piloted to ensure that all programs apply poverty criteria in the same manner, ensuring less opportunities for error, as well as fragmentation in the way in which beneficiaries are selected. Third, investments are ongoing in programs MISs and the SR to update beneficiary information to improve payroll controls and identify double dipping. Lastly, the AF will support the decentralization of the MIS not only to strengthen case updates in the system but also to address grievances and case updates more effectively.</p>
<p>The North and Northeastern counties face unique operational challenges, including inadequate human resources and limited mobility due to lack of physical assets (that is, vehicles) and remoteness of vast areas, among others.</p>	<p>The World Bank has undertaken a rapid institutional capacity assessment in the AF target counties to assess current capacities, identify gaps and areas for improvement, as well as identify the minimum investments required to ensure a successful expansion of the NSNP in the proposed 10 counties. The findings and recommendations will be used to inform the design and implementation process.</p>
<p>The North and Northeastern counties are characterized by high levels of poverty and low levels of development indicators, leading to low community capacity for engaging in their own development processes. This is especially relevant for the targeting exercise, which is strongly community based. In addition, a large segment of the population is nomadic pastoralists who will be difficult to</p>	<p>To empower communities and engage beneficiaries more strongly in the Program, one of the results of the AF will focus on the development and effective implementation of a beneficiary outreach strategy. This will be complemented by the overall communication strategy that has been developed to raise awareness of the program by the beneficiaries.</p>

reach and monitor.	
<p>The SAU does not have direct implementation control at the local levels as they lack the necessary officers on the ground. Rather, the Children Officers and Social Development Officers from the DCS and DSD continue to implement the program at the county and sub-county levels, without reporting back to the SAU. This may lead to lack of accountability by the local level officers to the SAU.</p>	<p>MEACL&amp;SP is aware of this challenge and is addressing it by including the NSNP implementation in the performance contracts of the Directors of DCS and DSD, as well all the field level staff.</p>

## ANNEX 5: FIDUCIARY SYSTEMS ASSESSMENT - ADDENDUM

### Background

1. The World Bank conducted an integrated fiduciary assessment of the existing arrangements of the NSNP for purposes of the AF of US\$50 million. The program is implemented by the MEACL&SP. This assessment was conducted on the basis of the Guidance Notes on PforR Operations prepared by the Operations Policy and Country Services Department of the World Bank. The assessment reviewed the fiduciary aspects of the MEACL&SP in a manner consistent with the World Bank Policy and World Bank Directive on Program-for-Results Financing. The assessment revealed that the MEACL&SP has adequate fiduciary capacity to manage the minimum requirements for the AF. For instance, the capacity, budgeting and planning, funds flows and treasury, accounting and financial reporting, internal controls and internal audit, and external audit are deemed to be adequate for the minimum requirements. However, as the cash transfers require strong controls to prevent, detect and deter inherent systemic financial risks, the overall risk rating is High (see table 5.1). The Program will assist the Government to formulate the financial management procedures, and invest in the capacity of the MEACL&SP IAD for carrying out periodic internal audit for the management to enforce corrective actions (see the PAP in annex 7). The program accounting system is managed by the Ministry Head of the Accounting Unit/ Principal Accounts Controller (PAC), who is a qualified certified public accountant, and is supported by a program accountant. The Program FY16 audit report was received by the World Bank after the stipulated 6 months' submission deadline and was qualified. However, the MEACL&SP is in the process of addressing the audit report qualification issues. To minimize the fiduciary risks of the program, the AF will support the preparation and implementation of a time-bound FM action plan. The preparation of the plan and the regular monitoring of this action plan has also been included as a new action in the PAP (annex 7). The FM action plan will include, but not be limited to: (i) improved reconciliation process of the payroll; (ii) strengthened payroll verification and approval workflows; (iii) better segregation of duties; and (iv) compliance of programs MISs with Operational Manuals.

