# Hunger Safety Net Programme

## Options Paper for scaling up HSNP Payments

February 2015

# 1. Introduction and Context

## 1.1 Purpose of this Paper

1. This paper has been developed to support NDMA and its national and county level stakeholders to consider the implications of financing a scalable cash transfer mechanism under the Hunger Safety Net Programme (HSNP) in the HSNP four counties of northern Kenya. The paper sets out the following:

    - The drought context in Kenya, Government of Kenya (GoK) policy and the role of social protection throughout the drought cycle.
    - The HSNP and underlying objectives or rationale for scaling cash transfers under HSNP which have informed the scalability framework options reviewed in this paper.
    - The principles underlying the design of HSNP scalability.
    - An explanation of the parameters / variables that need to be agreed on in any scalability framework, and how these have been set for the various options proposed.
    - The estimated costs of each of the options, which illustrate the financial implications of different framework parameters.
    - A summary of the potential financing options for the various options.

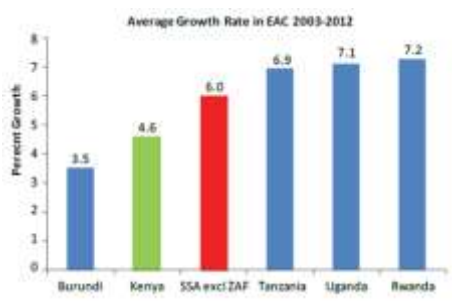
## 1.2. Kenya's exposure to climatic shocks and drought risk

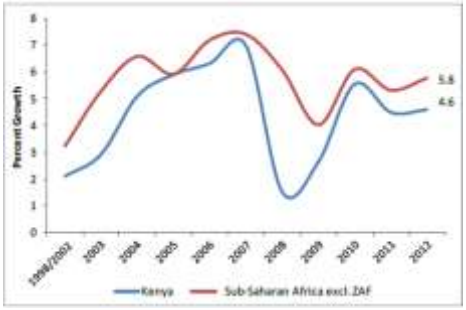
2. Drought is the most significant natural hazard in Kenya affecting a large proportion of the population, particularly in the arid and semi-arid lands in northern and eastern Kenya (ASALs). Kenya is in the extreme category under the Climate Change vulnerability index with a rank of 29 out of 197 countries. Indeed, Kenya is the most water-scarce country in East Africa, with water availability of 20.2 cu km/year (792 cu m/per person/per year). Any country below 2000 cu m/pp/year is water stressed and below 1000 is critical). The challenge is acute for the ASALs, as 80% of its land is arid or semi-arid and home to 10m people, 76% of the national livestock population and 90% of the wildlife (which supports that tourism sector) and much of the commercial mineral wealth.


**Figure 1: ASALs map for Kenya**

3. Kenya has endured 7 droughts and 2 floods between 1992 and 2012, negatively affecting over 10 million people. It is estimated that between 56-65% of Kenyans have been indirectly affected by a climate shock[i]. The human and economic costs are high and the poorest are impacted the most (see Box 1). Many of these human & financial costs could be avoided by reducing people's exposure and vulnerability to risk, and by earlier, and more cost effective response.

**Box 1: Economic impacts of drought in Kenya**




- Kenya's growth lags its neighbours, mainly due to its greater vulnerability to climatic / drought shocks.
- The economic impact of 2011 drought is estimated to have slowed down the growth of the country's economy by an average of 2.8% per year.
- Had the drought not occurred, Kenya's GDP would have grown at an average annual rate of 6.3% instead of the 3.5% average achieved.
- Future economic losses could further shave another 2.6% per annum off the GDP by 2030.
- Estimated Kshs. 39bn spent on humanitarian aid in 2011 alone.
- Estimated Kshs. 969 bn of drought-related damages and losses incurred between 2008 and 2011.

Sources: GoK Post Disaster Needs Assessment, KNBS, World Bank Economic Reporting 2013

## 1.3 Social Protection and Drought

4. GoK policy is that droughts should not become disasters. The mandate of the NDMA states:

   "The Authority shall, either on its own or in association with other authorities or persons, establish mechanisms to ensure that drought does not become famine and the impacts of climate change are sufficiently mitigated."

5. NDMA believes that social protection has an important role to play in reducing vulnerability and risk throughout the drought cycle (see Figure 2). As such, NDMA and its partners are working on the scalability of social protection systems during crisis, in line with the objectives of the National Safety Net Programme (NSNP).

6. There is much evidence in arid areas of the strong and direct correlation between worsening weather conditions and decreased household consumption and expenditure. A recent study by Kimetrica[1] shows a clear link between VCI and malnutrition rates in northern Kenya. NDMA's

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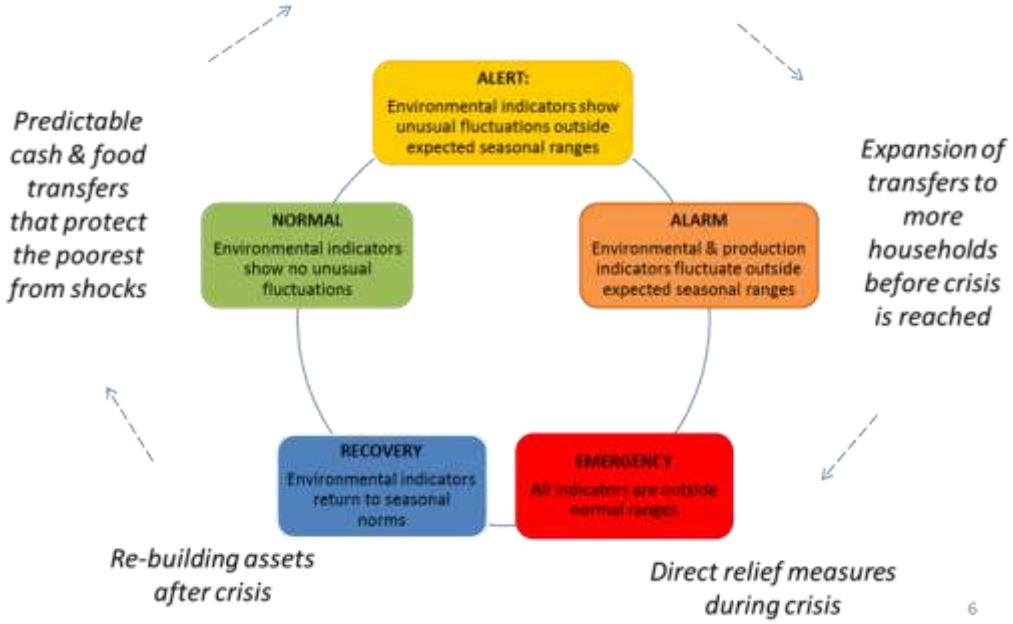
[1] METHODOLOGY REPORT Design of a Model for Scalable Nutrition Interventions in Kenya – Version 2; Kimeterica; October 2014

monthly early warning (EW) bulletins and bi-annual long and short rains assessments (LRA/SRAs) highlight how poor rainfall and vegetation cover correlate with increased negative coping strategies and declining terms of trade[2]. Scaling up and down cash in a timely manner before situations deteriorate has been shown to be more effective and cost-efficient than initiating ad hoc emergency responses. Cash transfer programmes are increasingly popular with donors and Governments as core elements of their humanitarian response strategies.

**Figure 2: Social Protection throughout the drought cycle**




7. Cash has several advantages over in-kind humanitarian responses such as food aid:

- It's faster: Where systems are in place (as in Kenya) cash transfers can be initiated much faster than in-kind transfers. Households with a HSNP Equity Bank accounts can receive cash transfers immediately. Wider studies have also demonstrated the time savings of providing cash over food[3]
- More cost effective: Cash is often much cheaper than food aid in terms of costs of delivery and purchase prices (particularly when imported). A value for money review of Ethiopia's productive safety net programme found cash transfers cheaper to implement in than food. Another overview study of four programmes found the per transfer cost of providing cash to be always cheaper than food[4].
- More choice: It provides the beneficiary with greater choice and control in addressing needs arising as a result of the shock. Cash can better promote resilience by protecting households'

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[2] http://www.ndma.go.ke/index.php?option=com_k2&view=itemlist&layout=category&Itemid=137
[3] The Timeliness and Cost-Effectiveness of the Local and Regional Procurement of Food Aid; E. Lentz, S.Passarelli, C.Barrett; World Development, Volume 49, September 2013
[4] Ethiopia Productive Safety Net Programme, 2010-14: value for money assessment: P.White and F.Ellis: University of East Anglia; July2012 **and** Costing alternative transfer modalities; Amy Margoliesa & John Hoddinotta; Poverty, Health and Nutrition Division, International Food Policy Research Institute, USA; Published online: Dec 2014

assets such as livestock and reducing negative coping strategies such as withdrawing children from school.

- **Multiplier effects:** Cash can also stimulate local economies and markets and can have important multiplier effects for those who are not direct recipients; e.g. petty traders, small holder farmers. A study of the multiplier effects of Kenya's OVC cash transfer programme found transfers did not cause price inflation but had significant production multipliers for beneficiary and non-beneficiary households[5].

## 1.4 HSNP as a scalable safety net: Emergency cash transfers as a no regret drought response

8. HSNP Phase 2 (hereafter HSNP), is GoK flagship social protection programme. It aims to build resilience and reduce household vulnerability in four of the poorest and most drought prone arid counties in the ASALS: Turkana, Marsabit, Mandera and Wajir. It provides regular, electronic and unconditional cash transfers (CTs) for up to 100,000 of the poorest households (HHs) (referred to as Group 1). Payments are made directly into beneficiary bank accounts hence all beneficiaries must have a valid national ID to be enrolled into the programme. HSNP Phase 2 is also opening bank accounts for an additional 274,806 HHs (Group 2) across these counties. It can therefore reach a larger number of people, and subject to funding, pay extra amounts to Group 1 and Group 2 beneficiaries in drought affected areas. HSNP infrastructure is available for any other GoK body or donor to deliver emergency or regular cash transfer payments within the 4 counties.

9. The independent evaluation of HSNP Phase 1 demonstrated that **HSNP is successfully acting as safety net. It slows the slide into poverty, particularly in crisis years (e.g. drought 2011).** The evaluation showed that HSNP households were 10% less likely to be poor than control households and during the 2011 drought, poverty did not increase in HSNP households, further confirming that regular cash transfers before a crisis is one of the best ways to mitigate the effects of drought. HSNP has helped to reduce the vulnerability of HHs in the ASALs to drought and other climate induced hazards; and HSNP has helped to cushion local livelihoods against losses- asset retention/replacement.

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[5] Agricultural Spillover Effects of Cash Transfers. What does LEWIE have to say? K.Thome, M. Filipski, J.Kagin, J. Edward Taylor, and B.Davise: UC Davis, University of California: Oct 2013

**Box 2: HSNP**

- **HSNP Phase I (HSNP I) (2007-13):** HSNP I was focused in 4 of the poorest counties in ASALs of northern Kenya: Turkana, Marsabit, Mandera and Wajir. It piloted Cash Transfers (CTs) as an alternative to food aid. It aimed to reduce poverty, food insecurity and promote asset retention and accumulation in poor households (HHs). It reached 69,000 HHs (66% women headed) or 496,800 people (49% women). It used a biometric smart card to make payments via a private sector payment provider (Equity Bank). It provided regular CTs (Kshs 1,750 approx. £13, per month) to beneficiaries. It was implemented under Ministry of Northern Kenya with NGO and private sector implementing partners. DFID funds were directed to implementing partners. Financial support was also provided AusAID.
- HSNP 2 (2013-17) will scale-up in the 4 counties to reach up to 100,000 HHs (600,000 chronically poor people) with regular CTs of up to Kshs 2,700 (approx.US$27/ £19, per month to beneficiaries. This will be done through a fully transactional bank account and fully functioning bank card. HSNP 2 will also have the ability to act as a scalable safety net in times of crisis (e.g. climate induced such as a drought). 100,000 HHs will be in regular receipt of HSNP CTs and 274,000 HHs will be given bank accounts and cards as a platform for an earlier crisis response. The use of registration data goes beyond HSNP 2 to GoK and other development partners' programmes. GoK is now contributing funding for HSNP.

