

SEPTEMBER 2023

ENVIRONMENTAL AND SOCIAL MANAGEMENT FRAMEWORK

Africa Rural Climate Adaptation Finance Mechanism (ARCAFIM)
for East Africa Region
Redacted version for disclosure

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NOMENCLATURE

Acronym	Meaning
ARCAFIM	Africa Rural Climate Adaptation Financing Mechanism
CC	Climate Change
CCA	Climate Change Adaptation
CEDAW	Convention on the Elimination of Discrimination Against Women
CEO	Chief Executive Officer
CLO	Community Liaison Officer
CSA	Climate Smart Agriculture
CSR	Community Social Responsibility
DRC	Democratic Republic of Congo
EB	End Beneficiary
EBK	Equity Bank Kenya
EGHL	Equity Group Holdings Limited
EIA	Environmental Impact Assessment
EMA	Environmental Management Act
EMCA	Environmental Management and Coordination Act
EMP	Environmental Management Plan
EPC	Engineering, Procurement and Construction
EPRP	Emergency Preparedness Response
ESA	East and Southern Africa
ESAP	Environmental and Social Action Plan
ESDD	Environmental and Social Due Diligence
ESG	Environmental and Social Governance
ESIA	Environmental and Social Impact Assessment
ESMP	Environmental and Social Management Plan
ESMF	Environmental and Social Management Framework
ESMS	Environmental and Social Management System
ESRM	Environmental and Social Risk Management
ESS	Environmental and Social Standards
FI	Financial Institution

Acronym	Meaning
FSB	Financial Stability Board
GBVH	Gender-Based Violence and Harassment
GCF	Global Climate Fund
GEM	Gender Equality Mainstreaming
GHG	Greenhouse Gas
GR	Grievance Redress
GRM	Grievance Mechanism
IFAD	International Fund for Agricultural Development
ILO	International Labour Organisation
IRM	Independent Redress Mechanism
MASFAMU	Ministry of Social Action, Family and Women's Promotion
MCTE	Ministry of Culture, Tourism and Environment
MSME	Micro, Small Medium Enterprise
NBSAP	National Biodiversity Strategy Action Plan
NCCRS	National Climate Change Response Strategy
NEMC	National Environment Management Council
NEMP	National Environment Management Policy
NELP	National Employment and Labour Policy
NSSB	National Basic Social Security Strategy
OHS	Occupational Health and Safety
PPE	Personal Protective Equipment
PSFP	Private Sector Financing Program
SEAH	Sexual Exploitation, Sexual Abuse, and Sexual Harassment
SECAP	Social, Environmental and Climate Assessment Procedure
SEP	Stakeholder Engagement Plan
SME	Small-Medium Enterprise
TA	Technical Advice
TCFD	Task Force on Climate-Related Disclosures
TFS	Tanzania Forest Service
TTFI	Tier Two Financial Intermediaries
UN	United Nations

EXECUTIVE SUMMARY

Climate change poses a major obstacle to livelihoods and resilience of rural small-scale producers and MSMEs involved in food systems in Africa.

The Africa Rural Climate Adaptation Financing Mechanism (ARCAFIM) programme is a financing mechanism targeting the stimulation of climate adaptation and resilience in the agricultural sectors of several target countries in East and Southern Africa. It is being designed by the International Fund for Agricultural Development (IFAD) through its Private Sector Financing Program (PSFP), jointly with a consortium of partners.

ARCAFIM's objective is to deploy innovative financial products along with TA to scale up CCA finance through the local private financial sector in selected East and Southern Africa (ESA) countries to address the unmet needs of this market segment. The program will be implemented in two phases. The current phase will cover East Africa, while the second phase will cover Southern Africa. Although the Programme covers ESA, the ambition is to scale it up and replicate it later in other African regions, making it a leading co-investment platform for CCA targeting rural poor in Africa.

ARCAFIM's proposed strategy for East Africa, is to establish the catalytic private sector CCA finance mechanism in partnership with one regionally reputable and active commercial financial institution, which will function as the ARCAFIM Host Bank for the East Africa region. The Host Bank will deploy the ARCAFIM blended finance resources as CC adaptation loans to eligible borrowers. The Host Bank will also deploy the Technical Assistance jointly through the Equity Bank Foundation. ARCAFIM is first being rolled out in East Africa, with Equity Bank as the chosen Host Bank. The delivery of the CCA loans to the final target groups will take place either directly through the Host Bank branch/agency network or through different types of rural financial intermediaries, which will be Participating Financial Institutions (PFIs)/ Tier Two Financial Intermediaries (TTFIs) that will receive concessional finance for climate adaptation from Host Banks for on-lending. The PFI/TTFIs will increase the reach of the ARCAFIM beyond the Host bank branch/agency network. The selection criteria will include: (a) sound institutional and financial condition, (b) focus on agriculture and/or rural finance operations that includes collaboration with small scale producers, (c) objective to develop and scale-up climate finance and particularly climate adaptation finance operations and the capacity to develop and appraise a pipeline of CCA investments, (d) sufficient network to operate in rural areas with climate change effected small producers, (e) strong expressed interest to participate in the ARCAFIM programme, and (f) appropriate quality governance, social and environmental management structures. A specific criteria outlined in the Full Funding Proposal will be applied in the selection of the PFI/TTFIs. TTFIs will comprise Value Chain Companies (VCCs) and Micro Finance Institutions (MFIs), Savings and Credit Cooperative Societies (SACCOs, FinTechs. End beneficiaries (EBs) of programme will receive sub-loans either directly from Host Banks or from TTFIs. EBs will include small-scale producers, microenterprises and other rural poor involved in local food systems. MSMEs will include: Value Chain Companies, Input material providers, Technical service providers and CC information providers.

Potential end-beneficiary sub-project types likely to receive ARCAFIM loans may include: (a) efficient water use such as drip irrigation/sprinkler or micro-jet systems; (b) climate resilient infrastructure/increased robustness of infrastructure; (c) climate smart farming including drought or flood tolerant inputs; (d) soil and water conservation measures; (e) renewable energy and energy efficient systems, especially those that are labour efficient and time-saving to ease women's workloads; (f) water harvesting/water storage systems; (g) agro-forestry and afforestation/reforestation; (h) storage and processing investment for reduction of post-harvest losses, especially for highly perishable crops, livestock and fisheries products; (i) low-cost hydroponics solutions; (j) small-scale commercialisation of bio- and organic pesticides; (k) climate smart solutions for livestock and dairy production systems including climate resilient feed production, shelters and logistics; (l) rural insurance products; (m) climate-resilient aquaculture systems and practices such as aquaponics, recirculating aquaculture systems, integrating fish-crop-livestock, fish feed and seed innovations; (n) investment in green infrastructure in coastal areas including mangroves; (o) value chain services and value creating solutions directly in support of the small producers CCA operations, which include local MSME investments into agriculture technical services, CCA production input material trading, sales of CCA production systems equipment, logistics, processing, packaging and storage.

This ESMF outlines the strategic framework for the management and monitoring of environmental and social risks associated those accessing finance via the ARCAFIM programme.

The ESMF describes the E&S Policy for the programme and the high-level steps and procedures, to be further developed and embedded into ARCAFIM as it moves towards implementation, to support the effective identification, assessment, management and monitoring E&S risks and potential adverse impacts of its transactions. It also outlines the good practice principles which should govern the interactions and agreements between the participating Lenders (IFAD etc), , Financial Intermediaries, Borrowers and End Beneficiaries of the programme in line with the applicable E&S Standards and Guidelines.



Key potential E&S risks identified in the ESMF relevant to the ARCAFIM end beneficiary sub-projects (activities or projects identified and implemented by end-beneficiaries) include:

- Vulnerability of sub-projects to climate risks, including droughts/increasing water scarcity, floods, and extreme temperature changes
- Conversion of carbon-rich ecosystems to cropland or pasture, resulting in a decrease in carbon sequestration capacity and/or to the release of carbon previously sequestered in natural sinks. increased emissions of methane from an increase in intensity of ruminant livestock capacities (cattle, sheep, goats)
- Overfishing
- Disruption of aquatic ecosystems from installation of equipment
- Social risks
 - Displacement of subsistence land users or land users without tenure or formal land rights
 - Child labour – generally all the four partner countries consider 18 years as the employable age (Table below)
 - Exploitative terms and conditions of employment for casual farmworkers (lack of formal contracts, low wages, excessive hours, and poor health and safety conditions)
 - Gender-based Violence and Harassment (GBVH), including Sexual Exploitation, Sexual Abuse and Sexual Harassment (SEAH) of farmworkers
 - Obstruction of freedom of association and collective bargaining in practice
 - Barriers to entry for female farmers to participate in ARCAFIM due to insecurity of land tenure
 - Smallholder projects may encroach upon or damage cultural heritage
 - Programme may induce potential conflict or exacerbate existing conflicts in areas of implementation (Annex 15).

Child Labour Ages in the participating Countries

COUNTRY	EMPLOYMENT AGES
Kenya	In Kenya it is illegal to employ children under the age of 13. Children between the ages of 13 to 16 can be employed in “light work” while those between 16 and 18 are considered employable.
Uganda	Ugandan legislation prohibits the employment of children under the age 12. National labour law prohibits the involvement of children 12-13 in any employment except for light work carried out under the supervision of an adult aged over 18 that does not affect the child’s education.
Rwanda	Rwandan legislation provides that children aged 13 to 15 years may perform light work. Age 18 is employable.
Tanzania	Tanzanian legislation defines a child as a person under the age of fourteen (14) years but for the purpose of employment in hazardous sector, it is defined as a person under the age of eighteen (18) years.

To address these risks the ESMP offers interventions at the ARCAFIM Programme- , Host Bank-, TTFI- and End Beneficiary- level. At the ARCAFIM-level, this includes the appropriate delineation of roles of responsibilities for implementation of the ESMF, and ensuring sufficient inductions on the ESMF are

provided both within the ARCAFIM Programme and to borrowers. At Host Bank and TTFI, this includes ensuring that FI ESMSs not sufficient to identify and manage sub-project E&S risks and impacts and that ESMS are being implemented effectively. Importantly, FIs lending directly to End-Beneficiaries must be trained on the management of E&S risks that are pertinent to their borrowers, so that they are capacitated to communicate these risks and management approaches to End Beneficiaries. *TTFIs* involved in ARCAFIM financing activities will receive technical support packages tailored for their specific needs. Technical support areas will include: (i) development or strengthening of CCA lending products that comply with the eligibility criteria under ARCAFIM Taxonomy (see annex 2B of Funding Proposal), (ii) support rural outreach and social inclusion strategies, including CCA finance advisory capacities, (iii) strengthen Digital Finance Services by inclusion of functions for climate, rural and agricultural finance, to enable data driven, affordable and effective risk management and support functions for CCA lending, and (iv) support strengthened ESG standards and management systems including CC risk management structures for each PFI to comply with IFAD, GCF and other co-financier safeguards. At End Beneficiary-level, this includes developing the appropriate approaches and Management Plans to address risks commensurate with the scale and nature of their operations, and effectively reporting on grievances, incidents and any other compliance requirements.

ARCAFIM is in the design phase, with several key steps achieved. For Phase 1 (East Africa), Equity Bank has been chosen as Host Bank, and the relevant due diligence has been conducted. Currently, the proposals have been developed and submitted to GCF and other international partners for review and subsequent approval. The approvals from GCF, international financiers and IFAD are expected in Q4 2023, and the signing of loan agreement in Q1 2024. The project implementation is expected to start immediately after the execution of the legal agreements.

The ESMF is therefore a guiding framework that can be updated as on a needs basis during the Programme implementation.

1 INTRODUCTION

1.1 DESCRIPTION OF ARCAFIM

In 2020, IFAD launched its Private Sector Financing Program (PSFP) with three specific objectives: (i) job creation notably for youth; (ii) women economic empowerment; and (iii) promoting climate change adaptation and mitigation efforts to achieve greater resilience of small-scale producers and rural poor. Under the PSFP, IFAD is and will be deploying catalytic financial interventions to scale up private sector investment targeting small-scale producers and the rural poor. Under PSFP, IFAD is, jointly with a consortium of like-minded partners, taking the lead to design an innovative large-scale Africa Rural Climate Adaptation Financing Mechanism (ARCAFIM) with the immediate aim to mobilize US\$ 270 million in climate change adaptation (CCA) investments to be deployed to support small-scale producers and rural micro- small and medium enterprises (MSMEs) involved in food systems through local financial intermediaries. Of this total budget, US\$ 135 million is expected to be provided by private sector partners from the financial sectors of the targeted countries. In addition, the investment package would be supported by a technical assistance facility of US\$ 30 million.

ARCAFIM will be rolled out in four countries in East Africa, for which Green Climate Funding (GCF) financing is sought. The targeted countries include Kenya, Uganda, Tanzania, and Rwanda. They are all low-income or lower middle-income and face severe climate risk. The ARCAFIM target group includes rural small-scale producers, MSMEs operating in rural areas and within local food systems and value chains. To ensure effective outreach to this target group and to achieve the projected investment volumes through private sector delivery channels, a detailed CCA finance taxonomy (see Figure 2 and Annex 2B of the Funding proposal) and ARCAFIM investment eligibility criteria has been developed and will be reviewed with the implementing partners to enhance ownership during project implementation

ARCAFIM's proposed strategy is to establish the catalytic private sector CCA finance mechanism in partnership with one regionally reputable and active commercial financial institutions, which will function as the ARCAFIM Host Bank for the East Africa region. This strategy leads ARCAFIM to benefit from significant efficiencies in scale and comparative advantages introduced by the Host Banks. Moreover, by working in parallel with two Host Banks under one programme, ARCAFIM will mainstream CCA at a greater scale through two networks, enable learning by testing the implementability of the model with two entities, promote competitiveness in the implementation model, and integrate lessons learnt from two sub-regions into effective messaging on how to promote CCA finance over the African continent. Given the advanced discussion status with Host Bank for East Africa, the proposal for East Africa has been developed as the ARCAFIM Phase I (East Africa) and submitted to GCF.

The ARCAFIM model is scalable and replicable, with a vision to become a leading co-investment platform for CCA finance targeting small-scale producers and the rural poor in Africa. The key objective is to achieve a demonstration effect and paradigm shift by designing approaches and methodologies for private sector CCA lending targeting small-scale producers and rural poor, and proof of concept for implementation at scale. Based on lessons learnt and results achieved from ARCAFIM, the plan is to

replicate the model in Western, Central and North Africa. Furthermore, ARCAFIM will be designed as a concrete response to deliver on the COP26 Glasgow Climate Pact commitments, and the five key imperatives of the Food Finance Architecture by the Food System Summit 2021.

1.1.1 WHAT IS THE ARCAFIM PROGRAMME

The Africa Rural Climate Adaptation Financing Mechanism (ARCAFIM) Programme is a financing mechanism targeting the stimulation of climate adaptation and resilience in the agricultural sectors of several (4) target countries in East Africa. It is being designed by the International Fund for Agricultural Development (IFAD) through its Private Sector Financing Program (PSFP), jointly with a consortium of partners.

The total programme cost for ARCAFIM operations in both East and South African regions will be US\$ 135 million for on-lending and US\$ 30 million of a Technical Assistant (TA) grant budget. The fund will be channelled through two Host Banks - one for each region.

For Phase 1 to be implemented in the East Africa Region with the total budget of US\$ 200 million (GCF share US\$ 55 million), In East Africa, Component 1 will provide catalytic international financial resources of US\$ 90 million (50% - US\$ 45 million - from the GCF, 50% - US\$ 45 million - from the IFAD-organized co-financiers) to the Host Bank for on-lending for CCA purposes in the programme target countries. The total ARCAFIM on-lending resources in this region will be US\$ 180 million, which includes a matching amount of US\$ 90 million financed by the Host Bank. Component 2, with grant-based funding of US\$ 20 million in East Africa will bring the total budget to US\$ 200 million

1.1.2 ARCAFIM OBJECTIVES

The ARCAFIM objective is to catalyse and scale up private sector climate adaptation financing.

The programme will achieve this through providing green credit lines to one regionally reputable and active commercial financial institution targeting smallholders and rural MSMEs in East Africa through sub-loans, to address the unmet needs of small-scale producers involved in MSME food systems.

Specifically, the ARCAFIM Programme has two main goals:

- I. increased Climate Change (CC) resilience of small-scale producers and rural MSMEs active in the local food systems through Climate Change Adaptation (CCA) investments across agricultural value chains, and
- II. improved capacity of agriculture value chain participants to adapt to risks imposed by climatic changes.

Overall, the ARCAFIM programme intends to reach 260,000 small-scale producers and MSMEs in East Africa.

1.1.3 STAKEHOLDERS AND THEIR ROLES IN THE PROGRAMME

ARCAFIM will include participating resources from several stakeholders and institutional partners including:

- GCF and co-financiers (International development financiers)
- Host Bank in East Africa (Kenya)
- Tier Two FIs e.g., VCs and MFIs, SACCOs, FinTechs
- MSMEs and Small-scale producers

GCF

GCF will provide loans and grants to IFAD to finance the design and implementation of the Programme in line with agreed terms and conditions and standards.

IFAD

IFAD, as a GCF Accredited Entity and a global leading organisation with 40 years of successful track record investing in rural poor and small-scale producers, will act as the manager of ARCAFIM ensuring overall programme oversight and coordination. IFAD will disburse the funds for ARCAFIM on-lending to the regional Host Bank subject to satisfaction of the agreed Conditions Precedents for the drawdown. IFAD will monitor and oversee that the Host Bank will use the loan proceeds exclusively for on-lending under the ARCAFIM programme to the targeted beneficiaries based on agreements and definitions of the Loan Agreements between IFAD and the Host Bank.

Host Banks

The Host Banks will deploy the ARCAFIM blended finance resources as CC adaptation loans to eligible borrowers. The Host Banks will manage both the financial and non-financial ARCAFIM services to the programme target groups based on ARCAFIM eligibility criteria and other terms and conditions, agreed upon at the programme design and included in the signed agreements between IFAD and the Host Banks. Blended finance resources from ARCAFIM to the Host Banks will be exclusively on-lent to eligible small-scale producers and those rural MSMEs that provide income and jobs to rural poor in the food systems.

- East Africa Region

The Host Bank already selected for East Africa region (four East African countries i.e., Kenya, Uganda, Tanzania, Rwanda) is Equity Group Holdings Limited (EGHL), operating as Equity Bank. The borrowing entity is Equity Bank Kenya (EBK).

Equity Group provides inclusive financial services aimed at improving livelihoods, giving dignity and expanding opportunities. EGHL is working with six strategic pillars among them Food and Agriculture as Pillar 1a and Pillar 5 as Social and Environmental Transformation. The ARCAFIM programme is

Box 1

MSMEs and Small-scale producers

- MSMEs are productive economic businesses involved in manufacturing, sales etc. of goods.
- “small-scale producer” means farmers, pastoralists, foresters, and fishers that have a low asset base and limited resources, including land, capital, skills and labour, and, in the case of farmers, typically farm on fewer than 5 hectares of land.

therefore in alignment with EGHL strategic outlook. Furthermore, EGHL is committed to building capacity and driving financial inclusion in its countries of operation.

EGHL has operational banking subsidiaries in seven countries in East and Central Africa i.e., Kenya, Democratic Republic of Congo (DRC), Uganda, Rwanda, Tanzania, South Sudan. The ARCAFIM Programme will be implemented in four of these countries i.e., Kenya, Uganda, Rwanda, and Tanzania.

EBK will receive a loan of US\$ 90 million from ARCAFIM and thereafter will deploy this to country banks (Uganda, Rwanda, and Tanzania) for on-lending to small-scale producers and rural MSMEs involved in food systems either directly or through their wholesale finance partners in the form of CC adaptation loans.

Tier Two Financial Intermediaries (TTFIs)

Financial Institutions receiving concessional finance for climate adaptation from Host Banks for on-lending, will comprise VCs and MFIs, SACCOs, FinTechs.

Several potential Tier two FIs were engaged to understand their capacity E&S risk management systems and gender and social inclusion practices relevant to facilitating their participation in the Programme. The potential PFIs had some form of ESMS' in place, however they require strengthening particularly in monitoring and reporting capacities (see summary findings of Tier Two FI engagements in Annex 16 of the ESMF).

End Beneficiaries (EBs)

End beneficiaries (EBs) of programme receiving sub-loans either directly from Host Banks or from TTFIs will include small-scale producers, microenterprises and other rural poor involved in local food systems. SMEs will include: Value Chain Companies, Input material providers, Technical service providers and CC information providers.

At the household level, the Programme target focus is specifically on low-income, economically active rural households, with specific target on women:

- 1) Small scale producers and rural microenterprises in the project target countries with limited access to CCA financial services and products. The composition of this core target group is specified by demand for the ARCAFIM micro and small financing packages, including willingness to implement CCA finance products.
- 2) Agribusiness-SMEs that have viable and smallholder-inclusive business models such as post-harvest processing, local service and input material provision, logistics, storage and distribution, with potential to create climate resilient production opportunities and stable jobs for small-scale agriculture producers. Due to risks inherent in the agriculture sector, as well as insufficient business planning capacities, agro-businesses have limited access to finance to expand their outreach in smallholder communities and employment creation in the VCs. All ARCAFIM supported agri-businesses are involved in and promote inclusive value chains development, establish market opportunities for small producers, and provide employment for under-employed rural men, women and youth in the targeted rural areas. Their role is critical in the development of rural value chains and food systems, vital for sustainable small producer livelihoods.

1.1.4 ARCAFIM'S E&S RISK MANAGEMENT

ARCAFIM's implementation will embed E&S considerations into the Programme's financing and lending activities funded TA facility, FIs and sub-projects. This includes the adoption of applicable international and national E&S Standards and Guidelines to avoid harm and manage E&S risks and potential negative impacts (e.g., land degradation, water scarcity, soil and water contamination, substandard working conditions, child labour, gender-based violence and harassment, etc.), access to transparent, accessible and culturally appropriate GRMs fit-for-purpose and commensurate with the scale of participating institutions and their lending and borrowing activities and level of E&S risks and creating platforms for stakeholder participation where relevant. The ESMF defines the roles and responsibilities of the Programme and Host Bank and Tier two Financial Intermediaries (Lenders) and End Beneficiaries (Borrowers) and introduces the key Risk Areas that reflect the areas of highest concern in the ARCAFIM target countries context, including the measures, frameworks and procedures to manage such risks.

The ARCAFIM Coordination Unit is responsible and accountable for approving and executing the ESMF, ensuring the appropriate E&S Management systems are established to operationalise the ESMF, and ensure that the Host Bank (HB), PFIs/ TTFIs and End Beneficiaries comply with the ESMF. The ESMF implementation is reviewed on an annual basis, and updated, if necessary, to ensure it remains relevant.

The ESMF is communicated to the ARCAFIM Coordination Unit, to Host Bank, to TTFIs and to End-Beneficiaries and sub-project personnel as relevant. The information in the form of environmental and social reports, including additional documents will be provided through electronic links to the websites of the accredited entities and of GCF (in the case of the GCF website, upon submission of the funding proposal to the Secretariat), as well as in locations convenient to affected peoples. The information will be available in both English and the local language (if not English) to foster adequate understanding by the affected and potentially affected communities, stakeholders and the general public. The information can also be made available to other interested stakeholders on request and will be disclosed on the ARCAFIM website.

1.1.5 THE ARCAFIM PROGRAMME STRUCTURE

IFAD, financed by loan and returnable contribution/grant from GCF and other co-financiers (international development finance institutions) will provide blended finance to Host Banks, which will provide concessional capital for climate adaptation (on-lend and raise matching capital 50% to match IFAD 50%) via on-lending in two forms:

- Wholesale loans by Host Banks to MFIs, microfinance banks, FinTechs, financial cooperatives and other rural finance arrangements or aggregators, to small scale agriculture and rural MSME clients, providing them with concessional finance, access to markets and services.

- Direct CCA loans from the Host Bank branch and agent networks in rural areas to small-scale agriculture producers and MSMEs including value chain lead companies that operate with small scale producers and rural poor who engage in CC adaptation projects/activities.

The Programme implementation structure illustrated in Figure 1-1 -1.

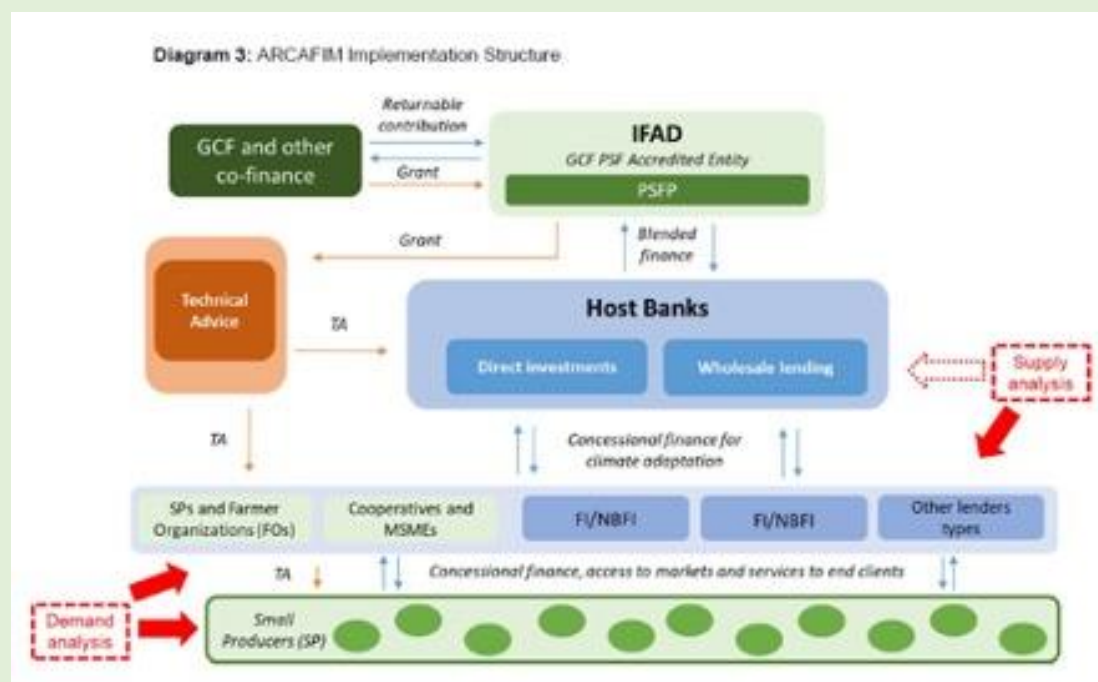


Figure 1-1 ARCAFIM Implementation Structure

The Programme is made up of two main components/activities, with a further three sub-components as follows:

- **Component 1:** Focused on the Effective Financing for Rural Adaptation Targeting Small-scale producers and Rural MSMEs
 - **Component 1.1:** Regional Host Bank accesses resources to provide CCA loans to smallholders and MSMEs. Will target small-scale crop, livestock and aquaculture producers and Value Chain MSMEs, input material providers, technical service providers, CC information providers.
 - **Component 1.2:** Local intermediaries have access to wholesale credit lines to provide CCA loans. The loans will be directed to Microfinance Institutions (MFIs), Savings and Credit Cooperatives (SACCOs) and Fintechs. For on-lending to small-scale crop, livestock and aquaculture producers. There will also be indirect micro-lending via wholesale loans to value chain lead companies, targeting small-scale farmers on out grower/contracted schemes.

- **Component 2:** Focused on Innovations and Capacity Building for Rural Adaptation (addressing non-financial barriers preventing greater CCA financing):
 - **Component 2.1:** focused on strengthening the awareness and capacity of Tier Two Financial Intermediaries to offer rural CCA finance services.
 - **Component 2.2:** focused on building CCA investment capacities and financial literacy skills of small-scale producers and rural MSMEs. These supply and demand side support services will be embedded into the Tier Two Financial Institutions' strategies to foster sustainability and scalability.
 - **Component 2.3:** focused on improving climate finance enabling environment through CCA finance policy dialogues and development of a Taxonomy for CCA Rural Finance that will be implemented in ESA and potentially the entire African continent.

1.1.6 ARCAFIM TARGET INVESTMENT CATEGORIES

The Programme will focus on target investment categories at the different tiers of lending activity as illustrated in Figure 1-2 and Figure 1-3.