2. Procurement of goods and services under the AF is considered to be minimal given that it is a cash transfer program. Any necessary procurement will be carried out in accordance with the provisions of the Public Procurement and Asset Disposal Act of 2015 and the associated regulations that are under preparation. The law came into effect in January 2016 with a transitional provision for using the existing regulations for one year within which the new regulations should be enacted. The new procurement law vests the function of policy formulation with the NT and that of regulation and oversight with the Public Procurement Regulatory Authority (PPRA). The law also provides additional methods and flexibility in the procurement of goods, works, and non-consulting services and selection of consultant services. The MEACL&SP has established the relevant administrative structures and the procedures for undertaking procurement in accordance with the law and has set up appropriate mechanisms for handling procurement-related complaints. The new changes will increase efficiency and transparency in the procurement process and will bring about accountability in decision-making processes, which is a positive development in the implementation of the program.

3. The assessment of the existing procurement arrangements reveals that the MEACL&SP has (a) staff capacity with the requisite qualifications and experience to manage the AF; (b) made significant improvements in the preparation and consolidation of procurement plans consistent with the budget; and (c) made significant steps toward setting up a structured records filing and management system. There is however need to fast-track training of procurement staff on the new law and regulations, as this is likely to affect the implementation of the program going forward. The actions highlighted in the original IFAR

related to procurement will continue to be monitored and two new actions have been included (see Table 5.2 below).

4. In view of the inherent fiduciary risks of cash transfer programs, the combined overall fiduciary risk for the program has been assessed as High. The MEACL&SP has shown strong leadership in addressing these risks and is committed to develop a comprehensive FM action plan that will be monitored by the World Bank as part of the Program implementation support (and the new DLI 11). The conclusion of the assessment is that the fiduciary arrangements are adequate to support the AF.

**Table 5.1. FM Risk Rating**

Type of Risk	Initial Rating	Brief Explanation	Risk Mitigation Measures Incorporated in Existing Project Implementation	Residual Risk Rating
<b>Inherent Risk</b>				
Country level	S	Takes into account overall history of the country governance environment, corruption concerns, weak public financial management law, and a weak judiciary	A more robust public financial management law has been enacted, ongoing public financial management reforms including the relaunch of the Integrated Financial Management Information System (IFMIS), introduction of electronic funds transfer payments through G-Pay and T24	S
Entity level	H	The implementing agencies have adequate capacity but unresolved systemic weaknesses and governance and accountability issues have been noted.	Ministry to address these weaknesses as spelled out in the PAP agreed with the Government	H
Project level	H	Program design involves numerous decentralized payment of grants to beneficiaries at the community level through PSPs. Weaknesses noted with regard to enrolment and payment of beneficiaries through PSPs.	Program has partly addressed this through two-factor authentication of payments to beneficiaries and the SR linked to the IPRS	H
<b>OVERALL</b>	<b>H</b>			<b>H</b>
<b>Control Risk</b>				
Budgeting	M	Budgeting for the Program is fully mainstreamed into country systems.	—	M
Accounting	H	The NSNP supported by the PAC and program accountant. However, challenges remain in records management, getting documents from some PSPs, and reconciliation of cash transfers	Enhancing the MIS in the medium term through establishing automatic links between the MIS and the PSPs to enable automatic reconciliation reports	S
Internal controls and oversight	H	Significant weaknesses noted from general payroll ICT audit with potential risk of double/irregular registration and payment of beneficiaries. Weaknesses noted in some oversight bodies.	The FM action plan will include actions to address these weaknesses	H

Type of Risk	Initial Rating	Brief Explanation	Risk Mitigation Measures Incorporated in Existing Project Implementation	Residual Risk Rating
Funds flow	H	Significant delays in release of funds from the NT resulting in delayed payment to beneficiaries	The ministry is discussing how to address fund flow delays with the NT.	H
Auditing	S	Qualified audit opinion	Audit queries being addressed	S

Note: L=Low; M = Moderate; S= Substantial; H = High.