10. HSNP is now implemented under the NDMA and its own national response plan and the Government's "Ending Drought Emergencies in Kenya Country Programme Paper" (2012) both reference cash transfers as important mechanisms to both meet emergency needs and build resilience. The proposed establishment of the National Drought Contingency Fund (NDCF) is mentioned as a funding source for a wide range of drought response mechanisms, emergency cash transfers via HSNP being just one. Hence, as a result of having pre-registered and wealth ranked households, through HSNP, NDMA and partners will be able to reach up to 374,806 HHs (over 2.1m people) with emergency CTs in anticipation of drought and during future climate shocks. Table 1 overleaf provides a summary of progress to date in bank account opening and activation.

**Table 1: Number of Bank accounts Opened (and Active) for each HSNP County as of 12th Feb 2015**

| County | Open Grp 1 Accns | Active Grp1 Accns | Total Grp 1 HHs | % Active Accn / Total Grp 1 HHs | Opened Grp 2 Accns | Active Grp 2 Accns | Total Grp 2 HHs | % Active Accn / Total Grp 2 HHs | Opened HSNP Accns | Active HSNP Accns | Total HSNP HHs | % Active Accns/ Total HSNP HHs |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Mandera | 18,795 | 15,413 | 22,231 | 69% | 38,967 | 30,964 | 63,287 | 49% | 57,762 | 46,377 | 85,518 | 54% |
| Turkana | 33,926 | 27,866 | 39,918 | 70% | 71,602 | 53,028 | 97,978 | 54% | 105,528 | 80,894 | 137,896 | 59% |
| Marsabit | 16,625 | 14,599 | 18,650 | 78% | 30,018 | 25,962 | 37,652 | 69% | 46,643 | 40,561 | 56,302 | 72% |
| Wajir | 15,812 | 13,255 | 19,201 | 69% | 44,950 | 37,566 | 73,603 | 51% | 60,762 | 50,821 | 92,804 | 55% |
| Totals | 85,158 | 71,133 | 100,000 | | 185,537 | 147,520 | 272,520 | | 270,695 | 218,653 | 372,520 | |

Notes on Table:

Group 1 = 100,000 Routine Beneficiaries

Group 2 = 272,520 Other Households on the HSNP MIS

11. Currently, Group 1[ii] receive bi-monthly cash transfer payments of Ksh4,900 (in FY 2014-15). Group 2 will only receive funds during a drought. The process of registering all 374,806 Group 1 and Group 2 households and linking each to an open, active bank account with a bank card able receive cash payments will be completed in early 2015. The payment system being put in place by HSNP can be accessed to withdraw cash or make purchases at a network of Equity Bank Agents.

## 1.5 HSNP as a scalable safety net: Agreeing the Objectives

12. In developing a Scalability policy and guidelines for HSNP, Government and donors' must reach consensus on the objectives for scalable cash transfers. Scalable cash transfers can be viewed simply as an effective emergency response to extreme events or as one element of a much more comprehensive resilience building or social protection measure. Being clear about the rationale for scaling payments is important in assessing different approaches and the levels of funding each would require. Table 2 below sets out three underlying objectives for the different scalability framework options examined in this paper. The objectives are not mutually exclusive but are used to illustrate the scale of financing required depending upon the primary objective of scale up.

**Table 2: Objectives for Scaling Cash Transfers in Response to Drought**

| Scalability Framework Option | Objective | Scale up Frequency, Coverage and Cost |
|---|---|---|
| *Option 1* – Extreme Drought Response | To provide a fast and effective response to large proportions of the population during extreme drought events. | Scale up occurs on wide scale basis infrequently during major droughts e.g. when state of emergency has been declared.<br><br>**Frequency:** Every 2 years.<br><br>**Cost:** Cheapest option. |
| *Option 2* – Resilience Payments<br><br>a) Monthly payouts (scale out)<br><br>b) Monthly payouts (scale out and up)<br><br>c) Seasonal payouts | To build the resilience of poor and vulnerable populations in response to regular, local climatic fluctuations. | Scale up occurs regularly in response to localized drought events to support the resilience of very poor and vulnerable populations. A variety of options are available with monthly or seasonal payouts (see section 3 for details).<br><br>**Frequency:** Annual scale up in identified Sub-Counties of the 4 counties.<br><br>**Cost:** Medium expenditure. |
| *Option 3* – Single Pipeline Approach | To create a single pipeline of drought responsive humanitarian assistance linking food assistance with wider social protection programmes for the chronically poor and food insecure. | Transfer values are sufficient to address chronic food gaps. Scale up addresses local seasonal fluctuations in numbers of food insecure populations. Routine transfers are increased as chronically food insecure and HSNP routine beneficiaries are merged.<br><br>**Frequency:** Increased cost of routine programme with annual scale up to parts of the 4 counties.<br>**Cost:** most expensive option. |

## 2. Principles Guiding the HSNP Scalability Framework

The following principles underlie the design and decisions on HSNP scalability.

Principle 1: *The imperative of early response in the spirit of 'No Regrets'*

14. So long as timely early warning (EW) triggers are agreed and financing in place (see below) payments can be made as soon as conditions begin to deteriorate. HSNP has the ability to transfer cash to any or all enrolled HSNP households in the four counties via their bank accounts in approximately ten days of approving the payroll. HSNP HHs are assumed to have gone through ID checks, have a bank account open, active and a bank card in their possession. This facilitates a far quicker response to a greater number of households than any other drought risk reduction or response mechanism currently in place.

Principle 2: *Decisions to scale up or down cash transfers will be automatically triggered using objective, pre-agreed, quantitative and auditable indicators for which reliable, time series data exists*.

15. NDMA is revising its national drought early warning (EW) system to include a set of eight core indicators that will be used to assess the monthly drought situation in each Sub-County. At the current time not all of the indicators in this system have sufficient long term quantitative data to undertake statistical trend analysis. Most data are collected by drought monitors at the field level and involve some element of subjectivity. Access any external or private disaster risk financing can only be secured on the basis of highly objective quantitative data (see financing options below).

16. Currently the only NDMA indicator that meets this criteria is the vegetation condition index (VCI), derived from remotely sensed satellite imagery. To meet the needs of potential risk financing providers, only data of this quality can be used as the trigger for scaling up payments. This also removes any possibility that subjective analysis or political influence can affect decisions to scale up. Therefore, the trigger for payments will depend on satellite data used in NDMA's EWS and not be dependent on any field assessments. Although there are strong correlations between poor VCI and drought, clearly a single indicator does not provide a full assessment of vulnerability and drought impact. Additional indicators such as market prices may be included over time as the model evolves. This may (on occasion) trigger payments in situations where conditions do not continue to deteriorate or to greater or smaller populations than required. However, a 'no regrets' philosophy accepts that ultimately this cost is significantly outweighed by the damaging losses and costs of late response[6]. It will be essential to monitor speed over perfection.

Principle 3: *Cash transfers will be made to pre-defined sets of Households on the basis of poverty as assessed by the HSNP wealth ranking process.*

17. In each county, all households registered on the HSNP MIS have been wealth ranked and can be grouped into four main wealth groups (very poor, poor, middle and upper income). Pre-registering and assessing Households avoids the time-consuming process of targeting once

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[6] Ref Economics of Resilience report

conditions deteriorate. As a result, payments can be made quickly to expanded wealth groups as drought situation and resources dictate. Ensuring all communities are fully aware of this process and accept its rationale is essential to successful scale up.

*18.* The pre-selection process and decision to trigger payouts on the basis of EWS triggers means that certain households not affected by drought may receive transfers and some more affected may not. Such imperfect targeting emerges in all programmes (even where exhaustive efforts have been made to identify the most affected). HSNP's *hypothesis is that a quick and imperfectly targeted response is still preferable to a slow response where many weeks or months have been spent identifying beneficiaries, and still has not achieved perfection.*

Principle 4: *Close monitoring of the value of speedy and possibly imperfect response*

19. Prioritising the speed of a "no regrets" response linked to the EW trigger, in order to make early cash transfers, will require close monitoring. The impact of early scale-up responses will be therefore be part of the HSNP's independent evaluation. Focus will be on the question: ***How do the effects of predictable transfers compare with those of short-term transfers triggered in response to acute shocks?*** A monitoring framework will be developed and aim to look at a range of issues including:

*i.* Impact of scaled up payments;
*ii.* Appropriateness of triggers, amount and targeting; and
*iii.* Wider economic impacts.

# 3. The HSNP Scalability Framework - Parameters and Variables

## 3.1 Key questions guiding the development of the HSNP scalability framework

- ***When?*** What information will be used to trigger a scaled up payment and how frequently is this scale likely to be triggered?

- ***Where?*** Which geographic locations need additional cash when a scale up is triggered?
- ***Which households?*** What proportion of additional households in the identified geographic location should receive additional cash? Should routine HSNP beneficiaries also receive this cash?
- ***How much?*** What amount should households selected for scale up receive?
- ***How often?*** Should payments be monthly, or more, or less frequently?
- ***For how long?*** Over what duration should expanded payments be made and when should they be scaled down?

20. These variables will change for each of the options examined (depending on the agreed rationale underlying the scale-up proposed). A summary scalablility framework is shown as Table 2 below.

## 3.2 Variables in the HSNP Scalability Framework

### 3.2.1 Where to scale up (geographic coverage)?

21. The four HSNP counties are some of the largest in the country. Scaling up to whole counties would be not be an efficient use of funds, as drought conditions can vary considerably within counties. Currently NDMA assesses drought phase classification on a Sub-County (formally District) level. Although VCI and NDVI can be used to analyse the drought situation down to very small areas (200m$^2$) a wider area is proposed given the large areas over which communities herd livestock. Although there is justification to scale payments according to livelihood zones, these are currently awaiting review. In addition, NDMA has historic VCI data analysed by Sub-County for all HSNP areas which is ideal for trend analysis and modelling.

22. **Recommendation:** It is proposed that payments are scaled up by **Sub-County**, i.e. on the basis of the drought indicator for each Sub-County. This parameter is used for the frameworks for all Options.

### *3.2.2 When to Scale Up?*

23. Following Principle 2 above, satellite-based remote sensing data emerges as the only viable trigger that can be used to scale up payments. From a data and financing perspective, remotely sensed variables are far more reliable than sporadic sentinel data, with no gaps in geographic or time coverage, and very small delay times in obtaining data. The Vegetation Condition Index (VCI) has been identified by NDMA as the most appropriate remote sensing indicator to measure the status of pasture and assess grazing resources available to livestock. NDMA has developed ranges of VCI to describe four drought phases (normal; moderate; severe; and extreme), see Table 3. This has been validated with technical assistance from Boku University in Austria. Monthly early warning (EW) bulletins for all counties repeatedly show the link between low VCI and an increase

in negative household coping strategies such as reducing food intake and meal frequency. It is clear that a single indicator cannot provide a comprehensive assessment of drought impact on the full range of households in any area. Nonetheless, although remote sensing indicators may be limited to vegetative cover, they do provide timely and accurate data, sufficiently well correlated with the HH impacts of drought stress, that is 'good enough' in triggering a rapid 'no regrets' response.

