

**INTEGRATED SAFEGUARDS DATA SHEET
APPRAISAL STAGE**

Report No.: ISDSA1200

Date ISDS Prepared/Updated: 30-Jan-2015

Date ISDS Approved/Disclosed: 03-Mar-2015

I. BASIC INFORMATION

1. 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%)		
Is this project processed under OP 8.50 (Emergency Recovery) or OP 8.00 (Rapid Response to Crises and Emergencies)?			No
Financing (In USD Million)			
Total Project Cost:	37.00	Total Bank Financing:	37.00
Financing Gap:	0.00		
Financing Source			Amount
BORROWER/RECIPIENT			0.00
International Development Association (IDA)			37.00
Total			37.00
Environmental Category:	C - Not Required		
Is this a Repeater project?	No		

2. Project Development Objective(s)

The project's development objective is to strengthen the legal, regulatory and institutional environment for improved financial stability, access to and provision of affordable and long term financing.

3. Project Description

World Bank support to financial sector development in Kenya over the last decade was delivered

largely, but not entirely, under the umbrella of the Financial and Legal Sector Technical Assistance project (FLSTAP). FLSTAP was approved in October 2004 as a technical assistance loan with an IDA credit of USD 18 million and DFID co-financing of USD 10 million. The overall development objective (PDO) of the project was to create a sound financial system and strengthened legal framework and judicial capacity that would ensure broad access to financial and related legal services. When the Project closed in March 2013 almost all of the PDO indicators have been achieved and in some cases even exceeded expectations.

The new operation will build on the gains realized through FLSTAP. It will take into account the progress made on the stability and access front by the financial sector over the duration of the project and the evolving needs of the financial and real sector. The Project will support the Kenyan authorities in further developing regulatory and supervisory frameworks that continue to be effective in mitigating the new risks associated with the financial sector's rapid development, deepening and expansion across sectors and across borders. It will support the upgrade of the supervisory, regulatory and institutional framework to keep pace with more complex markets and products with the overall objective of cementing stability.

In addition, Kenya's financial sector is also 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. These constraints include:

- (a) availability of "affordable" credit to businesses especially SMEs
- (b) scarcity of term finance to address Kenya's development needs

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

- a. Component 1 – Strengthening Institutions: This component will focus on the overarching reform, modernization, and capacity support to the financial sector institutional framework. This component will deliver technical assistance to the various beneficiaries, mostly in the form of consultancies, to design roadmaps and action plans, and implementation support to realize the planned reforms. It will also support the upgrade of IT systems and deliver capacity support to ensure a more effective functioning of the financial architecture.
- b. Component 2 – Enabling 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 (savings and lending) so that more businesses and individuals have access to affordable financial products.
- c. Component 3 – Mobilization of 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- Supporting Project Management: Funds will be allocated for the purposes of project management.

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

Kenya-nationwide

5. Environmental and Social Safeguards Specialists

Edward Felix Dwumfour (GENDR)

Svetlana Khvostova (GENDR)

6. 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	

II. Key Safeguard Policy Issues and Their Management

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:
N/A
2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:
N/A
3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.
N/A
4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.
N/A
5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.
N/A

B. Disclosure Requirements

If the project triggers the Pest Management and/or Physical Cultural Resources policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.

If in-country disclosure of any of the above documents is not expected, please explain why:

N/A

C. Compliance Monitoring Indicators at the Corporate Level

The World Bank Policy on Disclosure of Information			
Have relevant safeguard policies documents been sent to the World Bank's Infoshop?	Yes [<input type="checkbox"/>]	No [<input type="checkbox"/>]	NA [<input type="checkbox"/>]
Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?	Yes [<input type="checkbox"/>]	No [<input type="checkbox"/>]	NA [<input type="checkbox"/>]
All Safeguard Policies			
Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	Yes [<input type="checkbox"/>]	No [<input type="checkbox"/>]	NA [<input type="checkbox"/>]
Have costs related to safeguard policy measures been included in the project cost?	Yes [<input type="checkbox"/>]	No [<input type="checkbox"/>]	NA [<input type="checkbox"/>]
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	Yes [<input type="checkbox"/>]	No [<input type="checkbox"/>]	NA [<input type="checkbox"/>]
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	Yes [<input type="checkbox"/>]	No [<input type="checkbox"/>]	NA [<input type="checkbox"/>]

III. APPROVALS

Task Team Leader(s):	Name: Smita Wagh	
<i>Approved By</i>		
Safeguards Advisor:	Name:	Date:
Practice Manager/ Manager:	Name:	Date: