



Hunger Safety Net Programme Scalability Policy Paper

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Acronyms

ARC	Africa Risk Capacity
CDC	County Drought Coordinator
CEO	Chief Executive Officer
CF	Contingency Fund
CI	Community Interviews
CP	Contingency Plan
CSG	County Steering Group
CT	Cash Transfer
DFAT	Department for Foreign Affairs and Trade (Australian Government)
DfID	UK Department for International Development
EDE	Ending Drought Emergencies
EW	Early Warning
HAI	Help Age International
FGD	Focus Group Discussions
FS	Food Security
FSD	Financial Sector Deepening
HSNP	Hunger Safety Net Programme
IPC	Integrated Phase Classification
KII	Key Informant Interview
M&E	Monitoring and Evaluation
MIS	Management Information System
NDCF	National Drought Contingency Fund
NDMA	National Drought Management Authority
NGO	Non-Governmental Organization
NSNP	National Safety Net Programme
PILU	Programme Implementation and Learning Unit
SOP	Standard Operating Procedures
TSD	Technical Service Directorate - NDMA
TWG	Technical Working Group

Summary

This Policy Paper sets out the background and rationale for scaling up HSNP cash transfers in the four counties in Kenya where the programme operates. It outlines the current approved policy in terms of objectives, framework and approach used by NDMA in scaling up cash transfers (CTs) in response to drought (and other extreme crisis events). It also highlights key policy issues which need further consideration in order to consolidate and improve Kenya's HSNP scalability mechanism.

Current HSNP Scalability Policies

Objectives of Scaling Up HSNP Cash Transfers

- i. Humanitarian response - To provide a fast and effective response to large proportions of the population during extreme drought and other crisis events.
- ii. Resilience Cushion - To support the resilience of poor and vulnerable populations in response to regular, local climatic fluctuations.

Principles underlying the HSNP Scalability mechanism

- **'No Regrets' early response:** The mechanism can transfer cash within approximately 2 weeks from the trigger being hit without waiting to see if a full blown drought crisis emerges.
- **Objective triggers:** Decisions to scale up (or down) are triggered automatically using objective, pre-agreed, quantitative and auditable indicators for which reliable, time series data exists .
- **Scale up to pre-defined sets of households on the basis of poorest first:** Households in the drought affected Sub-Counties are selected from the HSNP register in wealth order¹.
- **Independent monitoring:** The programme will learn by doing and use lessons learned to continually revise and improve the methodology.

Framework for Scalability

HSNP has developed cost modelling tools that were used for *ex-ante* thinking on trade-offs, so that decisions in developing the framework were not based on any immediate budget but on longer term feasibility. The framework sets out the parameters to be used in answering the following questions;

When? - Remotely sensed satellite data in this case VCI (Vegetation Condition Index) is used to trigger scaled up payments and generate a quota of households for scale up in any County hitting the trigger.

Where? Scaled up payments are made by Sub-County

Which households? The County quota is divided to households in drought affected Sub-Counties using a reallocation formula. Households are pre-selected from the HSNP register in wealth order up to the quota allocated to every Sub-Location.

¹ 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.

How much? The non-routine, emergency, scaled-up CT is the same monthly rate as the routine transfer i.e. Ksh2,550 (approx. \$25/£17) in FY 2015-16.

How often? Payments are made for each month any Sub-County in the County hits the scale up trigger. They stop when the trigger is no longer reached for that month.

Details on how the above framework parameters are implemented in practice are contained in the Standard Operating Procedures (SOPs) for HSNP Scalability.

Unresolved HSNP Scalability Policy Issues - Recommendations

This paper highlights four key policy areas that require resolution. The following recommendations are proposed:

Financing Scalability

- 1) The programme requires a more comprehensive funding strategy that incorporates the following range of funding sources and mechanisms (in priority order):
 - I. National Drought Contingency Fund (NDCF)
 - II. Other donors
 - III. Africa Risk Capacity (ARC) insurance fund mechanism
 - IV. County Government Funding
- 2) In particular it is proposed that the NDCF be a primary source of funds for scaling up HSNP CTs in response to drought. NDMA must work to ensure the fund is operational as soon as possible with a governance arrangement that maximise contributions from a wide range of donors. The procedures guiding the fund must be clear as to the proportion of (and limits to) the funding that will be allocated to HSNP scaled up payments on an annual basis.

Pre-selection of Scale up beneficiary households

- 3) The wealth ranking of households in Group 2 should be subject to community validation as part of the up-coming registration process. The process for doing this should be incorporated into the wider National Safety Net Programme's (NSNP) harmonised registration and selection policy and procedures.

Information used to trigger scale-up

- 4) NDMA should undertake a comprehensive communication exercise to explain how quotas are equitably allocated down to Sub-location level using on the Reallocation Formula.
- 5) NDMA should continue to improve the quality and reliability of a few other quantifiable EW indicators that could be introduced to ground-truth or correlate VCI.

Monitoring and Evaluating HSNP Scalability

- 6) A robust monitoring and evaluation framework specifically relating to HSNP emergency scale up CTs should be developed and implemented.
- 7) NDMA must make concerted efforts to develop a coherent and interrelated data collection and management system that serves both NDMA's EW and impact monitoring requirements.

1 Introduction and Background

1.1 Context

This Policy Paper sets out the background and rationale for scaling up HSNP cash transfers in the four counties in Kenya where the programme operates. It outlines the current objectives, framework and approach used by NDMA in scaling up cash transfers (CTs) in response to drought (and other extreme crisis events). It also highlights key policy issues which need further consideration in order to consolidate and improve the HSNP scalability mechanism.

The HSNP scalability mechanism has emerged from several studies and draft frameworksⁱ that were piloted in practice throughout 2015. These pilot scale ups offered a valuable chance to test the draft framework and were also subject to an independent review by Oxford Policy Management (OPM) consultantsⁱⁱ. The OPM Process Review and the initial lessons learned have informed this Policy Paper and the accompanying Standard Operating Procedures (SOPs)ⁱⁱⁱ which set out the guidelines for implementing scale ups in practice. The HSNP Scalability Policy and SOPs will be subject to further review as required. The Policy Paper is divided into the following chapters:

Chapter 2: HSNP as a Scalable Safety Net

This section outlines how HSNP was designed to be able to scale up and down in response to drought (or other crises). It outlines the potential benefits of such an approach.

Chapter 3: Objective and Principles

This sets out the objectives guiding HSNP scaled payments and the principles which have influenced the current scalability framework.

Chapter 4: Scalability Framework and Approach

It sets out the rationale, criteria and parameters by which HSNP payments will be triggered, for example: where?; to which populations?; levels of payment?; and for what duration? It explains the process by which HSNP scalability is implemented.

Chapter 5: Improving HSNP Scalability- Outstanding Policy Issues

This sets out the key issues that require further attention and improvement if HSNP scalability is to form a sustainable and effective element of NDMA's drought response strategy. In particular:

- Financing scalability
- Pre-targeting of scale up beneficiaries
- Information used to trigger scale up
- Monitoring and evaluating scale ups.

2 HSNP as a Scalable Safety Net

HSNP Phase 2 is an innovative social protection programme that represents one of the best examples of a shock responsive safety net. It puts into practice many of the recommendations of the recent report by the High Level Panel on Humanitarian Cash Transfers by ODI and CGD^{iv}. That is, in addition to the provision of regular cash transfers to a chronic caseload of the poorest households, it also has the ability to scale up in times of drought (or other crisis). This means the programme can provide temporary cash assistance to greater proportions of the population as needs dictate. To this end, 374,806 households were registered in the four Counties and provided with bank accounts. The vast majority of these households² now have active bank accounts. HSNP now has the potential to make electronic cash transfers of any amount to any proportion or selection of the registered households in the four counties. In April 2015 a pilot emergency cash transfer payment was made to 90,648 households in Group 2 in response to drought conditions in selected Sub-Counties in the four Counties. HSNP infrastructure is available for any other GoK body, donor or NGO to deliver emergency or regular cash transfer payments within the 4 counties. The cards also include a number of partitioned electronic wallets which can be used as the basis to distribute targeted in-kind goods and services.

2.1 Why scalability?

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

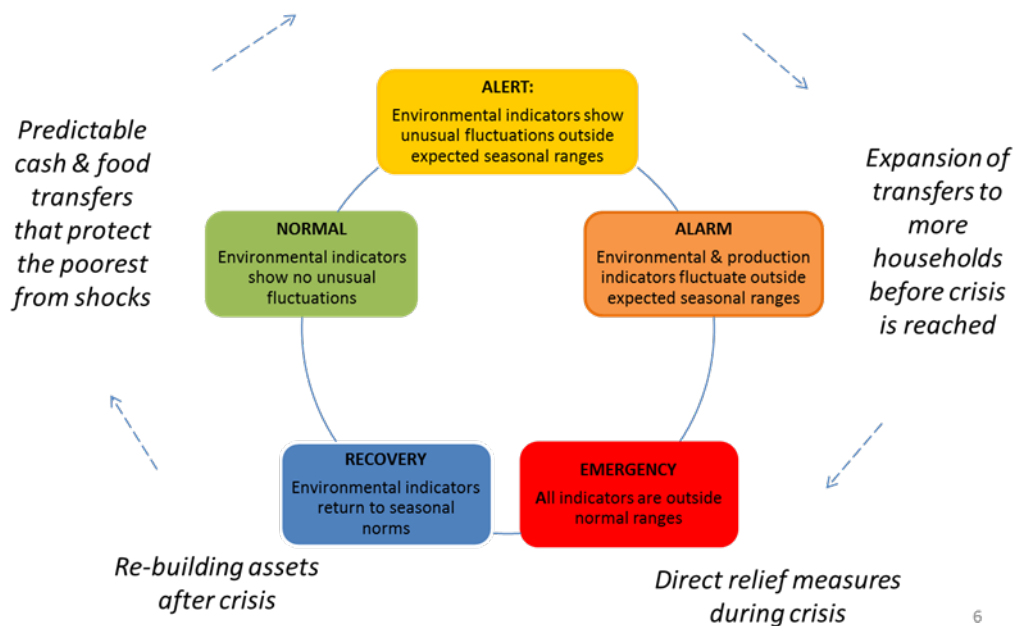
“The Authority shall, either on its own or in association with other authorities or persons, establish mechanisms to ensure that drought does not become famine and the impacts of climate change are sufficiently mitigated.”

NDMA believes that social protection has an important role to play in reducing vulnerability and risk throughout the drought cycle (see Figure 1). As such, NDMA and its partners are committed to incorporating “scalability” into social protection systems during crisis, in line with the objectives of the National Safety Net Programme (NSNP)^{vi}.

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^{vii} shows a clear link between VCI and malnutrition rates in northern Kenya. NDMA’s 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^{viii}. Scaling up and down cash payments 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^{ix}.

² As of October 2015: 82% of routine (Group 1) beneficiary households have active accounts and 76% of non-routine (Group 2). This represents an overall bank account coverage of approximately 78%.

Figure 1: Social Protection throughout the drought cycle



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^x
- **It's 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^{xi}.
- **It can enable 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' assets such as livestock and reducing negative coping strategies such as withdrawing children from school.
- **It can have wider 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^{xii}.

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.

3. Objectives and Principles of HSNP as a scalable safety net

HSNP will use temporary, expanded CTs to achieve the following objectives:

- iii. Humanitarian response - To provide a fast and effective response to large proportions of the population during extreme drought and other crisis events.
- iv. Resilience Cushion - To support the resilience of poor and vulnerable populations in response to regular, local climatic fluctuations.

3.1 Principles Guiding the HSNP Scalability Framework

The following principles have been used to guide HSNP's decisions on scalability.

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

HSNP has the ability to transfer cash to any or all HSNP households in the four counties via their bank accounts in approximately ten days of approving the payroll. The only limitation is the minority of HSNP households that do not have active bank accounts because they do not have a national ID, required for Know Your Customer checks. Bank transfers facilitate a far quicker response to a greater number of households than any other humanitarian response mechanism currently in place. Time and again even the earliest drought response measures arrive too late to prevent households resorting to unsustainable or damaging coping strategies. For example they are not forced to sell productive livelihood assets, take children out of school or jeopardise their health and nutritional status. Too often Governments and donors are nervous that if assistance is provided before a full needs assessment is complete or the situation has not fully deteriorated it will be wasted.

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.

NDMA national drought early warning (EW) system includes several core indicators 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 to any external or private disaster risk financing can only be secured on the basis of highly objective quantitative data.

Currently the only NDMA indicator that meets this criteria is the vegetation condition index (VCI), derived from remote-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.

The use of a single indicator 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^{xiii}. This issue is explored further in Chapter five below. It will also remain essential to monitor the impact of transfers provided with speed over imperfect targeting (see below).

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.

In each county, all households registered on the HSNP MIS have been wealth ranked from poorest to wealthiest. Pre-registering and ranking households avoids the time-consuming process of targeting once conditions deteriorate. As a result, payments can be made quickly to expanded wealth groups as the drought or crisis situation worsens and resources dictate. Ensuring all communities are fully aware of this process and accept its rationale is essential to scale up successfully.

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. This is especially true in contexts such as northern Kenya where the hazards are cyclical and relatively well understood. Over time, improvements can be made to the registration and pre-targeting. Again this issue is revisited in Chapter 5.

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

Prioritising the speed of a “no regrets” response linked to the EWS trigger, in order to make early cash transfers, requires close monitoring. The impact of early scale-up responses is therefore 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 robust monitoring framework is being developed 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.

4 HSNP Scalability Framework and Approach

In developing the HSNP Scalability Framework to guide the scale up of payments to households beyond the routine 100,000 HSNP beneficiaries the following questions had to be addressed:

- **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 made monthly, or more or less frequently?
- **For how long?** Over what duration should expanded payments be made and when should they be scaled down?

4.1 The HSNP Scalability Framework

Drawing on the objectives and principles outlined above and contingent upon the availability of funding, HSNP has developed a scalability framework (Table 1 overleaf). This has been developed to guide current decisions on scalability in 2015/16 or until longer term policy and funding strategy is agreed. Work will continue to refine and review parameters and criteria suggested here on the basis of evaluation findings, other feedback and resources available.

TABLE 1 - FRAMEWORK FOR HSNP SCALABILITY 2016

Geographic Location	Trigger Vegetation Condition Index (VCI)		Drought Phase Equivalent	Maximum Coverage of HHs to receive CT	Amount of Transfer (2015-16)	Frequency	Duration of Transfer
Sub-County	≥50 And 35 to 50	Wet or No Drought	1 Normal	Routine HSNP HHs	Standard payment (5,100 Ksh)	Every 2 months	On-going
	20 to 35	Moderate Drought	2 Alert	Routine HSNP HHs	Standard payment (5,100 Ksh)	Every 2 months	On-going
				HHs beyond routine % only if another Sub-County in the County has hit the severe or extreme VCI threshold	Emergency payment (2,550 Ksh)	Every month	For each month VCI at severe drought status
	10 to 20	Severe Drought	3 Alarm	Routine HSNP HHs	Standard payment (5,100 Ksh)	Every 2 months	On-going
				HHs beyond routine up to approximately 50%* Coverage in each Sub-County	Emergency payment (2,550 Ksh)	Every month	For each month VCI at severe drought status
	<10	Extreme Drought	4 Emergency	Routine HSNP HHs	Standard payment (5,100 Ksh)	Every 2 months	On-going
				HHs beyond routine up to 75% Coverage in each Sub-Location	Emergency payment (2,550 Ksh)	Every month	For each month VCI at extreme drought status

*The actual % coverage in each Sub-Location will vary in each Sub-County depending on the quota generated by the model. The more Sub-Counties hitting the severe and extreme drought trigger the higher the allocation. When fewer counties hit severe and extreme but many are in 'moderate' drought the quota generated has to be spread more thinly over several sub-counties thereby reducing the actual % coverage.

4.2 Explanation of Variables in the Interim Scalability Framework

The parameters shown in the current framework were agreed following a process of modelling the costs over the long term and comparing several different options. Regular and sustained implementation has to be affordable and this is dependent upon the availability of guaranteed long-term funding. The final agreed framework is considered the most financially feasible at the current time. A short explanation of how different parameters have been selected is outlined below.

4.2.1 Where to scale up (geographic coverage)?

The four HSNP counties are some of the largest in the country. Drought conditions can vary considerably within counties, so scaling up to whole counties would not be an efficient use of funds. 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 (200m²) a wider area is proposed given the large areas over which communities herd livestock^{xiv}. Although there is justification to scale payments according to livelihood zones, these are currently awaiting review and such boundaries are not clearly delineated from a community perspective. In addition, NDMA has historic VCI data analysed by Sub-County for all HSNP areas which is ideal for trend analysis and modelling.

Consequently it is the current policy that payments are scaled up by **Sub-County**, i.e. on the basis of the drought indicator for each Sub-County.

4.2.2 When to Scale Up?

In keeping with the principle that decisions to scale up (or down) in response to drought are triggered automatically using objective, pre-agreed and quantitative indicators, satellite-based remotely sensed data is proposed as the only viable indicator that can be used to trigger a scale up at this time. . 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 2 below. This has been validated with technical assistance from Boku University in Austria.

Table 2: NDMA’s VCI Parameters for Drought Phases

Trigger - Vegetation Condition Index (VCI)		NDMA Drought Phase Equivalent (see Figure 1)
≥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

The analysis of VCI is increasing in sophistication and NDMA are in the process of ensuring that it excludes green areas that are affected by non-palatable invasive evergreen plants such as *prosopis juliflora*. This means such areas are not erroneously recorded as non-drought affected. 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.^{xv} 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.

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. 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. Currently only remotely sensed indicators offer sufficient comprehensive and high quality data to undertake such modelling, providing another key reason why indicators such as VCI make such good triggers.

Tying the HSNP trigger to NDMA's VCI drought phases significantly increases the frequency of scale up beyond that associated with major humanitarian emergencies i.e. every 3-5 years. Over the last 14 years NDMA's VCI has classified an average of 14 (out of 23) Sub-Counties in the HSNP areas 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 tankering, livestock vaccination campaigns etc. It also means that scaling up CTs on this basis fulfils the stated objectives of; 1) humanitarian response; and 2) a 'resilience cushion' to smooth consumption gaps during more regular and localised droughts or 'hard dry seasons'.

4.2.3 Which Households should Receive Scaled up Payments?

Any scale up proposes emergency CTs to non-routine (Group 2) households only. This is because the routine beneficiaries' (Group 1) access to the regular HSNP payments mean their ability to cope with drought is deemed as already addressed.

Once the scale up trigger is hit in any Sub-County, a quota of households to receive an emergency CT is calculated on the following basis:

- Raising existing coverage to 50% of Households in Sub-Counties in severe drought; and
- Raising existing coverage to 75% of Households in Sub-Counties in extreme drought.

The scale up coverage rates of 50% and 75% 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%).

Reallocating the County Scale up Quota

The 50% and 75% cut-offs are used to generate a monthly County allocation (once the VCI triggers are reached). The County allocation is the total of all Sub-County allocations for that month. Initially scaled up CTs were provided only to HHs in Sub-Counties hitting the 'severe' or 'extreme' thresholds. However it became clear that households in adjacent Sub-Counties where the VCI score has only hit the 'moderate' drought threshold are often equally affected by drought (particularly on the boarder areas). Following the initial pilot scale up there were justifiable concerns that this would be unfair in areas where there is no discernable difference in the situation on the ground e.g. where a livelihood or agro-ecological zone straddles a Sub-County boundary.

The total quota generated for a County is then reallocated to all Sub-Counties in a County that have hit 'moderate' drought or above (i.e. 'severe' or 'extreme') using a *Reallocation Formula*. The Reallocation Formula has been developed drawing on the principles of the GoK's CRA formula which is widely used to allocate Government resources to counties^{xvi}. In this case the County quota is shared on a 20:40:40 basis as outlined below;

- **20% Equal Share** – 20% of quota split equally between Sub-Counties hitting moderate drought status or above
- **40% Drought status** – 40% of the quota is allocated to Sub-Counties on the basis of drought magnitude i.e. moderate = weighted by 1 part; severe = weighted by 2 parts; extreme = weighted by 3 parts.
- **40% Population** – 40% allocated in proportion to the population of the Sub-County ensuring the most populous Sub-Counties benefit.

