1. Key development issues and rationale for Bank involvement

1. **The Arid and Semi-Arid Lands (ASALs) need special attention in order to achieve sustainable economic development in Kenya.** The ASALs cover more than 80 percent of the country’s land mass and cut across 39 districts\(^1\), mainly in the Rift Valley, Eastern, Northeastern and Coast Provinces. The ASALs account for almost 30 percent of Kenya’s population and hosts about 70 percent of the national livestock population with an estimated value of Kshs 70 billion. The ASALs are also home to over 90 percent of wild game which supports the tourist industry and has earned Kenya in excess of Kshs 50 billion annually. Although there is great potential for ASAL development, the areas have been historically marginalized, both economically and politically.

2. **The striking spatial variation in incomes, poverty and human development in Kenya indicate the severe under-development and marginalization of the ASALs.** This under-development arises for a range of reasons, including climatic and agro-ecological factors and socio-economic disadvantages, worsened by poor access to markets and services. Most districts in the ASALs have very high poverty rates of more than 70 percent, well above the national average. Unemployment is particularly high in Northeastern Province, reaching 40 percent in

\(^1\) Greater districts as of 2006.
2006. Due to its relatively isolated location and dispersed population, the ASALs have long been disadvantaged in public service and infrastructure provision. In Northeastern Province, only 4 percent of the population use electricity and less than one third has access to safe water. A massive 88 percent of adults have not completed primary education.

3. The Government of Kenya (GoK) increasingly acknowledges the special attention the ASALs need in order to achieve sustainable poverty reduction and economic growth, as expressed in its Investment Program for Economic Recovery Strategy (IP-ERS) 2003-2007 and its successor the Vision 2030. The Ministry of State for Development of Northern Kenya and other Arid Lands (MDNKOAL), which was created in 2008, prepared an ASAL Policy and a Draft Sessional Paper in 2009. Both documents highlight the need to: (i) strengthen the integration of the ASALs with the rest of the country to reduce inequality and release the regions’ potential; (ii) improve the enabling environment for the development of the ASALs by establishing the necessary foundations for development; (iii) develop alternative approaches to service delivery governance and administration to accommodate specific realities of agro-pastoral areas; and (iv) ensure sustainable livelihoods in the ASALs given that the areas are prone to recurrent drought.

4. The proposed ASAL SWAp is well aligned with the three objectives of the draft Country Partnership Strategy (CPS) 2010-2013, reducing inequality and social exclusion, managing resource constraints, and unleashing Kenya’s growth potential. The program would directly improve the livelihoods of the marginalized ASAL population through increased resilience and productivity of the major livelihood systems and sound management of natural resources. The Arid Lands Resource Management Projects 1 and 2 (ALRMP 1 and 2)\(^2\) have been highly successful in enhancing food security in drought-prone and marginalized communities. The Independent Evaluation Group (IEG) rated the overall outcome of ALRMP 1 as satisfactory, and in particular the institutional development impact was rated as high. The draft impact evaluation of ALRMP 2 by the International Livestock Research Institute (ILRI) found that the project reached satisfactory impacts with regard to most key performance indicators. The proposed new program would be based on these experiences and lessons learned and would address outstanding challenges, such as institutionalization and harmonization of key implementation structures and processes, transparency and accountability of financial management and program implementation at local level, scaling-up of successful program interventions at district and community level, and increasing the viability of livelihood systems.

5. Other Development Partners (DPs), in particular Danida, EU, and DfID, are committed to join the World Bank in its effort to development of the ASALs. An agreement has been signed between the GoK and Danida to avail approximately US$ 30 million for the proposed ASAL SWAp. The existing EU program, with funding through the Drought Management Initiative (DMI), which is embedded in ALRMP 2, has funding through calendar year 2011. A planning and design process is ongoing through which the EU expects to make additional funds available for the proposed program through their existing 10\(^{th}\) EDF program for Kenya. DfID is currently supporting a technical assistance program for MDNKOAL. DfID will prepare a proposal for their management by December 2010, which is expected to lead to a

\(^2\) ALRMP I (Credit 2797; P001331) and ALRMP II (Credit 3795; P078058).
scaled up program of support totaling Pounds Sterling 15 million to commence in calendar year 2011.

6. The GoK (through the Ministry of Finance and MDNKOAL) has requested the Bank’s commitment as the lead donor for ASAL development. Due to the Bank’s long-term commitment and experiences in the ASALs, other donors see the Bank as a key partner for aligning and increasing future support. The Bank is widely perceived as providing critical support for further harmonization of what are currently rather uncoordinated and isolated donor interventions.

2. Proposed objective(s)

7. The proposed development objective is that the ASAL population has improved capacity to increase resilience and productivity of its pastoral and agro-pastoral livelihood systems. The proposed key performance indicators include: (i) change in household assets (or income) in participating communities, normalized by drought severity index; (ii) community projects rated satisfactory or better by participating communities (communities assess whether outcomes have been achieved); (iii) amount of resources leveraged from other sources due to harmonized process of community and district planning; (iv) decreased proportion of people in each ASAL district assessed as needing free food aid, normalized by severity of drought; (v) improved child nutritional status over time, normalized by severity of drought.

