

**PROJECT INFORMATION DOCUMENT (PID)  
ADDITIONAL FINANCING**

Report No.: PIDA22700

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| <b>Project Name</b>                                   | Addl Financing - Kenya Water Security and Climate Resilience Project (P151660)   |
| <b>Parent Project Name</b>                            | Kenya Water Security and Climate Resilience Project (P117635)  |
| <b>Region</b>   | AFRICA   |
| <b>Country</b>  | Kenya  |
| <b>Sector(s)</b>                                      | General water, sanitation and flood protection sector (80%), Public administration- Water, sanitation and flood protection (20%) |
| <b>Theme(s)</b>                                       | Water resource management (80%), Natural disaster management (20%)   |
| <b>Lending Instrument</b>                             | Investment Project Financing   |
| <b>Project ID</b>                                     | P151660  |
| <b>Parent Project ID</b>                              | P117635  |
| <b>Borrower(s)</b>                                    | The National Treasury  |
| <b>Implementing Agency</b>                            | Ministry of Environment, Water and Natural Resources   |
| <b>Environmental Category</b>                         | A-Full Assessment  |
| <b>Date PID Prepared/Updated</b>                      | 08-Apr-2015  |
| <b>Date PID Approved/Disclosed</b>                    | 09-Apr-2015  |
| <b>Estimated Date of Appraisal Completion</b>         | 10-Apr-2015  |
| <b>Estimated Date of Board Approval</b>               | 25-Jun-2015  |
| <b>Appraisal Review Decision (from Decision Note)</b> | The review did authorize the team to appraise and negotiate  |

## I. Project Context

### Country Context

Kenya is emerging from a strong, but uneven, decade of growth. Annual growth rates from 2000 to 2009 averaged 3.9 percent, an increase from the previous decade's average of 2.3 percent. Post-election violence throughout 2008, combined with a severe drought that started in 2007, the global financial crisis, and high food and fuel prices resulted in a dramatic decline in the country's economic performance and a negative per capita growth rate in 2008. The economy recovered in 2010 and reached a growth rate of 5.6 percent, underpinned by structural reforms, a new Constitution and a spur in infrastructure investment. In 2011, a series of domestic and external shocks reversed the momentum, with the growth rate decreasing to approximately 4.5 percent. While national absolute poverty has declined, it is still high in comparison with neighboring countries such as Tanzania and Uganda.

The Kenyan profile also reveals strong regional disparities in the distribution of poverty (with the lowest incidence in the Central province and the highest in the North Eastern province), as well as rising inequalities in the distribution of incomes in urban areas. With Tourism and agriculture (followed closely by industry and services) the main drivers of growth, Kenya's economy is vulnerable to erratic climatic patterns and a fragile natural resource base, including limited water availability. The World Bank estimates that climate variability costs the country an average of 2.4 percent of GDP per year and water resources degradation, a further 0.5 percent, which has seriously affected the country's competitiveness. Environmental threats are numerous – including unsustainable water abstractions, poor land use practices, deforestation, encroachment in recharge areas, and pollution – which have already seriously degraded many critical watersheds. In 2007, the Government of Kenya (GoK) released Vision 2030, its framework for addressing these challenges and making Kenya a middle-income country by 2030. Vision 2030 seeks nothing less than a transformational change, achieving annual average GDP growth rates of 10% over the period in order to make the 'leap from poverty to widely shared prosperity and growth.' Vision 2030 has three pillars: economic, social, and political.

Obtaining water security and reducing vulnerability to climatic variability and change are featured prominently as cross-cutting issues affecting all pillars and are highlighted as prerequisites for sustaining economic growth through increased production and tourism, as well as ensuring equity and social stability.

### **Sectoral and institutional Context**

Water Security and climate resilience are critical issues for Kenya, given that its people and economy are highly vulnerable to erratic climatic patterns and limited water availability. Many key sectors (agriculture, tourism, hydro-energy, etc.) depend on rainfall and water availability. From 1992-2012, Kenya topped Africa in terms of people affected by droughts (~46m people) and stood fifth in terms of those affected by floods (~2.8m people). Kenya has limited freshwater endowments and is classified as a chronically 'water scarce' country in absolute and relative terms. It faces high inter-annual and intra-annual rainfall variability. Climate variability and hydro-climatic shocks (droughts and floods) impact disproportionately on the poor, and climate change is projected to exacerbate existing climate risks and water resource constraints. Kenya has yet to adequately manage its highly variable hydrology to improve climate resilience, as evidenced in decades-long under-investment in water infrastructure. The massive water infrastructure gap has been estimated at US\$ 5-7 billion.