Hazards	Private sector stakeholder categories and investment types		
	Small-scale crop producer CCA investment types:	Small-scale livestock and aquaculture producer CCA investment types:	Agribusiness enterprise CCA investment types:
Water deficit & temperature stress	<ul style="list-style-type: none"> - Drought and heat tolerant seeds and seedlings - Dams, micro water harvesting and storage - Small scale sustainable irrigation solutions - Shade house, shading and cover cropping - Soil management and mulching - Sustainable fertilizer solutions - Product diversification and intercropping - Agroforestry solutions - On-farm post-harvest facilities 	<ul style="list-style-type: none"> - Water flow infrastructure - Rainwater harvesting systems, dams and reservoirs - Drought and heat tolerant fodder varieties - Silvo-pastoral and rotational grazing systems - Sustainable pasture management - Climate resilient aquaculture solutions - Integrated farm systems with aquaculture - Climate resilient shelters, logistics, construction - Natural and artificial shading facilities - Heat stress reduction systems i.e. ventilations, showers - Species selection 	<p>(Relevant for all climate risk categories)</p> <p>Input material and equipment services</p> <ul style="list-style-type: none"> - Climate resilient inputs delivery - Irrigation systems delivery and services - Mechanization services and/or distribution - Sustainable energy solutions - In-kind production finance - Technical assistance
Water excess, floods	<ul style="list-style-type: none"> - Adapted seeds and seedlings - Pest and disease tolerant variety selection - Sustainable pesticide solutions - Integrated pest management - Integrated soil fertility management - Terracing and contour farming - Product diversification and intercropping - Farm-based post-harvest infrastructure - Dams, water harvesting and storage solutions 	<ul style="list-style-type: none"> - Sustainable pasture management - Water flow management infra and drainage systems - Pest and disease tolerant fodder varieties - Rainwater harvesting systems, dams and reservoirs - Sustainable pesticide solutions - Climate resilient aquaculture systems - Climate resilient shelters and logistics - On-farm processing of livestock and fish products - Veterinary prophylaxis and vaccination facilities 	<p>Digital platforms and CCA intelligence</p> <ul style="list-style-type: none"> - Digital value chain services - Digital finance services - Digital climate adaptation services - Advisory services - Data management and decision support tools - Climate risk and impact assessment <p>Climate risk transfer</p> <ul style="list-style-type: none"> - CCA insurance services - Bundled product development - Index-based service solutions
Heavy wind	<ul style="list-style-type: none"> - Physical and biophysical flood protection - Storm and flood proofed infrastructure - Wind breakers and covers - Upstream water management infrastructure - On-farm post-harvest facilities - Drainage systems 	<ul style="list-style-type: none"> - Physical and biophysical flood protection - Storm and flood proofed infrastructure - Wind breaker and covers - Product diversification - Climate resilient shelters and logistics 	<p>Supply Chain Lead Companies</p> <ul style="list-style-type: none"> - Contract farming arrangements - Primary production TA and quality assurance - Logistics and storage services - In-kind finance of farm inputs and services
Soil depletion	<ul style="list-style-type: none"> - Integrated soil fertility management - Terracing and contour farming - Soil management and mulching - Agroforestry solutions - Drainage systems 	<ul style="list-style-type: none"> - Sustainable pasture management - Water flow infrastructure - Drainage systems 	

Figure 1-2 Private Sector Stakeholders and Investment Types

1. Direct Micro lending by Host Banks	2. Wholesale loans via VC lead companies	3. Wholesale loans via MFIs, SACCOs, Fintechs	4. Direct SME loans by Host Banks
Investment targets: <ul style="list-style-type: none"> - Small-scale crop producers - Small-scale livestock and aquaculture producers 	Investment targets via out-grower schemes: <ul style="list-style-type: none"> - Small-scale crop producers - Small-scale livestock and aquaculture producers 	Investment targets via MFIs/SACCOs/Fintechs: <ul style="list-style-type: none"> - Small-scale crop producers - Small-scale livestock and aquaculture producers 	Investment targets: <ul style="list-style-type: none"> - Value Chain Companies - Input material providers - Technical service providers - CC information providers
<ul style="list-style-type: none"> - 3-12 month input loans - 6-60 m investment loans - repayment/grace period by business model <ul style="list-style-type: none"> - USD 50-7.500 - Average: 1.500 - Average duration: 12 m <ul style="list-style-type: none"> - 3 month gap - 80% repeat loans 	<ul style="list-style-type: none"> - 1-5 year input facilities - repayment/grace period by on-lending model <ul style="list-style-type: none"> - USD 50.000-1.000.000 FOR ON-LENDING: <ul style="list-style-type: none"> - 3-12 month input loans - 6-60 m investment loans <ul style="list-style-type: none"> - USD 50-7.500 - Average final loan: 250 - Average duration: 12 m 	<ul style="list-style-type: none"> - 2-5 year wholesale loans - repayment/grace period by on-lending model <ul style="list-style-type: none"> - USD 50.000-3.500.000 FOR ON-LENDING: <ul style="list-style-type: none"> - 3-12 month input loans - 6-60 m investment loans <ul style="list-style-type: none"> - USD 50-7.500 - Average final loan: 250 - Average duration: 12 m 	<ul style="list-style-type: none"> - 1-12 month input loans / working capital - 6-60 m investment loans - repayment/grace period by business model <ul style="list-style-type: none"> - USD 1.000-300.000 - Average: 150.000 - Average duration: 24 m <ul style="list-style-type: none"> - 3 month gap - 80% repeat loans - Outreach USD 1000 / person

Figure 1-3 Investment Categories Stakeholders and Investment Types

The developed Taxonomy (see Annex 2 of the Funding Proposal) will immediately serve as the core framework for end-borrower investment eligibility under ARCAFIM, but more broadly, help the climate finance ecosystem at international, regional, national and local levels to justify, monitor and report back on private sector CCA investments. In addition to the overall eligibility framework, IFAD has prepared technical and financial assessments of a subset of eligible investment options and provides investment recommendations to the PFIs for each country and agro-ecological zone, also presented in Annex 2b of the Funding Proposal. The steps in the development of the methodology are described under Component 1 of the Funding proposal. Following the methodology development and technical groundwork, a series of regional workshops, both virtual and physical, will be organised to complete, agree upon, and disseminate the agreed version of the Taxonomy, as well as continuously update the CCA investment option viability recommendations at local levels.

1.1.7 FINANCING STRUCTURE AND LEGAL AGREEMENTS

The ARCAFIM financing structure comprises several tiers of financing, lending, and on-lending between IFAD and its grantors/financiers, between IFAD and the Host Banks and between the Host Banks and Tier two FIs and End Beneficiaries e.g., small-scale producers.

As illustrated in Figure 1-4 .

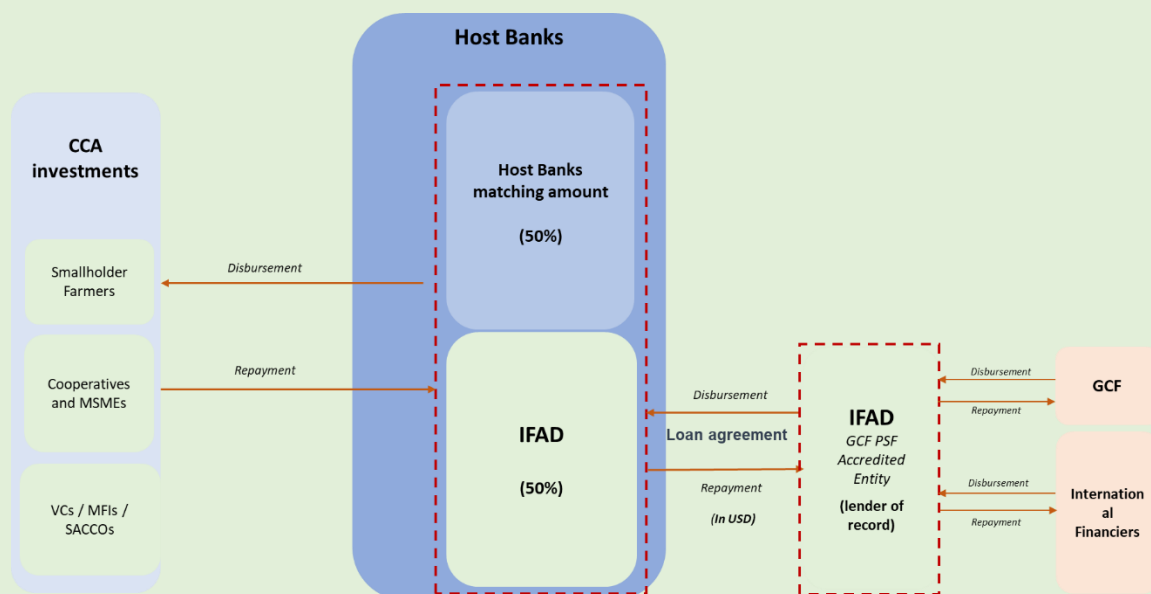


Figure 1-4 Financing Structure

The contractual arrangements governing the facility and the transactions at each tier will be governed by different legal instruments e.g., grant, contribution, and loan agreements, including:

- International Financiers - IFAD — Loan or Returnable Contribution/Grant Agreement
- GCF - IFAD –Funded Activity Agreement
- IFAD – Host Banks: Loan Agreement
- Host Banks – Tier Two FIs – Loan Agreements
- Host Banks – Smallholder farmers/SMEs – Loan Agreement
- Tier Two FIs – Smallholder farmers – Loan Agreement

These agreements will each stipulate requirements for the parties to adhere to ARCAFIM E&S Policy standards as outlined in the ARCAFIM Programme E&S Policy. (See section 3.1)

1.2 SCOPE AND PURPOSE OF THE ESMF

The ARCAFIM Environmental and Social Management Framework (ESMF) is intended to support the Programme in identifying and managing its E&S risks.

The ESMF provides a clear strategic framework and guidance to participating institutions on ARCAFIM's E&S Policy requirements and management standards, to ensure the proactive management of E&S risk at all tiers of the programme's lending activities to avoid or minimise adverse E&S impacts which may result in associated financial, operational, or reputational or other risks to either ARCAFIM or any of its stakeholders.

The ESMF is considered especially important given the substantial levels of E&S risk,¹ and vulnerability to the effects of climate change experienced by stakeholders in the Agricultural sector in the geographies in Africa which ARCAFIM will be targeting. The inherent agricultural related impacts will include, i) impacts from an increased use of agro-chemicals like fertilisers and herbicides causing environmental pollution and risks to human health, ii) vegetation clearing during land preparations for agricultural activities, iii) introduction of extensive mono culture as the small holder farmers venture into commercial farming, iv) increase in greenhouse emissions as the farmers venture into animal husbandry, v) increase of solid waste and effluent discharges from processing and marketing of agricultural produce, and vi) environmental impacts from construction of agricultural infrastructure like small dams, irrigation schemes, markets, processing plants, etc.

During programme execution, the ARCAFIM stakeholders may not be familiar with the ESMF and their implementation responsibilities. Also, the FI ESMSs may not be sufficient to identify and manage sub-project E&S risks and impacts. Thus, these impacts display potential significant adverse environmental or social risks or ii) impacts that are mostly temporary, predictable and/or reversible or iii) impacts that can be avoided or reversed. The impacts may result in occupational health and safety issues including temporary and permanent physical injuries, bronchial diseases from dust, diseases and illness from agricultural activities etc.

The ESMF applies to all stakeholders which are programme lenders, participating financial institutions, intermediaries, borrowers, or end beneficiaries of the ARCAFIM programme.

1.3 OBJECTIVES OF THE ESMF

- Outline the E&S Policy and standards of the ARCAFIM program.
- Outline the broad E&S risks that will be applicable to all stakeholders and the ARCAFIM Programme based on a programme-level E&S risk assessment of the ARCAFIM's financing activities, and the Host Bank and TTFIs activities, focus and E&S capacities.
- Describe the E&S risk identification and screening process to be applied by the Host Banks when selecting TTFIs or sub-projects for CCA lending.
- Describe the risk management and monitoring programme to be applied by Host Banks (direct lending) or TTFIs (indirect lending) when selecting sub-projects in order to mitigate the above-mentioned risks.

¹ E&S risks are the potential negative consequences to a business that result from its impacts (or perceived impacts) on the natural environment (i.e. air, water, soil) or communities of people (e.g. employees, customers, local residents). The impact is said to be high if i) It is most likely to occur at some stage of the development, ii) it affects the continued viability of the system/component, iii) the impacted area extends beyond the boundaries of the activity and its effects will continue or last for a long period even after the activity is complete.

- Summarise specific potential E&S risks that may be applicable to End Beneficiaries, which will vary depending on the specific activities or target CCA investments and context.
- Outline guiding principles and high-level management procedures for stakeholder engagement and grievance redress as part of the ARCAFIM programme.
- Outline the ARCAFIM Environmental and Social Management Plan (ESMP) detailing action items for the ARCAFIM Coordination Unit, for the Host Banks, TTFIs and End Beneficiaries to ensure their ESMS, relevant procedures and organisational capacity are aligned with the requirements of ARCAFIM's E&S policy and standards.
- Outline capacity building requirements for the Host Banks, TTFIs and End Beneficiaries in order to support the strengthening of their respective ESMS and implementation of the ESMP actions to ensure the objectives of this ESMF can be met.
- Describe the high-level Gender Responsive Strategy for the Programme and an indicative only associated Gender Action plan to bring the participating stakeholders and institutions into alignment with the ESMF standards and guide them in monitoring key indicators to track the gender performance of lending activities and sub-projects. This strategy is included as a separate document.
- The ESMF will ultimately include an indicative budget range for implementation, including for implementation of the ESMP elements and capacity building exercises.

1.4 KEY ESMF STAKEHOLDERS AND TERMS

The table below outlines key ARCAFIM stakeholders and clarifies how stakeholders are defined in the ARCAFIM context.

Table 1-1 ARCAFIM Stakeholder Definitions

STAKEHOLDER	DEFINITION
Green Climate Fund (GCF)	A global climate financing mechanism from which ARCAFIM is seeking financing.
Co-Financiers	Additional entities from which ARCAFIM is seeking financing, including Finland, and Nordic Development Fund (NDF).
ARCAFIM	The climate financing mechanism/programme covered by this ESMF.
IFAD	An International Financial Institution and UN Agency that has the overall responsibility for designing and implementing the ARCAFIM Programme. IFAD is a CGF-accredited entity.
ARCAFIM Coordination Unit	The Project Management Unit tasked with implementing the ARCAFIM programme and with overall responsibility for the ARCAFIM ESMF.
Host Banks	The institutions who will receive loans directly from ARCAFIM, and on-

	lend to TTFIs or end beneficiaries. The current Host Bank are Equity Bank covering the East African region (confirmed). The Host Bank is the ARCAFIM 'Executing Entity'.
Tier Two Financial Intermediaries (TTFIs)	The institutions who will receive loans from Host Banks and on-lend to end beneficiaries. TTFIs may include MFIs, SACCOs, Fintechs and Lead Value Chain companies.
End Beneficiaries	End beneficiaries (EBs) of the programme are the final recipients receiving sub-loans either directly from Host Banks or from TTFIs. These include small-scale producers, microenterprises and other rural poor involved in local food systems. The microenterprises will include: Value Chain Companies, Input material providers, Technical service providers and CC information providers.
Sub-projects	Subprojects are projects that are a part of a larger project. In this case they are part of the ARCAFIM and will be implemented by the End-Beneficiaries. They include: (a) efficient water use such as drip irrigation/sprinkler or micro-jet systems; (b) climate resilient infrastructure/increased robustness of infrastructure; (c) climate smart agriculture including drought or flood tolerant inputs; (d) soil and water conservation measures; etc
ARCAFIM Participants	All stakeholders involved in the ARCAFIM programme. This includes IFAD, Host Banks, Tier Two Financial Intermediaries and End Beneficiaries.
Lender	The entity who is lending directly to the ARCAFIM participant in question. The Lender to Host Banks will be IFAD as lender of record, lender to the Tier 2 Financial Intermediaries will be Host Banks, , and the Lender to End Beneficiaries will be either Host Banks or Tier Two Financial Intermediaries.
Borrower	Refers to the participant accessing a loan. Borrowers can be Host Banks and Tier 2 Financial Intermediaries, or End Beneficiaries.
Small scale producers and rural microenterprises	Rural producers/microenterprises with limited access to CCA financial services and products specified by demand for the ARCAFIM micro and small financing packages, including willingness to implement CCA finance products.
Agribusiness-SMEs	SMEs that have viable market-oriented business models with potential to create

	stable jobs and climate resilient opportunities for small scale agriculture producers and also involved in and promote inclusive value chains and provide employment in the targeted rural areas
Under-employed rural men, women and youth	Rural men, women and youth with no access to land or assets beyond their skills and time. The indirect impact to these groups includes employment opportunities as seasonal workers in the farms and fulltime workers in the supported SMEs, including service providers, input material suppliers, processors, logistics and sales.

Table 1-2 ARCAFIM Key Terms

TERM	DEFINITION
Environmental and Social (E&S)	<p>An encompassing term used to cover all issues/risk areas which the ESMF covers.</p> <p>E&S generally includes:</p> <ul style="list-style-type: none"> -Environment: climate change, waste, pollution, resource use, biodiversity -Social: labour and working conditions, gender, community, land acquisition and resettlement, indigenous peoples, cultural heritage -Health and safety: employee health safety, community health and safety, emergency preparedness and response
Environmental and Social Management System (ESMS)	Environmental and social systems, procedures, and capacities for assessing, managing, and monitoring risks and impacts. An ESMS generally includes the following components (at a minimum): An E&S policy; Identification of risks, Management plans; Internal organizational capacity and competency, Emergency preparedness and response, Monitoring and review systems and Stakeholder engagement including Grievance Management.
Wholesale Lending/On-Lending	Lending funds to a borrower who is tasked with re-lending the funds to an additional borrower. In the case of ARCAFIM, on-lending occurs through financial intermediaries (TTFIs).
Gender and Social Inclusion	Gender and social inclusion refers to the process and practices of ensuring that all individuals, regardless of their gender or social identities, have equal opportunities, rights, and access to resources, services, and decision-making processes within a society. It recognizes the importance

	of addressing structural inequalities and discrimination based on gender, as well as other social identities such as race, ethnicity, age, disability, sexual orientation, socioeconomic status, and more.
Gender Equality	Gender equality is a state in which women and men enjoy equal rights, opportunities, and entitlements in civil and political life. It implies equal participation of women and men in decision-making, equal ability to exercise their human rights, equal access to and control over resources, and the benefits of development, and equal opportunities in employment and in all other aspects of their livelihoods.
Gender & Climate Lens	A gender and climate lens is an analytical framework or approach that examines the intersection of gender and climate change to understand how climate change impacts and responses can affect individuals differently based on their gender identities. It involves analysing and addressing the gendered dimensions of climate change, including the differential vulnerabilities, roles, and capacities of women, men, and gender-diverse individuals in relation to climate impacts and adaptation efforts.
Gender Responsive Climate Policy	A gender-responsive climate policy is a policy approach that recognizes and addresses the gendered dimensions of climate change, ensuring that climate policies and actions are designed and implemented in a way that considers the specific needs, priorities, and capacities of different genders. It aims to promote gender equality, empower women, and enhance the resilience and adaptive capacities of all individuals in the face of climate change.
Climate Resilience	Climate resilience refers to the ability of a system, community, or individual to anticipate, withstand, recover, and adapt to the impacts of climate change. It involves building the capacity to bounce back from climate-related shocks and stresses while maintaining essential functions, structures, and identity.
Climate Mitigation vs Climate Adaptation	Climate adaptation refers to the actions taken to adjust and prepare for the current and future impacts of climate change. It focuses on managing and reducing the risks associated with climate change by building resilience in social, economic, and ecological systems. Adaptation measures aim to minimize the adverse impacts of climate change, protect vulnerable communities and ecosystems, and enhance their ability to cope with and recover from climate-related events. Climate Mitigation on

		the other hand, refers to efforts aimed at reducing greenhouse gas (GHG) emissions or removing them from the atmosphere to limit the extent of climate change. Mitigation measures are focused on addressing the root causes of climate change by reducing the release of GHGs and promoting sustainable practices.
Gender-Smart financing	Climate	Climate smart financing refers to financial mechanisms and practices that support climate change mitigation, adaptation, and resilience-building efforts. It involves the allocation and mobilization of financial resources to enable and facilitate sustainable and climate-friendly initiatives across various sectors.
Climate-Smart Agriculture		CSA (Climate Smart Agriculture) is an approach to developing the technical, policy and investment conditions to achieve sustainable agricultural development for food security under climate change. It integrates the three dimensions of sustainable development (economic, social, and environmental) by jointly addressing food security and climate challenges. It is composed of three main pillars: (1) sustainably increasing agricultural productivity and incomes; (2) adapting and building resilience to climate change; and (3) reducing and/or removing greenhouse gas emissions, where possible.
Gender-Smart Technical Advice (TA)		Gender-smart technical advice refers to the provision of technical support and guidance that incorporates a gender perspective and addresses gender equality considerations throughout the ARCAFIM program. It aims to ensure that technical assistance interventions take into account the specific needs, priorities, and capacities of women, men, and gender-diverse individuals, and promote gender equality and women's empowerment.
Concessional Finance for Climate Adaptation (CCA)		CCA is financial support provided on favourable terms to enable vulnerable countries and communities, particularly those with limited financial resources, to implement climate adaptation projects and programs effectively. It aims to support activities that enhance resilience, reduce vulnerability, and promote adaptive capacity in the face of climate change impacts.
Social and Environmental Safeguarding		Social safeguarding refers to the set of policies, measures, and practices implemented to mitigate and address potential social risks and adverse impacts that may arise during the planning and implementation of the ARCAFIM Program. It aims to protect the rights, well-being, and interests

	of affected communities, individuals, and vulnerable groups. It involves assessing and managing the social risks and impacts of ARCAFIM interventions, and putting in place measures to avoid, minimize, or compensate for any negative consequences.
Minimum compliance to do-no-harm	This refers to the basic level of actions and measures that need to be undertaken to ensure that the ARCAFIM program avoids causing harm to people and the environment. It is the minimum standard or requirement that must be met to prevent negative impacts and violations of social and environmental safeguards.

1.5 STRUCTURE OF THE ESMF

The ESMF is structured as follows:

- Applicable Standards and Guidelines
 - Legal Framework
 - ARCAFIM E&S Commitments
- ARCAFIM Environmental and Social Management System
 - Environmental and Social Policy
 - Risk Assessment Process
 - Organisational Capacity and Competency
 - Incident, Accident and Emergency Management and Response
 - Stakeholder Engagement
 - GRM and Information Disclosure.
 - Monitoring and Reporting
- ARCAFIM ESMP
- Capacity Building
- Implementation Budget
- Monitoring and Review
- Document and Stakeholder List
- Annexes

2 APPLICABLE STANDARDS AND GUIDELINES

2.1 LEGAL FRAMEWORK

ARCAFIM programme activities must be compliant with the provisions of the legal framework of the relevant host countries as referenced in ARCAFIM's E&S Policy.

Programme stakeholders in committing to adhere to ARCAFIM E&S Policy thereby commit to achieving and demonstrating compliance with national, environmental, social, occupational health and safety and labour laws, and construction and operation permits, etc.

In cases where the national requirement provides for the more stringent safeguarding standard, ARCAFIM's stakeholders shall conform to the national requirements provided it does not create any inconsistencies with the Framework. In cases where there is inconsistency between national requirements and the ARCAFIM's ESMF, this Framework will prevail to the extent of the inconsistency.

2.1.1 NATIONAL LEGAL FRAMEWORKS

The ARCAFIM ESMF is also guided by the national laws, regulations, and policies in the End Beneficiary countries in which the Programme will operate. Key national E&S legislation and policies in the ARCAFIM countries are outlined in the table below.

Table 2-1 National Legal Frameworks

COUNTRY	LEGISLATION	POLICIES
Kenya	<p>Environment</p> <ul style="list-style-type: none"> The Environmental Management and Coordination Act (EMCA), 1999 The Climate Change Act, 2016 The Water Act, 2016 The Forest Conservation and Management Act, 2016 <p>Land Use and Ownership</p> <ul style="list-style-type: none"> Land Act, 2012 (No. 6 of 2012) The National Land Commission Act, 2012 (No. 5 of 2012) The Community Land Act, 2016 (No. 27 of 2016) <p>Labour, Health and safety</p> <ul style="list-style-type: none"> The Employment Act, 2007 Occupational Safety and 	<p>Environment</p> <ul style="list-style-type: none"> National Environment Policy (2013) National Biodiversity Strategy and Action Plan Kenya National Climate Change Action Plan (2018 – 2022) <p>Land Use and Ownership</p> <ul style="list-style-type: none"> The National Land Policy (Sessional Paper No. 3 of 2009) The National Land Use Policy (2016) <p>Labour, Health and Safety</p> <ul style="list-style-type: none"> The National Policy on the Elimination of Child Labour National Occupational Safety and Health Policy (2012) The National Employment Policy and Strategies for Kenya (Sessional Paper No. 07 of 2005) <p>Gender</p>

	<p>Health Act, 2007</p> <ul style="list-style-type: none"> • Work Injury Benefits Act, 2007 	<ul style="list-style-type: none"> • The National Policy on Gender and Development (Sessional Paper No. 02 of 2019)
Tanzania	<p>Environment</p> <ul style="list-style-type: none"> • The Environmental Management Act No. 20 of 2004 • The Forest Act, 2002 • Water Resources Management Act, 2009 • Environmental Impact Assessment and Audit Regulations of 2005 • The National Environment Management Council (NEMC) • Tanzania Forest Service (TFS) • The Ministry of Water <p>Land Use and Ownership</p> <ul style="list-style-type: none"> • The Land Act of 1999 <p>Labour, Health, and Safety</p> <ul style="list-style-type: none"> • Employment and Labour Relation Act (2004) 	<p>Environment</p> <ul style="list-style-type: none"> • The National Environmental Policy (1997) • National Water Policy, 2002 • National Climate Change Response Strategy (NCCRS) 2021-2026 <p>Land Use and Ownership</p> <ul style="list-style-type: none"> • The country's National Land Policy (1995) <p>Labour, Health, and Safety</p> <ul style="list-style-type: none"> • The Tanzania Inclusive National Entrepreneurship Strategy (2017) • The Small and Medium-sized Enterprises (SME) Policy (2003) • The Trade Policy (2003) • The National Skills Development Strategy (2016-2021) • The National Agricultural Policy <p>Gender</p> <ul style="list-style-type: none"> • The National Gender Policy (2002)
Uganda	<p>Environment - Regulations</p> <ul style="list-style-type: none"> • The National Environment Act, Cap 153 • Environmental Impacts Assessment (EIA) regulations, 2020 <p>Land Use and Ownership</p> <ul style="list-style-type: none"> • Land Act, CAP 227 <p>Labour, Health, and Safety</p> <ul style="list-style-type: none"> • The Employment Act, No. 6 of 2006 • The Labour Disputes (Arbitrations and Settlement) Act No. 8 of 2006 • The Occupational Safety and Health Act, 2006 	<p>Environment - Regulations</p> <ul style="list-style-type: none"> • The National Environment Management Policy (NEMP) 1994 • The National Biodiversity Strategy and Action Plan (NBSAP) • National Climate Change Policy (NCCP) • The National Employment Policy for Uganda (2011) <p>Gender</p> <ul style="list-style-type: none"> • Uganda's Constitution (Articles 21, 32, 33, 40 and 52) • The National Gender policy
Rwanda	<p>Environment</p> <ul style="list-style-type: none"> • The Organic Law No. 04/2005 of 08/04/2005 • Law No. 47bis/2013 of 	<ul style="list-style-type: none"> • The National Policy on Environment • National Policy for Water Resources Management • The Green Growth and Climate

	<p>28/06/2013</p> <ul style="list-style-type: none"> • Law No. 49/2018 of 13/08/2018 • Law N° 71/2019 OF 29/01/2020 	<p>Resilience Strategy</p> <p>Land Use and Ownership</p> <ul style="list-style-type: none"> • The National Land Policy (2004) • The Organic Land Law (2005) <p>Labour, Health, and Safety</p> <ul style="list-style-type: none"> • Law No. 66/2018 of 30/08/2018 Article 9 "Regulating Labour in Rwanda." • The Labour Code of Rwanda <p>Gender and Social Inclusion</p> <ul style="list-style-type: none"> • National Gender Policy • National Policy for the Promotion of Social Inclusion
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2.2 ARCAFIM'S E&S COMMITMENTS

2.2.1 ARCAFIM'S E&S POLICY STATEMENT

The ARCAFIM E&S Policy Statement governs the ESMF and sets out the ARCAFIM's commitment to embedding E&S considerations into the Programme's financing and lending activities and the design, development, and implementation of the ARCAFIM funded FIs and sub-projects.

This includes the adoption of applicable international and national E&S Standards and Guidelines to avoid harm and manage E&S risks and potential negative impacts (e.g., land degradation, water scarcity, soil and water contamination, substandard working conditions, child labour, gender-based violence and harassment, etc.), access to transparent, accessible and culturally appropriate GRMs fit-for-purpose and commensurate with the scale of participating institutions and their lending and borrowing activities and level of E&S risks and creating platforms for stakeholder participation where relevant. The Policy defines the roles and responsibilities of the Programme and Tier one and Tier two Financial Intermediaries (Lenders) and End Beneficiaries (Borrowers) and introduces the key Risk Areas that reflect the areas of highest concern in the ARCAFIM target countries context.