**Table 5.2. New Procurement Recommendations**

Issue	Recommendation
Possible delays in procurement of necessary technical assistance that could potentially delay achievement of results. These include (a) firm to conduct the Program Implementation and Beneficiary Satisfaction Survey; (b) firm to undertake the CT-OVC impact evaluation; (c) amendment to Equity Bank contract (d) firm to undertake Operations Monitoring; (e) consultant to promote awareness of the cash transfer programs; (f) consultant to develop the beneficiary outreach strategy.	The team should first carefully consider procurement activities for each DLI that will be necessary to achieve the result. It should then prioritize the activities deemed to be time sensitive and urgent.
Enactment of Public Procurement and Asset Disposal Act (2015), as well as the regulations for the same	Delays are expected while new systems are put in place and relevant officials are trained. The World Bank has supported the NT in the preparation of the regulations and dissemination and development of related training modules. Trainings are ongoing and the World Bank will explore ways in which the NSNP team can participate in future.

## ANNEX 6: UPDATE ON IMPLEMENTATION OF ESSA

1. A social safeguards review of NSNP was carried out between April and July 2016 to identify whether the Program is implementing the recommendations from the ESSA and whether the inclusion of vulnerable and marginalized groups as per the Government's policies need further strengthening. The review was not intended to be a comprehensive evaluation, but to identify any key issues in the implementation of the ESSA action plan and provide recommendations for moving forward.

2. The program targets particularly vulnerable groups: older persons; orphans and vulnerable children; persons with severe disabilities; and those who are food insecure. In addition, the program is poverty targeted, both at geographical level through expansion of the program by locations with the highest poverty incidence and through poverty targeting at the household level, using PMT and poverty score cards, combined with a community validation process. Despite this categorical and poverty targeting, the ESSA (which was prepared during the preparation of the original Program) highlighted that certain groups, particularly minorities and hard to reach communities, who fit the eligibility criteria of the programs might still be excluded. This could occur due to the fact that they are remotely located, or otherwise hard to reach, have particular cultures which limit their participation in standard development activities, lack political representation or voice etc.

3. The review found no strong evidence that minority groups are being regularly or systematically excluded, although low coverage in remote areas continue to be a challenge for the program. The review did find, however, that more could be done to implement the recommendations of the ESSA, particularly increasing the understanding and documentation of these groups and where they are located. There is a need to make sure that communication and outreach activities, including awareness creation during the targeting process and around the grievance and case management mechanism, are appropriate. There is also a need to monitor the inclusion of vulnerable and marginalized groups and the impact of the program on their livelihoods and relationships with other communities. The following actions were recommended:

- (a) Better understanding of which locations of the expansion plan include minority groups and how best to ensure their inclusion;
- (b) Promoting and monitoring implementation of the sections on marginalized groups in the OMs;
- (c) Mentioning inclusion of minority groups as a principle in future charters for the program;
- (d) Including measures to reach minority groups in the communication strategy;
- (e) Ensuring inclusion of eligible groups in all monitoring instruments;
- (f) Carrying out periodic reviews of beneficiary and grievance data to ensure targeted locations where minorities are present are reached; and
- (g) Ensuring that barriers to inclusion (particularly the difficulty securing IDs) are addressed for eligible populations, including minority groups, through close collaboration with the NRB.

4. Since the review was undertaken, the Government has prepared and shared with county officers a one-page brief to explain the importance of inclusion and clarify the role and responsibilities of county officers to promote inclusion. County teams have also been asked to identify vulnerable and marginalized groups in their counties, explain where they are located and their unique characteristics and how they can best be reached. Many county teams fed into this table from the North and Northeastern counties, however, further work is needed to complete this table and share lessons learnt on how best to reach these groups. Specific questions to be included as part of the internal monitoring of the program have also been prepared to monitor inclusion and other social impacts and the Government will explore the possibility of including additional questions in the PIBS for further monitoring. The Government will also (i) ensure that discussions on social inclusion and impact are carried out as part of regular staff training; (ii) the

implementation of the sections of the OM on marginalized communities will be strengthened and better monitored and (iii) measures to reach minority and hard to reach groups will be included in the communication material of the program.