NDMA has developed a scale up allocation spread sheet model to enable this quota generation and reallocation to be done automatically.

Greater detail on how the quotas are generated and reallocated down to Sub-Location level is provided in the Standard Operating Procedures for HSNP scalability.

In line with the principles agreed and outlined above, households are pre-selected from the HSNP register in wealth order up to the quota allocated to every Sub-Location. This avoids the delay that arises by re-targeting once a payment is triggered. HSNP is planning a registration of beneficiaries and a review of the beneficiary targeting policy in 2016. The issue of pre-selection is discussed further in Chapter 5.

4.2.4 What Transfer Amount should Households Receive? (How much?)

The current monthly transfer rate for HSNP routine beneficiary household is Ksh2,550 (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. Ksh5,100 (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^{xvii}. 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, particularly for poorest and smaller households.

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. Additionally using the same amount avoids confusion amongst communities. Over time, the effectiveness of different amounts of scalable transfers will need to be monitored, in particular to understand the minimal level of scaled up payment required to produce any discernible impact negative household coping strategies.

Until this is clearer, the proposed scaled up payment amounts for any scaled up CT will remain the same as the routine payment amount.

4.2.5 What should be the Frequency and Duration of Scale Up?

During normal and alert phases HSNP payments are transferred to beneficiary accounts every 2 months. It is proposed that temporary scale up CTs are paid monthly in the subsequent month to the VCI threshold being reached.

The duration of the scaled up payment is directly linked to the monthly VCI data. This means that the payments continue to the identified households so long as the County has at least one Sub-County reaching the 'severe' or 'extreme' VCI status. As soon as the drought status for all Sub-Counties returns to 'moderate' or 'wet / no drought' scale up payments will cease. Routine beneficiaries will continue to receive their standard bi-monthly payments of Ksh5,100.

4.3 Operationalising Scalability

The management of HSNP lies with the National Drought Management Authority (NDMA) under the Ministry of Devolution and Planning. Day to day operation of the programme is undertaken by the NDMA who coordinate all the various partners involved in the implementation of HSNP at national and county level. Scaling up HSNP CTs is an NDMA decision based on the monthly VCI data produced by NDMA's Early Warning team and subject to funding. The Financial Sector Deepening Trust Kenya (FSD) remains responsible managing the financing and Equity Bank to transfer the cash to recipients' bank accounts. NDMA remains responsible for overall coordination and the preparation of scale up allocations and budgets.

The full scalability process is set out on in the SOPs for HSNP Scalability. Scale up payments follow a monthly cycle incorporating the following steps;

- **Step 1 – VCI Data:** Monthly Sub-County VCI data received
- **Step 2 – Quota Generation and Reallocation:** If VCI data shows any Sub-County hitting the 'severe' or 'extreme' threshold this is used to generate monthly County scale up quota of

households. The HSNP scale up calculation model will then generate CT allocations / reallocations by Sub-Location and the monthly budget for funding required.

- **Step 3 – Scale up Approval and Transfer Authorisation:** NDMA Technical Team reviews the scale up proposed, secures funding and approves payroll for an automatically generated list of households. The funds will take approximately 10 days to reach beneficiary bank accounts.
- **Step 4 – Communication and Dissemination:** HSNP National and County team staff begin information dissemination and awareness raising activities. Lists of households are distributed to all Chiefs and Assistant Chiefs for posting in each location where a scale up is taking place. Information also disseminated via radio messages, press releases and presentations at county level meetings.
- **Step 5 – Monitoring and Evaluation:** Scale up payments will be monitored in three main ways:
 - 1) On ground monitoring by HSNP staff;
 - 2) Post payment monitoring questionnaires; and
 - 3) External evaluation.

5 Improving HSNP Scalability – Unresolved Policy Issues

5.1 Using Learning to Inform Future HSNP Policy

Kenya’s HSNP scalability mechanism has proved itself to be a highly effective shock-responsive safety net. The programme has successfully scaled up four times in 2015 providing emergency cash transfers to unprecedented numbers of households in Kenya in record time. Two further scaled up payments have also been triggered in 2016.

Table 3: HSNP Scale up Payments in 2015

Month 2015	# Households Receiving Scaled Up CT in 2015					Reason for Scale up
	Turkana	Marsabit	Wajir	Mandera	Total	
<i>April</i>	5,045	14,452	42,122	29,029	90,648	Drought
<i>May</i>	-	8,591	20,469	9,901	38,961	Drought
<i>October (1)</i>	4,864	-	-	-	4,864	Drought
<i>October (2)</i>	71,253	31,647	56,653	48,330	207,883	Emergency Preparedness El Niño

Experience and learning to date have been used to develop Standard Operating Procedures which are part of the HSNP Operations Manual and being used to implement regular scale ups as per the framework. There are however some additional issues that have been highlighted by the Process Review and practical implementation that require resolution if HSNP scalability is to form a sustainable and effective element of NDMA’s drought response strategy. These are set out below:

- 1) **Financing scalability**
- 2) **Pre-selection of scale up beneficiaries**
- 3) **Information used to trigger scale up**
- 4) **Monitoring and evaluating scale ups.**

Policy Issue 1) - Financing Scalability

Timely availability of funds is essential for scalability to take place on the basis outlined above. If scaling up HSNP payments on the basis of the current framework is to be guaranteed, longer term funding sources and commitments need to be in place. NDMA has been supported by the World Bank Disaster Risk Finance team to develop a financial model that uses NDMA VCI data and HSNP MIS data to assess the long term costs of scaling up HSNP. The monthly VCI index for all Sub-Counties for the last 14 years was analysed and used to assess the incidence of severe and extreme drought thresholds. The HSNP MIS was used to provide the potential number of households in each of the 22 HSNP Sub-Counties. Using the parameters indicated in the framework in Section 2, the retrospective costs of funding a scale up on this basis was estimated for the last 14 years. The summary results in Kenya shillings are shown in Figure 2 below and in US\$ and GBP in the Table 4.

