



REPUBLIC OF KENYA



Role of National Governments in addressing shock-responsive social protection: Financing of National Drought Emergency Fund in Kenya

A case of increased funding to cushion vulnerable populations during drought

April 2023

Presentation Outline

1. Context
2. Overview of NDMA
3. Paradigm Shift
4. Establishment of NDEF
5. NDEF Business Process
6. NDMA Drought Scalability Mechanism
7. Key Challenges

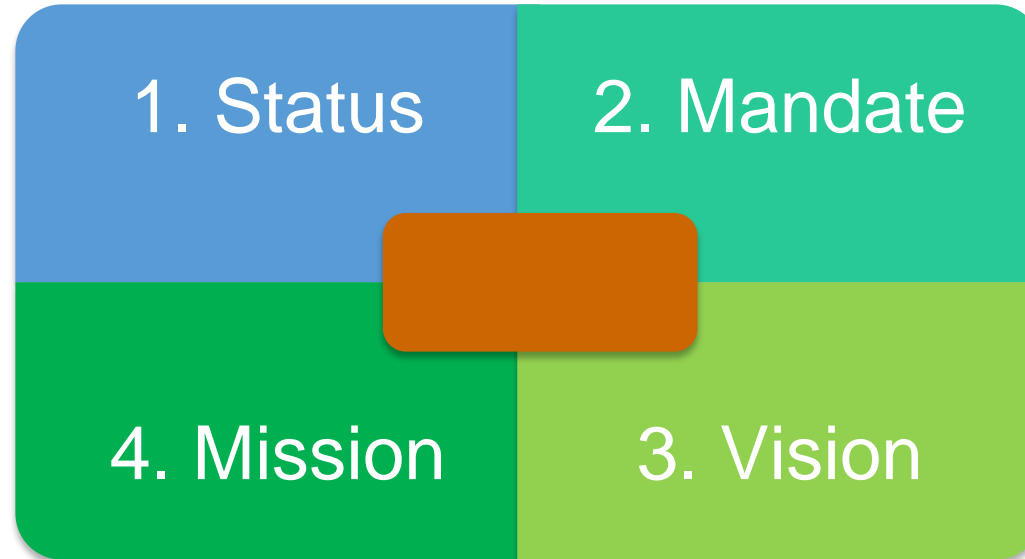
1. Context

- Kenya Constitution provides for:
 - Chapter 4; Article 43 (1) - Social and Economic Rights, including freedom from hunger.
 - Chapter 12; Promotion of an equitable society, including affirmative action in respect of disadvantaged areas and groups.
- Droughts in Kenya have become more frequent, widespread and severe. Climate change is likely to aggravate drought impacts;
 - *worsening food insecurity and eroding economic gains.*
 - *negating freedom from hunger guaranteed by the Constitution.*
- NDMA was established in 2011 to strengthen coordination of Drought Risk Management and Climate Change Adaptation.

2. Overview of NDMA

National institution currently covering and with operational offices in 23 Arid and Semi-Arid counties of Kenya.

1. State Corporation established through NDMA Act 2016.



4. To provide leadership and coordination of Kenya's management of drought risks and adaptation to climate change.

2. To exercise overall coordination over all matters relating to DRM and establish mechanisms, either on its own or in collaboration with other stakeholders, that will end drought emergencies in Kenya.

3. To be a world-class Authority in drought risk management and climate change adaptation.

3. Paradigm shift from reactive to proactive

DRM

- Drought is a slow-onset hazard, which need not, and should not, progress to emergency if properly monitored and managed.
- Previously, response to droughts in Kenya was reactive rather than proactive.
 - E.g financing for drought response was only available through appeals and re-allocation of funds already earmarked for development activities.
- Challenges with this approach;
 - *Counter-productive – diverting funds earmarked for long term development jeopardises resilience building and preparedness for future droughts.*
 - *Response was often late - reallocation of funds takes time.*
- A pilot Drought Contingency Fund provided by the EU showed that dedicated/set-aside funds improve effectiveness.
 - *Informed establishment of a **National Drought Emergency Fund (NDEF).***

4. Establishment of NDEF

- Established under Kenya's Public Finance Management Act, 2012 and operationalised by Public Finance Management (National Drought Emergency Fund) Regulations, 2021.
- Objectives of the Fund, *inter alia*:
 - improve effectiveness & efficiency of drought risk management system.
 - facilitate resilience building, preparedness & timely response to reduce & minimise negative effects of droughts.
 - provide a common-basket that receives financial resources from development partners supportive of Government on DRM.
- Administered by NDMA.

