

PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE

Report No.: PIDA1071

Project Name	Kenya Water Security and Climate Resilience Project (P117635)
Region	AFRICA
Country	Kenya
Sector(s)	General water, sanitation and flood protection sector (30%), Irrigation and drainage (20%), General agriculture, fishing and forestry sector (20%), Public administration- Water, sanitation and flood protection (20%), General energy sector (10%)
Theme(s)	Water resource management (40%), Other environment and natural resources management (30%), Land administration and management (30%)
Lending Instrument	Investment Project Financing
Project ID	P117635
Borrower(s)	The National Treasury
Implementing Agency	Ministry of Environment, Water and Natural Resources
Environmental Category	A-Full Assessment
Date PID Prepared/Updated	07-Jun-2013
Date PID Approved/Disclosed	04-Feb-2013, 01-Mar-2013, 11-Jun-2013
Estimated Date of Appraisal Completion	20-Feb-2013
Estimated Date of Board Approval	18-Jun-2013
Decision	

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 (growth rate decreased to approximately 4.4%), but a higher growth rate of 5% is projected for 2012 and 2013. While national absolute poverty has declined (from 52.3% in 1997 to 46.1% in 2005/6), 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.

Kenya's people and economy are highly vulnerable to erratic climatic patterns and limited water availability due to their reliance on key sectors (agriculture, tourism, hydro-energy, etc) that depend on rainfall and water availability. Extreme poverty affects about half of Kenya's 32 million people, with some 80% of the poor living in rural areas that depend on agricultural activities. Approximately 80% of the overall population is directly involved in and dependent on agriculture for their livelihoods. Agriculture is a key sector directly contributing 24% to GDP, as well as indirectly contributing through its links to other sectors. In addition to its multiplier effects, the sector provides 62% of formal employment, 60% of exports, and 45% of government revenue. Agricultural productivity is reliant on a number of factors, critically including rainfall and/or access to supplemental water supplies. Beyond agriculture, tourism is a major and growing industry, and contributes approximately 13.7% of Kenya's GDP. The primary source of electricity is hydropower generation; the Seven Forks hydropower station situated in the Lower Tana catchment provides nearly 58% of the total national electric power generation. The strong links between the performance of these sectors for economic growth and building water security and climate resilience are evident. Indeed, the World Bank has estimated that climate variability costs the country an average of 2.4% of GDP per year and water resources degradation that has exacerbated water resource constraints and risks, a further 0.5%.

In 2007, the Government of Kenya (GoK) released Vision 2030, its framework for making Kenya a middle-income country by 2030, which became the overarching policy following Parliamentary approval in December 2012. 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, as well as ensuring equity and social stability.

Sectoral and institutional Context

Kenya has limited freshwater endowments and is already classified as a chronically 'water scarce' country in absolute and relative terms. The mere 526 m³ per capita annual freshwater availability places it in the bottom 8 percent of countries globally (in comparison, South Africa has at a per capita water availability of approximately 1000 m³ and Benin enjoys approximately 3000 m³ per capita water availability). Over 80 percent of the country is comprised of arid or semi-arid lands (ASALs). A further complicating factor is that approximately 54% of Kenya's water resources are shared with neighboring countries. There is growing competition (and even conflict) over limited water resources, with rising population, economic growth, and urbanization placing increasing pressures on the water resource base. Severe degradation, primarily caused by deforestation and unsuitable agricultural practices, of the country's key water catchment areas (known as "water towers") has exacerbated this situation. At the sub-national level, the spatial mismatch between water availability and rising demands is in many cases even more extreme; A 2012 World Bank study found that areas around the major cities of Nairobi, Mombasa, and some Western centers are the most critically water stressed and this is projected to worsen by 2030.

The Government of Kenya has planned a large scale water investment program to close the massive infrastructure gap that has been estimated at US\$ 5 – 7 billion in various existing and ongoing

studies. Vision 2030's 'flagship projects' in the water sector include large and medium size multipurpose water storage facilities, upgrading the hydro-meteorological network, and rehabilitation and expansion of major irrigation schemes and urban water supply and sanitation in key satellite towns. Water investments in related sectors (e.g., tourism and agriculture) also feature prominently. Vision 2030 water investment options are in various stages of preparation and, although many of these investments are urgently needed, it is recognized that significant work is required to enhance their readiness for implementation on technical, economic, financial, social, environmental and institutional grounds. At the same time, systems, tools and capacity need to be developed to improve investment planning and preparation and to build a sound investment pipeline.

With the adoption of the CoK 2010, GoK has required that all institutional and legal frameworks be reviewed and aligned to it. The CoK includes a number of provisions that have important implications for the water sector, including devolution of certain functions from the national level to 47 counties; establishing basic rights to food, water and sanitation; defining water resources as public land; and establishing clear sustainability rules (related to environmental and financial sustainability, public participation and governance). The CoK also includes provisions for establishing systems of environmental monitoring and the equitable sharing of benefits from natural resource management that directly relate to building climate resilience. The Ministry of Environment, Water and Natural Resources (MEWNR) – the agency responsible for policy and strategy formulation, legislation and water sector coordination – has appointed a taskforce comprised of all sub-sector agencies to examine key provisions of the Constitution and implications on the Water Act 2002, Irrigation Act (Cap 347, 1966) and respective policies and to elaborate proposals for amendment. New bills and policies for water and irrigation have been drafted and a Water Sector Transition Plan has been elaborated. The Transition Plan that covers through 2015 and '... indicates the key appropriate activities, deliverables, responsible structures and proposes timelines for the implementation.' (Draft Transition Plan, 2012). The envisioned reforms represent a significant transformation of the sector, entailing a redefinition and realignment of roles and responsibilities, powers and functions, as well as the creation of new organizations. Support is needed to address the numerous legal and institutional issues that will arise before, during, and after the potentially challenging reform period.