## ANNEX 7: MODIFIED PROGRAM ACTION PLAN

**Table 7.1. Modified PAP**

No.	Results Area/Action	Source	Responsible Party	Date Due	Original or Revised (and Rationale)
<b>A</b>	<b>To create more robust systems for targeting, registering beneficiaries, making payments, and monitoring performance to strengthen the overall governance of these programs</b>				
<b>A1</b>	Revise OMs to respond to findings of the addendums to the Technical, and Integrated Fiduciary Assessments and the original ESSA.	ESSA and addendums to TA, and IFAR	MEACL&SP and NDMA	Recurrent (at least once a year)	<b>Revised.</b> This action is needed to ensure adjustments of OMs based on recommendations in the TA and IFAR addendums and the original ESSA.
<b>A2</b>	Improve the delivery of payments to beneficiaries by (i) reach agreement with Treasury on improving the timeliness and flow of funds to manage timely disbursements to beneficiaries; (ii) regularly monitoring transfer steps against schedule; (iii) strengthening internal controls on the payroll, including review by the senior ministry-level officer; and (iv) developing a long-term strategy for PSPs and commencing its implementation	IFAR 13; 5; 3.5 TA: 3.4.2; 3.4.3; and 5.3 TA addendum: III D	MEACL&SP and NDMA	Recurrent	<b>Revised.</b> A payment architecture for the NSNP and procurement of PSPs has already been undertaken – previous (iv), which has been removed. The new (i) has been introduced to ensure agreement with Treasury on how to improve timeliness of flow of funds. More work is also needed on (ii) and (iii) so they are kept as is. Lastly, a new action (iv) has been added, since the Government needs to think about the longer-term strategy for PSPs.
<b>A3</b>	Implement IFAR recommendations with respect to procurement	IFAR and IFAR addendum	MEACL&SP	Recurrent	<b>Original.</b> Two new recommendations introduced as part of IFAR addendum
<b>A4</b>	Development and implementation of a time-bound FM action plan to comprehensively strengthen the fiduciary controls in the NSNP	IFAR addendum	MEACL&SP	Recurrent	<b>New action.</b> The action plan will be informed by various program audits past and future, and will be updated yearly. Implementation of 30, 70, and 100 percent, cumulatively, of agreed critical FM actions will be assessed as part of the DL11.
<b>A5</b>	Finalize the EFC framework and action plan to prevent, detect, and deter EFC and ensure alignment with the FM action plan.	TA addendum: IV B	MEACL&SP	December 2017	<b>New action.</b> The Government has prepared a draft EFC framework and action plan and it is important to finalize it and commence its implementation.
<b>B</b>	<b>Harmonizing Cash Transfer Programs to Increase the Coherence of the Safety Net Sector</b>				
<b>B6</b>	Finalization of a harmonized targeting tool and update of the PMT, as and when new KIHBS data become available.	TA addendum: III B	MEACL&SP and NDMA		<b>New action.</b> The harmonized targeting mechanism is currently being piloted and it

