Program Information Document (PID)

Concept Stage | Date Prepared/Updated: 19-Apr-2018| Report No: PIDC24594

BASIC INFORMATION

A. Basic Project Data

Country	Project ID	Project Name	Parent Project ID (if any)
Kenya	P161562	Disaster Risk Management Development Policy Credit with a Catastrophe Deferred Drawdown Option (Cat DDO) (P161562)	
Region	**Estimated Board Date**	**Practice Area (Lead)**	**Financing Instrument**
AFRICA	Jun 21, 2018	Social, Urban, Rural and Resilience Global Practice	Development Policy Financing
Borrower(s)	**Implementing Agency**		
Republic of Kenya	National Treasury and Ministry of Planning		

Proposed Development Objective(s)

The overall PDO is to strengthen the Government of Kenya's institutional, technical, and financial capacities to manage the impact of climate and disaster risks.

Financing (in US$, Millions)

SUMMARY

Total Financing	200.00

DETAILS

Total World Bank Group Financing	200.00
World Bank Lending	200.00

Decision

B. Introduction and Context

Country Context

Kenya has a complex climate that varies significantly between its coastal, interior and highland regions and from season to season. Extreme climatic events have long posed a significant risk to the country, and contributed to increasing levels of vulnerability of the poor, smallholder farmers and pastoralists, whose livelihoods are threatened by increased variability of rainfall patterns, triggering episodes of acute food insecurity. Of particular concern are floods and droughts, with major droughts occurring about every 10 years, and moderate droughts or floods every three to four years. Historically, these extreme climatic events have caused significant loss of life and adversely affected the national economy. Droughts have affected the most people and had the greatest economic impact – on average, a 0.6 percentage point decline in GDP growth is observed in Kenya in years of poor rains. While usually more localized, floods have led to the greatest loss of human lives. With a growing concentration of population and assets in urban areas and increases in climate variability, the economic costs of natural hazards in Kenya are likely to increase in the future.

The proposed operation supports the Government of Kenya's reform program to improve the country's capacity to reduce disaster risks and improve management of the socioeconomic and fiscal impacts of disasters. Over the past few years, Government has started to shift toward a more comprehensive and proactive approach to managing disaster and climate risks. This involves taking a number of systematic steps to develop a Disaster Risk Management (DRM) policy, awareness of the need for a more comprehensive approach to risk management and climate change adaptation, efforts to build programs that strengthen national response, and recognition that contingency financing provides important access to post-disaster liquidity to meet emergency and recovery needs.

Relationship to CPF

The proposed DPL with Cat DDO is well-aligned with the Bank Group's Country Partnership Strategy (CPS) for Kenya, which covers the period July 1, 2014 to June 30, 2018. The CPS recognizes the importance of managing risks (including from natural hazards) that can threaten overall poverty reduction prospects. This operation helps to mitigate that risk and in addition, supports policy reforms which contribute to each of the three main domains of engagement in the CPS. First, reforms in this operation related to integration of disaster risk reduction considerations into investment planning will support the objective of domain one, to strengthen planning and management of urban growth in order to have competitiveness and sustainable growth. Second, reforms related to development of a more strategic approach to risk financing, which includes development of agricultural insurance markets and using the safety net program to strengthen disaster response capacity, will support the objective of domain two, to protect the vulnerable and help develop potential to deliver shared prosperity. Third, reforms in this operation related to strengthening risk reduction and response capacities of counties, and improving the data collection about public resources used for disaster response, will support the objective of domain three, which is building consistency and equity through devolution.

C. Proposed Development Objective(s)

The overall PDO is to strengthen the Government of Kenya's institutional, technical, and financial capacities to manage the impact of climate and disaster risks. The objective will be achieved by supporting policy actions that: (i) strengthen the institutional and legal framework for climate and disaster risk management; (ii) integrate disaster risk reduction into development planning; and (iii) strengthen national financial capacity to respond to disaster shocks.

Key Results

The proposed DPL with Cat DDO will help meet Kenya's need for immediate, liquid assets in the aftermath of a catastrophic disaster. This flexible and prompt financial tool is designed to address risks to which the country is prone. It will enable the GoK to focus on emergency response measures in the aftermath of a disaster in order to support early response, and help alleviate the costs associated with delays which can result from the need to spend valuable time and resources trying to raise funds after an event.

D. Concept Description

The Project Development Objective will be achieved by supporting policy reforms under three operational pillars:

Pillar 1: Strengthening the Government's legal and institutional framework for post-disaster reconstruction and disaster risk management. Reforms under this pillar will establish a formal policy to support the currently ad hoc approach to managing the various institutions and legal mandates for disaster risk reduction and response. The policy reforms and associated activities that are advanced under this pillar will support the capacity to formulate, prioritize, finance, implement and monitor actions to support Kenya's national disaster risk management framework.