Through ongoing dialogue and as reflected in the Country Partnership Strategy, the GoK has requested that the World Bank support its ambitious plans for the water sector through a long-term and transformational program aimed at building water security and climate resilience for economic growth. The urgent need to invest in priority infrastructure while at the same time aiding GoK to establish the requisite enabling institutional and legal foundation to improve the performance and sustainability of the water sector calls for a pragmatic approach of phased support. The Kenya Water Security and Climate Resilience Program (KWSCRCP) is designed to respond to this need through a series of investment operations linked together by an overarching objective. The Kenya Water Security and Climate Resilience Project 1 (KWSCRCP-1) will be the first investment operation in the series.

II. Proposed Development Objectives

The project development objectives of KWSCRCP-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.

III. Project Description

Component Name

Component 1: Water Resources Development (US\$ 104.5 million – US\$ 75.5 million from IDA, US \$ 21.3 million from KfW, and US\$ 7.7 million from GoK and beneficiaries)

Comments (optional)

This component will finance water investments (Lower Nzoia Irrigation Scheme Phase 1) and progressively build a longer-term investment pipeline for the sector.

Component Name

Component 2: Effective Water Sector Institutions (US\$ 56.3 million)

Comments (optional)

This component will support the water sector transition and reforms, as well as water management and planning.

Component Name

Component 3: Support for Project Implementation (US\$ 15.2 million)

Comments (optional)

This component will support project implementation.

Component Name

Project Preparation Advance

Comments (optional)

A Project Preparation Advance (PPA) was approved in January 2012 to support preparatory activities for the project, including the preparation of core technical documents.

IV. Financing (in USD Million)

Total Project Cost:	182.67	Total Bank Financing:	155.00
Total Cofinancing:		Financing Gap:	0.00
For Loans/Credits/Others			Amount
BORROWER/RECIPIENT			7.66
International Development Association (IDA)			155.00
GERMANY KREDITANSTALT FUR WIEDERAUFBAU (KfW)			20.01
Total			182.67

V. Implementation

MEWNR will serve as the implementing agency of the project through the Project Management Unit (PMU), established under Component 3. The PMU will report to the Principal Secretary (PS), MEWNR, and will be granted a high degree of autonomy to ensure efficient implementation of the project, including through the application of rules, criteria, and procedures agreed with the World Bank. The PS, as the Accounting Officer of MEWNR, has appointed the PMU as a procuring unit and has delegated financial management responsibilities to the PMU, within the Legal Framework stipulated in the procurement law of Kenya. Notwithstanding these provisions, the PMU will be accountable to the Principal Secretary, MEWNR.

The core functions of the PMU will be coordination and facilitation, fiduciary (procurement and financial management), environmental and social safeguards supervision, monitoring and evaluation (M&E) and impact evaluation, annual work programming and budgeting, and reporting. The PMU

will undertake procurement, financial management and reporting for all project activities. The PMU will also be responsible for ensuring the application of social and environmental safeguards frameworks (ESMF, RPF, VMGF, and IPMF), and supervising the implementation of safeguards instruments.

Executing agencies will work closely with the PMU to execute sub-component 1.1 (Lower Nzoia Irrigation Scheme Phase 1), sub-component 2.1 (Water Sector Reforms), and sub-component 2.2 (Water Management and Planning). These are NIB, the Directorate of Sector Coordination and Reforms, and WRMA, respectively. The executing agencies will be supported by implementation support consultants (ISCs), which could be a consortium of firms with relevant national and international experience. The ISCs will be embedded in the respective executing agencies. The ISCs will be responsible for delivering most of the sub-component activities, including project planning and reporting, civil works supervision, implementation of social and environmental safeguards instruments, etc. The ISCs will also provide capacity building to executing agencies, including in technical areas related to sub-component activities and for general fiduciary and safeguards functions (in coordination with PMU). Sub-component 1.2 (Water Investment Pipeline) will be executed by the PMU.

The PMU Project Manager will be appointed by the PS through a competitive process, subject to No Objection from the World Bank on the specific terms of reference, criteria for selection and adequate qualifications for the position. The PMU will additionally have a core staff of professionals with the necessary expertise and experience to undertake the PMU's responsibilities as implementing agency of the project and executing agency for sub-component 1.2. PMU staff will be recruited competitively, based on criteria agreed with the World Bank and in accordance with World Bank Selection and Employment of Consultants Guidelines. PMU staff could also include those from the civil service, in accordance with current civil service rules.

The PMU will be a transitional entity, extending until the end of KWSCR-1. One of its important roles will be to support executing agencies in developing the required capacities for procurement, financial management, monitoring and evaluation, environmental and social safeguards implementation, and investment and activity execution.

An Inter-Ministerial Oversight Committee (IMOC) will be established, primarily as a consultative group and to provide high level, strategic guidance on project activities. It will be comprised of the principal secretaries (PSs) of ministries with a relevant role in the water sector (including Ministry of Regional Development Authorities, Ministry of Agriculture, Livestock and Fisheries, and Ministry of Environment, Water and Natural Resources and their successors), as well as the The National Treasury. Membership can be extended beyond this core group to other agencies on an as need basis. The IMOC will be chaired by the PS, MEWNR.

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
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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