NDEF Regulations, 2021: Highlights

- **Sources of Funds** - monies appropriated by National Assembly; grants & donations; global climate change & disaster risk financing facilities; income generated from proceeds of the Fund; any monies accruing to or received by the Fund from any other lawful source.
- **Initial capital** - KShs. 2 billion appropriated by Parliament. However KShs 500 Million allocated in supplementary budgets.
- **Coordination** – provision of coordination structures at national and county levels.
- **Intervention areas** - water and sanitation, agriculture, livestock and fisheries, education, health sanitation and nutrition, [cash transfer scale-ups](#), conflict management and resolution and drought co-ordination.
- **Criteria for accessing funds** for drought resilience and preparedness, response and recovery components.
- Project planning and design at national and county levels.

NDEF Financial Provisions

Resource Allocation Criteria

1. Resilience & preparedness ($\leq 50\%$)
2. Response ($\leq 40\%$)
3. Recovery ($\leq 5\%$) - monies for recovery may be reallocated to either resilience or response interventions.
4. Administration ($\leq 3\%$)

- Fund balances at the end of each financial year shall be retained by the Fund.
- National Steering Committee may increase proportion of the Fund allocated to drought response based on severity.
- NDEF Guidelines provide for;
 - preparation of annual budgets
 - supplementary budgets
 - budget control
 - funds flow from national to county secretariat
 - expenditure of the Fund,
 - administration costs
 - county secretariat financial returns
 - co-funding of activities through relevant agreements
 - operation of bank accounts

5. NDEF Business Process

NDEF NATIONAL DROUGHT EMERGENCY FUND

WHAT

1. PROJECTS

That address drought risk factors identified in participatory processes (such as CMDRR/PDRA) conducted with communities.

Intervention Areas

- ▶ Water and sanitation
- ▶ Agriculture, livestock & fisheries
- ▶ Education
- ▶ Health, sanitation and nutrition
- ▶ Cash transfers scale ups
- ▶ Conflict management and resolution
- ▶ Drought coordination

WHO

2. SOURCES OF PROJECT PROPOSALS

- ▶ Community
- ▶ CBOs/FBOs
- ▶ Local NGOs
- ▶ County Governments
- ▶ Government ministries departments & agencies
- ▶ Fund Secretariat
- ▶ Strategic area (public private partnership arrangements)

HOW

3. PROJECT APPRAISAL

Consultative appraisal process involving stakeholders identified in proposal to promote ownership & sustainability of proposed initiatives.

2-step appraisal process:

- ▶ **Desk appraisal**
Secretariat technical team reviews proposal based on desk appraisal checklist.
- ▶ **Field appraisal**
On need basis for successful desk appraised projects.
To be conducted by team comprising Secretariat and an officer from relevant line ministry or sector.

WHEN

4. TIMELINES

Proposal submission, review and approval;

13th November - Proposal preparation and finalisation.

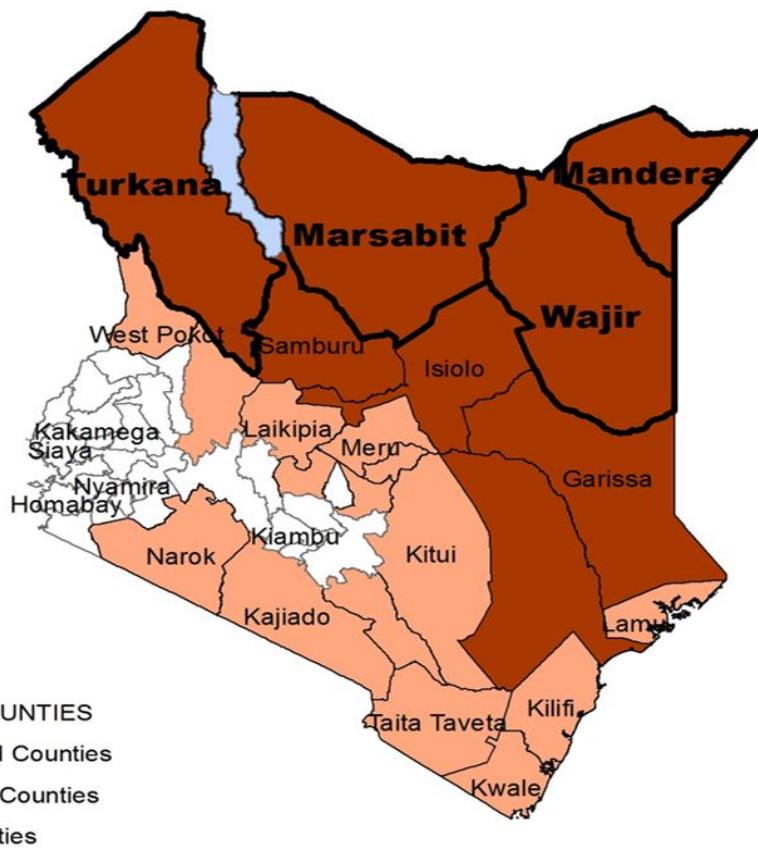
30th November - County Committee on Drought and Food Security receives and reviews project proposals and recommends to the Board for funding.