**Table 3: NDMA's VCI Parameters for Drought Phases**

| Trigger<br>Vegetation Condition Index (VCI) | | Drought Phase<br>Equivalent |
|---|---|---|
| ≥50 And 35 to 50 | Wet or No Drought | 1 – Normal |
| 20 to 35 | Moderate Drought | 2 – Alert |
| 10 to 20 | Severe Drought | 3 – Alarm |
| <10 | Extreme Drought | 4 – Emergency |

24. There are alternative remote sensing indicators that could be used to trigger payments. NDVI is currently being used to trigger livestock insurance payments for the Index-Based Livestock Insurance (IBLI) programme in northern Kenya. The Kenyan Government, with support from the World Bank, is developing a livestock insurance programme[7] in pastoral counties using the same approach. Both VCI and NDVI indicators refer to vegetation cover and so are clearly related, however differences in the way each is analysed and the cut-off levels used to define drought phases can vary. Currently NDMA, ILRI and the World Bank are working together to ensure a level of alignment in the use of the two indexes.

25. Both indices (VCI and NDVI) can be used to define different categories of drought on a month by month basis for a given geographic location. Alternatively they can be analysed over several months i.e. a short or long rains season to assess whether a season is normal or has failed and if so, to what degree and where. ***However, the critical issue in selecting a trigger to scale up HSNP payments is the frequency with which that trigger is reached.*** The frequency with which a scale up is triggered has direct and significant impact upon the financing required. Consequently, the scalability framework options proposed include both low frequency and higher frequency triggers. The frequency with which payment is triggered for each option has been estimated by modelling NDMA's remote sensing data for the last 14 years. This retrospective analysis provides the best indication or forecast of drought trends and frequency going forward.

26. Tying the HSNP trigger to the NDMA drought phases significantly increases the frequency of scale up. Over the last 14 years, an average of 14 (out of 22) Sub-Counties were categorised as being in 'severe' or 'extreme' drought in any one year. This level of frequency corresponds more closely with NDMA's normal annual expansion of other programmes of annual drought assistance e.g. water tanking, livestock vaccination campaigns.

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[7] KLIP – Kenya Livestock Insurance Programme

### *Options on when to scale up: frequency of triggering?*

27. Table 4 outlines the options on when to scale up in relation to frequency of triggering. Option 1 is the lowest threshold and therefore triggers least frequently. Options 2 and 3 have different proposed triggers as the levels of scale up would be staggered. All options link any scale up to the VCI thresholds used in NDMA's drought phase classification, see Table 3 above. NDMA's current Drought Response Manual sets out the range of drought mitigation and response activities in all sectors that could be undertaken or scaled up at each stage of the drought cycle.

**Table 4a: Triggers for Options in relation to their frequency – Option 1**

| *Option 1 –Extreme Drought* | | |
|---|---|---|
| Trigger for Payment | Description | Frequency with which Scale Up triggered |
| NDMA Extreme Drought status (i.e. VCI falls below 10) | This is the current NDMA threshold for extreme' drought status. It would only trigger scale up in the majority of Sub-Counties during more severe drought events which are less frequent. | **Frequency:** On average this triggers a scale up in HSNP Sub-Counties on average **once every 24 months.** |

28. Option 2 (Regular Shock Response) is divided into three sub-options: 2a), 2b) and 2c). Currently, only options 2a) and 2b) can be run through the costing model and are presented in this paper. Both options 2a) and 2b) pay out monthly. Options 2b) provides more generous coverage and payment amounts that 2a), as explained below. Option 2c), a seasonal payment is estimated to generate a cost somewhere between these options, however this is yet to be modelled.

**Table 4b: Triggers for Options in relation to their frequency – Options 2a) and 2b)**

| *Options 2a) and b)– Regular Shock Response* | | | |
|---|---|---|---|
| | Triggers for Payment | Description | Frequency with which Scale Up triggered [8] |
| Options 2a) .2b) | Severe Drought (VCI <20 >10) | Based on NDMA's monthly VCI index | In every year, some Sub-Counties fall into the severe drought status. On average 14 out of 22 Sub-Counties would trigger at least one scale up each year. |
| | Extreme Drought (VCI<10) | | Far fewer Sub-Counties hit this trigger each year if the extreme years of 2006 and 2011 are excluded approximately only 2 Sub-Counties per year hit this trigger. |

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[8] There are 22 Sub-Counties in the four HSNP Counties. Estimate is based on retrospective analysis of VCI/NDVI data for last 14 years.

**Table 4c: Triggers for Options in relation to their frequency – Option 2c)**

| *Options 2c)– Regular Shock - Seasonal Payments – STILL IN DEVELOPMENT* | | | |
|---|---|---|---|
| | **Triggers for Payment** | **Description** | **Frequency with which Scale Up triggered [9]** |
| Option 2c) | Season fail – *Minimum* (1/6 preceding months to hit severe VCI threshold)<br>Season fail – *Maximum* (6/6 preceding months to hit minimum VCI <5) | **Based on NDMA VCI data for previous six months** | Tbc<br>Tbc<br>Tbc |

30. Option 2c) is similar to the approach being taken by the GoK livestock insurance scheme being developed, whereby payments are made once per season, following the long and the short rains, based on an overall assessment of the season. Payment is triggered if a season has deemed to have 'failed'. Analysis of VCI data will be used to establish the magnitude of a 'failed' season. Payments would be triggered at the VCI 'severe' cut-off for the season. The amount of payment will therefore vary as it is linked to average VCI scores and pro-rated accordingly. This variation has been included for the following reasons:

- Households might find a single large payment more beneficial in coping with a drought period than smaller monthly payments. This will require further consultation with counties administrations, communities and will require on-going monitoring.
- The operational and administrative costs associated with making transfers to both the NDMA and beneficiaries are reduced by a single payment. Many beneficiary households incur significant costs and time spent in collecting payments, so receiving a single payment would reduce these costs.
- Using techniques developed by ILRI for analysing NDVI, seasonal payments have been brought forward considerably. Insurance pay-outs are now triggered much earlier in the season. For example, insurance pay-outs for the long rains (Mar-May) used to be paid out in October (just at the short rains started). These are now paid out in July just as the long dry season starts to bite. As a result seasonal payments could provide more funding sooner than monthly payments. Given the livestock insurance payments are likely to also be delivered via households' Equity Bank accounts there is a strong rationale for paying out at the same time.

31. It is proposed that Option 3 – Single Pipeline - also uses Sub-County monthly VCI as the trigger to scale up payments (as in Option 2a). This is because monthly payments more closely mirror the pattern of monthly food distributions. The justification for this is that cash is primarily provided

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[9] There are 22 Sub-Counties in the four HSNP Counties. Estimate is based on retrospective analysis of VCI/NDVI data for last 14 years.

[10] Close collaboration is ongoing with ILRI and academic researchers to ensure the NDVI data and form of analysis used for the Kenya Livestock Insurance Programme (KLIP). KLIP proposes to use HSNP MIS data to help on targeting and delivery infrastructure where appropriate. KLIP triggering enables payments would be seasonal but made well before the end of the season.

to meet households' food gaps and so should be provided regularly, rather than once per season. Currently, the number of food aid beneficiaries is assessed every six months by multi-agency short and long rain assessments. The assessed caseload provides the basis for the WFP pipeline for the following six months. In the Option 3 scenario, a scalable CT would only be transferred in the months that the VCI drops below 20 (the 'severe' cut off). It should be noted that WFP provides an average of eight distributions per year. This approach would also avoid the inherent time-lag between the GFD[11] beneficiary caseload being assessed, re-targeting and actual food aid delivery. Currently, WFP food aid beneficiaries receive their revised food distribution in October (for the long rains) and April (for short rains).

### *3.2.3 Which Households should Receive Scaled up Payments?*

32. All registered households in the four counties have been wealth ranked using a combination of community wealth ranking (known as Community Based Targeting, or CBT) and proxy means testing (PMT) based on the household information collected during the registration process. The PMT/CBT model uses the information collected during registration to generate a consumptions score in Kenya Shillings for all 374,806 households registered on the HSNP management information system (MIS). This consumption score can used to wealth rank households in all locations from poorest (lowest scores) to richest (highest scores). At the County level, quotas for the 100,000 routine beneficiaries were allocated using a modified version of the Government's KRA[12] formula. At local level, the PMT/CBT scores were used to select the poorest in each county up to the allocation. The 100,000 routine beneficiaries in the four counties represent 27% of all households registered on the MIS. This is an aggregate figure and clearly varies in each location.

33. In scaling up cash transfers, two levels of scale up are proposed and included in the various Options considered here. The first level scale up is triggered by a 'severe' drought, when it is proposed that cash transfers are expanded to 50% of all households registered in the affected Sub-County. These households are selected from the MIS in wealth ranked order i.e. taking the next poorest households on the wealth ranked list until 50% of households has been reached.

34. A key issue here is whether this scale up level should include additional payments to the existing routine beneficiaries or merely scale up to the next 23% of households i.e. the non-routine beneficiaries. This would mean that 50% of households in an affected Sub-County are receiving the same standard monthly payment (Option 2a – scaling out). If however the existing beneficiaries are also included, they will effectively receive a double payment i.e. their routine payment plus the scale up payment. This is proposed in Option 2b (scale up and out).

35. When the drought status hits 'extreme' it is proposed payments are scaled up in those Sub-Counties to 75% of households on the MIS. Most Options presented include the routine beneficiaries in this level scale up so that they would receive a double payment at this stage.

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[11]General Food Distribution

[12] Kenya Revenue Authority formula is used to allocate Government resources down to County level. NDMA modified the CRA formula by removing land area and fiscal responsibility, increasing poverty to 30% resulting in the following weighting: 25% basic equal share, 30% poverty and 45% population.

36. Table 5 below summarises the household groupings for scaling up and shows the aggregate numbers in each for the four counties.

**Table 5: Household Groupings for Scaling Up Payment Coverage**

| Scale up Groupings | Estimated Number of Households | Percentage of all Households registered on HSNP MIS | | |
|---|---|---|---|---|
| 1 – Routine HSNP beneficiary households | 100,000 | 27% | 50% | 75% |
| 2 – First Level Scale up | 87,500 | 23% | | |
| 3 – Second Level Scale up | 93,730 | 25% | | |
| Total Households Registered on MIS | 374,806 | | | |

37. These scale up coverage rates have been proposed based on the proportion of populations normally assessed to be in need by the bi-annual multi-agency long and short rains assessments (LRA/SRA) in severe and extreme drought years. The 75% maximum coverage figure is chosen as in the course of the last 14 years this has only once been exceeded as the proportion assessed in need i.e. Marsabit in 2011 (at 77%).

38. The proposed coverage levels for each option are set out along with the payment amounts in the tables below.

### *3.2.4 What Transfer Amount should Households Receive? (How much?)*

39. The current monthly transfer rate for HSNP routine beneficiary household is Ksh2,450 (approx. US$28). This is a flat fee irrespective of the size of the household. Presently this is transferred into beneficiary bank accounts as a double payment every two months i.e. Ksh4,900 (US$56). This transfer rate is increased annually by 5% to account for inflation. The amount was established based on IMF predictions of the consumer price index[13]. Although this amount cannot meet the full income / consumption gap for all households (particularly large ones) the impact evaluation of Phase I shows it does make a significant contribution to increasing consumption and reducing poverty at the HH level.

40. During a crisis or shock such as drought it is accepted that all households' needs may increase. However the level of analysis and assessment required in estimating this 'gap' with any level of accuracy would take time and resources undermining the principle of 'no regrets' early response. Over time, the effectiveness of different amounts of scalable transfers will need to be monitor, in particular to understand the minimal level of scaled up payment required to produce any discernible impact negative coping strategies.