The ARCAFIM Coordination Unit is responsible and accountable for approving and executing the E&S policy, ensuring the appropriate E&S Management systems are established to give effect to the E&S policy, and that TTFIs and End Beneficiaries comply with the policy. The policy is reviewed on an annual basis, and updated, if necessary, to ensure it remains relevant. The policy is communicated to the ARCAFIM Coordination Unit, to the Host Bank, to TTFIs and to End-Beneficiaries and sub-project personnel as relevant. The information in the form of environmental and social reports, including additional documents will be provided through electronic links to the websites of the accredited entities and of GCF (in the case of the GCF website, upon submission of the funding proposal to the Secretariat), as well as in locations convenient to affected peoples. The information will be available in both English and the local language (if not English) to foster adequate understanding by the affected

and potentially affected communities, stakeholders and the general public. The information can be made available to other interested stakeholders on request and will be disclosed on the ARCAFIM website.

2.2.2 INTERNATIONAL E&S STANDARDS

Social, Environmental and Climate Assessment Procedure (SECAP)

The ARCAFIM ESMF is guided by IFAD's Social, Environmental and Climate Assessment Procedure (SECAP). The SECAP lays out a framework and process for managing risks and impacts, integrating mainstreaming priorities into new IFAD supported investments. The nine SECAP Standards are as follows:

Table 2-2 E&S Standards

STANDARD	OBJECTIVES
1:Biodiversity Conservation	<ul style="list-style-type: none"> • Maintain and conserve biodiversity. • Ensure the fair and equitable sharing of the benefits from the utilization of genetic resources. • Respect, preserve, maintain and encourage knowledge, innovations and practices of indigenous peoples and historically underserved local communities, and local communities relevant for the conservation and sustainable use of biodiversity and their customary use of biological resources. • Adopt the use of a precautionary approach to natural resource conservation and management to ensure opportunities for environmentally sustainable development
2:Resource Efficiency and Pollution Prevention	<ul style="list-style-type: none"> • Avoid, minimize, and manage the risks and impacts associated with hazardous substances and materials, including pesticides. • Avoid or minimize project-related emissions of short- and long-lived climate pollutants.⁴⁰ Promote more sustainable use of resources, including energy, land, and water. • Identify, where feasible, project-related opportunities for improvements in resource efficiency.
3:Cultural Heritage	<ul style="list-style-type: none"> • Preserve and safeguard Cultural Heritage. • Ensure that effective and active measures are taken to prevent IFAD-supported projects from altering, damaging, or removing any tangible or intangible Cultural Heritage. • Promote the equitable sharing of benefits from the use of Cultural Heritage.

	<ul style="list-style-type: none"> Promote meaningful consultation on matters relating to Cultural Heritage.
4:Indigenous Peoples and Historically Underserved Local Communities	<ul style="list-style-type: none"> Promote indigenous peoples and historically underserved local communities to determine and develop priorities and strategies for exercising their right to development. Ensure that programming is designed in partnership with indigenous peoples and historically underserved local communities, with their full, effective and meaningful consultation and participation, with the objective of seeking their FPIC. Ensure that indigenous peoples and historically underserved local communities obtain fair and equitable benefits and opportunities from supported activities in a culturally appropriate and inclusive manner. Recognize and respect the rights of indigenous peoples and historically underserved local communities to their lands, territories, waters and coastal seas and other resources that they have traditionally owned or otherwise occupied and used.
5:Labour and Working Conditions	<ul style="list-style-type: none"> Promote direct action to foster decent rural employment. Promote, respect, and realize fundamental principles and rights at work⁶⁴ through: <ul style="list-style-type: none"> Preventing discrimination and promoting equal opportunity of workers; Supporting freedom of association and the effective recognition of the right to collective bargaining; Preventing the use of child labour and forced labour. Protect and promote the safety and health of workers. Ensure that projects comply with national employment and labour laws and international commitments. Leave no one behind by protecting and supporting workers in disadvantaged and vulnerable situations, including a special focus, as appropriate, on women workers, young workers, migrant workers, workers in the informal economy and workers with disabilities.
6:Community Health and Safety	<ul style="list-style-type: none"> Ensure quality and safety in the design and construction of programming-related infrastructure, preventing and minimizing potential safety risks and accidents. Avoid or minimize community exposure to disaster risks, diseases and hazardous materials associated with project activities. Ensure that the safeguarding of personnel and property minimizes risks to communities and is carried out in accordance with international human rights standards and principles.

	<ul style="list-style-type: none"> Have in place effective measures to address emergency events, whether human-made or natural hazards.
7:Physical and Economic Resettlement	<ul style="list-style-type: none"> Avoid involuntary resettlement or, when unavoidable, minimize involuntary resettlement by exploring feasible alternative project designs and sites. Avoid forced eviction. Ensure that resettlement activities are planned and implemented collaboratively with meaningful participation of those affected. Enhance and restore the livelihoods⁹⁴ of all displaced people; Provide explicit guidance to borrowers/recipients/partners on the conditions that need to be met regarding involuntary resettlement issues
8:Financial Intermediaries and Direct Investments	<ul style="list-style-type: none"> Promote sound environmental, social and climate practices and sound human resources management within FIs and direct investees. Ensure FIs and direct investees will assess and manage environmental and social risks and impacts of sub-projects. Promote good environmental and social management practices by direct investees and in the sub-projects financed by FIs.
9:Climate Change	<ul style="list-style-type: none"> Ensure alignment of IFAD-supported projects with targets and priorities of countries' Nationally Determined Contributions and the goals of the Paris Agreement and other international frameworks. Ensure that proposed activities are screened and assessed for climate change and disaster risks and impacts both of and to projects. Apply the mitigation hierarchy in project design.

The ARCAFIM Programme is anticipated to trigger six of the of IFAD SECAP standards. But is guided more by standard 8. These standards require adhering to appropriate environmental assessment procedures and steps to address all possible negative impacts. The table 2-3, below indicates which ones are most relevant to ARCAFIM:

Table 2-3 Standards most relevant to ARCAFIM

STANDARDS	RELEVANCE TO ARCAFIM	
	Less Relevant	More Relevant
Standard 1: Biodiversity conservation		X
Standard 2: Resource efficiency and pollution prevention		X
Standard 3: Cultural heritage	X	
Standard 4: Indigenous peoples	X	
Standard 5: Labour and working conditions		X
Standard 6: Community health and safety		X
Standard 7: Physical and economic resettlement	X	

Standard 8: Financial intermediaries and direct investments		X
Standard 9: Climate change		X

This ESMF is directly guided by SECAP Standard 8, **(Financial intermediaries and direct investments)** as the ARCAFIM Programme is structured through financial intermediaries who on-lend to end beneficiaries.

For the poor, vulnerable small producers and rural households to be able to access financing for their projects, ARCAFIM will work through financial intermediaries such as banks who will provide financial products and services suitable for the farming business and rural micro, small and medium sized enterprises. The poor rural households are a risky sector, whose transaction costs are very high.

The nature of financial intermediation means that the FIs assume delegated responsibility for environmental and social assessment, risk management and monitoring, and overall portfolio management. Thus, ARCAFIM has to conduct through due diligence at pre-implementation stage to ensure that the FIs have robust environment and social management systems (ESMS). Attention needs to be paid to the use of sound eligibility criteria that meets the SECAP Guidelines in selecting and monitoring the financial intermediaries to ensure their financial and operational quality.

Requirements for Standard 8:

Environmental and Social Management System (ESMS): In General the requirements of all SECAP Standards apply to all FIs. Further the FIs are required to prepare an ESMS comprising:

- (i) environmental and social systems, procedures and capacities for assessing, managing and monitoring risks and impacts of direct investments and FI subprojects; and
- (ii) a portfolio risk-management framework that ensures a return on investment and sustainability. This should be proportionate to the risks and impacts of each project, and the risk profile of the FI's overall portfolio.

In cases where the FI already has an ESMS in place, the entity needs to provide supporting documentation on its ESMS, indicating any elements that require modification to meet this Standard. When improvements to an existing ESMS are required, the provisions must be included in the financing agreement.

An ESMS commensurate with an entity's risk profile should include of the following:

- Environmental and social policy
- Identification of risks and opportunities
- Management programmes
- Internal organizational capacity and competency
- Emergency preparedness and response
- Monitoring and reporting

Other International Standards

While the ARCAFIM ESMF is most closely guided by SECAP as an IFAD-developed Programme, additional E&S Standards are also relevant to this Framework.

Table 2-4 IFC Performance Standards

STANDARD	DESCRIPTION
IFC Performance Standards	<p>The International Finance Corporation (IFC) Performance Standards provides guidance to Project developers and investors on how to identify sustainability risks and impacts. The Performance Standards specifically apply to private sector borrowers. The Performance Standards are designed to help avoid, mitigate and manage the way of doing business in a more sustainable way.</p> <p>The IFC Environmental and Social Performance Standards define a minimum level of requirements for an investment in eight areas of environmental and social responsibility:</p> <ul style="list-style-type: none"> - PS 1: Assessment and Management of Environmental and Social Risks and Impact - PS 2: Labour and Working Conditions - PS 3: Resource Efficiency and Pollution Prevention - PS 4: Community Health, Safety and Security - PS 5: Land Acquisition and Involuntary Resettlement - PS 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources - PS 7: Indigenous Peoples - PS 8: Cultural Heritage

IFAD SECAP 8 will be applicable to all Financial Intermediaries. IFAD's SECAP and the IFC Performance Standards (acting as the interim GCF Environmental and Social Safeguards) will be applicable to all End-Beneficiary sub-projects. The applicability of specific SECAP and IFC Standards to sub-projects cannot be determined at this stage as specific eligible sub-projects have not been determined. However, it is anticipated that SECAP Standards 2 (Resource Efficiency and Pollution Prevention), 5 (Labour and Working Conditions) and 9 (Climate Change), and IFC PS 1 (Environmental and Social Management System), 2 (Labour and Working Conditions) and 3 (Resource Efficiency and Pollution Prevention) will be most likely applicable to all sub-projects. Additional standards covering topics such as biodiversity, cultural heritage, land acquisition and resettlement, and Indigenous Peoples will likely apply to some, but not all sub-projects, depending on their location, scale, and specific project activities. Separate safeguard instruments related to these additional standards have been developed and these include the following:

- Archaeological chance finds procedure.
- Biodiversity Action Plan (BAP).
- Grievance Redress Mechanism (GRM).

- Labour, community Health and Safety Management Plan.
- Stakeholder Engagement Plan.
- Conflict Analysis Plan.
- GBV/SEAH Action Plan.
- Land Acquisition and Resettlement Guidance.
- Indigenous Peoples Guidance

2.2.3 PROGRAMME LENDER GUIDING FRAMEWORKS

The ARCAFIM ESMF is guided by the programme Lenders' E&S Frameworks in addition to best practice international E&S Frameworks.

Table 2-5 GCF Guiding Frameworks

FRAMEWORK	DESCRIPTION
GCF (2018): Guidelines for the Environmental and Social Screening of Activities	<p>The Environmental and social screening is an essential and primary step in the assessment of environmental and social risks and impacts of activities proposed for GCF financing.</p> <p>The results of the screening form the basis of the accredited entities for assigning the environmental and social risk category of activities, informing the decisions on the extent and depth of the Environmental and Social due Diligence (ESDD) that will be undertaken. The screening identifies the key aspects that may need to be further examined and managed.</p>
GCF (2021): Revised Environmental and Social Policy	<p>The Environmental and social policy articulates how GCF will integrate environmental and social considerations into decision making.</p> <p>The Policy defines how GCF will support the overall sustainability of its operations and investments in line with obligations under national and international law and other relevant standards. The revised policy also addresses Sexual Exploitation, Sexual Abuse, and Sexual Harassment.</p>
GCF (2019): Procedures and Guidelines of the Independent Redress Mechanism	<p>Procedures and Guidelines of the Independent Redress Mechanism introduces the Independent Redress Mechanism (IRM) and its key functions and objectives; addresses requests to the IRM for reconsiderations of funding decisions by the GCF Board, addresses grievances and complaints to the IRM by those affected or who may be affected by GCF projects or programmes; and contains general provisions applicable to the IRM.</p>

Table 2-6 IFAD Guiding Frameworks

FRAMEWORK	DESCRIPTION
SECAP 'Commitment, guiding principles and specific requirements'	<p>Based on its existing frameworks, strategies, policies, and procedures, IFAD Commits to the following:</p> <ul style="list-style-type: none"> i. Not knowingly financing projects that would contravene national laws ii. Not knowingly financing, directly or indirectly, activities mentioned in the IFAD Exclusion List iii. Identifying vulnerable people or groups that may be disproportionately affected by its projects iv. Promoting the conservation, rehabilitation and sustainable use of natural resources and ecosystems in an integrated manner v. Recognizing the importance of addressing both causes and the consequences of climate change in countries in operation vi. Minimizing adverse social and environmental impacts vii. Addressing gender-based violence and discrimination, and promoting gender equality viii. Ensuring stakeholder feedback, with emphasis on the participation of and benefits to women, youth, persons with disabilities and site-specific target groups ix. Enhance the livelihoods of indigenous peoples and other marginalised groups x. Avoiding involuntary resettlement wherever possible xi. Promote sound agricultural and manufacturing processes xii. Undertaking compliance monitoring xiii. Ensuring transparency and accountability throughout the project lifecycle xiv. Mainstreaming social, environmental and climate sustainability into IFAD's project cycle xv. Supporting the efforts of borrowers/recipients/partners to respect human rights xvi. Focusing on procurement process
IFAD Private Sector Strategy	<p>The IFAD Private Sector Strategy outlines five principles of IFAD's engagement which are relevance, additionality, development impact, risk and environmental, social and governance (ESG) standards.</p> <p>IFAD assess and mitigated all risks stemming from engaging with the private sector, including reputational and financial risks, and those related to mission-drift and institutional capacity.</p> <p>The Private Sector Strategy (PSS) has two objectives:</p> <ul style="list-style-type: none"> i. Mobilize private funding and investments into rural micro, small and medium sized enterprise (MSMEs) and small-scale agriculture; and ii. Expand markets and increase income and job opportunities for IFAD's target groups.
IFAD NSO Policy	<p>The Framework for IFAD non-Sovereign private Sector Operations and Establishment of Private Sector Trust Fund defines the broad</p>

	<p>approaches and modalities guiding IFAD's NSOs. It provides key information on</p> <ul style="list-style-type: none"> i. the specific criteria , modalities and safeguards required in IFAD funding of such projects, and ii. a description of the prospective instruments to be used
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Table 2-7 Additional Guiding Frameworks

FRAMEWORK	DESCRIPTION
Equator Principles	A financial industry benchmark intended to serve as a common baseline and risk management framework for financial institutions to identify, assess and manage environmental and social risks when financing Projects.
UN Principles for Responsible Investment	Six principles for incorporating ESG into investment processes developed by an international group of institutional investors.
2X Challenge	A commitment by DFIs to collectively mobilise finance in the private sector towards investments in developing country markets that provide women with improved access to leadership opportunities, quality employment, finance, enterprise support, and products and services that enhance economic participation and access. The 2X Criteria classify investments based on these topic areas.
Women Empowerment Principles (WEPs)	A set of Principles established by UN Global Compact and UN Women offering guidance to business on how to advance gender equality and women's empowerment in the workplace, marketplace, and community.
the Gender Equality Mainstreaming (GEM) Framework,	A practical manual and toolkit for assessing gender equality, and identifying, implementing, and measuring gender equality mainstreaming strategies within companies
A Fund Manager's Guide to Gender-Smart Investing' by IFC and CDC.	Provides fund managers with a roadmap on how to strengthen gender diversity at the firm level,

	and incorporate a gender lens into investment decision-making at the portfolio level
GFANZ	A global coalition of leading financial institutions committed to accelerating the decarbonization of the economy. GFANZ is developing the tools and methodologies needed to turn financial institutions' net-zero commitments into action.
Task Force on Climate-Related Disclosures (TCFD)	Created by the Financial Stability Board (FSB) to develop recommendations on the types of information that companies should disclose to support investors, lenders, and insurance underwriters in appropriately assessing and pricing a specific set of risks—risks related to climate change.
Climate Action 100+	Investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change.

The ARCAFIM ESMF is guided by IFAD's Social, Environmental and Climate Assessment Procedure (SECAP). The SECAP lays out a framework and process for managing risks and impacts, integrating mainstreaming priorities into new IFAD supported investments using a set of nine standards. In line with SECAP, this ESMF has identified the possible risks that ARCAFIM will pose, provided the possible mitigation measures for the identified risks and recommended the strategy to implement and make sure the environment is protected in the course of project implementation. It has also developed the monitoring procedures. The requirements of the ESMF will be applicable across the project from the ARCAFIM Facility Coordination Unit, the Host Bank PMUs, and ARCAFIM Country Focal Points to the End Beneficiaries. The ESMF also noted that since the project will heavily involve Financial Intermediaries in its implementation, standard 8 is found to be very important and it requires that all the FIs must also have functional ESMS.

Similarly, the IFC Environmental and Social Performance Standards define a minimum level of requirements for an investment in eight areas of environmental and social responsibility which are more or less similar to the IFAD Standards. They provide guidance to Project developers and investors on how to identify sustainability risks and impacts. They are designed to help avoid, mitigate and manage the way of doing business in a more sustainable way, **and specifically apply to private sector borrowers.**

The GCF Guiding Framework serves to guide the project developers and investors on identification of risks and how to manage them in the process of project development and implementation using a set

of policies, guidelines and standards. They include i) Environmental and Social Policy, ii) Environmental and Social Screening guidelines, and iii) the Independent Redress Mechanism procedure.

The ESMF also aligned itself to other applicable frameworks in the following manner:

Table 2-8 Alignment with other applicable frameworks.

No.	GUIDING FRAMEWORKS	HOW THE ESMF ALIGNED TO THE FRAMEWORK.
1.0	the equator Principles	Developed an ESMP for identify, assess and manage environmental and social risks when financing Projects.
2.0	UN Principles for Responsible Investment,	Six principles for incorporating ESG into investment processes which are in line with the SECAP, IFC and GCF guiding principles which have guided the development of this ESMF.
3.0	2X Challenge,	The ESMF stresses the welfare of women, youth and the disadvantaged and has developed a Gender Action Plan which is in line with the 2X Challenge commitments.
4.0	Women Empowerment Principles (WEPs),	The ESMF stresses the welfare of women, youth and the disadvantaged and has developed a Gender Action Plan which is in line with the Women Empowerment Principles.
5.0	the Gender Equality Mainstreaming (GEM) Framework,	The ESMF stresses the welfare of women, youth and the disadvantaged and has developed a Gender Action Plan which is in line with the Gender Equality Mainstreaming (GEM) Framework.
6.0	A Fund Manager's Guide to Gender-Smart Investing' by IFC and CDC,	The ESMF stresses the welfare of women, youth and the disadvantaged and has developed a Gender Action Plan which is in line with the Fund Manager's Guide to Gender-Smart Investing.
7.0	GFANZ,	The ESMF has identified possible Climate related risks and proffered mitigation measures in line with GFANZ commitments of decarbonization of the economy.
8.0	Task Force on Climate-Related Disclosures (TCFD)	The ESMF has identified possible Climate related risks and proffered mitigation measures in line with the Task Force on Climate-Related Disclosures (TCFD) on the type of information necessary for pricing specific risks.
9.0	Climate Action 100+	The ESMF has identified possible Climate related risks and proffered mitigation measures which will ensure that any possible large corporate greenhouse gas emitters will take necessary action on climate change if it wants to invest in the project.

3 ARCAFIM ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM

SECAP8 requires that Financial Intermediaries develop and maintain Environmental and Social Management Systems (ESMS), which comprise “environmental and social systems, procedures and capacities for assessing, managing and monitoring risks and impacts of direct investments and activities and FI sub-projects, as well as for managing overall portfolio risk in a responsible manner, while also ensuring the return on investment and sustainability objectives” (*SECAP Standard 8*).

The three key requirements set out in SECAP Standard 8 for Financial Intermediaries are:

- (i) develop and maintain an ESMS for assessing, managing and monitoring risks and impacts of direct investment activities and the FI’s sub-projects;
- (ii) develop stakeholder engagement procedures; and
- (iii) develop monitoring and reporting procedures.

ARCAFIM’s ESMS is comprised of six core management components that provide a broad framework to govern the assessment, management, and monitoring E&S risks throughout the programme, including FIs and sub-projects. These components are drawn from international best practice, including SECAP Standard 8. Each of ARCAFIM’s ESMS components is detailed in the sections below.

Table 3-1 ARCAFIM ESMS Components

Environmental and Social Policy	States the E&S objectives and intentions with respect to E&S risk management and performance, as well as the FI lending activities. Made publicly available.
Risk Assessment Process	Measures to identify, screen and categorise sub-project E&S risks and opportunities, develop Environmental and Social Action Plans (ESAPs), as well as monitor any changes to E&S risks.
Organizational Capacity and Competency	Personnel with designated responsibility for ESMS implementation and (internal or external) personnel with designated responsibility for assessing the E&S risks of sub-projects.
Emergency Preparedness and Response and Incident Management	A system to respond to incidents, accidental and emergency situations at FI and sub-project operations.
Stakeholder Engagement	Procedures for external communications on environmental and social matters proportionate to the risks and impacts of the given sub-projects. Establishment of a grievance mechanism. Requirements for end beneficiaries to conduct stakeholder depending on the risks and impacts of the sub-project.

Monitoring and Reporting

Process to monitor environmental, social and climate risks of the sub-projects proportionate to their risks and impacts, and to report on progress to the ARCAFIM Coordination Unit lenders (IFAD). Process to monitor and report on own ESMS implementation. Reporting process for serious incidents or accidents.

3.1 ENVIRONMENTAL AND SOCIAL POLICY

The ARCAFIM programme is aligned to the World Bank ESS, the GCF E&S Screening Guidelines and Revised E&S Policy, and the IFAD SECAP and E&S Policy, as well as the relevant E&S legislation and guidelines in each of the ARCAFIM beneficiary countries.

ARCAFIM is committed to uphold and embed good practice sustainability principles into all aspects of the Programme's lending activities. In doing so it will:

- Avoid harm and manage risks (SECAP).
- Provide access to transparent, accessible, and culturally appropriate GRMs and creating platforms for stakeholder participation.
- Support capacity building initiatives and knowledge sharing activities to enhance environmental and social awareness and expertise among our staff, clients, and stakeholders.
- Promote best practices and collaborate with relevant stakeholders to foster sustainable development.
- Regularly and transparently report on environmental and social performance, including progress in implementing this policy and achieving sustainability goals.
- Strive for transparency in operations and provide accessible information to stakeholders.
- Undertake periodic monitoring, review, and implement steps towards continuous improvement.
- Review and refresh this policy on an annual basis to ensure it remains relevant. Communicate the policy to the ARCAFIM Coordination Unit, participating FIs, Lenders (HB, FIs, TTFIs, etc), Borrowers and End Beneficiaries and sub-project personnel, and make it available to other interested parties on request, in addition to placing it on the ARCAFIM webpage.

3.2 RISK ASSESSMENT PROCESS



ARCAFIM commits to the identification, assessment, and management of E&S risks. This process is broadly outlined in below, and also applies to all Host Banks, TTFIs and End Beneficiary sub-projects.

- **Screening:** Collecting limited E&S information in order screen against excluded activities and to categorise the risk level of FIs or sub-projects.
- **Due Diligence:** Detailed assessment of E&S risks of an FI portfolio and/or sub-projects against international E&S standards. Key topics assessed include E&S management systems and capacity, labour and working conditions, resource efficiency, climate risk and impact pollution, community health and safety, land acquisition and resettlement, biodiversity, indigenous peoples, cultural heritage, and gender risks and opportunities.
- **Loan Agreement:** Includes covenants to ensure E&S risk management practices by borrowers, which may include ESMS implementation, ESAP compliance, and/or E&S reporting requirements.
- **Implementation and Capacity Building:** Measures to ensure implementation of the ESAP and covenants in the loan agreement, including capacity building and training as required.

All ARCAFIM participants will consider cumulative impacts of end-beneficiary sub-projects when assessing borrowers. Cumulative impacts refer to the incremental impacts on E&S resources or areas that may occur from other existing or planned developments, activities, or external factors, in addition to the sub-projects own impact (for example, water scarcity may occur because multiple projects are using the same water resource).

All ARCAFIM participants will also ensure that an assessment of risk of Sexual Exploitation, Sexual Abuse and Sexual Harassment (SEAH) is included in the risk assessment of borrowers, as per the GCF Revised Environmental and Social Policy

3.2.1 ARCAFIM PROGRAMME E&S CATEGORISATION AND REVIEW

The management of ARCAFIM Programme risks is guided by the IFAD SECAP, with additional guidance from the GCF Sustainability Guidance Note particularly with regards to screening and categorisation.

The ARCAFIM programme has been screened against the SECAP Risk Categories for FI E&S Risk and FI Climate Risk, detailed in Annex 3. A summary of the SECAP risk categorisation approach is as follows:

- High risk (FI-1): Projects in portfolio exposed to risks that are significant in magnitude and spatial extent, permanent, diverse, irreversible or unprecedented (comparable to GCF Category A);
- Substantial risk (FI-2): Projects in portfolio exposed to potential adverse risks and impacts, mostly predictable, temporary and reversible (comparable to GCF Category B);
- Moderate risk (FI-3): Projects in portfolio exposed to likely some adverse risks and impacts, predictable, temporary and reversible (comparable to GCF category C);;

ARCAFIM has been classified as ‘Substantial’ E&S Risk. As such, ARCAFIM explicitly excludes investment in any category A/high risk sub-projects. The ARCAFIM portfolio of sub-projects includes – or is expected to include in the future – significant financial exposure to business activities with potential significant adverse environmental or social risks or impacts that are mostly temporary, predictable and/or reversible or that can be avoided or reversed. Adverse social impacts and associated mitigation measures may give rise to a limited degree of social conflict, harm or impacts on human security. The geographical area and size of the population likely to be affected are medium to large, with some potential for cumulative or transboundary impacts, which are less severe and more readily avoided or mitigated than in a High-Risk project. There is medium to low probability of serious adverse effects to human health or the environment (e.g. due to accidents, toxic waste disposal), and there are known and reliable mechanisms to prevent or minimize such incidents. The programme’s effects on areas of high value or sensitivity are expected to be low. Mitigation or compensation measures can be designed easily and are quite reliable.

ARCAFIM’s existing or proposed portfolios include FIs, and sub-projects categorized as Substantial Risk, as defined by IFAD’s environmental and social categories for direct investments

ARCAFIM has been categorised as ‘substantial’ climate risk. This Programme targets small-scale producers and rural MSMEs active in local food systems. Climate change has been identified to have a serious negative impact on agriculture-based livelihoods in Eastern Africa. It is therefore anticipated that the proposed future portfolio of sub-projects supported by ARCAFIM includes exposure to activities that are substantially vulnerable to climate-related hazards.

This ESMF forms part of the required Design Stage Management Plans required based on the Programme’s ‘Substantial’ risk categorisation.

3.2.2 FI E&S RISK MANAGEMENT

ARCAFIM’s investments are channelled through Financial Intermediaries (FIs). FIs on-lend to other FIs and/or End Beneficiary sub-projects. FIs are a key instrument for IFAD to promote sustainable financial markets and provide financial products and services to farming businesses and to the rural micro, small and medium-sized enterprise sector.

The ARCAFIM financial intermediation tiers are as follows:

- Host Banks (red arrows): IFAD lends to Host Banks >> Host Banks sub-lend to small-scale producers and/or SMEs.
- Two Tier Financial Intermediation (green arrows): IFAD lends to Host Banks >> Host Banks sub-lend to TTFIs (Lead VC Companies, MFIs, SACCOs, FinTechs) >> TTFIs sub-lend to small-scale producers.

