

INTEGRATED SAFEGUARDS DATA SHEET CONCEPT STAGE

Report No.: ISDSC1070

Date ISDS Prepared/Updated: 18-Dec-2014

Date ISDS Approved/Disclosed: 22-Jan-2015

I. BASIC INFORMATION

A. Basic Project Data

| | | | |
|---|--|------------------------------|------------------------------|
| Country: | Kenya | Project ID: | P151816 |
| Project Name: | Financial Sector Support Project (P151816) | | |
| Task Team Leader(s): | Smita Wagh | | |
| Estimated Appraisal Date: | 10-Feb-2015 | Estimated Board Date: | 30-Apr-2015 |
| Managing Unit: | GFMDR | Lending Instrument: | Investment Project Financing |
| Sector(s): | General finance sector (100%) | | |
| Theme(s): | Other Financial Sector Development (100%) | | |
| Financing (In USD Million) | | | |
| Total Project Cost: | 30.00 | Total Bank Financing: | 30.00 |
| Financing Gap: | 0.00 | | |
| Financing Source | | | Amount |
| BORROWER/RECIPIENT | | | 0.00 |
| International Development Association (IDA) | | | 30.00 |
| Total | | | 30.00 |
| Environmental Category: | C - Not Required | | |
| Is this a Repeater project? | No | | |

B. Project Objectives

The project's development objective is to strengthen the legal and regulatory environment for access to affordable and long term financing.

C. Project Description

Having affected a significant number of baseline reforms over the last decade or so, Kenya's financial sector is now at the stage where it would benefit from a more targeted approach that supports solutions to specific constraints that curtail the growth and job creation potential of the

Kenyan private sector. Some of the key constraints are:

- i. availability of affordable credit to businesses and individuals,
- ii. scarcity of term instruments and inadequate mobilization of long term savings to address the development finance gap, and
- iii. gaps in specific financial product markets (securitization, project finance products, housing finance, insurance)

The key financial sector issues that Kenya faces currently cut across subsectors, as do their potential solutions. Under the new project, components will be organized by thematic cohesion rather than by subsectors. During the implementation phase such an organization will allow for a more targeted approach to solving specific issues in a comprehensive multi-pronged way. Project funds will be used to procure consultancy services, goods, workshops and training.

The four main thematic areas/components proposed are as follows;

- a. Component 1 - Financial architecture: This component will focus on the overarching reforms to the financial sector legal and regulatory framework that influence the overall playing field for the provision of financial products and services. Given the all-encompassing nature of these reforms the key counterpart for this component will be the National Treasury.
- b. Component 2 – Efficient financial intermediation: This component will move forward the financial inclusion agenda in Kenya with a focus on strengthening and making more transparent the pricing of financial intermediation so that more businesses and individuals have access to affordable financial products.
- c. Component 3 - Long-term finance: This component will focus on strengthening the demand for and supply of long-term funds so that Kenya’s growing development finance needs for long-term projects in infrastructure, housing, etc. can be met.
- d. Component 4 – Strengthening institutions: This component will focus on assisting the regulatory, supervisory and institutional framework keep pace with an evolving financial system.

D. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

Kenya-nationwide

E. Borrowers Institutional Capacity for Safeguard Policies

N/A

F. Environmental and Social Safeguards Specialists on the Team

Edward Felix Dwumfour (GENDR)

Svetlana Khvostova (GENDR)

II. SAFEGUARD POLICIES THAT MIGHT APPLY

| Safeguard Policies | Triggered? | Explanation (Optional) |
|--|-------------------|--|
| Environmental Assessment OP/BP 4.01 | No | The project screening did not identify any proposed activities with adverse direct or indirect environmental or social impacts. It is proposed that the project is assigned the EA Category C. |
| Natural Habitats OP/BP 4.04 | No | |

| | | |
|--|----|--|
| Forests OP/BP 4.36 | No | |
| Pest Management OP 4.09 | No | |
| Physical Cultural Resources OP/BP 4.11 | No | |
| Indigenous Peoples OP/BP 4.10 | No | |
| Involuntary Resettlement OP/BP 4.12 | No | |
| Safety of Dams OP/BP 4.37 | No | |
| Projects on International Waterways OP/BP 7.50 | No | |
| Projects in Disputed Areas OP/BP 7.60 | No | |

III. SAFEGUARD PREPARATION PLAN

A. Tentative target date for preparing the PAD Stage ISDS: 26-Jan-2015

B. Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing¹ should be specified in the PAD-stage ISDS:

No environmental and social studies are required for this project.

IV. APPROVALS

| | | |
|----------------------------------|---------------------------------|-------------------|
| Task Team Leader(s): | Name: Smita Wagh | |
| <i>Approved By:</i> | | |
| Regional Safeguards Coordinator: | Name: Johanna van Tilburg (RSA) | Date: 21-Jan-2015 |
| Practice Manager/Manager: | Name: Irina Astrakhan (PMGR) | Date: 22-Jan-2015 |

¹ Reminder: The Bank's Disclosure Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.