41. Until this is clearer, the proposed scaled up payment amounts for Options 1 and 2 remain derived from the routine payment amount. Option 3 (see tables below) is different, with a higher transfer amount. This is because if payments are to replace in-kind food assistance, the amount should be sufficient to enable a household to purchase an equivalent kilo-calorific amount of food on the local market. To calculate this amount precisely for all HSNP Sub-Counties would require a

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[13] DFID HSNP Business Case Annex 5 – Economic Analysis

separate study. However for the purposes of cost modelling an average monthly transfer cost of Ksh4,277 (US$50) has been estimated using current WFP cash transfer values[14].

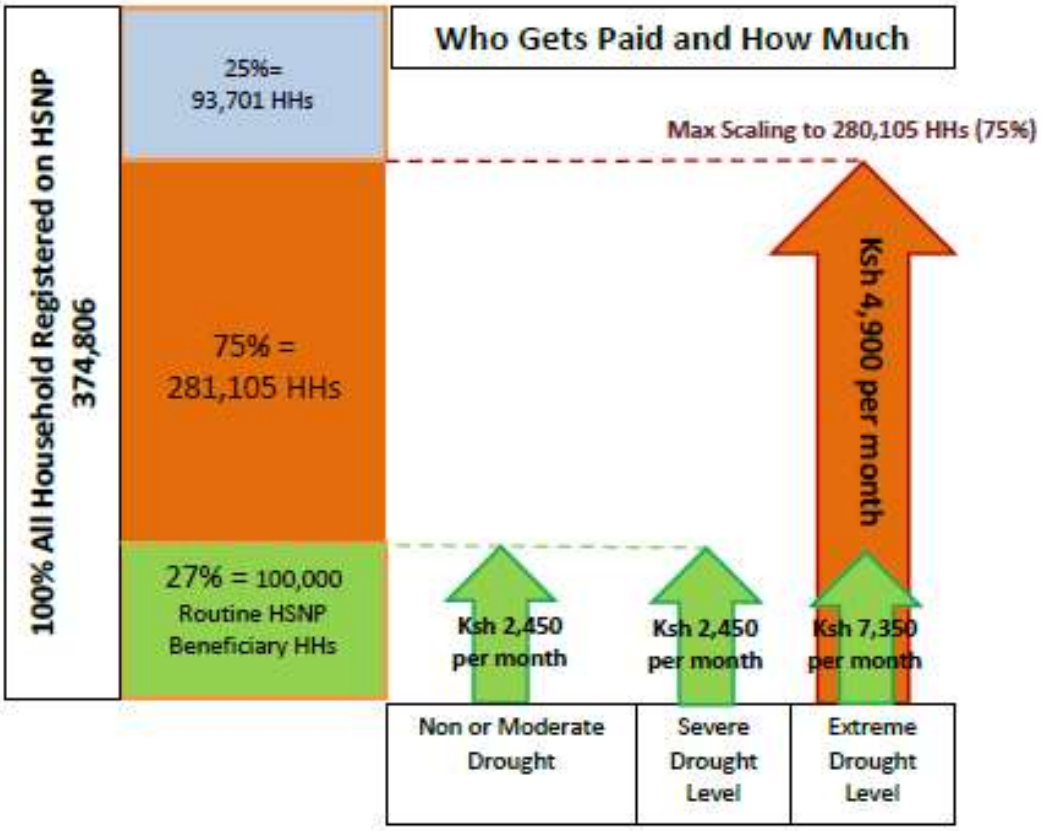
42. Figures 3 to 6 below attempt to illustrate graphically who would receive what amount at each stage of the drought status. Option 2c) which is proposing seasonal rather than monthly payments is missing as this Option is still under development. Instead of monthly payments households will receive two annual payments the amount of which will vary depending on the overall average VCI for that season.

*Option 1- Extreme Drought Response*

*Option 1 scale up payments are* triggered only at extreme drought stage.

43. Routine HSNP HHs will receive an additional transfer of twice the normal monthly payment, ie Ksh4,900 in addition to the Ksh2450 they already receive. Payments will scale up to the maximum coverage proposed of 75% of HSNP HHs. Payment to other HSNP HHs will be double the standard monthly payment i.e. Ksh4,900.

Figure 3 - Option 1: Extreme Drought

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[14] This is based on the average cash transfer payment made by WFP to a family of 6 in a pilot programme in Turkana in 2011 – adjusted for inflation

*Option 2a) – Resilience Payment (Scale out)*

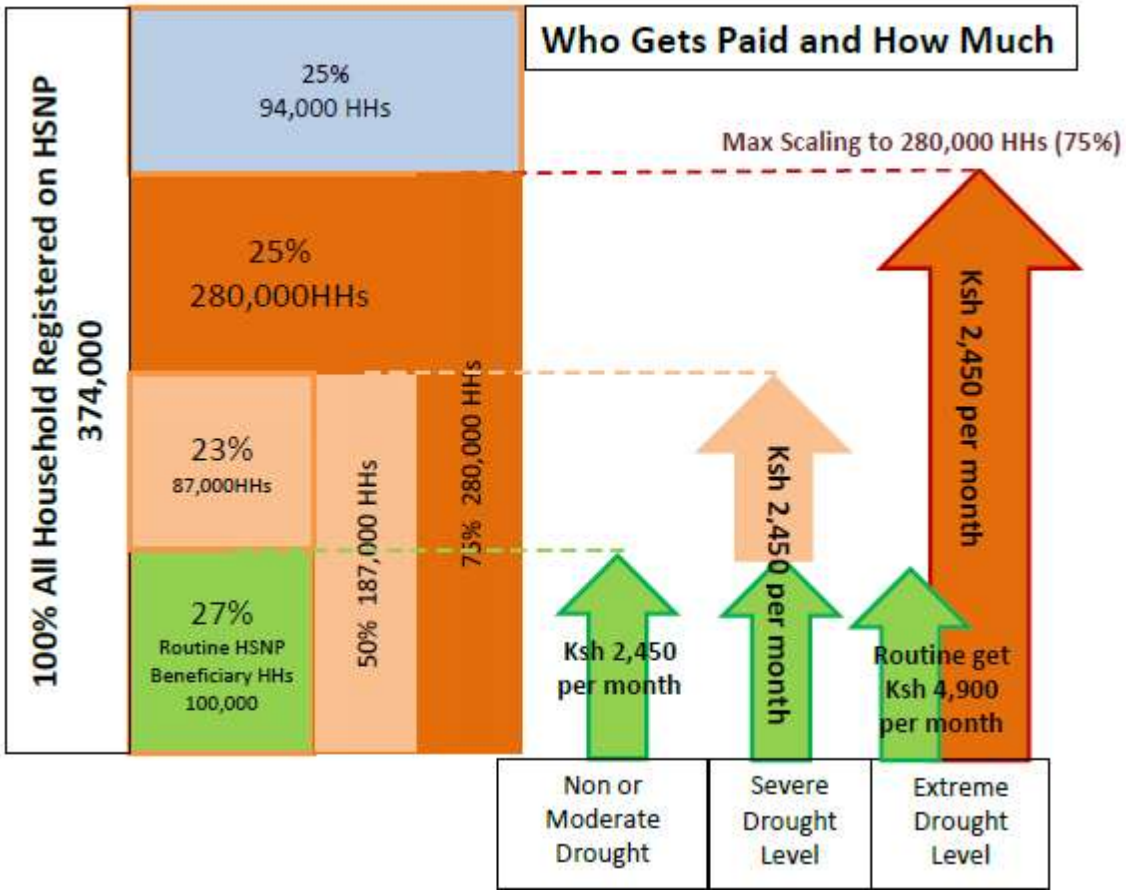
Under Option 2a), payments are triggered when the 'severe' drought status is reached in any Sub-County.

44. Payments are scaled out to 50% of all HSNP households but nothing additional is provided to the 100,000 (27%) existing routine beneficiaries, who continue to receive their standard monthly payment (Ksh2,450). An additional 23% of all HSNP households receive a standard monthly payment.

45. In Sub-Counties where 'extreme' drought status is reached, payments are scaled up further to a maximum of 75% of all households. All households receive the standard monthly payment of Ksh2,450, Routine beneficiaries therefore receive a double payment totally Ksh4,900, including the routine beneficiaries in addition to their routine payments.

46. The estimated cost of Option 2a) based on January 2015 VCI is GBP60,000

**Figure 4: Option 2a) – Resilience (scale out)**

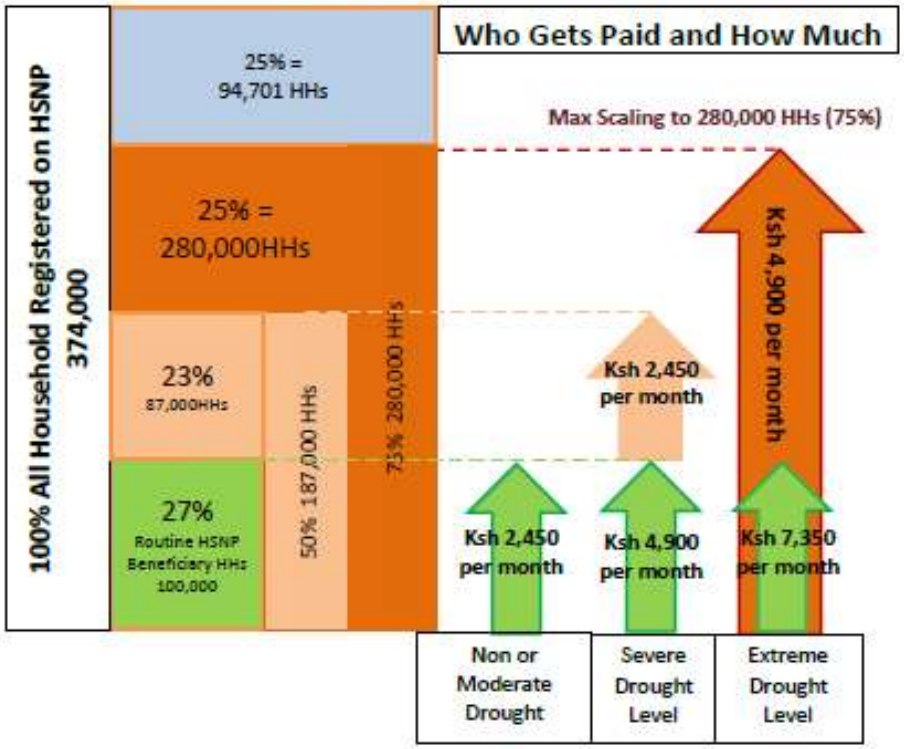



*Option 2b) – Resilience Payment (Scale out and up)*

**In Option 2b), payments are scaled out to both routine beneficiary households and the remaining 50% of poorest households when a 'severe' drought status is reached**.

47. In this option, routine beneficiaries effectively receive a double payment. When an 'extreme' drought status is reached, 75% of all households registered receive a double payment including routine beneficiaries (who effectively receive a triple payment).