- **Prior Action 1:** Approval by the Cabinet of a National Disaster Risk Management Policy, which establishes, streamlines and strengthens disaster risk management institutions, coordination frameworks, partnerships, and regulations in Kenya.

Pillar 2: Strengthening the Government's technical capacity for planning and implementing disaster risk management activities. Reforms under this pillar will focus on investment planning for risk reduction. The policy reforms and associated activities will help government begin to incorporate consideration of natural hazards and climate change on the feasibility, implementation, and maintenance of publicly funded investments, to improve their overall preparation, resilience, and sustainability.

- **Prior Action 2:** Cabinet has adopted the Medium Term Plan III (2017-2021) of Kenya's Development Plan (Vision 2030), which incorporates risk reduction activities for drought and flood risk, as evidenced by XXXX.

- **Prior Action 3:** Parliament has adopted the National Urban Development Policy (2017) which incorporates urban disaster risk management, as evidenced by XXXX.

- **Prior Action 4:** Parliament has adopted the Kenya National Roads Act (2017) which incorporates the establishment of emergency preparedness units for the country's primary road network, as evidenced by XXXX.

Pillar 3: Reducing the fiscal impact and strengthening the Government´s financial capacity to respond to natural disasters. Reforms under this pillar will help improve transparency, communication, and decision-making associated with the full portfolio of risk financing instruments and programs that are in place or in preparation in Kenya. The policy reforms and associated activities that are advanced under this pillar will support the development of national contingency planning and the financial capacity for early action in the face of both fast and slow onset disasters.

- **Prior Action 5:** National Treasury has adopted a Strategy for Financial Protection Against Natural Disasters, which provides a comprehensive framework for using multiple instruments and programs to strengthen financial capacity for early response to disasters, as evidenced by XXXX.

E. Implementation

Institutional and Implementation Arrangements

The National Treasury will monitor the progress of the proposed operation during the entire drawdown period. The World Bank will monitor both the macroeconomic environment and the implementation of the program supported by the DPL during the drawdown period. This will be done through frequent visits to the country and regular communications with NT and key sectors. The World Bank will monitor the status of the project implementation through biannual implementation support missions and by tracking the output indicators.

Drawdown conditions. Funds may be drawn upon declaration of a State of Emergency as established by the Constitution of Kenya. According to Kenya's legislation, a State of Emergency can be invoked in the event of a disaster or other public emergency. The drawdown trigger for the DPL with Cat DDO is limited to declaration of a state of emergency resulting from a disaster.

Drawdown period and renewals. The drawdown period for this operation will be three years. The DPL with Cat DDO may be renewed up to four times for a total of 15 years. Renewals require that the original program remain largely in place, i.e., the adequacy of the macroeconomic framework and a disaster risk management program will be reconfirmed and updated upon renewal. Renewal will need to take place no earlier than one year and no later than six months before the expiration date.

E. Poverty and Social Impacts and Environmental Aspects

Poverty and Social Impacts

Droughts and floods can have socioeconomic consequences that go beyond their most obvious impacts. Statistics on macroeconomic and fiscal impacts do not reflect the indirect impacts that disaster losses can have on the poorest members of society, nor their long-term impacts on human and economic development.

The Government policies supported by the proposed operation are expected to have a positive poverty and social impact in the medium term. The operation will provide access to immediate liquidity to improve the adequacy, allocation, and timeliness of post-disaster assistance, while also promoting better risk management through shared action and responsibility at different levels of society, and risk reduction.

Environmental Impacts

Prior actions selected for the proposed operation are not likely to cause negative effects on Kenya's environment and other natural resources. On the contrary, prior actions of the operation, can enhance proper natural resource and environmental management by promoting the integration of risk reduction and resilience measures into development planning and decision-making. The establishment of institutional and legal frameworks will lead to better and more environmentally friendly planning. The approval of a National DRM Policy will enable risk information to be more widely available for integration into development planning.

G. Risks and Mitigation

The overall program risk rating is moderate. The government has shown remarkable leadership in pursuing the reform agenda, and the country has already achieved substantial results with the new Constitution of Kenya (2010), which has reduced the risk of political and social resistance to reforms. The remaining risk of a limited institutional capacity within sector ministries is moderate, while political and social resistance to change is low. The risk of natural hazards affecting the implementation of this program is also moderate.

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APPROVAL

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