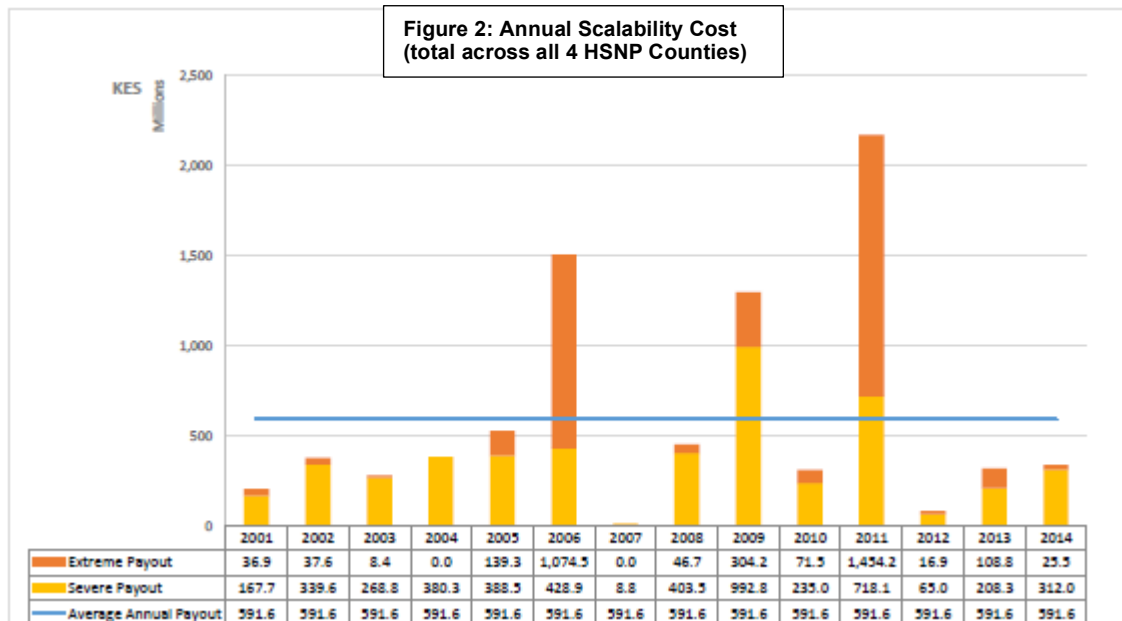


Table 4 – Retrospective Analysis of HSNP Scale Up Costs in US\$ and GBP (millions)

	Costs in US\$													
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Extreme Payout	0.44	0.42	0.09	0.00	1.55	11.94	0.00	0.52	3.38	0.79	16.16	0.19	1.21	0.28
Severe Payout	1.86	3.77	2.99	4.23	4.32	4.77	0.10	4.48	11.03	2.61	7.98	0.72	2.31	3.47
Average Annual Payout	6.57	6.57	6.57	6.57	6.57	6.57	6.57	6.57	6.57	6.57	6.57	6.57	6.57	6.57
	Costs in GBP													
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Extreme Payout	0.29	0.27	0.06	0.00	1.01	7.79	0.00	0.34	2.20	0.52	10.54	0.12	0.79	0.18
Severe Payout	1.22	2.46	1.95	2.76	2.82	3.11	0.06	2.92	7.19	1.70	5.20	0.47	1.51	2.26
Average Annual Payout	4.29	4.29	4.29	4.29	4.29	4.29	4.29	4.29	4.29	4.29	4.29	4.29	4.29	4.29

*These figures include the total costs of transfer payments only on the basis indicated in the Scalability Framework (Table 1) less the standard amount paid to routine beneficiaries. No administrative or other costs are included. It is assumed all households have activated bank accounts.

There is no way of knowing if the drought trends experienced in the last 14 years will be repeated in the future. However this period includes some of the most extreme drought years in recent history as well as some very normal / good years in terms of rainfall. Therefore this analysis is likely to provide a reasonably realistic range of the maximum, minimum and average funding required.

The HSNP costing model indicates that funding HSNP scalability on the basis outlined in the current framework would cost an average of US\$6.5m per year. In simple terms this indicates that HSNP would need guaranteed funding of this amount to ensure the implementation of these scalability guidelines. However the average amount is rarely required and many years the costs will be less (leaving funding unspent) and in certain years substantially more (so that full costs cannot be met). Consequently the HSNP needs establish a risk layered financial strategy – i.e. one that includes layers of financial instruments that together address the inherent risk associated with unpredictable costs. The cost model has enabled HSNP to estimate its average scalability budget requirement (of up to the average cost of US\$6.5m) but it needs instruments that ensure very immediate access to greater funds as required. To date all scale ups have been fully funded by DFID, the programme’s primary donor, on a case by case basis. There are clearly risks associated with a programme having only one donor. The programme requires a more comprehensive risk financing strategy that incorporates the following range of funding sources and mechanisms:

- i. National Drought Contingency Fund (NDCF)
- ii. A variety of donors
- iii. Africa Risk Capacity (ARC) insurance fund mechanism
- iv. County Governments’ Funding

5.2.1 National Drought Contingency Fund (NDCF)

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 Government cash transfer programmes other than HSNP 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 although its establishment is a key requirement to achieve DLI 7 (Disbursement Linked Indicator) as part of the Kenya National Safety Net Programme (NSNP) for Results (P4R). The establishment of the NDCF and initial GoK funding of US\$20 million, dedicated to supporting drought response will immediately trigger a World Bank matching additional payment into the NDCF of US\$20 million. Some of the key actions required to trigger this payment are complete (including the HSNP SOPs on scalability). However, the establishment of the NDCF remains outstanding.

In principle, once gazetted, the NDCF will also be able to secure funding from a range of other donor partners. The NDMA has developed a Trust Deed for the NDCF but the exact procedures and responsibilities to approve and release funds are yet to be defined at both County and National levels. 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.

The NDCF is being established to support drought response and mitigation in all 23 ASAL counties in Kenya. Ideally it should support the activities set out in NDMA's Drought Response Operations Manual, however this is still awaiting revision. Meanwhile all ASAL counties 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 governance of the fund requires careful thought. If it is exclusively in Government control several donors (specifically DFID and USAID) would be unable to fund the NDCF directly. The involvement of donors in its governing body could increase its ability to attract wider donor funding. The composition of the governing board is also likely to influence the rules governing the NDCF in relation to HSNP scale up payments..

It is proposed that the NDCF be the primary and initial source of funds for scaling up HSNP CT in response to drought. NDMA must work to ensure all the actions required to establish the fund are completed and the procedures guiding the fund are clear as to the proportion of (or limits to) the funding that will be allocated to HSNP scaled up payments on an annual basis.

5.2.4 Other Donor Funding

The NDCF is not currently operational and even when it is, there will still be several donors who cannot (for policy reasons) put money through such government-controlled mechanisms. Consequently currently HSNP is wholly reliant on securing direct donor support in order to implement scaled up CTs. As mentioned above, DFID has funded all HSNP scale ups to date. Expanding the range of funding sources should be an objective in both the short and longer term. Once the details of how much funding in the NDCF can be allocated to HSNP scale up payments, the programme can identify if there is likely to be any shortfall in normal years. This may be the case if the budget from the NDCF is significantly below the required estimated annual average of US\$6.5million. Ideally the programme would negotiate multi-year agreements with donors to top-up any short fall.