Figure 5: Option 2b) – Resilience (scale up and out)



*Option 3 – Single Pipeline Approach*

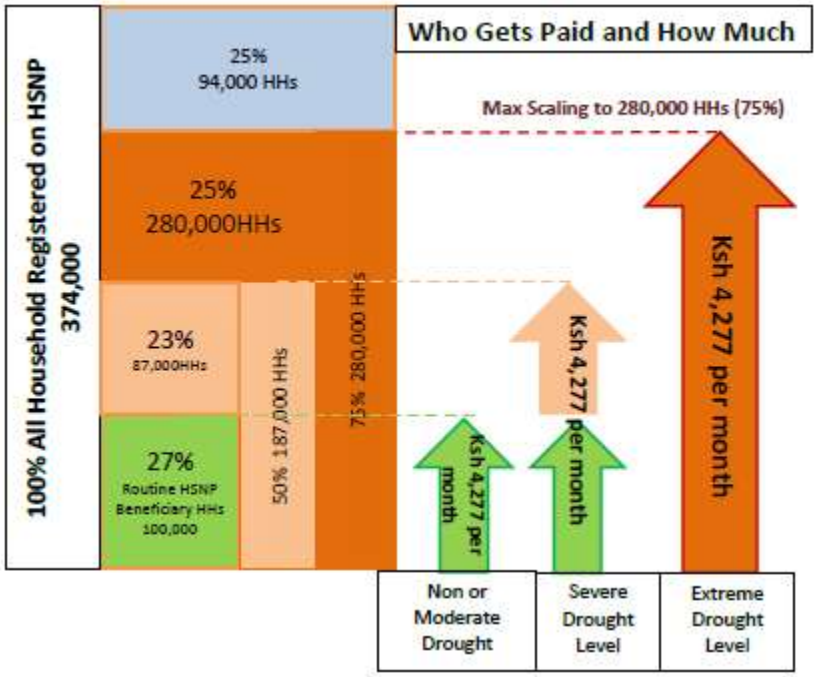
**In Option 3, households receive Ksh4,277 every month they are eligible for payment. Routine beneficiaries are eligible for this amount every month irrespective of the drought status.**

49. At "severe" drought status an additional group (up to the 50%) will also receive this amount.

50. At "extreme" drought stage all households up to the 75% maximum cut-off will receive this amount.

51. In costing this option, all 100,000 routine beneficiaries have been budgeted as receiving a top up to the standard HSNP payment of Ksh1,827 for 12 months of all years to enable them to purchase the food assistance ration equivalent.

Figure 6 -Option 3: Single Pipeline Approach




*3.2.5 What should be the Duration of Scale Up?*

52. The duration of the scaled up payment for Options 1, 2a), 2b) and 3 are monthly based on the drought status of that Sub-County in that month. This means that as soon as the drought status for that Sub-County returns to 'moderate' or 'wet / no drought' scale up payments will cease. Routine beneficiaries will continue to receive their standard monthly payments of Ksh2,450 (Options 1 and all Options 2) or Ksh4,227 in the case of Option 3.

53. In Option 2c) the seasonal payment is made twice per year in Sub-Counties that hit the triggers. All other months only routine beneficiaries receive payments.

**Table 6: Scalability Framework Options for HSNP Scalability – Summary Parameters for Costing**

| Option | Rationale for HSNP Scalability | Trigger | Frequency Payment triggered | Population Coverage | Transfer Amount | Duration of payment |
|---|---|---|---|---|---|---|
| 1) Extreme Drought | To provide a fast and effective response during extreme drought events | Monthly VCI below 10.0 | Every 24 months (approx.) | 75% in each Sub-County | Ksh4,900 – 2 x standard payment | One month when VCI trigger reached |
| 2A) Resilience payments – monthly (Scale out) | To build the resilience of the poorest in response to local climatic fluctuations | Severe Monthly VCI - <20>10 | Annually (ave X # Sub-counties per year) | 1 scale up group – 23% (excluding routine) | Ksh2,450 Standard payment amount | One month when VCI trigger reached |
| | | Extreme Monthly VCI <10 | Annually (ave X # Sub-counties per year | Extreme – 75% (all groups) | Ksh2,450 Standard payment amount | |
| 2B) Resilience payments – monthly (Scale out and up) | | Severe Monthly VCI - <20>10 | Annually (ave X # Sub-counties per year) | Routine and 1st Group – 50% (incl routine) | Ksh2,450 Standard payment amount | |
| | | Extreme Monthly VCI <10 | Annually (ave X # Sub-counties per year | Routine and 1st and 2nd Group – 75% | Ksh4,900 2 x Standard payment amount | |
| 2C) Resilience payments – seasonal | | Severe Seasonal Fail *tbd* | tbc | Routine and 1st Group – 50% | Model in development | 2 seasonal payments per year |
| | | Extreme Seasonal Fail *tbd* | | Routine and 1st and 2nd Group – 75% | | |
| 3) Single Pipeline Approach | To create a single pipeline of humanitarian response in locally drought affected areas | None | All months | Routine beneficiaries – 27% | Ksh4,277 (1,827 top up + current payment 2,450) | All months |
| | | Severe Monthly VCI - <20>10 | Annually | 23% of households in each Sub-County | Ksh4,277 Market cost of buying monthly ration | One month when VCI trigger reached |
| | | Extreme Monthly VCI <10 | | 48% of households in each Sub-County | Ksh4,277 Market cost of buying monthly food ration | |

## 4. Costing Scalability Options

54. NDMA has developed a model which is currently being quality assured by the World Bank Disaster Risk Financing Team to enable the options set out above to be costed for budgeting purposes. Option 2c) requires a specific model that is still in development. All models will have the capacity to modify each of the variables set out in the section above and provide the costs of each option based on VCI data from the last 14 years for the 22 HSNP Sub-Counties across the 4 counties. Other variables are based on household population data in the HSNP MIS and transfer rates as shown.

55. The results for four of the five options are set out in Table 7 overleaf. Costs have been rounded to the nearest USD $100,000. The fuller 14 year cost profiles for each option are shown in more currencies in Annex 1.

56. The Table shows that **Option 1** is the least expensive, as scale up is triggered far less frequently equivalent to the 'extreme' drought phase. This means there are several years where no scale up payments would be required. **The average annual cost over 14 years is approximately $6.6m**.

57. **Options 2a) and 2b)** both generate annual payments with some scale up generated in all years. The **annual average cost** of these options ranges from **$6.3m - $11m**. Significant savings are made in Option 2a) by excluding routine beneficiaries from the initial scale up and maintaining a transfer amount of Ksh2,450 per month.

58. **Option 3** is by far the most expensive option generating an **average annual cost** of **$35m**. This is because this option includes an additional payment to all routine beneficiaries of Ksh1,827 in all months. This reflects the larger standard payment that would be required if the payment was to meet the food assistance replacement cost. In developing this option any further greater discussion is required as to rationale and objectives of a 'single' pipeline. Additionally it raises questions about the role of wider social protection programming in drought affected areas at a time when other NSNP cash transfer programmes[15] are also expanding their coverage.

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[15] Orphans and Vulnerable Children (OVC-CT); Older Persons (OP-CT) and Persons with Severe Disabilities (PWSD-CT)

**Table 7 – Summary of Parameters and Costs of Scalability Options**

| Options | Option 1) Extreme Drought | | Option 2a) Resilience payments Monthly (scale out) | | Option 2b) Resilience Payment Monthly (scale up and out) | | Option 3) – Single Pipeline Approach | | |
|---|---|---|---|---|---|---|---|---|---|
| **Levels** | 1st Level | 2nd Level | 1st Level | 2nd Level | 1st Level | 2nd Level | Regular | 1st Level | 2nd Level |
| **Trigger** | n/a | VCI <10 | Severe Monthly VCI - <20>10 | Extreme Monthly VCI <10 | Severe Monthly VCI - <20>10 | Extreme Monthly VCI <10 | None | Severe Monthly VCI <20>10 | Extreme Monthly VCI <10 |
| **Coverage** | n/a | 75% all HHs on MIS | Up to 50% (23%) Excluding routine | Up to 75% Including routine | 50% (including routine) | 75% (including routine) | Routine HHs (27%) | Up to 50% (23%) | Up to 75% (25%) |
| **Transfer Amount** | n/a | Ksh4,900 | Ksh2,450 | Ksh2,450 | Ksh2,450 | Ksh4,900 | Ksh 1,827 | Ksh 4,277 | Ksh 4,277 |
| **Frequency / Duration of Payment** | n/a | Monthly: when trigger reached | Monthly: when trigger reached | | Monthly: when trigger reached | | All months | Monthly: when trigger reached | |
| **Approximate Costs US$** | | | | | | | | | |
| **Total 14 Years** | 92,506,000 | | 89,000,000 | | 159,000,000 | | 499,000,000 | | |
| **14 Year Min** | 0 | | 97,000 | | 180,000 | | 24,000,000 | | |
| **14 Year Max** | 40,800,000 | | 28,000,000 | | 50,000,000 | | 66,000,000 | | |
| **Ave All Years** | 6,607,000 | | 6,300,000 | | 11,000,000 | | 35,000,000 | | |

# 5. Financing Scalability

## 5.1 Options for Funding HSNP scalability

59. A range options to fund an HSNP scale-up were examined in the "Methodology Report: Design of a System to Scale-up Social Protection in Kenya" produced by Kimetrica in 2014. Of these, the most likely to emerge as actual funding sources include the following:

    i. National Drought Contingency Fund (NDCF)
    ii. Africa Risk Capacity (ARC) insurance fund mechanism
    iii. Pre-agreed budget allocation from donors
    iv. County Government Funding

## 5.2 National Drought Contingency Fund (NDCF)

60. As part of Kenya's National Safety Net Programme (NSNP) for Results, the Government has committed to creating a system for scaling up the NSNP as part of the national drought risk management system. At present, none of the five cash transfer programmes has the ability to rapidly scale-up its coverage or increase the support provided in response to shocks. The scalability element of the HSNP aims to create such a crisis-response capacity within the NSNP. The conduit for funding scalability as well as a range of other drought response interventions is the National Drought Contingency Fund (NDCF). This is not yet operational but its establishment is a key part of achieving the Disbursement Linked Indicator (DLI) 7 as part of the KNSN Programme for Results. The establishment of a scalable cash transfer system immediately triggers a World Bank payment into the NDCF of US$20 million. The actions required to trigger this payment have a current deadline of July 2015 and are listed below:

    i. Gazette the establishment of the NDDCF.
    ii. Review the existing drought response system to incorporate a cash transfer response.
    iii. Revise the Drought Response Operations Manual of the NDMA based on the review of the drought response system.
    iv. Put in place a contract (or modify existing contract) between NDMA and the appropriate payment service providers.
    v. Revise HSNP Operations Manual.
    vi. Ensure that the budget for the relevant fiscal year is appropriated for the NDCF to scale-up the NSNP.

61. In principle, once established the NDCF will be able to secure funding from a range of donor partners and the World Bank funding will be matched by a GOK contribution (action point (vi) above). The NDMA has developed a Trust Deed for the NDCF and is in the process of gazetting it. This document is part of the process of agreeing the details of how a scalable cash transfer mechanism would work

so that Drought Response Operations Manual of the NDMA (action point (ii) and (iii)) and the HSNP Operations Manual (action point (v)) can be revised accordingly.

62. To date broad fund procedures have been defined, and a list of sector interventions has been developed but the exact procedures and responsibilities are yet to be defined, not least the role of individual counties. Until detailed guidance and protocols on the management and use of funds are developed it is not clear how much funding in the NDCF will be allocated or 'ring-fenced' for scalability in the HSNP counties.

63. The NDCF is being established to support drought response and mitigation all 23 ASAL counties in Kenya. All 23 have, or are developing, drought contingency plans outlining interventions for which support from NDCF would be sought during drought crises. Given the HSNP counties are already seen to benefit (significantly) from the routine HSNP programme, it is unclear how politically acceptable it is for them to have priority access to NDCF funds over the other 19 counties. Some donors may specify that their contribution be used for HSNP scalability only. However, the funds will be in Government control and their ultimate allocation may depend on how the rules governing the NDCF are interpreted by its governing board. Another issue is the fact that several donors (specifically DFID and USAID) would be unable to fund the NDCF directly.