## **II. Proposed Development Objectives**

### **A. Current Project Development Objectives – Parent**

The project development objectives of KWSCR-1 are to: (i) increase availability and productivity of irrigation water for project beneficiaries; and (ii) enhance the institutional framework and strengthen capacity for water security and climate resilience for the country.

### **B. Proposed Project Development Objectives – Additional Financing (AF)**

The project development objectives of KWSCR-1 are to: (i) increase availability and productivity of irrigation water for project beneficiaries; and (ii) enhance the institutional framework and strengthen capacity for water security and climate resilience in certain areas of the country.

Within the PDO, "capacity for water security and climate resilience" primarily includes improved

water services, flood protection, and analytical capacity to understand and manage hydrological variability.

### III. Project Description

#### Component Name

Water Resources Development

#### Comments (optional)

This component supports climate resilience and water security for economic growth by financing water investments and by building a longer-term investment pipeline. Current component 1 includes: (i) implementation of an irrigation scheme in lower Nzoia, a flagship project of the Kenya Agricultural Sector Development Strategy (ASDS) and of Kenya Vision 2030; and (ii) identification and preparation of new investments.

Proposed new activities through the additional financing and restructuring include: Lower Nzoia Flood Protection through (i) repair and improvement of existing and new dykes and (ii) strengthening of monitoring and community early warning mechanisms; watershed management in the Nzoia river basin; and a Program for the Improvement of Water Services in Mombasa County.

#### Component Name

Effective Water Sector Institutions

#### Comments (optional)

This Component supports the strengthening of current sector institutions, as well as reform activities. The component funds pre-reform transition and reform of the of the water sector to align with the devolution processes mandated by the 2010 Constitution of Kenya, as well as to improve the capacity and knowledge base for basin-level water resources management in Kenya. This component also includes strengthening the planning, analysis and licensing functions of the Water Resources Management Authority.

#### Component Name

Support for Project Implementation

#### Comments (optional)

Supports the PMU to provide for effective KWSCR-1 implementation.

### IV. Financing (*in USD Million*)

|   |       |                       |               |
|---|-------|-----------------------|---------------|
| Total Project Cost:                         | 65.50 | Total Bank Financing: | 54.00         |
| Financing Gap:                              | 0.00  |                       |               |
| <b>For Loans/Credits/Others</b>             |       |                       | <b>Amount</b> |
| BORROWER/RECIPIENT                          |       |                       | 0.00          |
| International Development Association (IDA) |       |                       | 54.00         |
| Free-standing TFs for Bank                  |       |                       | 3.50          |
| Bilateral Agencies (unidentified)           |       |                       | 8.00          |
| Total                                       |       |                       | 65.50         |

### V. Implementation

The current project is rated Moderately Satisfactory with regard to Implementation Progress and

Progress towards the Project Development Objective. The project continues to take leadership in moving forward the water sector reforms and devolution process, including through the engagement of key stakeholders to advance the final draft of the Water Bill, which is undergoing a third reading in Parliament. Significant progress has been made in the water investment pipeline, where an initial set of preparatory studies focused on the Coastal region is under development, and a list of priority projects throughout the country has been developed for further consultations. Project start-up was slow, given the political and constitutional transition, as well as the uncertainty surrounding the water sector in the devolution process and slow pace of Project Management Unit (PMU) formation. 5.43 percent of project funds have been disbursed to date. However, the PMU is now more fully staffed, with on-going procurements of several Implementation Support Consultant firms, which are expected to increase the speed of implementation. Implementation Progress is now being monitored at the highest levels in the Ministry. There have been no restructurings of the project prior to this request.

## VI. Safeguard Policies (including public consultation)

| <b>Safeguard Policies Triggered by the Project</b> | <b>Yes</b> | <b>No</b> |
|--|------------|-----------|
| Environmental Assessment OP/BP 4.01                | x          |           |
| Natural Habitats OP/BP 4.04                        | x          |           |
| Forests OP/BP 4.36                                 |            | x         |
| Pest Management OP 4.09                            | x          |           |
| Physical Cultural Resources OP/BP 4.11             | x          |           |
| Indigenous Peoples OP/BP 4.10                      | x          |           |
| Involuntary Resettlement OP/BP 4.12                | x          |           |
| Safety of Dams OP/BP 4.37                          |            | x         |
| Projects on International Waterways OP/BP 7.50     | x          |           |
| Projects in Disputed Areas OP/BP 7.60              |            | x         |

**Comments (optional)**

## VII. Contact point

### **World Bank**

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### **Borrower/Client/Recipient**

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### **Implementing Agencies**

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**VIII. For more information contact:**

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