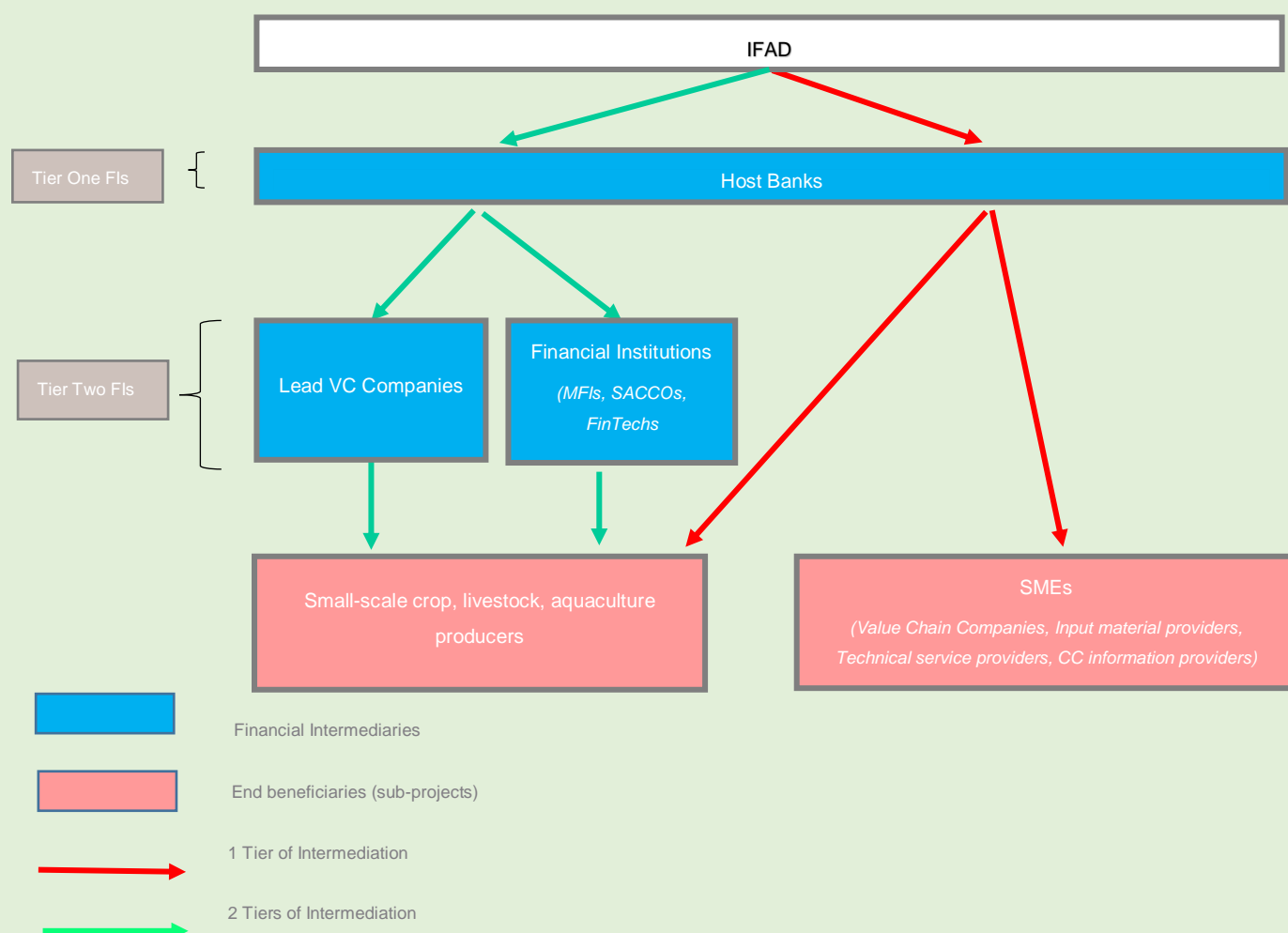


Figure 3-1 ARCAFIM Financial Intermediation Channels

SECAP Standard 8 and the World Bank ESS9 guide the integration of E&S management practices into the lending process to FIs. The following sections outline the process for assessing Host Banks and TTFIs participating in ARCAFIM to ensure that they are identifying, assessing, and managing risks, commensurate with the environmental and social risk in their portfolio (including existing and prospective sub-project activities).

To ensure effective streamlining of ARCAFIM processes, FIs will apply their existing E&S risk management policies, procedures, and processes if they meet ARCAFIM's E&S Standards, and, where relevant, strengthen this existing system through the processes of gap assessment review, action plan development, and gap closure to meet the required ARCAFIM and SECAP ESMS standards. If appropriate, FIs may be able to directly draw on SECAP policies, procedures, and templates as an interim measure, whilst bespoke systems are developed.

3.2.2.1 FI RISK MANAGEMENT STEPS

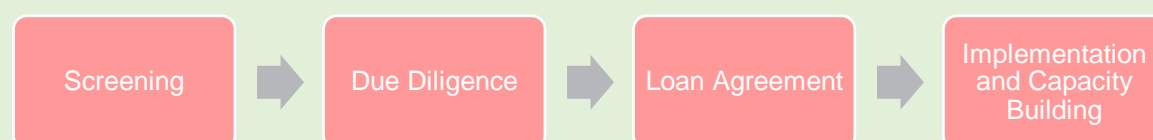
This process guides the assessment of E&S risks of all FIs participating in ARCAFIM. This includes the assessment of Host Banks, and TTFIs (MFIs, SACCOs, FinTechs and Lead Value Chain companies) engaged in on-lending – see blue boxes above.

For FIs, the E&S risk assessment focus will be both on the FI's proposed portfolio of sub-projects and their level of risk, as well as how the FI manages wider portfolio risks with its ESMS. The assessment only applies to the FI activities/sub-projects that may form part of the ARCAFIM programme.

Equity Bank has been selected as the Host Bank for East Africa, to serve as the executing entity for ARCAFIM. The Host Bank has undergone an E&S risk assessment process. However, in the case the ARCAFIM Host Bank is changed, and/or additional Host Banks are added to the Programme, this risk assessment process will be applied to the selection of new Host Banks.

TTFIs (MFIs, SACCOs and Fintechs and Lead Value Chain companies) engaged in on-lending have not yet been selected, and this risk assessment process will therefore be applied in all cases.

ARCAFIM will only have direct influence over the risk management process for Host Bank. The influence on the PFIs is expected to be through the Host Bank who will monitor and report on the overall risk management in the PFIs particularly with respect to ARCAFIM activities. The ARCAFIM



Coordination Unit should also work closely with Host Banks to ensure that these procedures are applied when assessing the risk of TTFIs. In order to monitor and report the overall risk management of the PFIs, the Host Bank will need to ensure that each PFI has in place, a risk management system that is aligned with the ARCAFIM ESMS/ ESMF.

Step 1: Screening

The Lender² (HB and TTFIs/PFIs) will collect limited information from the prospective FI investee, including details on their agriculture and MSME portfolios and a review of any publicly available information on the FI and its portfolio.

The Lender will screen the FI portfolio against the project activities on the IFAD exclusion list (see Annex 1) and the Lender's Exclusion List (if applicable), and identify any potential high risk activities in the portfolio using the methodology for determining the significance of impacts.(see Annex 2). The

² Table 1.1 "ARCAFIM Stakeholder Definitions" defines what a lender and borrower is: A lender is the entity who is lending directly to the ARCAFIM participant in question. The Lender to Host Banks will be IFAD as lender of record, lender to the Tier 2 Financial Intermediaries will be Host Banks, and the Lender to End Beneficiaries will be either Host Banks or Tier Two Financial Intermediaries. Borrowers refers to the participant accessing a loan. Borrowers can be Host Banks and Tier 2 Financial Intermediaries, or End Beneficiaries.

Lender will then assign an E&S risk category by applying the SECAP FI Risk Categories and/or the Lender's own FI E&S risk categorisation methodology, if it is determined to be equivalent to IFAD SECAP standards. The SECAP Risk Categories for FI E&S Risk and FI Climate Risk are summarised in Annex 3. A summary of the SECAP risk categorisation approach is as follows:

- High risk (FI-1): Projects in the portfolio exposed to risks that are significant in magnitude and spatial extent, permanent, diverse, irreversible or unprecedented (comparable to GCF Category A);
- Substantial risk (FI-2): Projects in the portfolio exposed to potential adverse risks and impacts, mostly predictable, temporary and reversible (comparable to GCF Category B);
- Moderate risk (FI-3): projects in the portfolio exposed to likely some adverse risks and impacts, predictable, temporary and reversible (comparable to GCF Category C);
- Low risk (FI-4): Risks not likely generated.

If the FI portfolio comprises a large number of sub-projects, they can be grouped by E&S risk category depending on typical risks in the group (e.g., high risk medium enterprises, low risk individual producers). The significance of the risks for each sub-project can be determined using the methodology outlined in Annex 3 "Methodology for significance rating of impacts". This will reveal the typical risks in the FI's portfolio of sub-projects, as high, substantial, moderate or low. Since the ARCAFIM project has been categorised as "Substantial Risk", any High Risk projects will not be funded. Only those which have been grouped as "Substantial Risk" or "Moderate Risk" will be funded.

Step 2: Due Diligence

The Lender will undertake an Environmental and Social Due Diligence (ESDD) of the FI as per international E&S Standards outlined in Tables 3-2 to 3-6. For ARCAFIM the IFAD SECAP standards will be applied for the ESDD. If the FI has been categorised as Substantial Risk (FI 1 or FI 2), the ESDD must be undertaken by an external consultant. If the FI has been categorised as Moderate or Low Risk (FI 3 or FI 4), the Lender will have the option to undertake the ESDD internally. In the case of a low-risk FI (FI 4), a separate screening and ESDD step may not be required, and these steps may be combined into a single E&S Assessment with ESAP as illustrated in Annex 4.

The ESDD will assess the FI ESMS (e.g., FI E&S capacity, risk assessment, management, and monitoring programmes) and the risk profile of the portfolio sub-projects according to the nine SECAP Standards.

The Lender will produce (i) an ESDD Report that describes the FI ESMS and indicates any gaps, (See Annex 4, Section AN 4.2 for template) and (ii) an Environmental and Social Action Plan (ESAP) that presents recommendations to close the gaps in the FI ESMS. Recommendations may relate to implementing risk mitigation measures, or the development of policies, procedures, and management tools. Some examples of typical ESAP actions may pertain to the following:

- Assignment of appropriate E&S responsibilities throughout the FI, commensurate with the risk of the portfolio;
- Development of E&S risk identification, management, and monitoring procedures, and/or stakeholder engagement and grievance management procedures; or

- Implementation internal E&S management practices within the FI, including appropriate emergency preparedness and response procedures, Human Resources management systems and climate/environmentally friendly office management procedures.

Refer to SECAP ESAP template, Annex 4, for the guidance on the structure of a typical ESAP.

The level of depth of the ESDD and the ESAP actions required will vary according to the environmental and social risks identified in the relevant FIs current, and if known, future portfolio (for example, a Host Bank will most likely require a more extensive ESDD process than a small sized SACCO).

Step 3: Loan Agreement

The contractual arrangements between the relevant Lender and Borrower will include E&S covenants, commensurate with the risks and impacts of the FI portfolio. The contractual arrangements should include:

- Compliance with specific host-country laws;
- Adopting an exclusion list;
- Adopting a risk categorisation methodology;
- Commitment to ESAP requirements;
- Explicit commitments regarding the prevention and response to GBVH incidents, including appropriate awareness raising and grievance response mechanisms and;
- Commitments to certain monitoring requirements.

Annual reporting.

If the FI fails to comply with its E&S covenants, as expressed in the contractual arrangements, the Lender will work with the Borrower bring it back into compliance to the extent feasible. If the FI fails to re-establish compliance, the Lender (in consultation with the ARCAFIM Coordination Unit if deemed necessary) will exercise remedies as appropriate. ARCAFIM technical assistance can be utilised to support FIs in strengthening ESMS and ensure compliance.

Step 4: Implementation and Capacity Building

The FI will be required to implement the E&S actions identified in the loan covenants and ESAP within the timeframes specified. Action items in the FI ESAPs will likely need to be added/adjusted over time, based changes in operations or risks of the portfolio/sub-projects.

As part of the implementation process, FIs may be required to participate in capacity building/training exercises covering E&S best practices, ESMS implementation, and/or the identification and management of E&S risks related to specific activities in their portfolio (see Section 5).

All FIs will be required to monitor and report on E&S risks and impacts, commensurate with risk of the FI portfolio or sub-project, for the duration of the loan term. Details on the monitoring requirements for FIs are provided in Section 3.6.

3.2.2.2 EQUITY BANK E&S RISK MANAGEMENT SYSTEM ASSESSMENT

IFAD has undertaken an ESDD of the currently selected Host Bank (Equity Bank) to understand its existing E&S risk management systems applied to lending, ascertain any gaps, and facilitate the integration of these systems into the ARCAFIM programme.

Equity Bank has been determined to have generally comprehensive E&S risk management systems in place for its lending operations. A summary of the existing Equity Bank procedures and documents to be applied to the ARCAFIM E&S Risk management process is provided in **Table 3-2** below. A summary of the assessment of the Equity Bank E&S Risk Management System and gaps identified is outlined Section 4 (ARCAFIM ESMP). Specific gaps should be addressed before the Equity Bank policies, procedures and processes are applied to the ARCAFIM Programme. Most of the Policy reviews should be in place by the end of 2023 but before the end of the first year of project commencement. Similarly, most of the gaps identified as part of the ESDD should be closed by end of first year of operation (See Table 4-2). Also such instruments as GRMs and SEPs for sub-projects should be in place within the first 6 months of project commencement.

Table 3-2 Equity Bank E&S Risk Management System Summary

REQUIREMENT	EQUITY BANK DOCUMENT/ PROCEDURE
E&S Policy	<ul style="list-style-type: none"> Equity Group Holdings Limited (EGHL) E&S Policy E&S Policies at select EB subsidiaries
E&S Risk Management	<ul style="list-style-type: none"> EB Environmental and Social Risk Management (ESRM) Procedures EGHL Exclusion List EGHL Due Diligence Process E&S Risk Categorisation Guide
Organisational Capacity and Competency	<ul style="list-style-type: none"> Group Sustainability Director and Head of ESG Risk, Head of ESG, Governance and Reporting and Head of ESG, Sustainability Strategy and Solutions – at Group level Head of ESG at each subsidiary ESG managers and analysts at each subsidiary
Stakeholder Engagement	<ul style="list-style-type: none"> Equity Bank Grievance Mechanism
Monitoring and Reporting	<ul style="list-style-type: none"> Monitoring process outlined in ESRM Procedures. High risk projects monitored at group-level, lower risk projects monitored at subsidiary level Monitoring summaries reported to Group Sustainability Director

3.2.2.2 TTFI E&S RISK MANAGEMENT SYSTEM SAMPLE ASSESSMENT

A sample of four Tier Two East Africa-based FIs (FAULU Microfinance Bank (Kenya), SMEP Microfinance Bank (Kenya), Rafiki Microfinance Bank (Kenya) and Tanzania Agriculture Development Bank) have also been engaged to gain a general understanding of the maturity of the E&S risk management systems of potential ARCAFIM partners. Engagements revealed that E&S risk management system development is generally very limited among TTFIs. While all TTFIs demonstrated

a basic commitment to sustainability/ E&S responsibility, only one of the sampled TTFIs has developed most SECAP required components of an ESMS, and many of these components are not being fully implemented. While the comprehensiveness of TTFI ESMS' should be dependent on the E&S risks inherent in the portfolio, based on the sample TTFI analysis, it appears likely that a significant number of TTFIs will require substantial gap-filling to meet the basic requirements of SECAP Standard 8 and effectively manage E&S risks of ARCAFIM sub-projects. The identified SECAP shortfalls of potential TTFIs will be addressed through the TA that will strengthen their ESMS. The strengthening will be done during the first 12 months of project implementation following the identification of the TTFI and ESAPs will be developed for each TTFI. Three of the four sample TTFIs are currently in the process of developing some ESMS components, and therefore would benefit from ARCAFIM's guidance and Technical Assistance to support these processes.

3.2.3 HIGH LEVEL GUIDANCE: END BENEFICIARY RISK MANAGEMENT ASSESSMENT

This process provides high-level guidance on the E&S risk assessment of all End Beneficiaries (or sub-projects) receiving loans as part of ARCAFIM. These include small-scale producers (crop, livestock, or aquaculture producers) and SMEs (Value Chain Companies who are not engaged in on-lending, Input material providers, Technical service providers, CC information providers). IFAD has limited direct involvement with End Beneficiary sub-projects and therefore E&S risk management of sub-projects will largely be determined by effective integration of ARCAFIM E&S risk management systems within Host Banks and TTFIs. The integration will take place through the implementation of the Environmental and Social Action Plan and the ESMS for the Host Bank. While for the PFIs the integration will occur through the implementation of their ESMS, which will be reviewed and strengthened as a result of the TA that will be provided by ARCAFIM. Both the Host Bank and the PFIs will be required to have sufficient capacity to implement their ESMS'.

The requirements for E&S risk assessment of sub-projects will vary substantially depending on the risk level of the sub-project (for example, a medium-sized cropping and processing operation may require a full ESDD and ESAP, whereas an individual fisherman may only require a short, verbal discussion to understand key aspects of the operation). By following the guidelines outlined in Section 3, **Table 3-1** and developing appropriate ESMSs, FIs will be able to determine the appropriate depth of risk assessment to apply to their End Beneficiary sub-projects. In cases where FIs have yet to develop the appropriate internal ESMSs to assess and manage the risks of sub-projects as per the recommendations in their ESAP, FIs should contact the ARCAFIM Coordination Unit to discuss interim arrangements and the potential temporary application of SECAP policies, procedures, and processes. At a minimum, FIs should undertake the following steps to manage the E&S risks of their portfolio of sub-projects:

- Collect basic information on the sub-project (e.g., project location, project activities, revenue, # of employees);

- Screen all sub-projects for compliance with national E&S legislation, International E&S Standards and against the ARCAFIM exclusion list (see Annex 1 and 2)³;
- Categorise sub-projects using the SECAP Risk Assessment procedure (FI1 – FI4);
- Apply the entirety of the applicable ESS standards (See Footnote 3) when assessing sub-projects categorised as Substantial Risk (F-2); and
- Send E&S documentation on substantial-risk sub-projects projects to ARCAFIM Coordination Unit for review and clearance.

Monitoring requirements for specific sub-projects are to be determined by the direct FI Lender, based on the ARCAFIM ESMF requirements outlined in section 3.6, section 6.0 and the level of risk of the sub-project. The ESDD of sub-projects will be required to follow the ARCAFIM ESMS, and develop any requisite safeguards instruments depending on its level of risk. ARCAFIM commits to a standardised programme of monitoring and review covering the management of E&S risks and impacts and E&S performance of all ARCAFIM participants. Thus, all participants shall comply with the monitoring requirements outlined in section 3.6 and Section 6.0

3.2.3.1 MEASURING PROGRESS OF THE INTEGRATION/ FULL ALIGNMENT OF PFIS ESMSS WITH THE ARCAFIM ESMS

Managing multiple ESMSS across the ARCAFIM portfolio can be challenging, especially when there is a need to ensure they are integrated and aligned with ARCAFIM ESMS. The following is an approach that will be used to measure the integration and alignment of multiple ESMSS across the project.

Defining the integration and alignment criteria

Before measuring the integration and alignment of the multiple PFIs with the ARCAFIM ESMS, there is need to define how the PFIs ESMS relate to the ARCAFIM ESMS. The Integration and alignment criteria are the standards and indicators that will be used to assess how well the ESMSS are connected, coordinated, and aligned with the ARCAFIM ESMS. Common criteria include the following:

- strategic alignment which looks at how the PFIs ESMSS support the strategic priorities and objectives of the ARCAFIM ESMS,
- stakeholder alignment which assesses how well the PFIs ESMSS meet the needs and expectations of internal and external stakeholders,
- resource alignment which looks at how the PFIs ESMSS use and share available resources such as time, staff, equipment, etc.,
- process alignment which examines how well the PFIs ESMSS follow the same or compatible processes for planning, execution, monitoring, and evaluation,

³ The Applicable standards to the sub-projects are the IFAD SECAP, GCF and IFC standards. To simplify the screening process a standard screening form has been developed which incorporates the requirements of the three standards.

- outcome alignment, which evaluates how well the PFIs ESMSs deliver expected results, benefits, and impacts for the portfolio ESMSs.

The following are some of the methods and tools that will be used to evaluate and improve the multiple ESMSs coordination skills.

1. The portfolio management framework

A portfolio management framework is a set of principles, practices, and tools that help you manage the portfolio of ESMSs as a whole and ensure their alignment with the ARCAFIM ESMS. This framework helps to monitor, evaluate, and report on the progress, outcomes, and benefits of the portfolio of ESMSs.

2. The ESMS integration management process

The ESMS Integration Management is a set of activities that will help coordinate and integrate the elements of the ESMSs, such as scope, schedule, quality, and risk. This process will measure the integration and alignment of multiple ESMSs by providing the ARCAFIM ESMS template that will define the purpose, scope, objectives, assumptions, constraints, of the ESMS. It will also outline the management plan that describes how to manage and integrate the different aspects of each ESMS.

3. The ESMS alignment matrix

An ESMS alignment matrix will be useful for visualizing and analyzing the degree of integration and alignment of multiple ESMS across the portfolio. It offers a matrix format to display the ESMSs in the portfolio as rows and the integration and alignment criteria as columns. Furthermore, it assigns a score or colour to each ESMS-criterion combination based on how well the ESMS meets or exceeds the criterion. This provides an overall level of integration and alignment of each ESMS and of the portfolio as a whole. Additionally, it can help identify areas where ESMSs or the portfolio are underperforming or misaligned with the criteria and goals through gap analysis.

4. The ESMS dashboard.

An ESMS dashboard is a tool that will help in the monitoring and communication of the status, progress, and performance of multiple ESMSs across the PFIs ESMS portfolio. It can measure the integration and alignment of each ESMS and the portfolio as a whole by providing graphical or numerical representation of key performance indicators (KPIs), such as quality variance, risk exposure, stakeholder satisfaction, etc. Additionally, it can compare and benchmark the actual performance against the planned or expected performance, or against best practices or industry standards. It can also track and predict future performance based on historical data and the current situation.

5.0 The feedback and lessons learned.

Feedback and lessons learned are essential sources of information that will help in measuring and improving the integration and alignment of multiple ESMSs across PFI ESMS portfolio. Stakeholder feedback, such as from users, team members, etc., can help to evaluate how well the ESMSs meet the environmental and social needs and expectations.

3.2.4 KEY ARCAFIM E&S RISKS

This section outlines potential E&S risks that have been identified for ARCAFIM as follows:

- 1) Programme-level risks that may influence the ability for ARCAFIM to effectively manage E&S risks throughout the ARCAFIM Programme.
- 2) Specific risks that may be faced by end beneficiaries and their sub-projects.

When identifying and managing risks, ARCAFIM participants should generally be guided by the risk mitigation hierarchy approach. Where impacts are within the participant's capacity to control or influence, the participant should capture the mitigation or corrective measures in a management program.

Avoidance: requires the Applicant to identify and, where available and technically and financially feasible, make changes to the project's design (or potential location) to avoid adverse risks and impacts on social and/or environmental features. Avoidance is the most acceptable form of mitigation.

Minimization: where avoidance is not possible, adverse impacts and risks can be minimized through E&S measures or design. Acceptable options to minimize will vary and include abate, rectify, repair and/or restore impacts, as appropriate.

Remedy/ Offset: where avoidance or minimization measures are not available. It may be appropriate to design and implement measures that remedy/ offset for residual risks and impacts. It should be noted that these measures do not eliminate the identified adverse impacts, but they seek to offset it with an (at least) comparable positive one.

3.2.4.1 PROGRAMME-LEVEL RISKS

The following Programme-level risks have been identified:

- Organisational management structure and roles and responsibilities for ESMF implementation are not clearly defined/delegated within ARCAFIM management (Standard 8);
- ARCAFIM stakeholders are not familiar with the ESMF and their implementation responsibilities (especially those stakeholders who are employed after programme inception) (Standard 8);
- FI ESMs are not sufficient to identify and manage sub-project E&S risks and impacts (Standard 8);
- E&S Risks of Sub-Projects are not identified or managed effectively (Standard 8);
- Women do not feel comfortable or capacitated to participate as at different levels of the ARCAFIM programme (Standard 5).

These risks may affect any or all ARCAFIM participants, and potential mitigations are outlined in the ARCAFIM Programme ESMP in Section 4.

3.2.4.2 POTENTIAL END BENEFICIARY RISKS AND MITIGATIONS

The potential End Beneficiary E&S risks of the Programme are expected to be varied and case specific. Key potential risks, are outlined as follows:

- Smallholder farmers regularly engage in practices such as slash and burn, overgrazing, excessive tillage, which contribute significantly to land degradation. Increasing access to finance for rural smallholder organisations will lead to an expansion and intensification of their agricultural production methods.
- The clearance of land for additional agricultural activities may result in the loss of critical ecosystems, loss of biodiversity or habitat fragmentation.
- The clearance of land for additional agricultural activities may result in the displacement of subsistence land users or land users without tenure or formal land rights e.g., tenant farmers, informal occupiers, increasing their vulnerability. If impacted groups include marginalised groups or Indigenous peoples, their relationship with the land in question could have socio-cultural or spiritual value, increasing the potential dimensions of loss e.g., broader eco-system services impacts. A Land Acquisition and Resettlement Guidance with an abbreviated Resettlement Plan has been included as Annex 11. And a separate Resettlement Policy Framework has been developed.
- Funding a pivot towards hybrid seeds and more intensive agricultural practices may lead to a reduction of genetic diversity on plots or the introduction of alien and invasive species. Additionally, funding of agroforestry solutions may lead to an increased risk of bush or forest fires.
- Rural agriculture SMEs often do not have access to the necessary infrastructure to manage and dispose of waste (waste burning is a common disposal practice). Inappropriate waste management can lead to environmental and human health concerns. Increasing intensity of production will likely lead to an increase in waste production volumes, and potentially increase the volume of hazardous waste produced (e.g., pesticide containers).
- Agriculture SMEs are often not capacitated on the proper application and storage of fertilizers, pesticides, and herbicides. Increased access to such chemicals may contribute to increased water and soil pollution and may negatively impact human health.
- Some ARCAFIM countries are extremely vulnerable to climate disasters, smallholder farming operations in all ARCAFIM countries are experiencing the impacts of climate change through droughts/increasing water scarcity, floods, and extreme temperature changes. If not disbursed carefully, funding may be diverted to Projects that are not suitable for localised climates and their climate change risks.
- Funding of agricultural Projects may lead to the conversion of carbon-rich ecosystems to cropland or pasture, resulting in a decrease in carbon sequestration capacity and/or to the release of carbon previously sequestered in natural sinks. Additionally, funding an increase in intensity of ruminant livestock capacities (cattle, sheep, goats) may lead to increased emissions of methane.
- Overfishing is common in areas where fish forms a critical part of the local diet and is relied upon as a source of income. Increasing access to finance for small-scale aquaculture producer organisations will lead to an expansion and intensification of their production methods.
- Installation of equipment into waterways can adversely impact the aquatic ecosystem.

- Smallholder livestock and aquaculture programs often engage in practices that can result in poor living conditions for livestock/fish, development of antimicrobial resistance, insufficiently control disease spread, or result in the accumulation of chemical residues in foods. Increasing access to finance for rural smallholder organisations will lead to an expansion and intensification of their agricultural production methods.
- Installation of equipment (mechanical or electrical) and infrastructure (e.g., dams or flood protection) may lead to both installation-phase and operational-phase health and safety (H&S) risks (e.g. electric shock, water safety concerns, moving-parts risks, working with heavy equipment, etc.).
- Child labour is prevalent across Sub Saharan Africa (SSA), with on average over 20% of children engaging in work in the majority of ARCAFIM countries. The vast majority of child labour in these countries is concentrated the agriculture sector, and more prevalent in smaller/informal agriculture operations. Funding of agricultural Projects may increase the likelihood of child labour across either development phases (installation) or by intensifying agricultural production processes and encouraging children to participate in work rather than continue in education.
- Due to the informal nature of smallholder agriculture in SSA, workers often have substandard employment terms, including lack of formal contracts, low wages, excessive hours, and poor health and safety conditions. Increasing access to finance for rural smallholder organisations will lead to employment opportunities but may also result in exploitative environments.
- The smallholder agriculture sector faces some of the highest risks of Sexual and Gender-Based Violence and Harassment (SGBVH) globally. As employment opportunities are created the risk of SGBVH can increase, which may include instances of Sexual Exploitation, Sexual Abuse and Sexual Harassment (SEAH). (Annex 14)
- Smallholder farmers (especially women) in many ARCAFIM countries do not have access to secure

BOX 2**Gender Based Violence (GBV) and SEAH**

Activities to be implemented under this project are not likely to result in establishment of labour camps, thus labour influx is unlikely in beneficiary communities. Though, labour influx is not anticipated, the site specific ESMPs will include measures to avoid, minimize, manage, and mitigate any Gender Based Violence (GBV) / Sexual Exploitation and Abuse (SEA) risks.

The Partner States have made efforts to attain gender equity and equality, but legislation, customary law and practice still contain considerable gaps and GBV incidents are common. The GBV risk for the project will be assessed thoroughly in the site specific ESMPs once potential subproject sites and specific project activities have been identified. Interventions will be tailored to project realities and in-country context and may include e.g., unconscious bias trainings, career choice guidance, addressing education service gaps, institutionalizing GBV prevention and response mechanism, establishing women's professional networks and access to upskilling and training opportunities.