- *Key Action Required - NDCF*

64. Immediate efforts to complete all actions in the DLI 7 protocol (listed above)

## 5.3 Africa Risk Capacity (ARC) insurance fund mechanism

65. The African Risk Capacity is a continental sovereign risk pool that provides disaster risk financing to Governments on an insurance basis. ARC was jointly developed by the African Union (AU) and WFP as an early response mechanism providing cost-effective contingency funding to African governments where macro-economic stability is undermined by climatic crises such as drought. Governments pay premiums to cover risk of having to address losses and response to severe natural disasters. Kenya is already a member of ARC and last year paid a premium of $9m for two insurance contracts (long and short rains) providing combined risk coverage of $30m. Under the terms of Kenya's current ARC funding contract up to 75% of any ARC pay-out (i.e. $22.5m) is earmarked for HSNP scalability.

66. ARC payments are also triggered using remotely sensed data, specifically the seasonal values of the Water Requirement Satisfaction Index (WRSI) with input data based on Rainfall Estimates (RFE). For Kenya the data is currently processed as a seasonal average for all 23 ASAL counties. Additionally, ARC premiums are calculated on a 1 in 5 return period i.e. the trigger is set to a cut-off where payments would be made, on average, no more than 1 year in 5.

67. This means that over time, the total of the annual premiums is more than the pay outs received. Table 8 below shows the pay-outs that would have been made to Kenya over the last 14 years (on the basis of the current contract) alongside the annual premium. This highlights the fact that the purpose

of such disaster insurance mechanisms is to provide cash when needed rather than additional cash. If payments were triggered any more frequently premiums would rise accordingly. Unfortunately the payments from the current ARC contract are not aligned to the need generated by the HSNP counties. This would have had severe consequence in 2011 where the ARC pay out failed to reflect the extreme situations on the ground. This is primarily due to the way ARC is analysed[16] using different indicators and coverage area.

**Table 8 – Indicative ARC Premiums and Payments based on Current ARC Contract**

| Years | ARC Premium Costs | Estimated ARC Payouts | Estimated Costs of Option 1 |
|---|---|---|---|
| 2001 | 9,000,000 | - | 854,805 |
| 2002 | 9,000,000 | - | 1,042,421 |
| 2003 | 9,000,000 | - | 347,982 |
| 2004 | 9,000,000 | - | - |
| 2005 | 9,000,000 | 29,997,801 | 3,528,163 |
| 2006 | 9,000,000 | - | 30,549,976 |
| 2007 | 9,000,000 | - | - |
| 2008 | 9,000,000 | - | 1,106,229 |
| 2009 | 9,000,000 | 29,846,092 | 9,023,513 |
| 2010 | 9,000,000 | 13,082,373 | 1,886,446 |
| 2011 | 9,000,000 | 82,162 | 40,829,631 |
| 2012 | 9,000,000 | - | 459,566 |
| 2013 | 9,000,000 | - | 2,877,988 |
| 2014 | 9,000,000 | - | - |
| Total All Years | 126,000,000 | 73,008,428 | 92,506,719 |

68. The table above highlights several things. Although ARC payments are not currently aligned to the needs generated by the HSNP counties, they could cover a significant proportion of the costs (NB in the current contract only 75% of the ARC payments shown are allocated to HSNP scalability). Currently NDMA and ARC are working to revise the terms of the 2015 ARC contract so that satellite data for the 9 arid and 14 semi-arid counties is assessed separately. The aim will be to generate ARC pay-outs that more closely reflect the burden and impact of drought and in future pools ask ARC to cost the needs for a HSNP scalability option. The key issue is that funding Option 1 is potentially insurable as the frequency of pay-out is relatively low.

- *Key Action Required - ARC*

69. Renegotiation of the ARC contract to ensure pay-outs correlate more closely with drought events in arid counties of northern Kenya.

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[16] ARC is based on a different remote sensing indicator - the WRSI (water resources satisfaction index) and the trigger is based on the average for all 23 ASAL counties.

## 5.4 Other Donor Funding

70. Even if Option 1 was selected and an appropriate ARC contract put in place it would still be prudent for HSNP to have its own scalability fund of approx. US$1,000,000 to be able to make payments immediately whilst awaiting reimbursement[17]. If scalability options 2 and 3 are to be considered it is clear that significant additional sources of funding will be required. Again, given the NDCF is not currently operational and the fact that some donors wishing to support HSNP scalability cannot put funds through this mechanism it is becoming evident that some form of separate fund or trust mechanism is required for the exclusive purpose of funding HSNP scalability. This is particularly true if donors want to support HSNP pay-outs based on the Resilience Options 2a) and 2b).

71. The average annual cost of these options ranges from $6.3m to $11m. However if it can be assumed[18] that ARC insurance would cover a significant portion of the costs (risks) associated with pay-outs in extreme drought years the average net annual cost of these options drops to between $2.4m - $7.5m. There are several issues for donors in committing such funds. Primarily there is the problem of contingent liability. The funds could be transferred to HSNP, however there is no guarantee that they will be spent/ dispersed if it is a good year. Conversely if it is an abnormally bad year, (but not extreme) HSNP may be unable to fulfil the terms of the framework without seeking more donor funding.

72. Statistically, the risk of committing funds which are not disbursed decreases as the time period covered by the funding increases. However, given the relatively high frequency and predictability of drought events in these counties, there is a relatively high chance of spending the average annual amount (probably >75%). If funds can be pledged over several years (e.g. three or more), then the chance of them being spent or exhausting increases (>90%). When the scalability funding model is fully developed it will be able to provide clearer estimates as to the percentage chance of exhaustion of different amounts of funding.

73. To further address donor fears of failure to disburse, funding agreements could be provided in tranches. For example, instead of pledging $2.4m per year, a donor might provide 50% ($1.2m) with an agreement to trigger a drawn down the remainder once the first payment is 75% spent. The probability of expending the $1.2m (on the current drought frequency and triggers) is very high.

- *Key Action Required – Donor Funding*

74. HSNP to further examine the practicalities associated with the establishment of a separate trust fund for 'scalability' for donor funding for scalability.

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[17] ARC pledges to pay out within 120 days and is supposed to reimburse GoK NDCF financing. It pays out end of season also.

[18] This assumption still requires clarification from ARC and NDMA

75. Development of a longer term funding strategy and proposal for financing scalability (as an Option is finalised) for presentation and submission to donors.

### *Option 3*

76. The annual funding shown as required for Option 3 is roughly estimated at $35m. It is unlikely that this level of funding will be available in the short to medium term as it is significantly higher than the other options. It is therefore likely to be outside donors' regular/annual humanitarian budgets. This costing option is included to highlight the wider costs associated with providing a more comprehensive approach to supporting a chronic humanitarian caseload. When set against the annual budgets associated with food assistance and wider social protection programmes (i.e. other NSNP CTs) the costs are certainly comparable.

77. It is not proposed to develop detailed costs for this option much further in the short term as so many policy and operational issues require further resolution. In particularly there is a need to work with WFP as they develop their Complementarity Initiative for Kenya. Key questions include:

    - What would be the criteria for selecting 'routine' beneficiaries i.e. how would the current chronic caseloads for WFP and HSNP be merged? Would a joint retargeting strategy be required?
    - Would WFP Food for Assets (FFA) beneficiaries be included in the pipeline or would they represent a separate resilience or development programme?
    - Should FFA move toward Cash for Assets with cash transferred via the HSNP financial infrastructure?
    - Would the pipeline form part of the NSNP or would it exclude households that are eligible for other NSNP CTs (OVCs, older persons and disabled)? Could these beneficiaries also be incorporated into a single comprehensive system?
    - How can the different values of cash / food transfers across all programmes be harmonised? Should different households be provided different levels of transfers based on size or other circumstances?
    - What could / should WFP's role be in providing in-kind food assistance to households without bank accounts until such time as 100% bank account coverage can be achieved.
    - What is the cost efficiency and effectiveness of moving towards a single pipeline straddling relief assistance and social protection?
    - Where would responsibility lie for operationalizing a single pipeline?

78. Such questions require involvement of multiple national and county level partners, specifically WFP, Ministry of Labour, Social Security and Services (MLSSS), County Authorities and NDMA.

    - *Key Action Required – Single Pipeline*

79. NDMA should work with partners in setting out a process or 'road map' that will work through these questions and establish a comprehensive single pipeline approach.

## 5.5 County Government Funding

80. Several County governments have indicated that they would be willing to allocate county resources to HSNP CTs. All HSNP county authorities have developed drought response / contingency plans, all of which include cash transfers as a potential drought response. However currently none has clear guidelines outlining how any budget allocated to this activity would be operationalized. Additionally there is some confusion around the term 'scaling up' with some using the term to refer to the expansion of the number of routine HSNP beneficiaries rather than a response to drought. For this reason is it important that all HSNP county authorities are fully consulted on scalability and involved in the finalisation of the option to be adopted. In the development of the interim guidance, the role and utilization of any County resources must be clearly articulated.

- *Key Action Required – County Government Funding*

81. Consultation programme in place for all HSNP Counties.

82. Support to align County Contingency Plans with agree scalability guidance (as it is developed).

83. Ensure guidance includes section of how County level resources would be used in supporting scale up payments in the respective Counties.

# 6. Way Forward for HSNP Scalability

84. At the current time (February 2015) several Sub-Counties in the HSNP Counties are already hitting the severe and extreme VCI drought trigger. Government stakeholders and donors need to consider how to address this immediate need, whilst the final Scalability Guidance is being developed and approved. Two sets of next steps are therefore outlined here. Table 9 focuses on the actions required to finalise the Scalability Guidance as soon as possible so that the GoK/WB DLI 7 can be achieved and the NDCF is operationalized. This will potentially provide significant funding for HSNP scalability. The final table (Table 11) sets out actions required to initiate an immediate, interim scale up of payment to those Sub-Counties currently in a severe or extreme drought status. The actions for each are set out below.

## 7.1 Actions for Finalise HSNP Scalability Guidance

85. The following actions and timelines are proposed in order to ensure Scalability Guidance is finalised by the end of April 2015.

**Table 9: Actions required to finalise HSNP Scalability Guidance**

| Action | | Responsibility | Deadline |
|---|---|---|---|
| 1 | ***Finalise costs*** for scalability options (1 and 2a-c) shown<br>Finalised model for seasonal pay outs<br>WB to QA all costing models | NDMA | End Feb (if WB can QA earlier) |
| 2 | ***Consultation process:***<br>GoK Ministries and departments<br>Donor Partners and WFP<br>Other humanitarian and development partners<br>County Authorities and politicians<br>Other county based stakeholders (including communities) | PILU /NDMA | Mid March |
| 3 | ***Incorporate consultation findings*** into revised options paper with preferred option recommended to HSNP SC | PILU | End March |
| 4 | ***Negotiate Funding***<br>Develop funding agreement with GoK and Donors to ensure interim funding for preferred option | NDMA | End March (in parallel with 3) |
| 5 | ***Scalability Guidance developed*** based on recommended option for sign off by NDMA CEO | NDMA | End March |
| 6 | ***Actions required to achieve DLI 7***, specifically creation of NDCF completed;<br>• Gazette the establishment of the NDDCF.<br>• Review the existing National Drought Contingency Plan to incorporate a cash transfer response as outlined in Scalability guidance.<br>• Revise the Drought Response Operations Manual of the NDMA based on the review of | NDMA and Treasury | April - July |

| | | | |
|---|---|---|---|
| | the drought response system.<br>• Put in place a contract (or modify existing contract) between NDMA and the appropriate payment service providers.<br>• Revise HSNP Operations Manual.<br>• Ensure that the budget for the relevant fiscal year is appropriated for the NDCF to scale-up the NSNP. | | |
| 7 | ***Final Guidance disseminated*** to all parties and training conducted | PILU | April |
| 8 | ***Scale up payments initiated*** as per agreed guidance | PILU | From May 2015 |

## 7.2 Actions required to Initiate Immediate Scale Up before Approved Guidance adopted

86. In order to address the humanitarian imperative to response to a drought crisis, an immediate scale up could take place on the basis of: Options 1, 2a) and 2b) outlined above. Cost modelling options under 2c) (Seasonal) or 3 are not yet finalised so these options are not presented for immediate consideration. They will, however, be finalised by the end of March.