A key concern for many donors is their contingent liability i.e. the risk that funds could be transferred to HSNP, but would not be spent/ dispersed if it is a good year. This means donors would need to justify allocating funds to HSNP over other pressing needs.

Statistically, the risk of committing funds which are not disbursed decreases as the time period covered increases and the funding pledged decreases. Therefore, although there is a high risk of unspent funds if a single donor were to pledge US\$6.5m in any one year this is likely to reduce to significantly if only half that amount were pledged by a donor over, say three years. In this way the programme could draw down donor funding pledged to HSNP outside of the NDCF first to ensure all directly pledge donor funding is spent and there is no contingent risk to that donor. The assumption being (and not yet clear) that unspent funds in the NDCF can always be allocated to other NDMA drought response and mitigation

activities. Multi-year side agreements with other donors could also be useful in relatively bad years where scale up costs started to exceed the \$6.5m average.

It is therefore proposed that NDMA supports the development of multi-year funding strategy proposals for financing scalability for submission to donors, particularly those that are unlikely to be able to fund the NDCF.

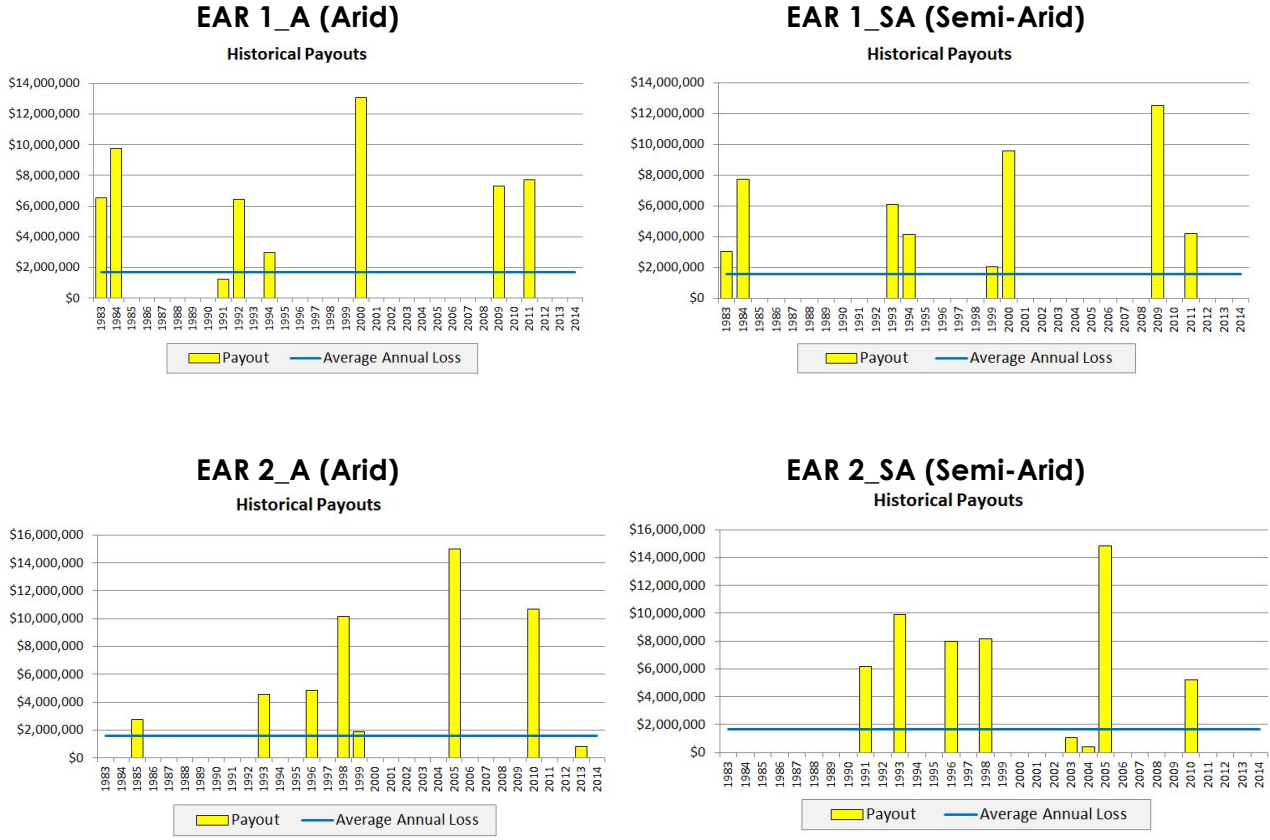
5.2.3 Africa Risk Capacity (ARC) insurance fund mechanism

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 the risk of having to address losses and respond 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. a maximum of \$22.5m) is earmarked for HSNP scalability.

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 into four separate policies; with the 9 arid and 14 semi-arid counties having one long and one short rains policy each. The ARC return period (i.e. the maximum average payout frequency) is currently 1 in 4. This means ARC pays out far less frequently than the current framework requires. ARC will only tend to pay out in more extreme drought years but this could be a valuable source of 'top-up' funding as HSNP scalable payments in such years will be high and may well exceed the budgets available in the NDCF or other donor agreements. Figure 3 overleaf illustrates how these policies would have paid out when modelled over WRSI data over the last 20 years or so. The pay-out schedules (figure 3) correlate pretty well with the peaks in payments shown in the HSNP cost model (figure 2).

Given the annual insurance premium for these four policies is US\$9million, over time the total of the annual premiums paid is more than the pay outs received. It should be noted that the purpose of such disaster insurance mechanisms is to ensure the cash is available during very extreme drought events (that occur at much lower frequencies) when it may be difficult to raise such large sums from more regular Government or donor sources to respond immediately.

Figure 3: Retrospective Modelling of ARC Payouts based on Current ARC Insurance Policies for Kenya



Over 2015 NDMA and ARC teams have worked hard to ensure the future ARC payments are more closely aligned to the needs generated by the VCI indicator used by NDMA/HSNP. This would reduce the long term annual average costs to the GoK and other funders (currently U\$6.5m) and reduce the contingent risk that such funds may not be spent or utilised. This will ensure that much of the risk associated with not having enough funding in extreme drought years is reduced. Insurance products such as ARC are an important element of a risk layered financial funding strategy. Extremely bad years are when the scale up payments are most needed but the risk of a funding shortfall is highest. ARC insurance is an important complementary funding instrument as it ensures the financial risk is shared and reduced.

5.2.5 County Authorities

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. Additionally some Counties are developing their own Social Protection Policies (particularly Turkana) that involve the expansion of more regular cash transfers. However, currently none has clear guidelines outlining how any budget allocated to this activity would be operationalized. 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 or other CT beneficiaries (e.g. OVC-CT) rather than a temporary response to drought.