3. Preliminary description

8. The program will be implemented over a period of 5 years (2011-2016). It will support the institutionalization and harmonization of key planning and implementation processes and investments at various levels. Support for the proposed program will be provided jointly by GoK, Danida, DfID, EU, and the World Bank under a basket funding arrangement. Basket funding arrangements will follow modalities applied by the same DPs in other sectors and countries. The World Bank expects to make available US$100 million for the program before the end of calendar year 2010. It is proposed that the program will be finance through a Specific Investment Loan (SIL).

It is proposed to group program activities along the following component structure:

9. Component One: Promotion of ASAL Development. This component would support MDNKOAL’s core function of providing policy and program direction for the ASAL SWAp, including national coordination structures involving key stakeholders such as Ministries of Finance and Planning, line ministries and the private sector. This component will build consensus and lead the effort for the institutionalization of key implementation structures, such as the District Steering Groups (DSGs) and Community Development Committees (CDCs), which are required to ensure synergy and scaling-up of investments in the ASALs. Activities will

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3 The alternative would have be an APL, but this idea was rejected since previous ASAL projects provided important lessons learned and strengthened the consensus on how to address the development challenges in the ASALs.
also include the preparation of studies and feasibility plans for public and private investments which have the potential to transform ASAL regions for maximum growth and poverty alleviation impact. This includes the application of a regional/axis approach to analyze sources and potentials for economic growth as well as cross cutting issues such as climate change, NRM and conflict resolution and peace building. This component will also finance the supporting unit to deliver the implementation, accountability and fiduciary services required by the current set of DPs.

10. **Component Two: Drought Management.** Building on the work done under the current project, effectively supported by the EU funded Drought Management Initiative (DMI), this component would support the establishment of the Drought Management Authority (DMA). The Authority will have the mandate to implement the existing drought management system of the Government. Activities include the early warning system, drought assessments, drought contingency planning, the management of a national drought contingency fund, as well as matching funds for district drought preparedness plans and rapid response at district and community level. Government is expected to take on a greater share of funding of this component over time. In the interim, and until the DMA is established, the new program will continue to support the running of the drought management system from the supporting unit of the program.

11. **Component Three: Local Level Development.** Building on the substantial institutional and human capacities established under ALRMP 2, the program would support the following activities: (i) capacity building for the preparation of common development plans at District and Community level, anchored in DSG and CDC structures. These plans would provide a common platform and process to leverage available sources of devolved funds which are currently available; and (ii) direct funding for priority activities identified by DSG and CDC. In addition, support will be provided to CDCs and Common Interest Groups (CIGs), farmer organizations and Water Resource User Associations (WRUAs) to increase their capacity to plan and implement micro-projects. Further, the program will improve access to technical advice and information by local-level institutions. The rationale for combining District and Community level investments in one component is to create better linkages between the two planning levels and to strengthen the bottom up planning process at District level. This process will also provide capacity in anticipation of decentralization expected under the proposed new Kenyan Constitution as well as mainstream the CDD approach into government systems.

12. **Priority investments identified through this component will no doubt include key sectors such as water, irrigation, livestock development, agriculture and natural resource management,** all critical to enhancing the livelihoods of ASAL communities. The program will not be able to meet all needs, even within these thematic areas. The program will need to be selective in supporting interventions, either by reducing the scope or by restricting some activities to particular areas to maximize impact and reduce overhead costs. Since the mandate of the MDNKOAL is to coordinate and implement development efforts in a geographically defined area (the ASALs), it covers the coordination of additional thematic areas or sectors, such as education, health, and infrastructure. Directly supporting investments in all sectors would lead to isolated interventions with limited impacts (a challenge in ALRMP 2). It is expected that other
resources, such as the Constituency Development Fund (CDF), Local Authority Transfer Fund (LATF), line ministries and NGOs would finance investments in other sectors.

4. Safeguard policies that might apply

13. **The following safeguards policies are proposed to be triggered:**

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14. **As part of the preparation process, the following safeguards-related documents will be prepared:** (i) Environmental and Social Management Framework (ESMF); (ii) Indigenous Peoples Planning Framework (IPPF); and (iii) Integrated Pest Management Framework (IPMF). All studies will be based on existing documents prepared for ALRMP 2 (ESMF), KACCAL (IPPF) and KAPAP (IPMF) and will be revised and updated accordingly. All documents will be disclosed at least 120 days before the Board Date, i.e. according to the current schedule by late July 2010.

5. Tentative financing

Source: ($m.)

- BORROWER/RECIPIENT: 10
- International Development Association (IDA): 100
- Local Communities: 5
- DENMARK: Danish Intl. Dev. Assistance (DANIDA): 30
- UK: British Department for International Development (DFID): 5
- EC: European Commission: 10

Total: 160

6. Contact point

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