87. January 2015 VCI data shows that one Sub-County (Eldas in Wajir) has reached extreme drought status (i.e. would trigger under Option 1), whilst seven others (see Annex 2) have reached severe drought status (i.e. would trigger under Options 2 a or 2 b). This is already as many Sub-Counties as reached the severe trigger in the whole of 2014. It is also anticipated that the February VCI will also hit the trigger thresholds for a March payout. Indeed it is likely the number of Sub-Counties hitting the severe or extreme VCI thresholds will increase in February as rains are not due until March as the earliest. If funding is available within the next month it is envisaged the first scaled up payment could take place in March 2015.

88. On the basis of January 2015 VCI[19], the three tables below set out:

- The estimated costs of a one month scale up in sub-counties triggering payments.
- Current HSNP coverage in those areas (not all households yet have active bank accounts, so the actual number of household that can be paid is shown). This reduces actual cost required.

89. In order to give a wider picture of actual costs required to scale up, the tables below also show the annual cost that would have been incurred for last year (based on the 2014 VCI scores). Again the actual costs are estimated based on the current proportions of households with active bank accounts [20] in each of the affected Sub-Counties.

1. _____

[19] A March payout will actually use Feb VCI data available by 5th March.
[20] A summary of costs for 2014 is shown here – the month by month costs are included as Annex 2.

**Table 10a): Option 1: Cost of Scale Up Jan 2015 and All months 2014**

| Option 1 –Extreme Drought | | | | | |
|---|---|---|---|---|---|
| **Coverage:** 75% (including routine beneficiaries)<br>Monthly Transfer Amount: Ksh4,900 ($54) | | | | | |
| Period | # Sub-Counties Triggered by county | # Households eligible for Scale Up | Maximum Pay Out US$[21] | # and % Households in need with HSNP bank accounts[22] | Actual Payout Possible US$ as of 12/2/15 |
| Jan 2015 | (1)<br>Wajir: Eldas | 5,910 | 255,562 | 2,246 (38%) | 97,114 |
| 2014 all month analysis* | (2)<br>**Wajir:** Eldas; Wajir West | 15,883 | 715,128 | 7,432 (47%) | 336,110 |

**Table 10b): Option 2a): Cost of Scale Up Jan 2015 and All months 2014**

| Option 2a) – Resilience Payments (Scale Out) | | | | | |
|---|---|---|---|---|---|
| **Coverage:** 50% (excluding routine beneficiaries)<br>Monthly Transfer Amount: Ksh2,450 ($27) | | | | | |
| Period | Sub-Counties Triggered by county | # Households eligible for Scale Up | Maximum Payout US$ | # and % Households in need with HSNP bank accounts [23] | Actual Payout Possible US$ as of 12/2/15 |
| Jan 2015 | (8)<br>**Wajir:** Eldas; Wajir West; Wajir East; Wajir North: Wajir South; Tarbaj;<br>**Marsabit:** Moyale: North Horr | 36,643 | 997,502 | 20,153 (55%) | 584,275 |
| All months 2014 | (8)<br>**Wajir:** Eldas; Wajir West; Wajir East; Wajir North: Wajir South; Tarbaj; **Turkana:** Turkana North<br>**Marsabit:** North Horr | 142,858 | 3,750,379 | 75,714 (53%) | 1,998,694 |

1. _____

[21] US$1:Ksh90
[22] As of 12/2/15
[23] In affected Sub-Counties as of 12/2/15

**Table 10c): Option 2b): Cost of Scale Up Jan 2015 and All months 2014**

| Option 2b) –Resilience Payments (Scale Out and Up) | | | | | |
|---|---|---|---|---|---|
| **Coverage:** 50% (including routine beneficiaries)<br>**Monthly Transfer Amount**: Ksh2,450 ($27) for SCs at severe and Ksh4,900 ($54) for SCs at extreme | | | | | |
| **Period** | **Sub-Counties Triggered** | **# Households eligible for Scale Up** | **Maximum Payout US$** | **# and % Households in need with HSNP bank accounts in SLs as of 12/2/15** | **Actual Payout Possible US$** |
| Jan 2015 | (8)<br>**Wajir:** Eldas; Wajir West; Wajir East; Wajir North: Wajir South; Tarbaj;<br>**Marsabit:** Moyale: North Horr | 64,701 | 1,855,984 | 37,527 (58%) | 1,091,414 |
| All months 2014 | (8)<br>**Wajir:** Eldas; Wajir West; Wajir East; Wajir North: Wajir South; Tarbaj; **Turkana:** Turkana North<br>**Marsabit:** North Horr | 254,418 | 7,070,047 | 139,929 (55%) | 3,865,058 |

90. The above tables indicate the actual funding required to effect a one-off scale up payment in March 2015 to be between US$97,114 (Option 1) and US$1,091,414 (Option 2b).

91. **Pros:** Making a payment in March would have the following advantages:

- **Need:** It provides cash assistance at scale to significant proportions of the population in the most affected Sub-Counties.
- **Early 'no regrets' response:** It represents one of the swiftest mass responses to the poor short rains ever in Kenya. VCI data will be available the 5th March. With funding available, an emergency payroll can be generated for account holders to receive transfers in their personal accounts 10 days later i.e. by the 15th March. Food assistance for the revised SRA assessment beneficiary figures for the affected Sub-Counties is unlikely to arrive before May at the earliest.
- **Testing the system:** It would build confidence amongst households in the four counties of the wider benefits of the HSNP and the value of having a bank account, even when not a routine beneficiary.
- **M&E and learning:** It provides an opportunity to trial and monitor a scale up before the formal guidance is finalised enabling feedback and any critical issues to be addressed. Guidance will be provided by the independent HSNP evaluation team.

92. **Risks:** Although there are clear benefits to providing a one month payment there are some risks that need to be considered and managed.

- **Expectation management:** Securing funding for a single month's payment is likely to be easier than securing multi-year sustainable funding for HSNP scalability. If Government and donors decide to fund a one off scale up on a more generous level (i.e. Option 2b) than is ultimately agreed in the final guidance, expectations could be unduly raised.
- **Communications:** Therefore if funding for a single month's payment only is secured, messaging needs to be clear that this is a once-only trial scale up.
- **Insufficient Budget:** Given drought conditions may continue (and worsen) in March and possibly April if the long rains are delayed in some areas it may be prudent to budget for at least three months scale up in the interim period. The exact amount is impossible to predict. Tripling the monthly amount for the chosen option would be a reasonable minimum estimate.

**Table 11: Actions required to provide Immediate HSNP Scale up whilst guidance finalised**

| Action | | Responsibility | Deadline |
|---|---|---|---|
| 1 | Immediate agreement from donors and Government as to the level of immediate funding available to support scale up for March (and possibly two further months) | Donor Partners and GoK | 23rd Feb |
| 2 | Negotiate and finalise funding agreements with donors (e.g. maximum payment amounts and modalities of payment) | NDMA and DPs | 28th Feb |
| 3 | Clarify exact funding required based on February VCI data | NDMA (PILU and EW depts.) | 6th March |
| 3 | Based on the Option chosen, develop an action plan for implementation and roll out of scale up, including:<br>Generation of additional list of beneficiaries and for scale up<br>Preparation of communication strategy to wider stakeholders and communities explaining who will benefit from additional payments, on what basis and why.<br>Develop an interim monitoring framework to capture lessons learned and (if possible) the impact of the payments made. | PILU | 28th February |
| 4 | Submission of revised payroll to FSD /Equity | PILU | 7th March |
| 5 | Scale up payments made into bank accounts | Equity Bank | 17th March |

**Annex 1: 14 Year Cost Profiles for Scalability Options**

| Option 1) Extreme Drought | | | |
|---|---|---|---|
| Levels | 1st Level | 2nd Level | |
| Trigger | n/a | VCI <10.0 | |
| Coverage | n/a | 75% all HHs on MIS | |
| Transfer Amount | n/a | Ksh4,900 | |
| Frequency / Duration of Payment | n/a | Monthly: when trigger reached | |
| Years | Total KES | Total USD | Total GBP |
| 2001 | 76,932,450 | 854,805 | 569,870 |
| 2002 | 93,817,850 | 1,042,421 | 694,947 |
| 2003 | 31,318,350 | 347,982 | 231,988 |
| 2004 | - | - | - |
| 2005 | 317,534,700 | 3,528,163 | 2,352,109 |
| 2006 | 2,749,497,800 | 30,549,976 | 20,366,650 |
| 2007 | - | - | - |
| 2008 | 99,560,650 | 1,106,229 | 737,486 |
| 2009 | 812,116,200 | 9,023,513 | 6,015,676 |
| 2010 | 169,780,100 | 1,886,446 | 1,257,630 |
| 2011 | 3,674,666,800 | 40,829,631 | 27,219,754 |
| 2012 | 41,360,900 | 459,566 | 306,377 |
| 2013 | 259,018,900 | 2,877,988 | 1,918,659 |
| 2014 | - | - | - |
| Total 14 Years | 8,325,604,700 | 92,506,719 | 61,671,146 |
| 14 Year Min | - | - | |
| 14 Year Max | 3,674,666,800 | 40,829,631 | 27,219,754 |
| Ave All Years | 594,686,050 | 6,607,623 | 4,405,082 |

| Option 2a) Resilience payments Monthly (Budget) | | | |
|---|---|---|---|
| Levels | 1st Level | 2nd Level | |
| Trigger | Severe Monthly VCI - <20>10 | Extreme Monthly VCI <10 | |
| Coverage | Up to 50%<br>(23%) Excluding routine | Up to 75%<br>Including routine | |
| Transfer Amount | Ksh2,450 | Ksh2,450 | |
| Frequency / Duration of Payment | Monthly: when trigger reached | | |
| Years | Total KES | Total USD | Total GBP |
| 2001 | 89,471,550 | 994,128 | 662,752 |
| 2002 | 198,932,650 | 2,210,363 | 1,473,575 |
| 2003 | 217,356,650 | 2,415,074 | 1,610,049 |
| 2004 | 126,633,150 | 1,407,035 | 938,023 |
| 2005 | 503,876,800 | 5,598,631 | 3,732,421 |
| 2006 | 1,846,467,000 | 20,516,300 | 13,677,533 |

| | | | |
|---|---|---|---|
| 2007 | 8,788,150 | 97,646 | 65,097 |
| 2008 | 276,825,500 | 3,075,839 | 2,050,559 |
| 2009 | 1,204,290,150 | 13,381,002 | 8,920,668 |
| 2010 | 301,849,800 | 3,353,887 | 2,235,924 |
| 2011 | 2,591,406,650 | 28,793,407 | 19,195,605 |
| 2012 | 88,795,350 | 986,615 | 657,743 |
| 2013 | 357,300,650 | 3,970,007 | 2,646,671 |
| 2014 | 199,214,400 | 2,213,493 | 1,475,662 |
| Total 14 Years | 8,011,208,450 | 89,013,427 | 59,342,285 |
| 14 Year Min | 8,788,150 | 97,646 | 65,097 |
| 14 Year Max | 2,591,406,650 | 28,793,407 | 19,195,605 |
| Ave All Years | 572,229,175 | 6,358,102 | 4,238,735 |