GBV/SEA, HIV/AIDS risks will be monitored throughout the project cycle in line with the GBV action plan in Annex 14.

land tenure, which can impact on their ability to access financial resources (land is often used as collateral) or to participate in ARCAFIM as individual micro-producers.

- While legislation protects Freedom of Association in all ARCAFIM countries, it has been documented that employers often restrict employee rights to join unions, collectively bargain, and lawfully strike in practice. Smallholder projects may encroach upon or damage cultural heritage⁴.

⁴ IFC Performance Standard 8 defines cultural heritage as (i) tangible forms of cultural heritage, such as tangible moveable or immovable objects, property, sites, structures, or groups of structures, having archaeological (prehistoric), paleontological, historical, cultural, artistic, and religious values; (ii) unique natural features or tangible objects that embody cultural values, such as sacred groves, rocks, lakes, and waterfalls; and (iii) certain instances of intangible forms of culture that are proposed to be used for commercial purposes, such as cultural knowledge, innovations, and practices of communities embodying traditional lifestyles.

Table 3-3 likelihood E&S risks

High-level mapping of higher likelihood E&S risks against potential end-beneficiary sub-projects (to be considered as focus areas for review during risk assessment stage)

		Air emissions	Water discharge	GHG emissions	Land contamination	hazardous Materials/ pesticides	Exposure to diseases	Waste impacts	Impact on ecosystem services	Child/ forced labour	Non-compliant terms and conditions of employment	GBVH	Third party contractor labour risks	Supply chain labour risks	Discrimination	Worker Health and Safety
Potential end-beneficiary sub-projects receiving ARCAFIM loans may include	Drip irrigation/ sprinkler or micro-jet systems		x					x	x							
	Climate resilient infrastructure/ increased robustness of infrastructure		x					x					x			x
	Climate smart farming including drought or flood tolerant inputs									x			x			x
	Soil and water conservation measures								x							
	Renewable energy and energy efficient system							x			x		x	x		x

		Air emissions	Water discharge	GHG emissions	Land contamination	hazardous Materials/ pesticides	Exposure to diseases	Waste impacts	Impact on ecosystem services	Child/ forced labour	Non-compliant terms and conditions of employment	GBVH	Third party contractor labour risks	Supply chain labour risks	Discrimination	Worker Health and Safety
	Water harvesting/ water storage systems						x	x	x							x
	Agro-forestry and afforestation/reforestation					x			x	x	x			x		x
	Storage and processing investment for reduction of post-harvest losses					x		x								x
	Low-cost hydroponics solutions		x			x		x								
	Small-scale commercialisation of bio- and organic pesticides				x	x		x	x	x	x					x
	Climate smart solutions for livestock and dairy production systems	x		x	x	x		x								x

		Air emissions	Water discharge	GHG emissions	Land contamination	hazardous Materials/ pesticides	Exposure to diseases	Waste impacts	Impact on ecosystem services	Child/ forced labour	Non-compliant terms and conditions of employment	GBVH	Third party contractor labour risks	Supply chain labour risks	Discrimination	Worker Health and Safety
	Rural insurance products															
	Climate-resilient aquaculture systems and practices		x			x										x
	Investment in green infrastructure in coastal areas		x			x		x								x
	Value chain services and value creating solutions directly in support of the small producers CCA operations	x	x	x	x	x		x								x

3.2.5 BIODIVERSITY ACTION PLAN.

One of the notable potential End Beneficiary E&S risks of the Programme that was identified is loss of biodiversity which can be caused by the clearance of land for additional agricultural activities. To mitigate against this the project has developed a **separate biodiversity Action Plan (BAP)**. The Biodiversity Action Plan (BAP) requires stakeholders to work across boundaries and sectors to protect their shared natural wealth and ecosystem services, which millions of people in East and Southern African depend on. It calls upon all the stakeholders in the region to converge around the importance of prioritizing nature-based solutions, as defined by the International Union for the Conservation of Nature (IUCN) as: “actions to protect, sustainably manage, and restore natural and modified ecosystems in ways that address societal challenges effectively and adaptively, to provide both human well-being and biodiversity benefits.” This means investing in healthy ecosystems (or “natural infrastructure”) that people and businesses depend on, while preserving biodiversity.

The assumption is that if the project implements nature-based solutions that will align the interests of the people, nature and business, putting in place the requisite policies and plans and mobilising the private sector and empowering the communities, threats to biodiversity will be reduced, natural resources will be protected, the ecosystem services will be sustained and economic and well-being will be improved. This is depicted in figure 3-2 below and can be applied to any region, which faces similar threats and share the need for solutions that benefit people, nature, and business.

The strategic approach during this theory of change will look different at regional/transboundary, national/sub-national, and community levels. So each level will major on the following:

- **Regional/transboundary level:**

Harmonize transboundary management plans to capture interests of different Partner States and sectors for sustainable use of natural resources.

- **National/sub-national level:**

Identify and enhance public-private partnerships that incentivize the integration of biodiversity conservation into sub-national development plans to conserve natural infrastructure.

- **Community level:**

Empower communities to manage natural resources through sustainable enterprises and activities that are supported by innovative private sector financing models.

The details of the mitigations are outlined in a separate **biodiversity Action Plan (BAP) report**.

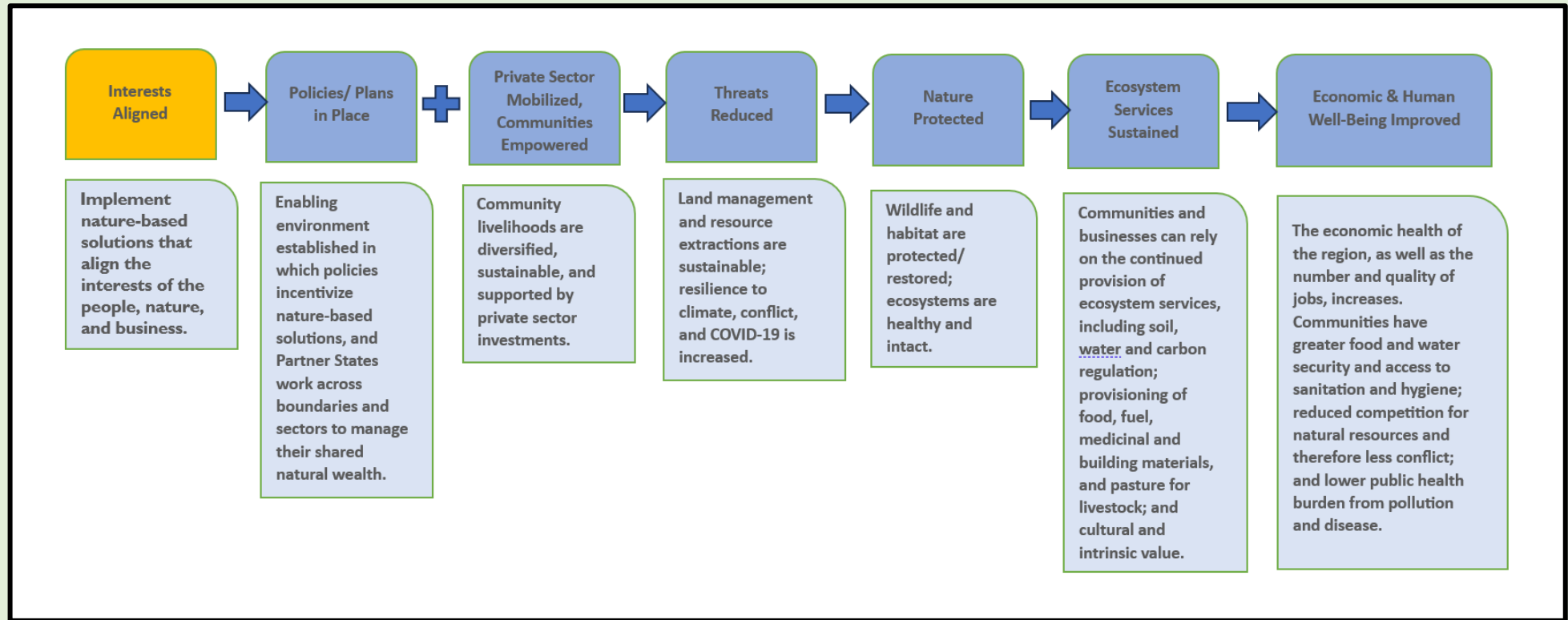


Figure 3-2 Theory of change

GENERAL BIODIVERSITY IMPACTS MITIGATION MEASURES & MANAGEMENT ACTIONS

Table 3-4 General Mitigation Measures & Management Actions

No.	Topic	Sub Topic	Location	Requirement (Collecting mode/treatment/evacuation/final disposal)	Owner (c/t)	Verification Process
	Biodiversity - General	Mitigation for sensitive habitats and species.	Sensitive Habitats	Where any such habitats or species is present impacts will be mitigated as outlined in the ESMF for example by scheduling works to a less sensitive time of year or the use of appropriate species translocation to nearby suitable habitats. The resultant "hazard" mapping will be updated weekly with reports on any critical receptors.	<ul style="list-style-type: none"> East Africa Partner States. ARCAFIM-PMU. 	Monitoring report, Maps
	Biodiversity – General	Planning stage checks	Sensitive Habitats	Before commencement of vegetation stripping Biodiversity Specialists will conduct pre-construction checks, to help avoid accidental injury or death to sensitive species such as ground nesting birds, reptiles, amphibians and bats. Checks will include within hollow trees and other places of shelter. The Biodiversity Specialists will prepare a weekly monitoring report and hazard map showing sensitive locations. This will be shared with workers in an appropriate manner (e.g. Toolbox talks) so that sensitive areas can be avoided or bespoke mitigation implemented.	<ul style="list-style-type: none"> East Africa Partner States. ARCAFIM-PMU. 	Monitoring report, Maps
	Biodiversity – General	Training	All	Workers will be made aware of the ecological sensitivities of the areas they will be working in and will be trained in mitigation for unforeseen events, including the presence of uncommon habitats and species. Health and safety recommendations regarding poisonous or otherwise dangerous plants or animals will also be provided. Emergency numbers will be provided for Ecologists should protected species be found at sites in the absence of site supervision.	<ul style="list-style-type: none"> East Africa Partner States. ARCAFIM-PMU. 	Field verification, monitoring reports, record

	Biodiversity - General	Road signs	Roads	Areas of high wildlife use will be indicated through appropriate signage along access roads where potential exists for vehicle/wildlife collision.	<ul style="list-style-type: none"> East Africa Partner States. ARCAFIM-PMU. 	Field verification
	Biodiversity - General	Biodiversity Specialist	Forests, riparian habitats	Where works in forests, riparian habitats or in water are unavoidable, at least one Biodiversity Specialists should be deployed to work with the workforce during clearance to identify sensitive habitats and species present on site, in particular nests with eggs/chicks, dens, burrows, hibernacula and other places of shelter to prevent direct mortality.	<ul style="list-style-type: none"> East Africa Partner States. ARCAFIM-PMU. 	Field verification, monitoring reports, record
	Biodiversity - General	Nesting birds	All	Active bird nests will not be damaged. As far as possible tree and scrub clearance will not be undertaken during the breeding bird season. Should clearance during this time be necessary a preclearance nesting bird check of the vegetation to be cleared will be undertaken by the Biodiversity Specialists and a decision on whether to move the nest or defer the clearance will be made by the Biodiversity Specialists.	<ul style="list-style-type: none"> East Africa Partner States. ARCAFIM-PMU. 	Field verification, monitoring reports, photo Record.
	Biodiversity - General	Translocation	All	Potential habitats for translocation will be identified in close proximity to project footprint (but outside of the works corridor) if required. Translocation location will vary depending on the species but should be located according to target habitat.	<ul style="list-style-type: none"> East Africa Partner States. ARCAFIM-PMU. 	Field verification, monitoring reports, photo Record.
	Biodiversity - General	Tree conservation	All	Wherever possible the felling of significant/mature trees will be avoided and connectivity between areas of forest habitats will be maintained. No trees over 100mm in diameter will be felled without a pre-felling check by a Biodiversity Specialist.	<ul style="list-style-type: none"> East Africa Partner States. ARCAFIM-PMU. 	Field verification, monitoring reports, photo Record.
	Biodiversity - General	Barriers and crossing points	All	Regular wildlife crossing points will be installed to enable wildlife to cross excavations, berms and drainage channels. Fencing will be minimized and no areas vital for wildlife will be isolated by the workforce activities	<ul style="list-style-type: none"> East Africa Partner States. ARCAFIM-PMU. 	Field verification, monitoring reports, photo Record.

				but temporary barriers will be used to prevent wildlife from accessing waste disposal areas.		
	Biodiversity - General	monitoring and management regimes	All	Restored areas will be monitored. The success of ecological restoration measures will be observed for a period of minimum 36 months so that they can validate the effectiveness of the solutions adopted, however 5 years monitoring is recommended.	<ul style="list-style-type: none"> East Africa Partner States. ARCAFIM-PMU. 	Field verification, monitoring reports, photo Record.
	Biodiversity - General		Entire Project	Maintain vegetated buffers wherever possible along known wildlife travel corridors (i.e., watercourses).	<ul style="list-style-type: none"> East Africa Partner States. ARCAFIM-PMU. 	Field verification, monitoring reports, photo Record.

3.2.6 CONFLICT SENSITIVITY ANALYSIS

There is no conflict situation in the four East African countries where ARCAFIM will be implemented or at any potential location of the project. As far as this project is concerned, conflict will be seen in two perspectives (i) political/armed conflict that will hamper project implementation, ii) competition for resources (natural, productive assets, employment etc.), and (iii) project induced conflicts. These will be analysed to avoid the programme exacerbating existing or inducing new conflict during implementation and sub-project level. The following table is a preliminary analysis of potential conflicts as a result of ARCAFIM.

Table 3-5 Conflict Analysis- ARCAFIM.

Type of conflict	Cause	Description	Consequence	Rating	Mitigation measure
Project led	Site selection	Country Specific- Province/County, district and watershed selection may cause intercommunal conflicts	-negative impression towards the project and loss of trust with the government, PMU, IFAD etc -may cause project delay -	Medium	-Apply targeting strategy, including available selection criteria in the country. - consultation with local communities and administrators, and representation from different groups including women - Transparency of methodology and use of climate vulnerability Assessment, if applicable. -Engage local leaders and local Government
	Beneficiary selection	-Biased selection of recipients may lead to conflict among the local communities and PMU	-negative impression towards the project and lose of trust on the government, PMU, HB, PFIs IFAD etc -may cause project delay -	Medium	-Apply targeting strategy particularly the analysis made on youth, women, including available selection criteria in the project - consultation with local communities and administrators
	Construction of infrastructure – location of infrastructure and identification of contractors (Labour Intensive Public Works)	Construction/location of infrastructure may -require land acquisition -reduction of water flow to downstream communities (in case of irrigation schemes) -construction activities may have occupational health and safety concerns which in turn cause conflict between the contractor/project owner and employees/local communities. job opportunities in the implementation of sub-projects may cause conflict among the local communities and also with the contractor	-delay implementation -conflict among local communities - perception of lack of transparency perpetuated -influx of communities into new areas triggered by the location of the water source	Medium	-put in place Grievance Redress Mechanism -Public consultation -effect timely compensation -apply quality construction practices -Community awareness creation and transparency in the selection criteria and methodology -work with community/local leaders and local Government structures e.g. Community Development Committees (CDCs) etc. - engage with other development partners working in the project sites
Politically induced	In Country Governments' priorities in conflict with the citizens and indigenous people/native people in particular.	-Governments reneging on agreements. -depending on limited/common resources may cause resource use conflict among interested parties in the local communities	-delay project implementation -May bias project implementation in stable communities	Medium	-Carryout periodic conflict analysis and engage humanitarian agencies - Monitor progress with the individual governments and forums

The Conflict resolution strategy or plan and methodology applied is in Appendix 15. Generally, due attention should be given to conflict avoidance through the provision of quality service and public participation. Synergy with other Financial Services providers operating in the participating countries will be used to monitor and mitigate conflicts. Stakeholder Engagement Strategy, including GRM, will ensure the avoidance and minimisation of potential conflicts.

3.3 ORGANISATIONAL CAPACITY AND COMPETENCY

IFAD and its partner organisations will play different key roles in the implementation of the ARCAFIM ESMF:

Under the ARCAFIM programme, it is required to identify the appropriate E&S management structure; provide the needed resources; define and create the accompanying roles and responsibilities and formally appoint qualified persons into roles for the management of the Programme.

The identification of the number and type of roles will be governed by the Programme key stakeholders (e.g., IFAD, GCF etc.), risk and practical considerations.

The Host Bank will have overall responsibility for ensuring that the ESMF always reflects IFAD and its financier's values and is implemented in accordance with internal and key stakeholder requirements.

To ensure the effective implementation of the ESMF project wide environmental and social safeguards Specialists will be engaged at:

1. ARCAFIM Coordination Unit at IFAD.
2. Host Bank PMU.
3. ARCAFIM focal point at Country subsidiary.

The TORs for environmental and social safeguards have been included in Annex 13

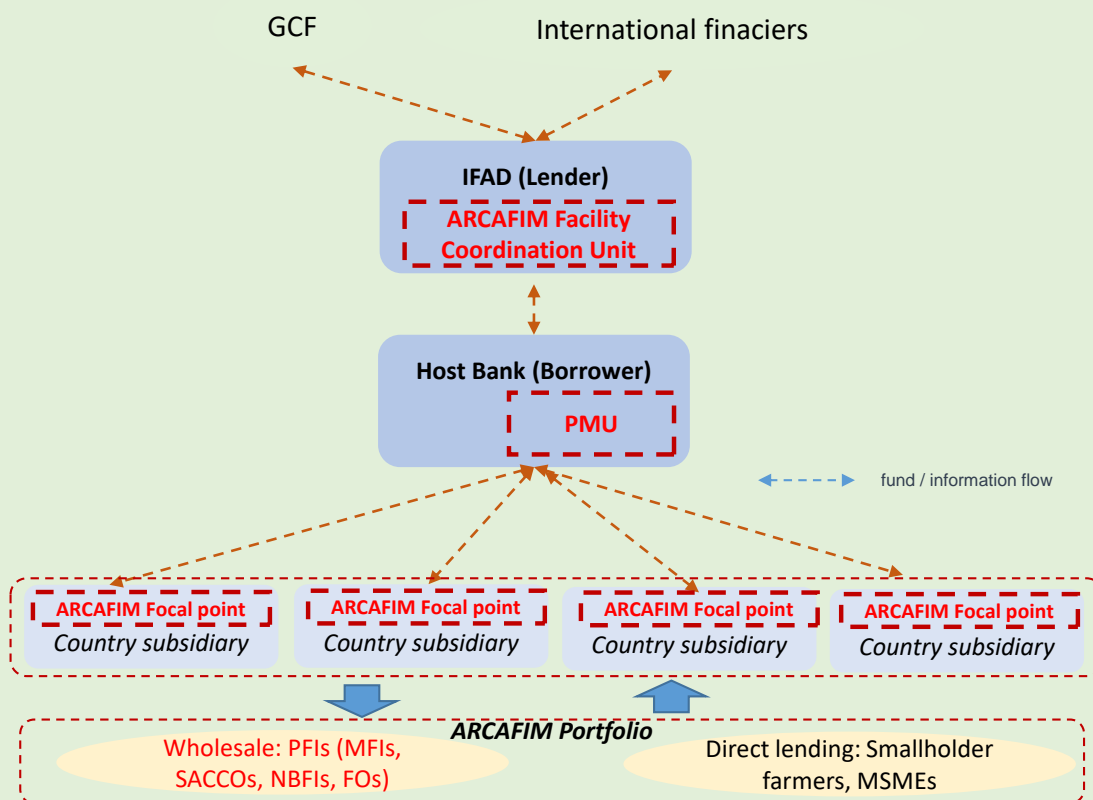


Figure 3-3 ARCAFIM's ESMF implementation

3.3.1 GCF AND FINANCIERS.

- Prescribe the overall E&S risk management standards and requirements through their ES policies and determined by their grant funding terms and conditions.
- Monitor and report on the ARCAFIM Programme performance to partner financiers and stakeholders.

3.3.2 ARCAFIM COORDINATION UNIT AT IFAD

With the assistance of the ARCAFIM Coordination Unit environmental and social safeguards Specialists, the Coordination Unit's responsibility will be to:

- Set the E&S Standards and Guidelines that the participating FIs must comply with;
- Ensure that Host Banks can apply the requirements of the ARCAFIM ESMF;
- Provide guidance to Host Banks regarding conducting their own E&S assessments and the development and implementation of ESMS;
- Integrate E&S management clauses in the contractual (loan agreement) documentation
- Integrate E&S criteria in the programme monitoring process.

- Monitor the extent to which E&S risks and impacts are correctly assessed by the Host Bank and the participating FIs at sub-project screening stages and that subsequent E&S management activities are implemented per this ESMF;
- Monitor the implementation of ES management commitments through appropriate scale ESMS or ESMS elements during all stages of the projects;
- Gather lessons learnt to adapt the policy requirements of this ESMF and its performance considering implementation realities.
- Provide procedural templates (contained within this ESMF) to guide reporting from Host Banks and TTFIs and to GCF on serious incidents, and to receive, filter and respond to any programme related grievances.

3.3.3 HOST BANK PMU / ARCAFIM FOCAL POINT AT COUNTRY SUBSIDIARY

With the assistance of the Host Bank PMU / ARCAFIM focal point environmental and social safeguards Specialists, the Host Bank PMU's responsibility will be to:

- Implement steps to address the E&S standards and requirements prescribed under the ARCAFIM programme as outlined in the programme ESMF, through developing programme specific system elements and or adapting their own ESMS.
- Monitor and report on the performance of underlying loans.
- Engage stakeholders according to a structured SEP.
- Use procedures (contained within this ESMF) to guide reporting from borrowers on serious incidents, and to receive, filter and respond to any programme related grievances.

3.3.4 TTFIS

- TTFIs will be assisted by the ARCAFIM focal point at Country subsidiary point environmental and social safeguards Specialists to:
- Implement steps to respond to the E&S standards and requirements to close gaps prescribed by the ESMP and the terms of lending agreements with Host Banks, through developing programme specific system elements and or adapting ES management elements to govern on-lending to small-scale producers. E&S Management system elements and actions will be commensurate with the scale of these institutions or the nature of their activities and E&S risks.
- Monitor and report on the E&S related performance of sub-loans to the Host Banks.
- Engage stakeholders according to a structured SEP.
- Use procedures within the ESMF to guide two-way reporting from borrowers and to ARCAFIM Coordination Unit on serious incidents, and to receive, filter and respond to any programme related grievances.

Resources: resources for the management of the programme interface within the TTFIs will be commensurate with the scale of the institutions, their capacity, the nature of their activities, and their borrowing/exposure. E.g., may not be a requirement of feasible to have a dedicated resource or unit if it is a small business.

3.3.5 END BENEFICIARIES

- End Beneficiaries will be assisted by the ARCAFIM focal point at Country subsidiary point environmental and social safeguards Specialists to:
 - Abide by the E&S terms and conditions of their concessional lending from Tier Two Financial Intermediaries or direct from Host Banks.
 - Internally monitor and report on key elements including use of funding, performance of CCA sub-projects or issues to TTFIs and/or Host Banks based on agreed KPIs.
 - Use procedures within the ESMF to report to ARCAFIM Coordination Unit on serious incidents, and to lodge any programme related grievances.

Resources: resources for the management of E&S and the programme interface within the TTFIs/Host Banks will be commensurate with the scale of the End Beneficiary organisations, their capacity, the nature of their activities, and their borrowing/exposure. E.g., may not be a requirement of feasible to have a dedicated resource or unit if it is a very organisation or business.

3.4 INCIDENT, ACCIDENT AND EMERGENCY MANAGEMENT AND RESPONSE

ARCAFIM commits to ensuring the health and safety of all Programme participants. The Programme adheres to the following processes to manage and respond to incidents, accidents, and emergencies.

3.4.1 EMERGENCY PREPAREDNESS AND RESPONSE

ARCAFIM commits to ensuring that all participants have the capacity and systems in place to:

- Respond to accidental and emergency situations in their own operations; and
- Monitor their borrowers' risks for emergencies and respond and report (see Section 3.6) on these situations via the appropriate actions and channels.

This includes delegation of roles and responsibilities for the assessment of risks to life, property, and environment (including roles within the community where applicable) and plans and communication protocols for specific emergencies.

ARCAFIM's Programme-level Emergency Preparedness Response Procedure is outlined in Annex 5 and can be adapted as appropriate by ARCAFIM participants in the case that they do not have a procedure/have a procedure that does not meet ARCAFIM Standards.

3.4.2 SERIOUS ACCIDENT AND INCIDENT REPORTING

An accident or incident is defined as serious if the accident/incident:

- Has, or is likely to have a material adverse effect on people or the environment;

- Has, or is it likely to be categorised as a severe human rights impact;
- Has attracted or is likely to attract substantial adverse attention from third parties;
- May lead to adverse media coverage; or
- Gives, or has the potential to give rise to material legal or financial liabilities and reputational risks.

A serious accident or incident may relate to the environment, human rights, labour, the community, security, or health and safety.

ARCAFIM participants commit to promptly notifying their Lender (HB, Fis, TTFIs, etc) of any serious accidents or incidents associated with sub-projects. The Lender should in turn promptly notify IFAD. This requirement is in addition to the reporting requirements for all (including non-serious) incidents and accidents outlined in Section 3.4.2.

The Serious Accident and Incident Reporting Procedure (see Annex 6) outlines the specific processes required to report the incident to ARCAFIM, for ARCAFIM to investigate the incident, and for ARCAFIM and the relevant parties to develop and reporting on corrective measures to prevent a future incident from occurring.

A Serious Accident and Incident report may be received via the Programme's GRM in which case it will be categorised and escalated by the responsible personnel to the Serious Accident and Incident Reporting Procedure (see Annex 6).

3.5 STAKEHOLDER ENGAGEMENT

3.5.1 STAKEHOLDER ENGAGEMENT STRATEGY

The ARCAFIM Programme will identify, map, and engage transparently and in a timely fashion with its stakeholders, including donor financiers, Host Banks, TTFIs and End Beneficiaries, in alignment with the principles and requirements of SECAP 8 and GCF E&S Policy and Sustainability Guidance Note on Stakeholder Engagement (see Annex 7).

Effective stakeholder engagement facilitates the successful incorporation of E&S at both the Programme and borrower or end-beneficiary level and helps proactively manage E&S risk and performance across the Programme portfolio.

Effective stakeholder engagement practices aim to:

- Build mutually supportive and beneficial relationships based on trust between [list stakeholders] and other key stakeholders that may be impacted by ARCAFIM Programme funded activities;
- Actively obtain input from a broad spectrum of stakeholders at local, regional, national, and international levels, as necessary, including with End Beneficiary [PAPs and local communities] as part of monitoring the programmes performance, through information sharing and meaningful consultation;

- Form partnerships to promote constructive engagement and participation amongst all parties, to maximise the benefits arising from the Programmes lending and on-lending activities such [effective climate adaptation outcomes];
- Enable learnings, transparency, and accountability amongst and/or between all stakeholders;
- Through a two-way dialogue, stay informed of interests, concerns, needs and E&S perspectives of all stakeholders, giving them the opportunity to understand the activities of the Programme and the requirements and mechanics of the ESMF and contribute to decisions affecting their participation where relevant;
- Establish buy-in to the ARCAFIM ESMF, E&S policies and procedures, etc;
- Help pre-empt internal or external risks or challenges facing the Programme based on experience and lessons learnt;
- Drive continual improvement;
- Enhance IFAD/ Host Banks' ability to make sound and informed decisions.

The level and frequency of engagement with stakeholders by borrowers or sub-borrowers varies commensurate with their overall risk profile in line with their public disclosure policies and proprietary rights, as well as the interests and level of influence of stakeholders associated with a particular lending relationship and/ or stakeholder in question. Thereby, ARCAFIM or the Host Bank or TTFIs will be guided by this policy but will determine the appropriate level and method of engagement on a case-by-case basis.

Key stakeholder engagement practices committed to by ARCAFIM include, but are not limited to:

- Encourage a culture of engagement and participation to increase collaboration and efficiencies by implementing regular cross function meetings and information sharing within the Programme and amongst its partner/participating entities;
- Share engagement data via platforms that are accessible to all involved parties, in socially and culturally appropriate local language(s) and format to ensure it is understandable to all stakeholders;
- Appoint and delegate responsibility to dedicated resources within ARCAFIM and partner entities to undertake and report on external stakeholder engagements; and
- Establish feedback mechanisms to ensure that outcomes/ findings from engagement activities inform future interactions, lending strategies, E&S risk management and decision making (as relevant).