For this reason it is proposed that all HSNP County authorities are fully consulted on scalability policies and any reviews of the framework, SOPs and funding strategies. NDMA will also support County authorities to align their County Contingency (and Response / Mitigation) Plans with the current scalability policy and SOPs.

Policy Issue 2) - Pre-selection of Scale up Beneficiaries

The registration of all households in the HSNP operational areas at the start of the programme was undertaken primarily to ensure all households could be issued with bank accounts. Although when the comprehensive registration was first proposed (under the former Ministry of Northern Kenya) there were ideas that it could be also used to facilitate other programming in a more coordinated way e.g. livestock or education bursaries. Registration also enabled the selection of routine beneficiary households using the wealth ranking generated by the CBT/ PMT (Proxy Means Test) process undertaken during the initial registration. Additional beneficiary households for scale up are currently selected in every location on the basis of this wealth ranking. The key advantage of this is speed as beneficiary household lists can be generated within days of the VCI data being received. So long as funding is available a payroll can be generated for Equity Bank to ensure transfers within two weeks.

However the targeting and selection of beneficiaries is never an easy or perfect process and the Process Review has highlighted many concerns in this area. The selection of households using the wealth ranking generated during the HSNP registration process was an initial cause of controversy^{xviii} and the same issues have emerged again in the pre-selection of scale up households. The wealth ranked lists of households have never been publicly shared and verified by local communities. Therefore households are only aware of how the CBT/PMT system has assessed their relative wealth status when the lists of beneficiaries are posted. At the village level in these Counties most households consider themselves to be very poor and no better or worse off than their neighbours. Therefore when the lists of households for scale up are posted in most locations it is perceived as a lottery. There have been complaints that the HSNP system did not include some of the poorest and included wealthier households in the scale up.

This experience raises several important questions. Can the households most in need of assistance in a crisis ever be pre-selected? Can a direct link between poverty and impact of drought be assumed? Poverty and vulnerability can be very dynamic – a household may not have been assessed as poor at the point of registration but circumstances could have changed by the time the crisis hits, e.g. a wealthier pastoralist who has loses a whole herd in a drought. Would another community based selection process at the time of the scale up result in better targeting? How long would this delay payment? How are poor peri-urban dwellers who have no livestock affected by drought and is the same response suitable?

It is important that these issues are addressed as part of the current review and harmonisation of the GoK's wider National Safety Net Programme's (NSNP) registration and selection procedures. Currently HSNP is the only GoK CT with a scalability element and so the only one for which such a targeting policy is required. The key point the programme is yet to establish is whether the benefits of such a speedy

response (a key principle of HSNP scalability) outweigh the delay that arises by re-targeting once a scale up is triggered. This is certainly something to ask communities themselves. An improved process is certainly required and will be trialled as part of the HSNP re-registration process due to be undertaken in 2016. It is proposed this include community based validation of both routine and scale up beneficiary lists to help ensure understanding and acceptance of the selected households. This will give communities the opportunity to input into the wealth ranking so that scale up happens first (and most regularly) to the more needy.

The alternative is to inform communities at the Sub-location level of their quota of beneficiaries each time a scale up is triggered and ask them to provide a list of households most in need. This introduces several further practical and administrative steps to the process that will ultimately delay the speed of response. It also leaves the process very open to elite capture and (intentional or unintentional) local bias.

Policy Issue 3) – Information used to trigger scale-up

The on-going and regular scale-up of HSNP CTs is proof that a single, scientifically objective indicator is sufficient to trigger an early, “no regrets” action. The remotely sensed indicator – VCI - is now embedded in the SOPs as the trigger that initiates immediate response. Globally there are few (if any) similar examples of where EW indicators generate such immediate action without any further needs assessment or ground-truthing exercise. Again, the primary advantage of this approach is speed. Since VCI is generated using satellite data it is available immediately and not subject to the delays that beset data collected (and analysed) manually and the accompanying quality control issues. When the payouts generated by HSNP using VCI as the trigger are modelled retrospectively over the last 15 years they correlate very well with the major drought crisis over this time (see figures 2 and 3 above).

Nevertheless problems remain. The Process Review found that county-level policy makers; HSNP county programme staff and village level Rights Committee members remain confused about how the VCI works and are sceptical about its accuracy. The review noted many concerns that such a ‘greenness’ index would fail to flag up drought conditions in areas that are affected by non-palatable invasive evergreen plants such as *prosopis juliflora*. There were many who would like to see the indicator triangulated with other EW indicators; local-level verification missions and dialogue with County policy-makers. Many favour a process similar to the current multi-agency long/short rain assessments to agree which communities require a scale up payment.

At the community level it will remain difficult to ever justify the use of remotely sensed (RS) indicators as the difference between areas characterised as in ‘moderate’ or ‘severe’ drought are impossible to distinguish from a field level perspective. The problem remains that all other forms of verification currently available are; a) subjective; and b) delay any scale up (sometimes considerably). This is not to say that the use of additional data to ground truth RS data is not a valid and important objective. Unfortunately until that data can be systematically and speedily collected to the same objectivity of RS indicators it will be very difficult to incorporate them as into the trigger mechanism. Most stakeholders including communities are not aware of the different beneficiary allocation methodologies that were

initially piloted but those that were favoured the second approach. The use of the Reallocation Formula which introduces sharing the scale up quota to Sub-Counties in moderate drought status is considered more equitable.

What seems to be the key point here is that VCI is a 'good enough' objective and immediate indicator to use as the trigger to scale up and to generate a quota. It is also the only indicator NDMA is collecting and using that is sufficiently quantitative and scientific to be used for long term modelling which is essential for securing sustainable funding. HSNP and NDMA staff now need to move the focus at the County and community level away from debate on the validity of VCI which is now (since the second pilot) merely used to generate scale up quotas. At the local level the debate should shift to the equity and accuracy of using the Government's CRA formula for re-allocating quotas to Sub-Counties. The CRA based formula seems to be generally accepted as a fairer and more systematic approach to resource allocation. It has the added advantage of being more easily explained to communities (and politicians) as it has an equal share element and is linked to accepted statistics on population and poverty. As such the rules in the current scalability guidance are valued by politicians enabling them to defend allocations and resist local demands for more. Moving forward it is important that NDMA improve communication on this issue so that the focus is shifted away from discussions on VCI towards the equity of the Reallocation Formula. At the same time NDMA should consider improving the quality and reliability of a few other quantifiable EW indicators that could be introduced to ground-truth or correlate VCI.

Policy Issue 4) – Monitoring and Evaluating HSNP Scalability

The current monitoring framework for HSNP does not adequately include assessment of the scale up mechanism. The programme has developed some immediate process monitoring tools but a full monitoring framework is still to be fully developed. The programme needs to give greater thought as to how monitoring of scalability can be improved. Process monitoring of scale up is being put in place with a standard post-payment monitoring survey now being undertaken after each scale up payment. This requires continual improvement in terms of robustness of the design, the quality of data collection and its statistical validity.