| Option 2b) Resilience payments Monthly (generous) | | | |
|---|---|---|---|
| Levels | 1st Level | 2nd Level | |
| Trigger | Severe Monthly VCI - <20>10 | Severe Monthly VCI - <20>10 | |
| Coverage | 50% (including routine) | 75% (including routine) | |
| Transfer Amount | Ksh2,450 | Ksh4,900 | |
| Frequency / Duration of Payment | Monthly: when trigger reached | | |
| Years | Total KES | Total USD | Total GBP |
| 2001 | 142,695,350 | 1,585,504 | 1,057,003 |
| 2002 | 372,823,850 | 4,142,487 | 2,761,658 |
| 2003 | 406,001,750 | 4,511,131 | 3,007,420 |
| 2004 | 250,086,200 | 2,778,736 | 1,852,490 |
| 2005 | 1,056,459,600 | 11,738,440 | 7,825,627 |
| 2006 | 3,108,388,500 | 34,537,650 | 23,025,100 |
| 2007 | 16,294,950 | 181,055 | 120,703 |
| 2008 | 583,986,900 | 6,488,743 | 4,325,829 |
| 2009 | 2,158,986,550 | 23,988,739 | 15,992,493 |
| 2010 | 624,269,800 | 6,936,331 | 4,624,221 |
| 2011 | 4,524,336,600 | 50,270,407 | 33,513,604 |
| 2012 | 146,571,250 | 1,628,569 | 1,085,713 |
| 2013 | 628,863,550 | 6,987,373 | 4,658,249 |
| 2014 | 379,122,800 | 4,212,476 | 2,808,317 |
| Total 14 Years | 14,398,887,650 | 159,987,641 | 106,658,427 |
| 14 Year Min | 16,294,950 | 181,055 | 120,703 |
| 14 Year Max | 4,524,336,600 | 50,270,407 | 33,513,604 |
| Ave All Years | 1,028,491,975 | 11,427,689 | 7,618,459 |

| Option 3) Single Pipeline Approach | | | |
|---|---|---|---|
| Levels | Regular | 1st Level | 2nd Level |

| Trigger | None | Severe Monthly VCI <20>10 | Extreme Monthly VCI <10 |
|---|---|---|---|
| Coverage | Routine HHs (27%) | Up to 50% (23%) | Up to 75% (25%) |
| Transfer Amount | Ksh 1,827 | Ksh 4,277 | Ksh 4,277 |
| Frequency / Duration of Payment | All months | Monthly: when trigger reached | |

| Years | Total KES | Total USD | Total GBP |
|---|---|---|---|
| 2001 | 2,549,897,322 | 28,332,192 | 18,888,128 |
| 2002 | 2,851,220,526 | 31,680,228 | 21,120,152 |
| 2003 | 2,676,881,452 | 29,743,127 | 19,828,751 |
| 2004 | 2,856,737,856 | 31,741,532 | 21,161,021 |
| 2005 | 3,111,048,276 | 34,567,203 | 23,044,802 |
| 2006 | 4,816,356,608 | 53,515,073 | 35,676,716 |
| 2007 | 2,207,741,599 | 24,530,462 | 16,353,641 |
| 2008 | 2,976,549,457 | 33,072,772 | 22,048,514 |
| 2009 | 4,456,040,743 | 49,511,564 | 33,007,709 |
| 2010 | 2,726,935,183 | 30,299,280 | 20,199,520 |
| 2011 | 5,979,247,246 | 66,436,081 | 44,290,720 |
| 2012 | 2,334,306,583 | 25,936,740 | 17,291,160 |
| 2013 | 2,742,931,163 | 30,477,013 | 20,318,009 |
| 2014 | 2,627,952,572 | 29,199,473 | 19,466,315 |
| Total 14 Years | 44,913,846,586 | 499,042,740 | 332,695,160 |
| 14 Year Min | 2,207,741,599 | 24,530,462 | 16,353,641 |
| 14 Year Max | 5,979,247,246 | 66,436,081 | 44,290,720 |
| Ave All Years | 3,258,765,328 | 36,208,504 | 24,139,002 |

**Annex 2 – Latest Early Warning Summary for HSNP Counties**

| ADMINISTRATIVE UNIT | | BIOPHISICAL | | Remarks | | |
|---|---|---|---|---|---|---|
| COUNTY | Sub County | SPI-3 Months | VCI-3Momths | Color | VCI values | Drought |
| | | | | | | Category |
| | | | | | 3-monthly average | |
| | | | | | ≥50 | Wet |
| | | | | | 35 to 50 | No Drought |
| | | | | | 21 to 34 | Moderate Drought |
| | | | | | 10 to 20 | Severe Drought |
| | | | | | <10 | Extreme Drought |
| MANDERA | County | | 29.04 | The situation has significantly worsened from previous month, with all sub-counties entering the moderate drought band. In particular in M. South the VCI is quite low (close to the severe drought band) | | |
| | Banissa | | 36.27 | | | |
| | M East | | 31.95 | | | |
| | Lafey | | 30.74 | | | |
| | M North | | 28.3 | | | |
| | M South | | 22.48 | | | |
| | M West | | 29.98 | | | |
| TURKANA | County | | 47.41 | The VCI is still within normal ranges for the period. However the situation is gradually worsening especially in T. North | | |
| | T Central | | 45.78 | | | |
| | T. East | | 48.96 | | | |
| | T. Loima | | 59.07 | | | |
| | T. North | | 39.27 | | | |
| | T. South | | 54.01 | | | |
| | T. West | | 46.50 | | | |
| MARSABIT | County | | 21.44 | The drought situation continues to worsen with only Saku sub-county having normal vegetation cover. Moyale and N. Horr are now in the severe drought band | | |
| | Laisaimis | | 26.22 | | | |
| | Moyale | | 14.34 | | | |
| | N. Horr | | 18.57 | | | |
| | Saku | | 57.62 | | | |
| WAJIR | County | | 16.41 | The county experiences a bad drought situation with W. Eldas in the extreme drought band and all other sub-counties in the severe category. | | |
| | W East | | 19.66 | | | |
| | W.Eldas | | 6.34 | | | |
| | W. North | | 19.89 | | | |
| | W. South | | 16.82 | | | |
| | W.Torbaj | | 18 | | | |
| | W West | | 15.51 | | | |

Annexe 3: Actual Scale up Costs 2014 by Month

| Option 1 - Extreme Drought Payout: Actual Costs for 2014 | | | | | | |
|---|---|---|---|---|---|---|
| | #SubCounty Scaled Extreme | # SubCounty Scaled Severe | Total # HH Scaled | Max Payout (USD) | Actual Payout (USD) | Triggering Sub-Counties |
| Jan | - | - | - | - | - | |
| Feb | - | - | - | - | - | |
| Mar | - | - | - | - | - | |
| Apr | - | - | - | - | - | |
| May | - | - | - | - | - | |
| Jun | - | - | - | - | - | |
| Jul | - | - | - | - | - | |
| Aug | - | - | - | - | - | |
| Sep | - | - | - | - | - | |
| Oct | - | - | - | - | - | |
| Nov | 1 | - | 9,973 | 459,566 | 238,974 | Wajir west |
| Dec | 1 | - | 5,910 | 255,562 | 97,114 | Eldas |
| **All Months** | **2** | **-** | **15,883** | **715,128** | **336,088** | |

| Option 2a - Regular Localised (Scale Up): Actual Costs for 2014 | | | | | | |
|---|---|---|---|---|---|---|
| | #SubCounty Scaled Extreme | # SubCounty Scaled Severe | Total # HH Scaled | Max Payout (USD) | Actual Payout (USD) | Triggering Sub-Counties |
| Jan | - | 2 | 5,089 | 138,534 | 66,313 | Eldas;Wajir west |
| Feb | - | 8 | 34,150 | 929,639 | 523,450 | North horr;Turkana north;Eldas;Tarbaj;Wajir east; Wajir north;Wajir south;Wajir west |
| Mar | - | 6 | 25,763 | 701,326 | 380,096 | Eldas;Tarbaj;Wajir east;Wajir south;Wajir west |
| Apr | - | - | - | - | - | |
| May | - | - | - | - | - | |
| Jun | - | 1 | 1,502 | 40,888 | 15,537 | Eldas |
| Jul | - | 4 | 11,458 | 311,912 | 175,059 | North horr;Turkana north;Eldas;Wajir west |
| Aug | - | 3 | 18,743 | 510,226 | 273,763 | Turkana north;Wajir south;Wajir west |
| Sep | - | 1 | 5,131 | 139,677 | 83,806 | Turkana north |
| Oct | - | - | - | - | - | |
| Nov | 1 | 2 | 21,500 | 585,278 | 295,891 | Eldas;Wajir south;Wajir west |
| Dec | 1 | 2 | 19,522 | 531,432 | 251,092 | Eldas;Wajir south;Wajir west |
| **All 2014** | **2** | **29** | **142,858** | **3,750,379** | **1,998,694** | |

| Option 2b - Regular Localised (Scale Up and Out): Actual Costs for 2014 | | | | | | |
|---|---|---|---|---|---|---|
| | #SubCounty Scaled Extreme | # SubCounty Scaled Severe | Total # HH Scaled | Max Payout (USD) | Actual Payout (USD) | Triggering Sub-Counties |
| Jan | - | 2 | 10,585 | 288,147 | 134,844 | Eldas;Wajir west |
| Feb | - | 8 | 65,582 | 1,785,288 | 1,027,425 | North horr;Turkana north;Eldas;Tarbaj;Wajir east;Wajir north;Wajir south;Wajir west |
| Mar | - | 6 | 49,236 | 1,340,313 | 769,440 | Eldas;Tarbaj;Wajir east;Wajir south;Wajir |
| Apr | - | - | - | - | - | |
| May | - | - | - | - | - | |
| Jun | - | 1 | 3,934 | 107,092 | 40,695 | Eldas |
| Jul | - | 4 | 29,185 | 794,481 | 464,719 | North horr;Turkana north;Eldas;Wajir west |
| Aug | - | 3 | 31,496 | 857,391 | 467,887 | Turkana north;Wajir south;Wajir west |
| Sep | - | 1 | 11,758 | 320,079 | 192,047 | Turkana north |
| Oct | - | - | - | - | - | |
| Nov | 1 | 2 | 26,994 | 1,006,324 | 504,733 | Eldas;Wajir south;Wajir west |
| Dec | 1 | 2 | 25,648 | 859,079 | 398,111 | Eldas;Wajir south;Wajir west |
| Jan | 1 | 7 | 64,701 | 1,922,188 | 1,091,414 | Moyale;North horr;Eldas;Tarbaj;Wajir east;Wajir north;Wajir south;Wajir west |
| **All 2014** | **2** | **29** | **254,418** | **7,070,047** | **3,865,058** | |

End Notes

5. _____

1. [i] 2011 Living Standards Survey, and Maplecroft, 2012.
2. [ii] As of January 31st 2015:
3. Group 1: we are at 76,314, open accounts, of those, 70,994 are active and in receipt of payment.
   - Total women HHs as % of total open accounts at present = 67%.
   - Total number of beneficiaries reached at present = 457,884 (out of a possible 600K).
   - Total with valid IDs and therefore eligible for enrolment at present = 78,892.
   - Therefore of those currently eligible (ie with IDs), we are at 90% of the way there.
   - Against the 100K target we are approx. 71% of the way there (we count active accounts in receipt of payment for programme terms, NB: for DRF reporting just open accounts).
   - We are supporting a process to get IDs to people.
4. Group 2: scalability platform for emergency payments, up to an additional 276,806 K HHs. So far we are at 153,026 open accounts, of those, 132,726 are active but have not yet received any emergency payment (none yet disbursed).
   - Total women HHs as % of total open accounts at present = 64% .
   - Total number of beneficiaries reached at present = 918,156 (out of a possible 1,660,836).
   - Total with valid IDs and therefore eligible = 200,359.
   - Therefore of those currently eligible (ie with IDs), we are at 66% of the way there.
   - Against the 276,806 K target we are approx 48% of the way there.