15th January - National level approvals of project proposals and all relevant Secretariat notifications.

28th February - Fund Secretariat publishes and publicises list of all projects approved by the Board for the subsequent Financial Year.

6. NDMA Drought Scalability Mechanism

- Scalability is triggered by early warning system thresholds.
- Builds on HSNP - an unconditional cash transfer programme aimed at reducing extreme hunger and vulnerability.
- In-built **scalability mechanism**.



HSNP COUNTIES
 Non - Arid Counties
 Semi arid Counties
 Arid Counties

KSh 1,680,577,200

Total disbursed as scale-up (drought shock-responsive) cash transfers to households in Turkana, Mandera, Wajir and Marsabit counties.

2021/2022 FY

KSh 1,271,502,900 disbursed to 75,512 households in 4 counties

County	Emergency Households	Amount paid (KSh)
Turkana	5,105	18,238,500
Wajir	34,863	768,663,000
Mandera	28,881	426,948,300
Marsabit	6,863	57,653,100

2022/2023 FY

KSh 409,074,300 disbursed to 61,816 households in 3 counties

County	Households	Amount paid (KSh)
Wajir	10,940	59,051,700
Mandera	25,413	115,875,900
Marsabit	25,463	234,146,700

Scalability Mechanism Guiding Principles

1. No-regrets approach

Emphasis on early and quick response - even if this is at the expense of some precision in targeting.

2. Objective trigger thresholds

Vegetation Condition Index (VCI), using satellite data (routinely monitored by the drought early warning system) triggers emergency payments.

3. Pre-ranked households

Comprehensive registration in 4 counties, including wealth ranking, categorises households into Group 1 (regular cash transfers) and Group 2 (scalable /emergency transfers).

4. Close monitoring

Mechanism continuously reviewed.

Process: Triggers & Decision-making Thresholds

1. **Severe** VCI in a sub-county triggers payment to 50% of all registered households in the MIS.
2. **Extreme** VCI in a sub-county triggers payment to 75% of registered households in the MIS.
3. Transfer value for targeted Group 2 households is same as Group 1 households (currently KShs. 2,700 per month) **paid direct to beneficiary bank accounts**.
4. No-regrets approach - disbursement is triggered by VCI values at **Severe** level.

Color	SPI Values	Drought Category
Green	+0.84 or more	Wet
Light Green	-0.09 to +0.83	No drought
Yellow	-0.10 to -0.98	Moderate Drought
Orange	-0.98 to 1.49	Severe Drought
Red	-1.50 to -1.99	Very Severe
Dark Red	-2 and less	Extreme Drought

Color	VCI value	Drought Category
Green	60 or more	Wet
Light Green	40 to 59	No drought
Yellow	30 to 39	Moderate Drought
Orange	21 to 29	Severe Drought
Red	15 to 20	Very Severe
Dark Red	below 15	Extreme Drought

Financing

- Kenya has a **National Disaster Risk Financing Strategy**, which includes the various instruments and mechanisms related to HSNP scalability.
- **National Drought Emergency Fund (NDEF)** is operational & includes resources ring-fenced for HSNP cash transfer scale up (25% of the drought response component of the Fund).
- **NDEF leverages** the financing plan for HSNP cash transfer scale up.
- Continuous strengthening of **coordination with other potential financiers**, including humanitarian actors and county governments, to mobilise resources for drought response.



Key Achievements

Scale-up (drought shock-responsive)

- 1. Speedy response:** Cash payments can be made (even in hard-to-reach areas) on a large scale & fast.
- 2. Delivery systems in place ahead of response:** Importance of pre-registered households and established payment system to enable quick response.
- 3. Cost-efficiency:** Initial comprehensive registration was resource-intensive but data now available for use by other actors, and marginal cost of transfers is now negligible (pre-agreed fee with payment service provider).
- 4. Data usage by other actors:** Over 11 other Government programmes and NGOs have used HSNP data and banking infrastructure for their programmes, including emergency cash transfers.
- 5. Financing plan:** A pre-agreed financing plan helps to ensure

7. Key Challenges

- 1. Unpredictable:** Scale-up payments are less predictable and complex due the trigger thresholds - harder to explain to communities.
- 2. Identification documents:** banking requirement for identification documents delays account opening in far flung areas.
- 3. Timeliness:** Disbursement delays due to resource constraints – limited fiscal space. The Government is strengthening a predictable and sustainable financing mechanism e.g NDEF.
- 4. Complementarity:** Scale-up payments should go hand in hand with other interventions, including long term resilience.





THANK YOU

Committed to Ending Drought Emergencies