Evaluating the impact of temporary CTs needs some more serious thought. An evaluation framework needs to be developed that links the stated objectives of scaling up HSNP CTs with indicators that can be used over time to track their achievements. The first stated objective is humanitarian response. This will involve monitoring indicators similar to those already tracked by other humanitarian actors e.g. WFP in the delivery of food aid. Indeed the ability to compare the impact of HSNP emergency CTs against alternatives such as food aid is an important in informing whether its replacement using the HSNP CT mechanism is viable. This will probably require monitoring similar food security indicators such as dietary diversity, malnutrition rates and coping strategies. It should be noted much of this data is already regularly collected in the HSNP Counties by NDMA, WFP and several NGOs. NDMA should support efforts to improve the quality and coordination of the different data sets available to track impacts of all humanitarian activities by geographic area. Critical impact questions to examine include:

- What is the added value of the timing payments so they arrive during and not after a drought period?
- What is the impact of quicker, but smaller CTs versus larger food rations that arrive later?
- How much better do routine HSNP beneficiaries cope with drought than scale up beneficiaries and household receiving neither?
- Is the scale up transfer value sufficient? What value would make a more significant impact?

Evaluating the achievement of the second stated objective i.e. building the resilience of the poor and vulnerable is likely to be even more difficult. There is no consensus on the best metrics or indicators to use to measure resilience. It remains a rather nebulous concept. Attempting to measure long term and sustained welfare and/or economic benefits to a household on the basis of ad hoc and temporary payments is challenging. In addition there are practical issues in identifying households to track over the longer term. Scale ups will occur in different parts of the four counties with different frequencies and the number of households in any sub-location changes each time. There is also the overarching challenge of how to identify the impact of temporary scale up payments in isolation of all the many other factors and interventions being experienced by the same households. Ultimately the programme may be forced to rethink the validity of the resilience objective.

Despite the challenges the programme must develop and implement a robust monitoring framework. The long term sustainability of the scalability mechanism will depend on the ability to demonstrate its value and impact (both short and longer term). NDMA already collects much of the data required to track many of the most likely indicators. It is also leading efforts to establish an M&E framework for the Ending Drought Emergency (EDE) initiative which has a shared objective in building resilience. A concerted effort is required to develop a coherent and interrelated data collection and management system that serves the full spectrum of NDMA's EW and impact monitoring requirements.

5.2 Summary Policy Recommendations

In light of the above discussions NDMA and other HSNP stakeholders are encouraged to implement the following key policy recommendations;

Financing Scalability

- 1) The programme requires a more comprehensive funding strategy that incorporates the following range of funding sources and mechanisms (in priority order):
 - I. National Drought Contingency Fund (NDCF)
 - II. Other donors
 - III. Africa Risk Capacity (ARC) insurance fund mechanism
 - IV. County Government Funding
- 2) In particular it is proposed that the NDCF be a primary source of funds for scaling up HSNP CTs in response to drought. NDMA must work to ensure the fund is operational as soon as possible with governance arrangements that maximise contributions from a wide range of donors. The procedures

guiding the fund must be clear as to the proportion of (and limits to) funding that will be allocated to HSNP scaled up payments on an annual basis.

Pre-selection of Scale up beneficiary households

- 3) The wealth ranking of households in group two should be subject to community validation as part of the up-coming registration process. The process for doing this should be incorporated into the wider national safety net programme's (NSNP) harmonised registration and selection policy and procedures.

Information used to trigger scale-up

- 4) NDMA should undertake a comprehensive communication exercise to explain how quotas are equitably allocated down to Sub-location level using on the Reallocation Formula.
- 5) NDMA should continue to improve the quality and reliability of a few other quantifiable EW indicators that could be introduced to ground-truth or correlate VCI.

Monitoring and Evaluating HSNP Scalability

- 6) A robust monitoring and evaluation framework specifically relating to HSNP emergency scale up CTs should be developed and implemented.
- 7) NDMA must make concerted efforts to develop a coherent and interrelated data collection and management system that serves both NDMA's EW and impact monitoring requirements.

ⁱ METHODOLOGY REPORT Design of a Model for Scalable Nutrition Interventions in Kenya – Version 2; Kimetrica; October 2014 and Options Paper for Scaling Up HSNP Payments: PILU: (Final Draft) March 2015

ⁱⁱ <http://www.hsnp.or.ke/index.php/component/content/article?id=68>

ⁱⁱⁱ Ref to HSNP webpage

^{iv} <http://www.odi.org/publications/9876-cash-transfers-humanitarian-vouchers-aid-emergencies>

^v <http://www.ndma.go.ke/index.php/latest-news/57-launch-of-the-common-programme-framework-for-ending-drought-emergencies-edc-initiative-in-kenya>

^{vi} National Safety Net Program for Results <http://www.worldbank.org/projects/P131305?lang=en&tab=overview>

^{vii} METHODOLOGY REPORT Design of a Model for Scalable Nutrition Interventions in Kenya – Version 2; Kimetrica; October 2014

^{viii} http://www.ndma.go.ke/index.php?option=com_k2&view=itemlist&layout=category&Itemid=137

^{ix} Humanitarian Cash Transfers: cost, value for money and economic impact – Background note to the High Level Panel on Humanitarian Cash Transfers; ODI;2015; <http://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/9731.pdf>

^x 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

^{xi} 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 Margolies & John Hoddinotta; Poverty, Health and Nutrition Division, International Food Policy Research Institute, USA; Published online: Dec 2014

^{xii} 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

^{xiii} www.gov.uk/government/publications/the-economics-of-early-response-and-disaster-resilience-lessons-from-kenya-and-ethiopia

^{xiv} KRDP EWS TA notes: To make an analysis at sub-location (or ward) level does not make any sense because they are too small areas to be linked to any meaningful rangeland management practice. People move with livestock to access grazing areas and therefore you may have a situation where the sub-location shows a bad drought status but a close rangeland is available with

sufficient grazing resources. In other cases you may have a sub-division with good vegetation greenness but which is not sufficient / suitable (e.g. unpalatable species) for grazing. You can image the kind of variability within the county with neighbouring households that are practicably under the same food security conditions but have different access to the cash transfer. The situation is smoothed when you increase the area under analysis. Moreover from a technical point of view it would require a huge analysis to determine for each sub-locations the baseline historical data and related statistics. This is not possible for us under the current contract with BOKU University.

^{xv} <http://www.ndma.go.ke/index.php/resource-centre/early-warning-bulletins>

^{xvi} Ibid. page 13

^{xvii} DFID HSNP Business Case Annex 5 – Economic Analysis

^{xviii} For a fuller review of the HSNP II registration and targeting process see [ref website]