External Communications

The ESMF is communicated to the ARCAFIM Coordination Unit, to Host Banks, to TTFIs and to End-Beneficiaries and sub-project personnel and affected communities as relevant. The ESMF can be made available to other interested stakeholders on request and will be disclosed on the ARCAFIM website. The Host Banks and direct investees/borrowers must respond to public enquiries and concerns in a

timely manner, and should publish their commitment to ARCAFIM's E&S and systems on their websites along with a reference to the ARCAFIM Grievance Policy

Host Banks and TTFIs where relevant will also list on their website's links to any publicly available ESIA reports or other relevant documents for substantial-Risk sub-projects or End Beneficiaries they finance. These documents will also be made available in places that are convenient to stakeholders affected by End-Beneficiary sub-projects, and translated to local languages in cases where English is not the first language

The type of information to be disclosed to the various stakeholders depends on their interests and how they will be affected by the Programme – or how ARCAFIM activities may be affected by them. Thereafter various communication tools can be utilized for the engagement process, such as:

- Project notices published in local newspapers,
- Radio advertisements,
- Direct mailings to communities,
- Presentations with or without focus group sessions),
- Targeted e-mails,
- Virtual meetings, presentations, seminars, workshops, with stakeholders,
- One-on-one meetings, presentations, seminars, workshops, e-mails, and phone conversations with stakeholders,
- Site tours, and
- The use of social media.

Table 3-6 below gives a general overview of the types of information needs for various stakeholder groups.

Table 3-6 information needs for various stakeholder groups.

STAKEHOLDERS	INFORMATION TO BE DISCLOSED	CONSULTATION MEANS
ARCAFIM subprojects, neighbouring communities, public	Current and new activities and how these relate to them in terms of opportunities and threats	Local leaders i.e., Chief's or district offices, Churches, national media, social media, ARCAFIM website etc.
	Forum to express environmental impact fears and get feedback e.g., accidental release/escape; contamination; emergencies, etc.	Public consultations, focal group discussions, social media Training specific members of the communities, awareness, education
Staff / workers at project sites and infrastructure.	How erection of structures and infrastructure at project sites will affect work environments including Occupational Health & Safety rules	Staff newsletters, bulletin boards, signs in labs; email, website, meetings with management, staff sensitization & training program in lab safety
Farmer Groups, Agricultural NGOs Farmers' Unions Agrochemical companies	Consultation on information needs / food safety	District Extension services, Baseline surveys / subsequent surveys to monitor impacts, emails, bulletins
	Available information on new technologies, crops varieties for improved yield etc	Seminars; District Extension services, sales agents
Intergovernmental Institutions	Sharing Implementation findings and experience.	Intergovernmental meetings and consultations
		Build partnerships through meetings, seminars, workshops
University Graduates	Internship opportunities	Website, public media, bulletin boards

Youths	Opportunities for going into farming and for employment during construction, sponsorships for education	District Agricultural Offices, public consultations

3.5.2 GRIEVANCE REDRESS MECHANISM

A grievance is any complaint, comment, question, concern, or suggestion about the Programme or its lending activities or those of its participating institutions. It may relate to impacts, damages or harm caused by the Programme or its officers or activities, non-conformity with the ARCAFIM ESMF and safeguards, concerns about access to the Programme SEP or to how adequately complaints, incidents, or impacts, have been addressed.

A key component of the ARCAFIM approach to stakeholder engagement, guided by the programme E&S standards is a transparent mechanism to identify, evaluate and address any complaints or feedback received from external stakeholders. The scope, scale and type of this grievance mechanism will be proportionate to the nature and scale of the risks, and potential impacts of the lending relationship or programme participation.

This includes ensuring that formal records are kept, appropriate responses and reporting of grievances to relevant responsible personnel within the Programme management entity or at the different tiers of participating institution, if required

Grievance Policy requirements

- SECAP: IFAD requires any borrower/recipient/partner to adopt an easily accessible grievance mechanism to receive and resolve concerns and complaints of people who may be unduly and adversely affected or potentially harmed by IFAD-funded projects that fail to meet the SECAP Standards and related policies.
- GCF: GCF requires stakeholder engagement plans for projects funded by them to include a process for receiving and managing concerns and grievances at the project level that has been designed in consultation with stakeholders in a gender-responsive manner and complements the AE's grievance redress mechanism and GCF's Independent Redress Mechanism (IRM). The IRM addresses complaints by people who believe they are negatively affected or may be affected by projects or programmes funded by the GCF. The IRM has a mandate to provide advice to the Board on [GCF's operational policies and procedures](#), based on lessons learned from cases. The IRM also accepts requests for reconsideration from developing countries whose funding proposals have been denied by the GCF Board. GCF also requires that all grievance mechanisms separately address the process to respond to reported incidences of Sexual Exploitation, Sexual Abuse and Sexual Harassment (SEAH – referenced in this ESMF as GBVH).

ARCAFIM Programme-Level GRM

- The GRM for ARCAFIM will be multi-tiered but be governed by an overarching GRM Policy and Procedure established at the Programme level.
- This Procedure and channel should be accessible to stakeholders at all tiers and should be communicated via the Programme website and through stakeholder engagement activities of ARCAFIM.
- IFAD's complaints procedure will apply at the Programme level. The SECAP redress service (SRS) serves as the single entry point at the corporate level to submit a complaint for alleged non-compliance with SECAP. The SRS is located within the Operational Policy and Results Division (OPR) with email sent to SECAPcomplaints@ifad.org. The enhanced Complaints Procedure covers alleged complaints of direct, material damage or loss that is, or is likely to be, suffered by complainants due to the failure of IFAD to comply with SECAP within the context of an IFAD-financed operation that applies the SECAP.

All participating institutions receiving funding through the ARCAFIM Programme are committed to adhering to the ARCAFIM Grievance Policy through binding covenants in their loan agreements.

Each tier will develop a corresponding grievance management procedure, steps, or tailored approach as follows:

Host Banks GRMs

- Host Banks must develop or adapt their own fit-for purpose corresponding GRM within their ESMS and ensure it is suitable to receive, filter and escalate, and process grievances specific to the ARCAFIM Programme. This may be standalone or may form part of their own operating GRM for the Bank but will require a clear and separate channel for ARCAFIM related matters, so these can be easily extracted and reported on. The type of procedure and how it is communicated will depend on the Host Bank's assessment of E&S risks associated with participating in the programme, their size, geographies and footprint and lending activities/exposure of the institution in question.

Tier 2 FIs GRMs

- TTFIs receiving concessional loans or TA from Host Banks must also establish and communicate at least a statement of commitment to implement steps to address stakeholder grievances in line with the requirements of the ARCAFIM and corresponding Host Bank policies. The scope, scale, and type of GRM or procedure measure within the TTFI will be proportionate and appropriate to the nature and scale of that institution, to the access needs of their stakeholders and to potential E&S risks and impacts of their lending activities.

End Beneficiaries – Grievance Reporting

- EBs receiving concessional CCA loans or TA from TTFIs or Host Banks must also establish and communicate at least a statement of commitment to address their own stakeholder grievances in line with the requirements of the ARCAFIM GRM Policy.
- The scope, scale, and type of GR measure within the End Beneficiary organisation will be proportionate and appropriate to the nature and scale of that institution, to the access needs of

their own stakeholders and to the potential E&S risks and impacts of their operations, activities, and context.

ARCAFIM Programme GRM: Key Elements

The GRM is intended to provide a transparent, reliable, and accessible mechanism directed at all stakeholders including end beneficiaries and potentially vulnerable groups, but it is also accessible to all programme stakeholders and staff (including contractors, subcontractors, and their workers).

Some grievances may require remedial actions to redress potential harm resulting from failure to respect the safeguards provisions or preventative measures to avoid repetition of non-conformance.

Severe risk issues and related grievances e.g., fatality, reported GBVH, may require escalation and reporting via the *Serious Incident Reporting* (Section 3.4.2) and GRMs should provide both an anonymous channel and guidance on steps to be taken by the Host Bank, TTFI or end-beneficiary in these cases.

Specifically, the programme-level GRM implemented by ARCAFIM aims to:

- Describe the process to be followed for submitting, reviewing, and resolving grievances;
- Guide the Host Bank or TTFI in addressing complaints, comments, questions, concerns, suggestions from borrowers or sub-project end beneficiaries and other stakeholders in a timely, effective, fair, and transparent manner;
- Provide a channel for anonymous grievances;
- Identify and manage stakeholder concerns and support effective risk management;
- Provide complainants with the assurance they will be heard and assisted;
- Build and maintain trust with all stakeholders to support social license for the programme; and
- Prevent adverse consequences of failure to adequately address grievances.

The GRM should include measures to ensure that GBVH victims are protected, including confidential reporting with safe and ethical documenting of such cases, that indicate when and where to report incidents, and what follow-up actions will be undertaken. The GRM should also outline modalities to provide timely services and redress to survivors, including as appropriate, medical care, psychosocial support, legal support, community driven protection measures, and reintegration (refer to GCF Revised Environmental and Social Policy). These requirements should be communicated by the ARCAFIM Coordination Units to the relevant stakeholders in the Host Banks, TTFIs and End Beneficiaries to ensure that their Grievance Mechanisms reflect the same.

The GRM does not substitute any existing procedures (e.g., Host Banks public GRMs), but should complement and build on those, while ensuring that the TTFIs/Borrowers/End Beneficiaries can identify, register, and respond to grievances appropriately. Further information on the steps within this GRM and guiding template for GRMs for participating entities is available in the ARCAFIM GRM template (Annex 7).

3.6 MONITORING AND REPORTING

ARCAFIM commits to a standardised programme of monitoring and review covering the management of E&S risks and impacts and E&S performance of all ARCAFIM participants. Monitoring and reporting allows the Programme to ensure a continued high standard of E&S risk management, detect any changes in E&S risk levels of FI and sub-projects, adhere to contractual obligations, national legal requirements, and international best practice, and remain accountable to all ARCAFIM internal and external stakeholders. The ARCAFIM monitoring process should flow from end-beneficiaries up to ARCAFIM's investors (GCF and co-financiers).

Each Lender will be required to monitor and report on their direct borrowers to the Lender above them. The depth and frequency of monitoring and reporting required for each participant will vary depending on E&S risk level and the covenants in the individual loan agreements. Specific monitoring and reporting requirements will be outlined in detail in the ARCAFIM Monitoring and Review Programme, and respective Programmes developed by the Host Banks and TTFIs.

At a high level, the following recommendations should guide ARCAFIM monitoring and reporting.

3.6.1 COLLECTION OF MONITORING DATA

At a minimum, ALL Host Banks, TTFIs and end beneficiaries should collect the following data with respect to their portfolio/sub-projects/operation:

- Non-conformances (e.g., non-conformance with national legal requirements or loan agreement covenants)
- E&S incidents and accidents (including Health and Safety, Environment, Labour, and Social/community incidents)
- Grievances (internal and external)
- Changes/updates to the ESMS
- ESAP progress

Additional data collection requirements for sub-projects and FIs with high risk levels may include the collection of additional E&S data (e.g., waste quantities, water, and energy use quantities).

3.6.2 MONITORING SITE VISITS

All Lenders should undertake at least one site visit to all Host Banks and TTFIs classified as High Risk (FI 1), including a visit to at least one high-risk sub-project.

Additional site visits and/or changes in site visit frequency may be required and will be determined by the respective Lender(s).

During monitoring visits, Lenders should pay special attention to the existing implementation of processes to manage GVBH risks and incidents (e.g. are borrowers aware of the processes to report GBVH incidents? Is relevant signage related to GBVH risks, reporting, etc, displayed? Are incidents of GBVH mentioned in stakeholder engagements that have not been formally reported? How have formally reported incidents of GBVH been addressed?)

3.6.3 REPORTING

IFAD report the GCF, and co-financier should provide at least a summary of the Programme E&S performance. Specific reporting requirements will be determined based on the individual reporting requirements of the GCF and co-financiers. IFAD will submit Annual Performance reports to the GCF that will include E&S performance i.e. implementation of the ESMF and ESMS' of the HB and PFIs including incident reporting.

Host Banks submit Annual Monitoring Reports to IFAD for all TTFIs and end beneficiaries classified as Substantial – Moderate Risk (FI1-FI3). AMRs are expected to cover, at a minimum the following information as a minimum:

- Portfolio breakdown by sub-project category/lending channel (small-scale producers; micro enterprise; SME Agribusiness; either direct or indirect);
- CCA adaptation type and sub-sector;
- Sample ESDD reports;
- Update on progress achieved in E&S covenants;
- Update on ESAP project
- Cases of non-compliance and significant E&S accidents or incidents related to a sub-project;
- Information on the implementation of any changes to the FI's ESMS; and where relevant, the FI sub-projects' exposure to high-risk activities.

End-beneficiaries and TTFIs will submit monitoring reports to their Lender at a frequency specified by the Lender and/or in the loan agreement and detailed in each Lender's monitoring and review programme. These reports will feed into the Host Bank AMRs described above.

4

ARCAFIM ESMP

This ESMP describes the E&S risks and impacts that have either been identified or are likely to be identified throughout the various lending tiers of the ARCAFIM programme and at sub-project level. The ESMP also describes the measures to be taken during the implementation and operation of a project/sub-project to eliminate or offset adverse environmental, social and climate impacts, or to reduce them to acceptable levels, the measures to enhance environmental and social outcomes the actions needed (monitoring/supervision/reporting requirements), implementation arrangements, institutional responsibilities, time schedule and indicative cost ranges where these can be provided to implement the measures.

The ESMP actions are divided into the three tables which represent different layers of the ARCAFIM programme:

- 1) ARCAFIM Programme: These actions focus on the integration E&S management systems throughout the ARCAFIM programme as a whole, and may apply to the ARCAFIM Coordination Unit, Host Banks, TTFIs and end beneficiaries
- 2) Equity Bank: These actions focus specifically on addressing the gaps identified in the Equity Bank ESMS as one of the chosen Host Banks. These actions are based on the ESDD undertaken of Equity Bank (see Table 4-2)
- 3) End Beneficiaries: These actions focus specifically on the proposed End Beneficiary CCA projects, and how some of the potential risks inherent in these types of projects can be mitigated

The ARCAFIM programme is in the design phase, and key practical components of the programme have yet to be finalised. Tier Two FIs and end beneficiaries will only be selected once implementation commences. Therefore, the risks/impacts and mitigation measures identified in the ESMFP should be understood to be high-level estimations and are intended to be adapted as implementation commences.

Table 4-1ARCAFIM Programme Key Risks and Mitigations

RISK/IMPACT	MITIGATION	RESPONSIBILITY	APPLIED TO:	INDICATOR OF COMPLETION	TIMEFRAME	COST ESTIMATE
DESIGN PHASE						
Organisational management structure and roles and responsibilities for ESMF implementation are not clearly defined/delegated within ARCAFIM management	Define organisational structure and ESMF roles within it. Delegate specific role/resource within ARCAFIM to manage the following ESMF components: -Induction/capacity building -Risk Management of FIs -E&S monitoring -Stakeholder Engagement and Grievance Management -Incident Management	ARCAFIM Coordination Unit	ARCAFIM Programme	Completed ARCAFIM ESMF Roles and Responsibilities Document	Prior to implementation	Management time
Limited Stakeholder Involvement <ul style="list-style-type: none"> Low chances of success and sustainability Failure to take up ownership of the project	<ul style="list-style-type: none"> Conduct a comprehensive participatory stakeholder mapping exercise including roles and responsibilities. Timeous dissemination of information. Always target buy in at decision making level. Stakeholders are continuously appraised of the project progress. Assistance is provided to affected people to improve, or at least restore incomes and living standards to at least the equivalent level prior to project implementation, if not better. Affected persons should be consulted on decisions that affect their livelihoods and well-being and shall be fully informed of their options and the compensation rates. 	ARCAFIM Coordination Unit	ARCAFIM Programme	Completed ARCAFIM SEP implementation Document	Prior to implementation	Management time

	<ul style="list-style-type: none"> Grievance redress mechanisms are developed and accessible. 					
Poor project Inception/Introduction <ul style="list-style-type: none"> Anxiety and anticipation Limited cooperation Suspicion and hence concealing important of information. 	<ul style="list-style-type: none"> Efforts must be made to stick to agreed timelines. Transparency and full disclosure of key elements of the project. Production of proper plan of action with timelines. Presenting full disclosure of project decisions and actions to all concerned stakeholders. The planning phase should not drag for far too long as people tend to lose despair. 	ARCAFIM Coordination Unit	ARCAFIM Programme	Completed ARCAFIM inception report.	Prior to implementation	Management time
PROJECT COMMENCEMENT STAGE						
ARCAFIM stakeholders are not familiar with the ESMF and their implementation responsibilities (especially those stakeholders who are employed after programme inception)	Develop an induction programme on the ESMF to be provided to all stakeholders involved with the ARCAFIM programme. The specific content of the induction programme should be adapted depending on the risk profile of each stakeholder and the nature of their involvement with ARCAFIM (see 5.3.1, 5.4 and 7).	<p>Basic induction programme to be developed by the ARCAFIM Coordination Unit, in coordination with IFAD E&S personnel.</p> <p>Induction material to be adapted by appropriate training provider at each ARCAFIM level (.e.g., Tier 1 FI adapts induction as appropriate to provide training to both to Tier 2 FI and end beneficiaries)</p>	ARCAFIM Coordination Unit Tier 1 Fis Tier 2 Fis End Beneficiaries	Induction training material	As part of standard onboarding process	<p>Management time or</p> <p>15-30K USD external fees for consultancy time for E&S inputs into induction training material.</p>
DURING EXECUTION OF SUB-PROJECTS ACTIVITIES						

FI ESMSs are not sufficient to identify and manage sub-project E&S risks and impacts	<p>Address E&S gaps identified in DD/risk assessments, and continually identify and manage emerging E&S risks. This currently includes the Equity Bank ESDD completed on 24/03/2023 and the Standard Bank ESDD once completed.</p> <ul style="list-style-type: none"> • Maintain complete ESMS • Maintain adequate in-house capacity for E&S risk management • Appoint adequate dedicated internal resource for interface with ARCAFIM • Review E&S risk management systems annually to identify any new risks or gaps • Ensure that sub-projects (including MSME projects) are covered under E&S risk management procedures 	<p>Host Bank ARCAFIM Coordination Unit</p> <p>Tier 2 FI E&S Resource</p>	<p>Tier 1 Fis</p> <p>Tier 2 Fis</p>	Evidence of ESAP implementation	Ongoing	<p>Market related salary cost in relevant jurisdiction for appointment (part time or dedicated) E&S resource to interface with ARCAFIM at each Host Bank</p> <p>Management time for ESMS updates</p> <p>Or 12 month rolling E&S Retainer for Host Banks with specialist E&S consultancy equivalent to 5 days per month at Principal rate 4-5K USD /pcm</p>
E&S Risks of Sub-Projects are not identified or managed effectively	Apply E&S risk management system to identify and manage E&S risks of sub-projects, drawing on guidance from the end-beneficiary risk table in the ESMP for an indicative list of specific risks and mitigations	<p>Tier 1 FIs</p> <p>Tier 2 FIs</p>	End beneficiaries	Evidence of sub-project risk assessments and management plans	Ongoing	<p>Management time</p> <p>Effort level cannot be estimated prior to identification of TTFIs and sub-projects and since effort would be ongoing through life of programme</p>
Women do not feel comfortable or capacitated to participate as at different levels of the ARCAFIM programme	Refer to the Gender and Social Inclusion Action Strategy for recommendations on gender capacity building and technical assistance activities within ARCAFIM	<p>ARCAFIM Coordination Unit</p> <p>Tier 1 Fis</p> <p>Tier 2 Fis</p>	<p>ARCAFIM Coordination Unit</p> <p>Tier 1 FIs</p> <p>Tier 2 FIs</p> <p>End Beneficiaries</p>	Number of ARCAFIM implementing investment teams at EBG participating in Gender-Smart Climate Financing Toolkit training annually	Ongoing	<p>1.5-2k USD per participant cost for implementing investment teams at EBG attending Gender Smart Climate Financing Toolkit training annually.</p> <p>Costs for operationalising/ implementation of a range of possible strategic level recommendations cannot be estimated</p>
OPERATION PHASE						

Occupational Health and Safety Issues <ul style="list-style-type: none"> • Temporary and permanent physical injuries. • Bronchial diseases from dust. • Diseases and illness from agricultural activities etc). • Loss of life 	<ul style="list-style-type: none"> • A Health/Safety/Environment officer should be present during construction. • All safety precautions must be enforced. • Provide PPE to all workers. • Institute dust and noise suppression measures. • Prepare a Contractor's Health, Safety and Environment Management Plan (HSE-MP) as per the guidelines for construction Contractors annexed in the ESCMF) • Ensure safe work practices and guidelines and adhere to safe work practices/procedures. • Use signage to warn staff and/or visitors in the construction activities of dangerous places and activities. • Clear marking of work site hazards and training in recognition of hazard symbols, • Strict instructions on safety must be given for drivers of heavy equipment to avoid accidents. • Provide adequate OHS protective gear (PPEs) to construction workers, such as hearing protection; safety glasses, gloves; use body overall to protect against dust, vapours, splashes; use safety shoe and hard helmets to prevent injuries from falls and overhead material drop. 	ARCAFIM Coordination Unit In Country Management. Sub-projects	ARCAFIM Programme	ARCAFIM Health and safety procedure developed.	During operations	Management time
<ul style="list-style-type: none"> • Gender Based Violence and SEAH • Physical bodily harm. • Lack of productivity. • Communicable disease incidences. 	<ul style="list-style-type: none"> • Zero tolerance to gender-based violence. • Instituting a Gender sensitives training and employment system for all participating Ministries, Departments and Agencies. • Ensure sexual harassment Policy at all levels involved in the project. 	ARCAFIM Coordination Unit In Country Management.	ARCAFIM Programme	Developed Gender Policy.	During operations	Management time and 20k for the development

	<ul style="list-style-type: none"> Assign women in works that do not affect their biological condition. Ensure that women farm and construction workers do not encounter any type of GBV and sexual exploitation, abuse and harassment through extending monitoring activities and system of the institution to cover construction workers. Ensure the safety and security of women farm, factory and construction workers and protect them from GBV and sexual harassment in the workplace by establishing a standard code of conduct that will be produced by the contractor and signed by all workers. Incorporate administrative and legal measures against those workers who commit GBV and sexual harassment. 	Sub-projects				
Impact on climate	<p>To minimize impact on climate the following measures will need to be taken:</p> <ul style="list-style-type: none"> Introduce crop diversification and the promotion of agricultural practices that are better adapted to the changing climate. -Improve production yields, greater income generation and reduced dependence on the exploitation of natural resources in lean periods. -Enhance and improve agro-meteorological infrastructure to provide timely information services to the project beneficiaries such as cluster of smallholders, public and private investors, and value chain actors. Adopt climate smart technologies (sustainable land management, water harvesting technologies, clean energy and conservation of forests ecosystems) 	<p>ARCAFIM Coordination Unit</p> <p>In Country Management.</p> <p>Sub-projects</p>	ARCAFIM Programme	Development of country specific Climate Change Resilience Assessment and targeted adaptation assessment.	During operations	30k for the development.

	<ul style="list-style-type: none"> Reduce livestock numbers and use improved breed more efficient application of fertilizers, and better manure management to reduced. 					
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Table 4-2 Environment and Social Action Plan Agreed with Host Bank

AP NO.	REQUIREMENT	REVIEW	INDICATOR AGREED ACTION POINTS OF COMPLETION	TIMERAME
	<p>EGHL has a clearly documented and top management approved environmental and social management policy dated March 2022.</p> <p>EGHL policy is detailed and includes:</p> <ul style="list-style-type: none"> Environmental and social risk management Exclusion list Legislative framework E&S risks and opportunities management E&S governance structure E&S training E&S social performance communication Grievance redress mechanism <p>Banking subsidiaries in Uganda, Tanzania and Rwanda have each adopted the EGHL E&S policy.</p> <p>Several other policies within Equity Bank Kenya Limited (EBKL) are being used within the group. This include Credit Risk Policy, Know Your Customer & Customer Due Diligence Policy and Human Resource Policy that support the implementation of the E&S policy.</p>		<p>As part of the annual policy review, include the requirement for indirect investments and subprojects to comply with the EGHL Environmental and Social policy. For instance, ensure that the subprojects do not support activities on the IFAD exclusion list; comply with host-country environmental, health and safety laws and regulations; that grievance mechanisms are in place for sub-projects.</p>	<p>Policy reviews should be in place by the End of 2023.</p> <p>GRMs for sub-projects should be in place within the first 6 months of project commencement</p>
A process to identify environmental, social and climate risks and impacts and categorise investments including sub-projects.		<p>Equity Bank Kenya Limited (EBKL) has reviewed the Environmental and Social Risk Management (ESRM) procedures 2019 and has a new edition of ESRM procedures, 2022 approved. These are the benchmark procedures to be adopted by the other banking subsidiaries. Integration of the ESRM procedures is complete for EBKL. These procedures are yet to be integrated within the other three banking subsidiaries i.e. in Tanzania, Rwanda and</p> <p>Uganda. Integration into the three remaining</p>	<p>EGHL & EBKL sustainability teams to continue with training exercise for subsidiaries in Uganda, Tanzania and Rwanda on the reviewed ESRM procedures 2022 and planned roll out. EGHL banking subsidiaries to continue with the adaptation of EBKL ESRM procedures 2022.</p>	<p>By end of First year of project effectiveness.</p>

		<p>countries is scheduled to be complete by the end of Q2 2023.</p> <p>The EBKL ESRM procedures provide an E&S Risk Categorisation guide in Annex A3 which categorises transactions as either A,B+, B-, C or D for direct investments and FI-1, FI-2,FI-3 for financial partners. An E&S Risk Rating (ESRR) guide has also been developed. A transaction can either be Very High Risk, High Risk, Medium or Low Risk.</p> <p>EGHL banking subsidiaries to continue with the adaptation of EBKL ESRM procedures 2022.</p>		
		<p>The ESRM procedures also provide guidance on how to conduct Environmental and Social Due Diligence (ESDD) for each of the categories identified. An executive summary of the ESDD is included into the credit application.</p> <p>An ESDD register is provided for to be maintained by each respective country head of ESG.</p> <p>As per the ESRM procedures transaction screening process, only agricultural facilities of KES 5million and above undergo a detailed E&S due diligence process (Micro-loans rapid E&S assessment checklist-KES 5M-19.99M; SME E&S assessment checklist-KES 20M-99.99M; Corporate E&S assessment checklist-above KES 100M) Anything below KES 5million undergoes a check against</p>		<p>.</p> <p>Explore pragmatic solutions for screening environmental, social and climate risk for facilities below the KES5M threshold provided for in EGHL ERRM procedures e.g. regional/geographical risk scan- pre-disbursement or portfolio level risk analysis-post disbursement).</p> <p>EGHL has commenced piloting the portfolio level risk analysis in Kenya as part of its climate risk management ongoing enhancements.</p>

		respective country laws and regulations and the EGHL exclusion list.				
				All sub-projects categorised as high risk are not eligible for the ARCAFIM program ⁵ .	From on-set of the project.	
				Notify IFAD if there is a significant increase in risk-profile for approved subprojects.	On-going as need arises.	
				Review the IFAD Exclusion List and ensure compliance either through amendments to the EGHL E&S policy Exclusion List or specific procedures to address additional exclusions which will apply to the ACRAFIM program.	Should be in place within the first 6 months of project commencement.	
Internal organizational capacity and competency			Currently, E&S risks in Uganda, Rwanda and Tanzania are managed by the sustainability team at Group and EBKL. Recruitment for teams in Tanzania and Rwanda is set to be completed by June 2023. As per the proposed structure, each country office will have an ESG head reporting to the Group Sustainability Director. Each country Head of ESG will work with the Group ESG Team and the in country ESG, Risk and Business Teams	EGHL should continue with the recruitment exercise and complete setting up sustainability teams in Tanzania and Rwanda.		

⁵ Risk categories are determined by the nature and sensitivity of the project area; the significance and magnitude of potential impacts; and the cumulative and induced impacts. High risk investments are those that result in sensitive, irreversible or unprecedented risks and impacts that are significant in magnitude and/or spatial extent; those that affect areas of high value and sensitivity, for example, sensitive and valuable ecosystems and habitats; those with significant concerns that the project's adverse social impacts and associated mitigation measures may give rise to significant social conflict, harm, significant risks or impacts on human security; rehabilitation or upgrade of large/major dams or reservoirs; rehabilitation or construction of large irrigation schemes; those that entail significant extraction/diversion or containment of surface water; those that require significant abstraction of ground water.