No.	Results Area/Action	Source	Responsible Party	Date Due	Original or Revised (and Rationale)
					is crucial that the tool is finalized and the PMT updated as and when new KIHBS data become available.
<b>C</b>	<b>To expand coverage of the five programs in a coordinated manner that will progressively realize the right to safety net support</b>				
<b>C7</b>	Ensure financial allocations to the NSNP according to the program MTEF are included in the sectoral MTEF and annual budgets.	ESSA: 3.4 and 3.5 TA: 3.2.1.1	MEACL&SP and NDMA	Recurrent	<b>Original.</b> The current MTEF is for 2013–2017, so this is highly relevant to ensure NSNP allocations are included in the future MTEF.
<b>C8</b>	Ensure collaboration with the NRB to enable issuance of ID cards to eligible beneficiaries who do not have ID cards.	TA addendum: VII	MEACL&SP	December 2017	<b>New action.</b> This action will be particularly important for the NEDI expansion, since a large number of the population in these counties do not have ID cards, but also relevant to existing and new child-headed households.
<b>C9</b>	Ensure adequate implementation capacity nationwide, and more specifically in the NEDI counties, by (i) developing an implementation plan, including necessary actions and resources needed to fill key gaps identified in the rapid institutional capacity assessment and (ii) implementing the plan.	TA addendum: IV A	MEACL&SP	March, 2018	<b>New action.</b> The rapid institutional capacity assessment highlights key gaps and provides recommendations to address these gaps. This action is being introduced to ensure that an implementation plan is prepared, which will nation-wide with a specific focus on the North and Northeastern counties, and will include necessary actions and resources needed to fill those gaps and ensure its implementation.

### Completion Measurement

5. Progress toward Program actions will be monitored during the Joint Review and Implementation Support (JRIS) Missions. Following the completion of each action, the JRIS missions will continue to monitor the enforcement and/or application of relevant actions. Actions that are recurring (annual/quarterly) will be monitored during the regular JRIS and technical missions.

**Table 7.2: PAP Actions Achieved and/or Removed**

<b>A2</b>	Retarget the OPCT, USF-CT <sup>67</sup> , and PWSD-CT according to programs OM procedures in areas where reviews have identified anomalies	<b>Action achieved</b>
<b>A3</b>	Regularly review transfer levels including options for varying transfer amount according to the household size	<b>Achieved.</b> Two reviews have been undertaken, the most recent in 2016. No additional reviews are considered necessary in the short term but continued discussions will be held on the basis of existing evidence.
<b>A5</b>	Establish national, county, and community-level structures to manage grievance and case management in real time, ensuring that they adequately address marginalized groups and implement the communication strategy to enhance awareness of programs	<b>Action removed.</b> This action is already covered under A1 and the grievance and case management mechanisms is supported under DLI 6.
<b>A6</b>	Strengthen the audit function for the NSNP by building the capacity of the IAD and Kenya National Audit Office (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.	<b>Action removed.</b> This action has been subsumed under new action A4
<b>B9</b>	Functional Assessment to review the overall program organogram; national, county, and district staffing; and technical assistance requirements	<b>Action achieved</b>
<b>B8</b>	Update the IFAR of the NSNP upon completion of the ministerial restructuring and agree on any mitigating measures	<b>Action has been achieved through the IFAR addendum</b>
<b>B10</b>	Adopt International Public Sector Accounting Standards (IPSAS) to improve the quality of financial reports and stabilize the IFMIS to ensure it is fully operational to produce the required financial reports	<b>Action removed.</b> This action is proposed to be removed since progress has been made and support provided under a separate grant and this Program is not expected to contribute to any further action. For adoption of IPSAS, the Government Public Sector Accounting Standards Board of the NT has prescribed use of IPSAS cash basis of accounting for public sector accounting. In addition, the financial statements of the NSNP (and all World Bank projects) are prepared on this basis. Support has been provided under a separate Institutional Development Fund grant to the NT for the setting up and institutional strengthening of the Government Public Sector Accounting Standards Board.
<b>B11</b>	Adopt the NSNP M&E framework and implement the M&E plan including simplification of monitoring systems and formats, staffing, development of manuals, and training.	<b>Achieved.</b> A common NSNP framework has been adopted and monitoring systems and formats developed with staff trained accordingly
<b>C10</b>	Targeting and enrolment of beneficiaries according to annual targets	<b>Targets to date achieved.</b> Future targets will be monitored as part of DLI 1.

<sup>67</sup> The Urban Food Subsidy Cash Transfer Program (UFS-CT) formed part of the NSNP when the original Program was prepared, but was discontinued in 2015 which is why it no longer forms part of the NSNP and is not mentioned in this Program Paper.

## **ANNEX 8: MODIFIED IMPLEMENTATION SUPPORT PLAN**

### **Strategy and Approach for Implementation Support**

1. The World Bank's task team will continue to provide the necessary support to facilitate achievement of the PDO during implementation of the Program. Implementation support will place emphasis on (a) reviewing implementation progress (including that of the PAP) and achievement of Program results and DLIs; (b) providing support to resolve emerging Program implementation issues; (c) monitoring the adequacy and performance of systems, and compliance with the Financing Agreement; and (d) supporting MEACL&SP in key areas of technical assistance.

### **Implementation Support Plan**

2. The AF will focus on the North and Northeastern counties and is expected to be fully implemented by June 2020. During the program implementation, support will focus on further strengthening systems and procedures to improve delivery mechanisms, particularly within the context of the recently approved Consolidation Strategy, in an effort to enhance coordination, collaboration, and synergy among the four cash transfer programs. Additional support will be included to provide necessary technical assistance to new DLIs introduced as part of the AF and the restructuring. Main areas of support will include (a) improved payment delivery mechanism, including long-term strategy for PSPs; (b) increased transparency and accountability through implementation of the G&CM mechanism and EFC mitigation measures; (c) effective management of beneficiaries through recertification and harmonized targeting mechanism; (d) strengthened fiduciary controls, including through implementation of audit recommendations; (e) improved beneficiary awareness, including the development of a beneficiary outreach strategy and its implementation; (f) increased Government preparedness for complementary services, including support as needed for the analysis of existing complementary activities and beneficiary characteristics; and (g) sustainability of efforts through building of adequate Government capacity, including through implementation of proposed actions from the institutional capacity assessment for expansion in the North and Northeastern counties. Required specific actions and the relevant technical assistance needed are detailed in the Modified Program Action Plan (annex 7) and the Technical Assessment - Addendum (annex 4).

3. Implementation support will be provided through regular engagement with the SAU, SPS, and the NDMA. The task team located in Kenya will continue to provide guidance and implementation support, as needed, to the relevant actors, in collaboration with development partners. Joint review and implementation support missions will also continue to take place twice a year to assess progress toward the DLIs and the modified PAP, as well as to identify bottlenecks and agree on solutions and ways forward. The task team will continue to be led by the task team leaders and consist of experts/specialists in relevant technical areas, fiduciary management, social and environmental aspects, and general operations management. The World Bank team will emphasize that the SAU and NDMA prepare progress reports and work plans as a basis for Program implementation review. Technical missions will be organized between the regular implementation support missions, as needed.

**Table 8.1. Task Team Skills Mix Requirements for Implementation Support**

<b>Skills Needed</b>	<b>No. of Staff/Consultant Weeks</b>	<b>No. of Trips</b>	<b>Comments</b>
Payments	18	6	International consultant to support development of long-term PSP strategy
Poverty data analysis	10	2	International consultant to support analysis of the KIHBS once it is available to inform the expansion plan
Beneficiary outreach	12	3	International consultant to provide support to modified DLI 6
M&E	18		Individual consultant for regular M&E support
Complementary services	12	2	International consultant
MIS/SR	12	2	International consultant
Impact evaluation	18	2	International firm
FM	18		In-country specialist
Fiduciary systems expert for cash transfers	—	4	International consultant to provide support to newly added DLI 11
Procurement	9		In-country specialist
EFC	8	2	International consultant
G&CM system	12	4	International consultant
Social safeguards	9		In-country specialist
Social protection	72	6	In-country specialists and staff based in Washington, D.C.

4. A number of development partners currently support the NSNP, namely DfID, UNICEF, and the WFP. DfID will continue to channel resources for technical assistance to the NSNP AF through the recipient-executed trust fund, while UNICEF and the WFP provide discrete technical assistance to the SPS, including for establishing comprehensive social protection programs and the MIS/SR, respectively. The World Bank's task team will work closely with all the partners to provide harmonized implementation support to the program.