			<p>as appropriate.</p> <p>In addition to providing oversight to the country subsidiaries, the Group Sustainability Director will be working with three leads at group level, i.e. Head of ESG Risk, Head of ESG, Governance and Reporting and Head of ESG, Sustainability Strategy and Solutions.</p>		
Monitoring and reporting systems			<p>A monitoring process has been defined within the EBKL ESRM procedures 2022 for all sub-projects undergoing ESDD assessment. Monitoring of E&S covenants agreed upon with clients is dependent on risk categorisation. Responsibility for monitoring of high risk subprojects is at group level whereas monitoring of category B-, C and D subprojects is at country level. Where applicable use of external consultants is provided for. EBKL ESG team is available to provide support in Uganda, Rwanda and Tanzania when the need arises. A summary of all monitoring reports is presented to the Group Director of Sustainability.</p> <p>Facilities below KES 5 million are currently not subject to monitoring of environmental and social risk at a transactional level.</p>	<p>Explore pragmatic solutions for monitoring environmental, social and climate risk for facilities below the KES5M threshold within the ARCAFIM program e.g. regional/geographical risk scan or portfolio level risk analysis-post disbursement).</p>	<p>Monitoring Process should be in place by end of the First year of operation and then be continuously implemented throughout the project life.</p>
				<p>EGHL currently provides annual monitoring reports to its Investors. EGHL is to provide the same to IFAD and the contents of the report should include:</p> <ul style="list-style-type: none"> Aggregated level reporting of the Portfolio breakdown by sub-borrower category/lending channel (small-scale producers; micro enterprise; SME 	<p>Annually and continuous throughout the project life.</p>

			<p>Agribusiness; either direct or indirect);</p> <ul style="list-style-type: none"> • CCA adaptation type and sub-sector; • Sample ESDD reports; • Update on progress achieved in E&S covenants; • Cases of non-compliance and significant E&S accidents or incidents related to a transaction; <p>Information on the implementation of any changes to the FI's ESMS; and where relevant, the FI subprojects' exposure to high-risk activities.</p>		
Pre-launch review on performance of EBKL ESMS	Disclosure	<p>An environmental and social risk management disclosure and reporting procedure has been developed as part of the EBKL ESRM procedures 2022. This covers internal reporting to the board and management and external reporting either for regulatory purposes, group sustainability reporting, reporting to investors or DFIs.</p> <p>IFAD will publicly disclose an Environmental and Social Review Summary for the ARCAFIM program which will include:</p> <ul style="list-style-type: none"> • Reference to IFAD's SECAP and any applicable grievance mechanisms; • The rationale for IFAD's categorization of the project; • A description of the main identified environmental, social and climate risks and impacts associated with the program and a summary of the ESMS. • Key measures identified to strengthen the ESMS, as specified in the ESAP, to ensure compliance with IFAD's SECAP. Requirements of SECAP standard 5-Labour and working conditions. 	<p>Review good practise: EGHL currently communicates an E&S Statement (with includes key aspects of its E&S policy) externally through public disclosure on its website. This is to be reviewed and updated, as appropriate, to incorporate any key aspects of ARCAFIM.</p>	Within the first six months of project commencement.	

Emergency preparedness and response.

Table 4-3 End Beneficiary Key Risks and Mitigations (not exhaustive)

RISK	DESCRIPTION OF RISK	EXAMPLES OF PROJECTS THAT RISK MAY APPLY TO	POTENTIAL MITIGATIONS
Land degradation	Smallholder farmers regularly engage in practices such as slash and burn, overgrazing, excessive tillage, which contribute significantly to land degradation. Increasing access to finance for rural smallholder organisations will lead to an expansion and intensification of their agricultural production methods.	<ul style="list-style-type: none"> • Seeds and seedlings; • Irrigation or water flow solutions; • Changes to soil management and tillage systems; • Mechanization; and • Other small-scale crop and livestock producer projects. 	<ul style="list-style-type: none"> • End beneficiaries training in sustainable agriculture techniques (especially relating to soil management); • Loan-disburser training to prevent disbursement to end beneficiaries that repeatedly engage in poor farming practices, and to support the monitoring and evaluation of sub-projects; • Loan-disburser training to prevent disbursement of funding to sub-projects that may cause irreversible or significant damage to land-based ecosystems (i.e., require sufficient specialist assessment for sub-projects where this is a risk); and • Concurrent funding of other sustainable agriculture projects in the affected regions.
Habitat fragmentation and habitat loss	The clearance of land for additional agricultural activities may result in the loss of critical ecosystems, loss of biodiversity or habitat fragmentation.	<ul style="list-style-type: none"> • All small-scale crop or livestock producer projects that require land clearance. 	<ul style="list-style-type: none"> • At the screening stage, exclusion of sub-projects that require land clearance unless such a land use change occurs on previously degraded land and is for the purposes of restoration of these degraded lands; • Develop an appropriately-scaled Biodiversity Conservation Plans / Biodiversity Action Plans; • Loan-disburser training to enable them to identify ecologically valuable areas and develop country-specific criteria to prevent disbursement of funding to sub-projects that may cause irreversible or significant damage to biodiversity (e.g., develop “no go” areas); • Loan-disburser training to support the monitoring and evaluation of sub-projects; and • Concurrent funding of sustainable agriculture other projects in the affected regions.
Livelihoods	The clearance of land for additional agricultural	<ul style="list-style-type: none"> • All projects requiring new land 	<ul style="list-style-type: none"> • At the screening stage, exclusion of sub-projects that

impacts (vulnerability) from land displacement	<p>activities may result in the displacement of subsistence land users or land users without tenure or formal land rights e.g., tenant farmers, informal occupiers, increasing their vulnerability.</p> <p>If impacted groups include marginalised groups or Indigenous peoples, their relationship with the land in question could have socio-cultural or spiritual value, increasing the potential dimensions of loss e.g., broader eco-system services impacts.</p>	take or land clearing e.g., small-scale crop or livestock producer projects.	<p>require land clearance unless land parcel has been screened for risk of displacement impacts on land users that may result in vulnerability;</p> <ul style="list-style-type: none"> • End beneficiaries training in good practice principles for the management of displacement and negotiated process /compensation for livelihood losses) and good practice in addressing livelihood impacts on or risks to marginalised or vulnerable groups e.g., Indigenous Peoples; (See Annex 12) • Loan-disburser training to support the monitoring and evaluation of sub-projects.
Changes to biodiversity value (land)	Funding a pivot towards hybrid seeds and more intensive agricultural practices may lead to a reduction of genetic diversity on plots or the introduction of alien and invasive species. Additionally, funding of agroforestry solutions may lead to an increased risk of bush or forest fires.	<ul style="list-style-type: none"> • Seeds and seedlings; • Agroforestry solutions; • Intercropping; • Mechanization; and • Other small-scale crop and livestock producer projects. 	<ul style="list-style-type: none"> • At the screening stage, exclusion of sub-projects that require land clearance unless such a land use change occurs on previously degraded land and is for the purposes of restoration of these degraded lands; • End beneficiaries training in sustainable agriculture techniques (especially relating to crop diversification, management of alien and invasive species and controlling fire risk); • Loan-disburser training to support the monitoring and evaluation of sub-projects; and • Concurrent funding of sustainable agriculture other projects in the affected regions.
Pollution (waste)	Rural agriculture SMEs often do not have access to the necessary infrastructure to manage and dispose of waste (waste burning is a common disposal practice). Inappropriate waste management can lead to environmental and human health concerns. Increasing intensity of production will likely lead to an increase in waste production volumes, and potentially increase the volume of hazardous waste produced (e.g., pesticide containers).	<ul style="list-style-type: none"> • All projects. 	<ul style="list-style-type: none"> • End beneficiaries training in appropriate waste management (especially focussed on the risks of waste burning and managing hazardous wastes); • Encourage participation in local focus groups to improve access to well-managed waste disposal facilities in the affected regions; and • Development of Waste Management Plans for appropriately sized businesses.
Runoff, pollution, and human health impacts	Agriculture SMEs are often not capacitated on the proper application and storage of fertilizers, pesticides, and herbicides. Increased access to such chemicals may contribute to increased water and soil pollution and may negatively impact human health.	<ul style="list-style-type: none"> • Fertilizer, pesticide, and herbicide solutions. 	<ul style="list-style-type: none"> • End beneficiaries training in understanding soil types, climatic influences and other factors that affect crop yields; • End beneficiaries training in correct fertilizer, pesticide and herbicide application and storage (including PPE use);

			<ul style="list-style-type: none"> • Prioritize the use of organic fertilizers (e.g., compost, manure), combined with conservation agriculture practices (e.g., cover crops, crop rotation); • End beneficiaries training in reducing soil erosion and runoff; and • Development of appropriately scaled Integrated Pest Management Plans / Integrated Soil Fertility Management Plans / Nutrient Management Plans, etc.
Climate change vulnerability	Some ARCAFIM countries are extremely vulnerable to climate disasters, smallholder farming operations in all ARCAFIM countries are experiencing the impacts of climate change through droughts/increasing water scarcity, floods, and extreme temperature changes. If not disbursed carefully, funding may be diverted to Projects that are not suitable for localised climates and their climate change risks.	<ul style="list-style-type: none"> • Irrigation or water flow solutions; • Certain seeds and seedlings; • Hydroponics; • Product diversification; • Terracing and contour farming; • Upstream water management infrastructure; and • Other small-scale crop, aquaculture, and livestock producer funding. 	<ul style="list-style-type: none"> • Loan-disburser training to prevent disbursement of funding to sub-projects that may be unsuitable (e.g., funding of sub-projects that would be damaged or destroyed by expected flooding), and to promote disbursement of funding for sub-projects that will assist with mitigating anticipated CC impacts; and • Development of appropriately scaled Water Efficiency Plans / Emergency Preparedness Plans etc.
Land conversion (climate change)	Funding of agricultural Projects may lead to the conversion of carbon-rich ecosystems to cropland or pasture, resulting in a decrease in carbon sequestration capacity and/or to the release of carbon previously sequestered in natural sinks. Additionally, funding an increase in intensity of ruminant livestock capacities (cattle, sheep, goats) may lead to increased emissions of methane.	<ul style="list-style-type: none"> • Seeds and seedlings; • Irrigation or water flow solutions; • Changes to soil management systems; • Changes to pasture management; • Changes to fodder varieties; and • Other small-scale crop and livestock producer funding. 	<ul style="list-style-type: none"> • At the screening stage, exclusion of sub-projects that require land clearance unless such a land use change occurs on previously degraded land and is for the purposes of restoration of these degraded lands; • End beneficiaries training in sustainable agriculture techniques (especially relating to livestock management, minimum tillage, intercropping etc.); and • Loan-disburser training to prevent disbursement to end beneficiaries that repeatedly engage highly intensive livestock farming practices, and to support the monitoring and evaluation of sub-projects.
Ecosystem degradation (aquatic)	Overfishing is common in areas where fish forms a critical part of the local diet and is relied upon as a source of income. Increasing access to finance for small-scale aquaculture producer organisations will lead to an expansion and intensification of their production methods.	<ul style="list-style-type: none"> • Other small-scale aquaculture producer funding. 	<ul style="list-style-type: none"> • End beneficiaries training in sustainable aquaculture; and • Loan-disburser training to prevent disbursement to end beneficiaries that repeatedly engage in poor farming practices, and to support the monitoring and evaluation of sub-projects.
Aquatic system physical degradation	Installation of equipment into waterways can adversely impact the aquatic ecosystem.	<ul style="list-style-type: none"> • Upstream water management infrastructure; • Aquaculture systems; • Irrigation or water flow solutions; and 	<ul style="list-style-type: none"> • Loan-disburser training to prevent disbursement of funding to sub-projects that may cause irreversible or significant damage to aquatic ecosystems (i.e., require sufficient specialist assessment for sub-projects where this is a risk); and

		<ul style="list-style-type: none"> • Other small-scale aquaculture producer funding. 	<ul style="list-style-type: none"> • End beneficiaries training in correct maintenance of in-water systems and protecting waterways.
Animal welfare, disease control & food safety	Smallholder livestock and aquaculture programs often engage in practices that can result in poor living conditions for livestock/fish, development of antimicrobial resistance, insufficiently control disease spread, or result in the accumulation of chemical residues in foods. Increasing access to finance for rural smallholder organisations will lead to an expansion and intensification of their agricultural production methods.	<ul style="list-style-type: none"> • Changes to pasture management; • Aquaculture systems; and • Other small-scale livestock and aquaculture producer funding. 	<ul style="list-style-type: none"> • End beneficiaries training in promoting animal/fish welfare (focussed on freedoms from hunger, thirst, discomfort, pain, injury, disease, fear and distress; and promoting the expression of natural behaviours); • End beneficiaries training in managing disease, food safety and other basic biosecurity controls (e.g., segregation of sick animals, disinfection practices, careful management and storage of harmful chemicals, and proper mortality management); and • Loan-disburser training to prevent disbursement to end beneficiaries that repeatedly engage in poor farming practices, and to support the monitoring and evaluation of sub-projects.
Health & Safety (physical hazards)	Installation of equipment (mechanical or electrical) and infrastructure (e.g., dams or flood protection) may lead to both installation-phase and operational-phase health and safety (H&S) risks (e.g., electric shock, water safety concerns, moving-parts risks, working with heavy equipment, etc.).	<ul style="list-style-type: none"> • Upstream water management infrastructure; • Aquaculture systems; • Mechanization; • Dams and other water storage solutions; • Irrigation or water flow solutions; • Hydroponics or aquaponics; • Climate resilient infrastructure; • Terracing and contour farming; and • Other small-scale crop, livestock and aquaculture producer funding. 	<ul style="list-style-type: none"> • Requirements controlling selection of contractors to supply and install equipment and infrastructure (promoting minimum H&S requirements); • Enforcement of H&S standards during installation (including training for end beneficiaries and loan-dispersers on monitoring and review mechanisms); • Compilation of construction and operation phase Environmental and Social Management Plans (ESMPs), where appropriate; • Loan-disburser training to educate loan facilitators on what strong H&S practices, and to identify risky sub-projects; • Development of operating manuals and End Beneficiary training, where appropriate; and • End Beneficiary (and affected community, where appropriate) H&S awareness training (e.g., water safety, electrical safety).
Child labour	Child labour is prevalent across Sub Saharan Africa (SSA), with on average over 20% of children engaging in work in the majority of ARCAFIM countries. The vast majority of child labour in these countries is concentrated the agriculture sector, and more prevalent in smaller/informal agriculture operations. Funding of agricultural Projects may increase the	<ul style="list-style-type: none"> • All projects. 	<ul style="list-style-type: none"> • Development of commitment documents that prohibit the use of direct and indirect child labour; • Loan-disburser training to educate loan facilitators on the definitions of child labour and to screen for and identify risky sub-projects; and • Loan-disburser training to prevent disbursement to end beneficiaries that engage in child labour, and to support

	likelihood of child labour across either development phases (installation) or by intensifying agricultural production processes and encouraging children to participate in work rather than continue in education.		the monitoring and evaluation of sub-projects.
Exploitative terms and conditions of employment	Due to the informal nature of smallholder agriculture in SSA, workers often have substandard employment terms, including lack of formal contracts, low wages, excessive hours, and poor health and safety conditions. Increasing access to finance for rural smallholder organisations will lead to employment opportunities but may also result in exploitative environments.	<ul style="list-style-type: none"> All projects. 	<ul style="list-style-type: none"> Development of guidance documents for use by loan-disbursers and end beneficiaries to outline recommended terms and conditions of employment; Loan-disbursers training to educate loan facilitators on what terms and conditions can be deemed exploitative and on strong H&S practices; and Loan-disbursers training to identify high-risk sub-projects, to prevent disbursement to end beneficiaries that fail to improve poor labour environments, and to support the monitoring and evaluation of sub-projects.
Gender-Based Violence and Harassment	The smallholder agriculture sector faces some of the highest risks of Sexual and Gender-Based Violence (SGBVH) globally. As employment opportunities are created the risk of SGBVH can increase.	<ul style="list-style-type: none"> All projects. 	<ul style="list-style-type: none"> Loan-disbursers training to enable them to identify high-risk sub-projects and develop country-specific criteria to prevent disbursement of funding in regions where the risks of SGBVH are unacceptably high (e.g., develop “no go” areas); At the screening stage, ensure that adequate stakeholder engagement is undertaken for high-risk sub-projects. This should include specific women’s’ focus groups, as appropriate, to identify and mitigate risks; Loan-disbursers training to support the monitoring and evaluation of sub-projects; and End Beneficiary (and affected community, where appropriate) SGBVH awareness training.
Insecure land tenure	Smallholder farmers (especially women) in many ARCAFIM countries do not have access to secure land tenure, which can impact on their ability to access financial resources (land is often used as collateral) or to participate in ARCAFIM as individual micro-producers.	<ul style="list-style-type: none"> All projects. 	<ul style="list-style-type: none"> Loan-disbursers training to enable them to educate borrowers on practical mitigations e.g., to secure alternative forms of security for loans such as providing alternative male family member as co—guarantors (e.g., brothers, spouses, or fathers in whose name the land title deed is). Develop guidance documents and undertake stakeholder engagement encouraging End Beneficiary women to seek out loans as part of groups to reduce individual exposure and increase access i.e., the group lending models for women self-help groups.

Restriction of union rights	While legislation protects Freedom of Association in all ARCAFIM countries, it has been documented that employers often restrict employee rights to join unions, collectively bargain, and lawfully strike in practice.	<ul style="list-style-type: none"> • All projects. 	<ul style="list-style-type: none"> • Development of guidance documents for use by loan-disbursers and end beneficiaries to outline minimum standards for workers' rights; and • Loan-disburser training to support the monitoring and evaluation of sub-projects.
Cultural Heritage	Smallholder projects may encroach upon or damage cultural heritage.	<ul style="list-style-type: none"> • All Projects 	<ul style="list-style-type: none"> • Loan-disburser training on the identification of cultural heritage and the ARCAFIM Chance Finds procedure to enable them to educate borrowers on the importance of cultural heritage and how to adapt and apply the ARCAFIM Chance Finds Guidance (if impacts to cultural heritage identified as a risk during screening) and in the event that cultural heritage is discovered at an End Beneficiary sub-project site.

5 CAPACITY BUILDING

Capacity building is required for all ARCAFIM stakeholders to enable effective use and implementation of the ESMF and to address specific gaps identified in the ESMP.

At the inception of ARCAFIM implementation, the IFAD E&S personnel will provide an ESMF induction session to the ARCAFIM Coordination Unit which will cover the following:

- Objectives and Principles of the ESMF;
- Stakeholders and roles in ESMF implementation;
- Relevant IFAD, GCF policies and frameworks;
- ARCAFIM E&S Risk Management processes, procedures, tools, and templates;
- Potential E&S risks identified in the ARCAFIM programme.

The ARCAFIM Coordination Unit will be tasked with ensuring that the relevant personnel within ARCAFIM, the Host Banks, TTFI staff and end beneficiaries are capacitated on the ESMF and equipped with the necessary skills and expertise to effectively identify, evaluate, and manage E&S risks and opportunities.

At the start of each new stakeholder's involvement in ARCAFIM, a basic induction training on the ESMF will be provided (e.g., ARCAFIM Coordination Unit will provide training to Host Bank PMU, Host Bank PMU will provide training to TTFIs and end beneficiaries, TTFIs will provide training to end beneficiaries). Induction training on the ESMF will be tailored to the stakeholder risk level and the nature of their involvement in the ARCAFIM programme.

ESMF Induction for FIs may cover:

- ARCAFIM's E&S Policy;
- Guiding International E&S Standards;
- ARCAFIM E&S Risk Management Processes,
- ARCAFIM policies and procedures (Stakeholder Engagement, Grievance Management, Incident Management (including prevention of and response to GBVH incidents), Emergency Preparedness;
- Capacity Building Requirements.

End Beneficiary inductions will be much simpler and will cover the E&S Policy, Grievance Mechanism, and Incident Reporting Mechanism and sensitisation on GBVH. End Beneficiary sub-projects will also be eligible for capacity building to support the management of specific E&S risks identified, as well as CCA technical support.

ARCAFIM Coordination Unit will conduct an annual review of the ESMP implementation progress and monitoring data provided at each ARCAFIM stakeholder level, in order to define the coming year's annual training requirements based on remaining ESMP items and/or new gaps identified during the course of the year. The findings will be compiled into an annual E&S Training Plan, including necessary resources (e.g., budget for external service providers, etc.) and timelines. External technical support

will be drawn on as required to provide training on technical issues as identified in the ESMP or as they may arise during implementation.

6 MONITORING AND DOCUMENT REVIEW

To ensure continued effective management of E&S risks throughout the ARCAFIM programme, the ESMF structure and implementation should be regularly reviewed and revised as appropriate.

The ARCAFIM Coordination Unit [in coordination with IFAD E&S personnel] will conduct an annual review of the ESMF. This review will comprise:

- Assessment of the quality and comprehensiveness of the documentation that is completed and submitted throughout the various levels of the ARCAFIM implementation structure (e.g., ESMS documentation, ESDDs, E&S management plans, monthly monitoring reports, training records, etc.)
- Review of any major changes to the ARCAFIM structure and portfolio (e.g., change in Tier 1 FI, change in the overall risk profile of sub-projects)
- Review of any changes to international standards and/or ARCAFIM stakeholder E&S standards

An annual ESMF monitoring report will be submitted to **GCF** in accordance with the Monitoring and Reporting procedure in Annex 10.

Based on the results of the review, The IFAD Project Management team will update the ESMF procedures and associated documentation. The results from the review will also feed into the development of the Annual Training Plan (see Section 5).

7 STAKEHOLDER ENGAGEMENT

ARCAFIM has been designed in close consultation with a wide group of stakeholders. The ARCAFIM design furthermore includes strong participatory design principles and processes, which go beyond consultation.

SUMMARY OF CONSULTATIONS DURING PROGRAMME PREPARATION

Consultations have been conducted at different levels in each country through the different workstreams during the ARCAFIM design. The consultations started with the NDAs in each of the ARCAFIM countries. During these consultations the need for climate finance was reiterated including the need for investment from the private sector and the importance of the relevant financial instruments. The consultations confirmed the willingness of the Countries to be included in the ARCAFIM programme.

Subsequent consultations were conducted with potential Host Banks in the region. These consultations started during the ARCAFIM Concept Note formulation in 2022. They established the interest of the potential Host Banks, the ongoing initiatives related to climate change adaptation in the Banks and their potential strengths and weaknesses in fulfilling the role. As a result of the consultations, Equity Bank Group Holdings were selected as the Host bank for East Africa in 2022.

APPROACH

Consultations were held during the main workstreams of the ARCAFIM design i.e. climate change vulnerability analysis; Climate Adaptation Finance Markets Review; environment and social management framework and the gender assessment. The main objective of the consultations conducted through field visits and both physical and virtual interviews in each of these workstreams is summarized in the subsequent subsections.

CONSULTATION PROCESS DURING THE CLIMATE ADAPTATION FINANCE MARKETS REVIEW

The objective of the finance markets review was to obtain the understanding of current market relevant and demand for climate/agri-finance in the targeted countries. More specifically:

- To understand current relevant financing products offered to farmers – what are the terms and where is financing coming from.
- To understand current commercial loan costs and requirements in targeted countries. Additionally, to present how does potential concessional financing differ from commercial terms.

The deliverable presents an overview of the most relevant lending facilities in corresponding countries. Those include commercial banks, project facilities, multi and bi-lateral financing institutions, microfinance institutions, SACCOs (Savings and Credit Cooperative Societies), credit unions and others.

Given that many of the respective types of financial institutions do not publicly disclose information on their lending terms, it was necessary to obtain this information directly, through consultations with the institutions. E Co. engaged local agricultural finance experts in each of the nine targeted countries, who used their networks to engage a representative sample of each type of financial institution. To ensure consistency and guide the discussion, the interviews were semi-structured, following a pre-designed survey template. Respondents also had the option of completing the survey and sending this electronically.

Key findings of the consultations

Overall, the landscape for agricultural finance in East Africa is nascent. Although an increasing number financial institutions (FIs) (including commercial banks, microfinance institutions and SACCOs) were offering agricultural lending products, the conditions for accessing these loans including high-interest rates, collateral requirements, and short repayment periods often excluded smallholder farmers, and indicated a reluctance by FIs to lend to this segment of the market. High interest rates and short repayment periods were both also commonly cited as barriers by smallholder farmer associations in the four East African countries. The interest rates and loan tenors given by FIs and those perceived by farmers' association are different, with farmers often perceiving them to be higher and shorter than FI's information. Interest rates noted by respondents in the region vary widely, ranging from 8% - 96% per year. In most cases though, stated annual interest rates are between 20% - 35%. FIs offering interest rates at the lower end of the scale benefit from access concessional lending (from governments and development FIs).

Most of the East African farmers' associations interviewed believed their members had experience the negative impacts of climate change on their production. Furthermore, each institution felt that its members were familiar with climate change adaptation and agricultural investments and that their members would be willing to implement them.

Data collected through interviews with financial institutions (including commercial banks, microfinance institutions, SACCOs and FinTechs) in the four East African target countries, indicated that there are currently very limited financial products targeted to climate change adaptation (although some institutions did offer lending for irrigation technologies).

On the demand side, data collected through interviews with farmers' associations within the four East African countries, indicated that there was significant demand for lending products that were more tailored to the needs of smallholders. Most of the farmers institutions in Kenya, Uganda and Tanzania believed that the available funding options were inadequate to meet the needs of their members. Only in Rwanda, did the majority (56%) of surveyed institutions believe the existing funding was sufficient to meet the needs of their members. In addition, most of the farmers' institutions in East Africa felt that there was a high demand for loan financing amongst their members. Across the four countries the number of institutions that cited high demand for loan financing amongst their members ranged from 65% of institutions in Uganda to 100% of institutions in Kenya. The regional average was 78.5%.

CONSULTATION PROCESS IN CLIMATE VULNERABILITY ANALYSES OF VARIOUS COMMODITIES

The vulnerability analyses assessed nine categories of adaptation technologies and practices for the crop sector: improved irrigation, crop selection, climate information, risk transfer, mulching, irrigation, shading, wind breaking, house shading and micro water harvesting. In addition, a technical report focused on the impacts of climate change on aquaculture with the objective to prioritize adaptation options. Risks were evaluated through three key hazards: 1) Surface Water temperature (SWT); 2) Dissolved Oxygen (DO) and 3) Wind speed (WS). The analyses were performed for water bodies across ARCAFIM countries, including lakes and ponds. Owing to the heterogeneity of the water bodies characteristics, the analyses groups water bodies through their levels of surface temperature and its variability across all ARCAFIM's targeted countries.

Another focus of the vulnerability analyses was on the impacts of climate change on aquaculture with the objective to prioritize adaptation options. Risks are evaluated through three key hazards: 1) Surface Water temperature (SWT); 2) Dissolved Oxygen (DO) and 3) Wind speed (WS). This analysis is performed for water bodies across ARCAFIM countries, including lakes and ponds. Owing to the heterogeneity of the water bodies characteristics, the analysis groups water bodies through their levels of surface temperature and its variability across all ARCAFIM's targeted countries. As precise data on ponds is not available for all the countries targeted by the ARCAFIM project, data on lakes are used proxies for both lakes and ponds surface water temperature and hence dissolved oxygen.

Impacts of climate change on livestock are evaluated through four different dimensions: 1) temperature and humidity stress; 2) water availability; 3) feed availability; 4) and disease risk. Owing to the heterogeneity of the climate in the ARCAFIM countries, the analysis groups regions based on their levels of temperature and humidity. The four factors of vulnerability integrated in this analysis are: 1) The temperature and humidity index (THI) for the heat stress; 2) temperature and precipitation suitability for the feed availability; 3) The carrying capacity following the water available after being used by crops; and 4) The recurrence of suitable conditions for a disease outbreak compared to the historical.

Key main findings of the consultations

With adaptive technologies and practices groundwater replenishment is on average above water level required to reach optimal yield for the commodities analysed. Water available in the 2021-2040 period is on average positive ranging above 200mm for tree intercropped & banana pit and tree buffer & banana pit. Associated with this positive level, there is a very low probability that groundwater tables are exploited above their replenishment capacity. On average, the prioritized technologies and practices increase yields in the commodities analysed for the twenty-year period ending in 2040. The technologies and practices in the low-input system, the aggregate effect is higher than that for high-input systems for the 2021-2040 period.

For aquaculture three distinct vulnerability factors have been identified. The first factor of vulnerability is based on the surface water temperature (SWT). This provides insights into the potential for heat stress. The second factor relates to dissolved oxygen (DO) level in the water. The third factor of vulnerability is the wind speed (WS) to assess its impact on aquaculture infrastructure. At the difference of SWT and DO, high windspeed and storminess can cause injuries and damage to cages leading to fish to escape and destruction of the equipment and infrastructure. By considering these three distinct factors of vulnerability and the stress associated, the most robust adaptation options to mitigate those risks are prioritized. These options include deepening of ponds, shading of the ponds, species selection, water drainage, incorporation of water movement systems, use of pond oxygen stones and agroforestry.

For livestock, each climate zone has prioritized measures for each value chain following the most severe risk to be addressed. Detailed results and adaptation measures in relation with heat and humidity stress, feed availability, water carrying capacity and diseases are provided. Based on the suitability analysis, maize is the ideal feed for livestock in the Temperate region. The most suitable adaptation method for addressing the potential outbreak of Rift Valley Fever in the temperate cluster is veterinary prophylaxis, and it has been selected most frequently (39%). As for the TDBs, veterinary prophylaxis is the top-ranked measure to be implemented in the near future (45%) and by mid-century (55%). Agroforestry is a viable option for mitigating the heat stress experienced by cows in a sedentary grassland system. Rainwater harvesting is the adaptation measure most frequently chosen to achieve an ideal herd size. The primary strategy chosen for adaptation in a transhumant grassland system is the implementation of artificial shading, with an anticipated equal frequency of movement (50%) in the near future and mid-century.

CONSULTATION PROCESS IN DEVELOPING THE ENVIRONMENT AND SOCIAL MANAGEMENT FRAMEWORK

The Environment and Social Management Framework (ESMF) outlines the strategic framework for the management and monitoring of environmental and social risks associated those accessing finance via

the ARCAFIM programme. It describes the high level steps and procedures, to be further developed and embedded into ARCAFIM as it moves towards implementation, to support the effective identification, assessment, management and monitoring E&S risks and potential adverse impacts of its transactions. It also outlines the good practice principles which should govern the interactions and agreements between the participating Lenders, Financial Intermediaries, Borrowers and End Beneficiaries of the programme in line with the applicable E&S Standards and Guidelines.

The ARCAFIM ESMF has been elaborated in alignment with IFAD's Social, Environment and Climate assessment Procedures and GCF's Environmental and Social Safeguards.

Key main findings of the consultations

The consultations provided an initial validation of the main risks and potential impacts on the environment and social structures that would result from the implementation of the ARCAFIM. These include weak environment and social management systems in the financial institutions while for the end use investments it includes land degradation, habitat fragmentation and habitat loss, livelihoods impacts (vulnerability) from land displacement, changes to biodiversity value (land), pollution (waste), runoff, pollution, and human health impacts, climate change vulnerability, land conversion (climate change), ecosystem degradation (aquatic), aquatic system physical degradation, animal welfare, disease control & food safety, health & safety (physical hazards), child labour, exploitative terms and conditions of employment, gender-based violence and harassment, insecure land tenure and restriction of union rights.

The consultations informed the Environment and Social Management Plan (ESMP), which describes the E&S risks and impacts that have either been identified or are likely to be identified throughout the various lending tiers of the ARCAFIM programme and at sub-project level. The ESMP also describes the measures to be taken during the implementation and operation of a project/sub-project to eliminate or offset adverse environmental, social and climate impacts, or to reduce them to acceptable levels, the measures to enhance environmental and social outcomes the actions needed (monitoring/supervision/reporting requirements), implementation arrangements, institutional responsibilities, time schedule and indicative cost ranges where these can be provided to implement the measures.

The ESMP actions are divided into the three tables which represent different layers of the ARCAFIM programme:

ARCAFIM Programme: These actions focus on the integration E&S management systems throughout the ARCAFIM programme as a whole, and may apply to the ARCAFIM Coordination Unit, Host Banks, TTFIs and end beneficiaries

Equity Bank: These actions focus specifically on addressing the gaps identified in the Equity Bank ESMS as one of the chosen Host Banks. These actions are based on the ESDD undertaken of Equity Bank (see Table 4-2)

End Beneficiaries: These actions focus specifically on the proposed End Beneficiary CCA projects, and how some of the potential risks inherent in these types of projects can be mitigated.

The risks/impacts and mitigation measures identified in the ESMP should be understood to be high-level estimations and are intended to be adapted as implementation commences.

CONSULTATION PROCESS IN THE GENDER AND SOCIAL INCLUSION ASSESSMENT

The ARCAFIM gender and social inclusion assessment informs an action strategy is to:

Increase the volume and impact of concessional finance for climate change adaptation flowing towards Smallholder producers and rural MSME's, particularly those aligned with national and international gender frameworks such as the Bloomberg Gender-Equality Index, the Women Empowerment Principles (WEPS), the Gender Equality Mainstreaming (GEM) Framework, and 'A Fund Manager's Guide to Gender-Smart Investing' by IFC and CDC, and climate frameworks such as GFANZ, TCFD, the CDSB Framework, Climate Action 100+, and the Just Transition criteria from the Impact Investing Institute. 2X Collaborative's 2X Green toolkit was utilised as a key input into this Strategy.

Articulate the ARCAFIM Program's commitment to building knowledge and capacity on relevant gender and climate finance topics, amongst program delivery partners, and to national, regional, and international participants (i.e., Nordic Development Fund, IFAD, Equity Bank Group/Tier 1 Financial Intermediary and Tier 2 Financial Intermediaries).

Articulate how the ARCAFIM Program can be accountable and unified as a leader in advancing gender equality and social inclusion within smallholder producers and rural MSME's in Africa.

Key main findings of the consultations

Consultations with ARCAFIM potential participant have revealed that women, youth and indigenous peoples are the most vulnerable groups requiring specialized considerations during the implementation of the ARCAFIM program because they experience vulnerabilities such as:

Challenges in accessing valuable resources like land and credit: due to laws and customs that impede women from equitable access and utilization of land and other natural resources as an input into production or as collateral for credit.

Lack of Access to Financial Services: Women and youth face challenges in accessing formal financial services, such as savings accounts, credit facilities, and insurance products.

Child labour: Child labour is a significant vulnerability faced by both girls and boys in East Africa. Child labour often involves hazardous and exploitative work conditions.

Youth unemployment: Youth unemployment rates in East Africa are significantly high, leading to underemployment and precarious work conditions.

Unequal pay: Women, youth and indigenous groups are concentrated in low-skilled and informal sectors where wages are generally lower.

Limited access to water technologies, farm inputs and labor-intensive farming methods.

Most vulnerable to climate change due to their socio-economic status and dependency on natural resources for their livelihoods

ARCAFIM will be implemented through Host Banks and Participating Financial Institutions to ensure wider reach to target groups.

SUMMARY OF CONSULTATIONS WITH OTHER STAKEHOLDERS

Specific sessions were organized with each of the National Designated Authorities (NDAs). This provided the opportunity to ask questions about the approach of the ARCAFIM, selection of the Host Banks and Participating Financial Institutions, financial instruments and mechanisms to implement in order to ensure that Banks and Micro-Finance Institutions contribute to de-risking the agricultural sector and increase the reach to smallholders' farmers. Other issues discussed were the important role of the private sector in agriculture development and specifically in climate change adaptation, benefits of investing in sustainable agricultural practices and green lending products, and roles and responsibilities of key stakeholders.

Meetings were also held with other Financial Institutions (CRDB (Tanzania) and DBSA (South Africa)) that are implementing or developing GCF projects for financing climate change adaptation and mitigation in the agricultural sector. The purpose of these meetings was to integrate early learning from other GCF projects and ensure optimizing synergies to avoid duplication of efforts.

REVIEWED DOCUMENTS

The following documents were reviewed/informed the development of the ARCAFIM ESMF

- IFAD (2021) Social, Environmental and Climate Procedures (SECAP)

- GCF (2018): GUIDELINES FOR THE ENVIRONMENTAL AND SOCIAL SCREENING OF ACTIVITIES
- GCF (2018): Environmental and Social Policy
- GCF (2019): Procedures and Guidelines of the Independent Redress Mechanism
- IFAD Private Sector Strategy
- IFAD NSO Policy
- ARCAFIM Taxonomy
- ARCAFIM Lending Channels
- GCF Concept Note (ARCAFIM)
- ARCAFIM project update_AC_IBIS_Jan2022
- ARCAFIM_draft_ESRS_JK24.03.23 (Equity Bank ESDD)

8 ANNEXES

ANNEX 1: IFAD EXCLUSION LIST

IFAD will not knowingly finance, directly or indirectly, projects involving the following:

- (i) Production or activities involving harmful or exploitative forms of forced labour⁶, or practices, which prevent employees from lawfully exercising their rights of association and collective bargaining;
- (ii) Production or activities involving harmful or exploitative forms of child labour⁷;
- (iii) Production or activities that impinge on the lands owned, or claimed under adjudication, by indigenous peoples, without full documented consent of such peoples;
- (iv) Activities prohibited by host-country legislation or international conventions relating to the protection of biodiversity resources, cultural heritage, or other legally protected areas⁸;
- (v) The production, trade in or use of any product or activity deemed illegal under host country (i.e., national) laws or regulations, international conventions, and agreements, or subject to international phase-out or bans, such as:
 - (a) Products containing polychlorinated biphenyls (PCBs);
 - (b) Pharmaceuticals, pesticides, herbicides, and other hazardous substances subject to international phase-outs or bans⁹;

⁶ Forced labour is work exacted under the threat of penalty and for which the worker has not offered himself or herself voluntarily. It can involve threats of dismissal or physical violence, the withholding of identity documents or wages, threats to report workers to immigration authorities and entangling workers in fraudulent debt.

⁷ Child labour includes: (i) labour below the host country's minimum age of employment; and (ii) any other work that may be hazardous, may interfere with a child's education, or may be harmful to a child's health or physical, mental, spiritual, moral, or social development. If national laws or regulations provide for employment of children of at least 16 years of age (in line with ILO's 1973 Minimum Age Convention), on the condition that their health, safety, and morals are fully protected, and they have received adequate instruction or vocational training in the relevant branch of activity, then child labour means employing children for work that does not comply with these laws and regulations.

⁸ Relevant international conventions include the: Convention on the Conservation of Migratory Species of Wild Animals (Bonn Convention); Convention on Wetlands of International Importance, especially as Waterfowl Habitat (Ramsar Convention); Convention on the Conservation of European Wildlife and Natural Habitats (Bern Convention); World Heritage Convention; and Convention on Biological Diversity.

⁹ Relevant international conventions include the: United Nations Consolidated List of Products whose Consumption and/or Sale have been Banned, Withdrawn, Severely Restricted or not Approved by

- (c) Ozone-depleting substances subject to international phase-outs regulated by the Montreal Protocol¹⁰;
- (d) Wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)¹¹; and
- (e) Transboundary trade in waste or waste products, as defined by the Basel Convention¹²;
- (vi) Commercial logging operations or the purchase of logging equipment for use in primary tropical moist forests or old-growth forests;
- (vii) Production or trade in wood or other forestry products other than from sustainably managed forests;
- (viii) Production or trade in alcoholic beverages (excluding beer and wine), tobacco or drugs;
- (ix) Marine and coastal fishing practices such as blast fishing, large-scale pelagic drift net fishing using nets in excess of 2.5 km in length or fine mesh net fishing harmful to vulnerable and protected species in large numbers and damaging to marine biodiversity and habitats;
- (x) Trade in goods without required export or import licenses or other evidence of authorization of transit from the relevant countries of export, import and, if applicable, transit;
- (xi) Production of, trade in or use of unbounded asbestos fibres;
- (xii) All mining, mineral processing and extraction activities;
- (xiii) Production or trade in radioactive materials¹³;
- (xiv) Gambling, casinos and equivalent enterprises, trade related to pornography or prostitution;
- (xv) Money laundering, terrorism financing, tax avoidance, tax fraud and tax evasion;
- (xvi) Production and distribution, or investment in media that are racist, antidemocratic or that advocate discrimination against an individual, group or part of the population;
- (xvii) Activities prohibited by host country legislation or other legally binding agreements regarding genetically modified organisms (GMOs);

Governments; Convention on the Prior Informed Consent Procedures for Certain Hazardous Chemicals and Pesticides in International Trade (Rotterdam Convention); Stockholm Convention on Persistent Organic Pollutants; and WHO Classification of Pesticides by Hazard. A list of pesticides, herbicides, and other hazardous substances subject to phase-outs or bans is available at <http://www.pic.int>.

¹⁰ A list of the chemical compounds regulated by the Montreal Protocol, together with details of signatory countries and phase-out target dates, is available from UNEP.

¹¹ A list of CITES species is available from the CITES secretariat.

¹² See <http://www.basel.int>.

¹³ This does not apply to the purchase of medical or veterinary equipment, quality control (measurement) equipment and any similar equipment where the radioactive source is trivial and/or adequately shielded.

- (xviii) Production of or trade in palm oil, unless from growers and companies with internationally recognised certification¹⁴124, or undergoing certification¹⁵;
- (xix) Production of soy in the Amazon region or trade in soy produced in the Amazon region, unless from growers with internationally recognised certification¹⁶.

¹⁴ For example, Round Table on Sustainable Palm Oil (RSPO).

¹⁵ This includes growers and companies that have initiated such certification process.

¹⁶ For example, Round Table on Responsible Soy Association (RTRS).

ANNEX 2: SAMPLE SCREENING QUESTIONS

1.0 Screening for Host Banks and TTFIs:

The following questions guide the process for screening Host Banks and TTFIs:

- Will the loan be granted to an FI that does not have an environmental and social policy and an associated environmental and social management system (ESMS) in place (transparent, publicly available)?
- Will the loan be granted to an FI with insufficient capacities (e.g. unqualified personnel)?
- Will the loan be granted to an FI that does not have an Exclusion List?
- According to the FI's portfolio classification: does the FI have potential high-risk projects in their portfolio?
- Is there evidence that the FI does not comply with the local legal framework?
- Does the FI provide a stable communication channel with stakeholders and local communities (e.g. a grievance redress mechanism)?
- Does the FI provide auxiliary or capacity building support services?

2.0 Environmental & Social Screening Form for End Beneficiary Sub-Projects:

The following questions guide the process for screening for End Beneficiary sub-projects. *(NB: at the time of screening, it is likely that limited information will be available on the sub-project, and the screening may be largely based on a review of public information)*

		Appraisal		Significance			Potential Mitigation Measures
		Yes	No	Low	medium	high	
1.0	Type of activity – Will the sub-projects:						
1.1	Involve the construction or rehabilitation of any small dams, weirs or reservoirs?						
1.2	Support irrigation schemes?						
1.3	Build or rehabilitate any rural roads?						
1.4	Build or rehabilitate any electricity power generating system?						
1.5	Involve food processing?						
1.6	Build or rehabilitate any structures or buildings?						
1.7	Support agricultural activities?						
1.8	Be located in or near an area where there is an important historical, archaeological or cultural heritage site?						

1.9	Be located within or adjacent to any areas that are or may be protected by government (e.g. national park, national reserve, world heritage site) or local tradition, or that might be a natural habitat?						
1.10	Depend on water supply from an existing dam, weir, or other water diversion structure?						
If the answer to any of questions 1.1 -1.10 is "Yes", please use the indicated Resource Sheets or sections(s) of the ESMF for guidance on how to avoid or minimize typical impacts and risks							
2.0	Biodiversity Conservation and Sustainable Natural Resource Management - Will the project generate the following negative impacts.						
2.1	Affect the quantity or quality of surface waters, or groundwater						
2.2	Soil erosion/siltation in the area						
2.3	Removal of native trees						
2.4	Loss of trees/vegetation						
2.5	Be located within or nearby environmentally sensitive areas (e.g. intact natural forests, mangroves, wetlands) or threatened species?						
2.6	Pollution to land- e.g., from diesel, oils						
2.7	Cause soil salinity						
2.8	Borrow pits and pools of stagnant water						
2.9	Rubble/heaps of excavated soils						
2.10	Alien / Invasive species						
2.11	Loss of soil fertility						
If the answer to any of questions 2.1 - 2.11 is "Yes", please use the indicated Resource Sheets or sections(s) of the ESMF for guidance on how to avoid or minimize typical impacts and risks							
3.0	Community Health, Safety and Working Conditions - Will the project generate the following negative impacts						
3.1	contamination of drinking water						
3.2	Dust emissions						
3.3	Solid and liquid wastes e.g., open defecation						
3.4	Spread of HIV/Aids and other STI						
3.5	Spread of water borne diseases e.g., Malaria.						
3.6	Contamination from agrochemicals and pesticides						
3.7	Nuisance from smell or noise						
3.8	Reduced water quality and quantity						
3.9	Health hazards to workers and communities						

3.10	Project resulting in potential increased health risks (e.g. from water-borne or other vector-borne diseases or communicable infections such as HIV/AIDS)						
3.11	elements of Project construction, operation, or decommissioning pose potential safety risks to local communities.						
3.12	health and safety issues due to the transport, storage, and use and/or disposal of hazardous or dangerous materials (e.g. pesticides, fuel and other chemicals during construction and operation)						
If the answer to any of the questions 3.1 - 312 is "Yes", please consult the ESCMF and, if needed, prepare a Stakeholder Engagement Plan (SEP) and a Health and safety Plan (HSP)							
4.0	Social, Gender and human rights- Will the project generate the following negative impacts						
4.1	Disruption of marriages.						
4.2	adverse on gender equality and/or the situation of women and girls.						
4.3	Cause discriminations against women based on gender, especially regarding participation in design and implementation or access to opportunities and benefits						
4.4	limit women's ability to use, develop and protect natural resources, taking into account different roles and positions of women and men in accessing environmental goods and services.						
4.5	adverse impacts on enjoyment of the human rights (civil, political, economic, social or cultural) of the affected population and particularly of marginalized groups						
4.6	inequitable or discriminatory adverse impacts on affected populations, particularly people living in poverty or marginalized or excluded individuals or groups.						
4.7	restrict availability, quality of and access to resources or basic services, in particular to marginalized individuals or groups						
4.8	Exclusion of any potentially affected stakeholders, in particular marginalized groups, from fully participating in decisions that may affect them						
4.9	Exacerbation of conflicts among and/or the risk of violence to project-affected communities and individuals.						
If the answer to any of the questions 4.1 – 4.9 is "Yes", please consult the ESMF and, if needed, prepare a Stakeholder Engagement Plan (SEP)							
5.0	Resettlement Screening - Will the project generate the following negative social and economic impacts?						
5.1	Require that land (public or private) be acquired (temporarily or permanently) for its development?						
5.2	Use land that is currently occupied or regularly used for productive purposes (e.g. gardening, farming, pasture, fishing locations, forests)						

5.3	Temporary or permanent and full or partial physical displacement of individuals, families or businesses.						
5.4	Economic displacement (e.g. loss of assets or access to resources due to land acquisition or access restrictions – even in the absence of physical relocation)						
5.5	Risk that the Project will lead to forced evictions						
5.6	Project affecting land tenure arrangements and/or community based property rights/customary rights to land, territories and/or resources						
5.7	Loss of land by households						
5.8	Loss of properties –houses, structures						
5.9	Loss of trees by households						
5.10	Loss of crops by people						
5.11	Loss of access to river/forests/grazing area						
5.12	Loss of cultural site, graveyard land						
5.13	Conflicts over use of local water resources						
5.14	Disruption of important pathways, roads						
5.15	Loss communal facilities –churches						
5.16	Result in the involuntary restriction of access by people to legally designated parks and protected areas						
If the answer to any of the questions 5.1 – 5.16 is “Yes”, please consult the ESMF and, if needed, prepare an Resettlement Action Plan (RAP)							
6.0	Climate Change Mitigation and Adaptation- Will the project generate the following negative social and economic impacts?						
6.1	Significant greenhouse gas emissions						
6.2	Exacerbate climate change.						
6.3	Incidence of flooding						
6.4	Potential outcomes of the Project being sensitive or vulnerable to potential impacts of climate change						
6.5	Project directly or indirectly increase social and environmental vulnerability to climate change now or in the future (maladaptive practices)? For example, changes to land use planning may encourage further development of floodplains, potentially increasing the population's vulnerability to climate change, specifically flooding						
If the answer to any of the questions 6.1 – 6.5 is “Yes”, please consult the ESMF and, if needed, prepare a Climate Risk Assessment (CRA)							
7.0	Cultural Heritage- Will the project generate the following negative social and economic impacts?						

7.1	interventions potentially adversely impacting sites, structures, or objects with historical, cultural, artistic, traditional or religious values or intangible forms of culture (e.g., knowledge, innovations, practices)?						
7.2	Project utilizing tangible and/or intangible forms of cultural heritage for commercial or other purposes.						
If the answer to any of the questions 7.1 – 7.2 is “Yes”, please consult the ESMF and, if needed, prepare a Chance Finds Procedure (CFP)							

- **Overall evaluation of Environmental and Social Screening Exercises.**
- The results of the screening process would be either the proposed sub - projects would be exempted or subjected to further environmental and resettlement assessment. The basis of these options is listed in the table below:

Review of Environmental Screening	Tick	Review of Social Screening	Tick
1. The project is cleared. No serious impacts. (When all scores are “No” in form)		1.The project is cleared. No serious social impact. (Where scores are all “No”, “few” in form)	
2.There is need for further assessment. (when some scores are “Yes, High” in form)		2.There is need for resettlement/compensation. (When some scores are “Yes, High” in form)	
3. Need to prepare ESMP		3. Need to prepare RAP	

3.0 Methodology For Significance Rating of Activity Impacts For End Beneficiary Sub-Projects:

The significance of adverse impacts from project activities will be rated on the basis of their magnitude, duration and probability as shown below in Table APP 1. The scales of rating are 1 to 5 with 1 being low and 5 being high. Where an aspect is affected by more than one impact, the highest rating is taken as the applicable significance of the impact. The ESMP in Chapter 7 only considers the impacts that have been rated substantial - moderate and high significance as these present impacts that need attention.

Table APP 3-1 Methodology for significance rating of impacts

No.	CRITERIA	DESCRIPTION	SCORING
1.0	Impact Assessment Criteria	The criteria used for the assessment of the potential impacts of the proposed project are described here in:	
	Nature	Includes a description of what causes the effect, what will be affected and how it will be affected	

No.	CRITERIA	DESCRIPTION	SCORING
	Duration	Lifetime of the impact is measured in relation to the lifetime of the project	
	Extent	Physical and spatial scale of the project	
	Intensity Extent	Examining whether the impact is destructive or benign, whether it destroys the impacted environment, alters its functioning, or slightly alters the environment	
	Type	Description of the type of impact as positive, negative or neutral, and direct or indirect	
	Consequence	Combination of duration, extent and intensity of impact in relation to the type	
	Probability	This describes the likelihood of the impacts actually occurring. The impact may occur for any length of time during the lifecycle of the activity, and not at any given time	
	Significance severity	Synthesis of the characteristics described above and assessed as low, medium or high. Distinction will be made for the significance rating without the implementation of mitigation measures and with the implementation of mitigation measures	
	Nature	Includes a description of what causes the effect, what will be affected and how it will be affected	
2.0	Quality	Nature of Environmental Change	
	Positive	Beneficial impacts	N/A
	Negative	Adverse Impacts	N/A
3.0	Probability	the likelihood of the impact actually occurring	
	Improbable	Possibility of the impact occurring is none, due either to the circumstances, design or experience. The chance of this impact occurring is thus zero (0%).	1
	Possible	Possibility of the impact occurring is very low, either due to the circumstances, design or experience. The chances of this impact occurring is defined as 25%.	2
	Likely	There is a possibility that the impact will occur to the extent that provisions must therefore be made. The chances of this impact occurring is defined as 50%.	3
	Highly Likely	It is most likely that the impact will occur at some stage of the development. Plans must be drawn up before carrying out the activity. The chances of this impact occurring is defined as 75%.	4
	Definite	Impact will take place regardless of any prevention plans, and only mitigation actions or contingency plans to contain the effect can be relied upon the chances of this impact occurring is defined as 100%.	5
4.0	Severity	The degree of disturbance	

No.	CRITERIA	DESCRIPTION	SCORING
	Very Low	Impact affects the quality, use and integrity of the system/component in a way that is barely perceptible.	1
	Low	Impact alters the quality, use and integrity of the system/component but system/component still continues to function in a slightly modified way and maintains original integrity (no/limited impact on integrity).	2
	Moderate	Impact alters the quality, use and integrity of the system/component but system/component still continues to function in a moderately modified way and maintains general integrity.	3
	High	Impact affects the continued viability of the system/component, and the quality, use, integrity and functionality of the system or component is severely impaired and may temporarily cease. High costs of rehabilitation and remediation.	4
	Very High	Impact affects the continued viability of the system/component, and the quality, use, integrity and functionality of the system or component permanently ceases and is irreversibly impaired (system collapse). Rehabilitation and remediation often impossible. If possible, rehabilitation and remediation often unfeasible due to extremely high costs of rehabilitation and remediation.	5
5.0	Extent	the spatial influence of the effects produced by the impact.	
	Footprint	Impacted area extends only as far as the activity, such as footprint occurring within the total site area	1
	Site	Impact could affect the whole, or a significant portion of the site	2
	Regional	Impact could affect the area around the site including neighbouring farms, transport routes and adjoining towns	3
	National	Impact could have an effect that expands throughout the country (South Africa)	4
	International	Impact has international ramifications that go beyond the boundaries of South Africa	5
6.0	Duration	Period when the Impact is Expected to Occur	
	Short-term	The impact and its effects will either disappear with mitigation or will be mitigated through natural process in a span shorter than the construction phase (0 – 1 years), or the impact and its effects will last for the period of a relatively short construction period and a limited recovery time after construction, thereafter it will be entirely negated (0 – 2 years).	1
	Medium-Short-term	The impact and its effects will continue or last for the period of a relatively long construction period and/or a limited recovery time after this construction period, thereafter it will be entirely negated (2 – 5 years).	2
	Medium-Long-term	The impact and its effects will continue or last for some time after the construction phase but will be mitigated by direct human action or by natural processes thereafter (5 – 15 years)	3

No.	CRITERIA	DESCRIPTION	SCORING
	Long-term	The impact and its effects will continue or last for the entire operational life of the development but will be mitigated by direct human action or by natural processes thereafter (15 – 50 years).	4
	Permanent	The only class of impact that will be non-transitory. Mitigation either by man or natural process will not occur in such a way or such a time span that the impact can be considered transient (Indefinite).	5
7.0	Intensity	The assessment of the intensity of the impact will be a relative evaluation within the context of all the activities and the other impacts within the framework of the project.	
	Low	Impact alters the affected environment in such a way that the natural processes or functions are not affected	
	Low-Medium	Impact alters the affected environment in such a way that the natural processes or functions are slightly affected	
	Medium	Affected environment is altered, but functions and processes continue, albeit in as modified way	
	Medium-High	Affected environment is altered, but functions and processes are modified immensely	
	High	Function or process of the affected environment is disturbed to the extent where the function or process temporarily or permanently ceases	
8.0	Consequence	The Consequence of issues will be determined using the following formula: Consequence = Type x (Duration + Extent + Intensity)	
	Extreme Detrimental	A very serious negative impact which may be sufficient by itself to prevent implementation of the Project. The impact may result in permanent change. Very often these impacts are immitigable and usually result in very severe effects. The impacts will be irreplaceable and irreversible should adequate mitigation and management measures not be successfully implemented.	-18 to 20
	High Detrimental	A serious negative impact which may prevent the implementation of the Project. These impacts would be considered by society as constituting a major and usually a long-term change to the (natural and/or social) environment and result in severe effects. The impacts may result in the irreversible damage to irreplaceable environmental or social aspects should mitigation measures not be implemented.	14 to > - 17
	Moderate Detrimental	An important negative impact which requires mitigation. The impact is insufficient by itself to prevent the implementation of the project but which in conjunction with other impacts may prevent its implementation. These impacts will usually result in negative medium to long-term effect on the social and/or natural environment.	-10 to 13
	Slight Detrimental	A small negative impact. The impact will result in medium to short-term effects on the social and/or natural environment.	-6 to 9

No.	CRITERIA	DESCRIPTION	SCORING
	Negligible	An acceptable negative/positive impact for which mitigation is desirable but not essential. The impact by itself is insufficient even in combination with other low impacts to prevent the development being approved. These impacts will result in negative/positive medium to short-term effects on the social and/or natural environment. The impacts are reversible and will not result in the loss of irreplaceable aspects.	-5 to 5
	Slight Beneficial	A small positive impact. The impact will result in medium to short-term effects on the social and/or natural environment.	6 to 9
	Moderate Beneficial	An important positive impact. The impact is insufficient by itself to justify the implementation of the Project. These impacts will usually result in positive medium to long-term effect on the social and/or natural environment.	10 to 13
	High Beneficial	A beneficial impact that may help to justify the implementation of the Project. These impacts would be considered by society as constituting a major and usually a long-term positive change to the (natural and/or social) environment.	14 to 17
	Extreme Beneficial	A very beneficial impact which may be sufficient by itself to justify implementation of the project. The impact may result in permanent positive change.	1 to 20
9.0	Magnitude	Effect on Environmental and Social Processes	
		Magnitude = Probability + Severity + Extent + Duration	
	negligible	not serious: Changes are barely perceptible.	< 6
	low	acceptable, mitigable	6-9
	moderate	undesirable but mitigable	10-13
	high	very serious	14-17
	very high	totally unacceptable	>17

ANNEX 3: SECAP RISK CATEGORISATION

The tables below provide the SECAP E&S and Climate Risk Categorisations for Financial Intermediaries

Category	Environmental and Social Risks
High	<p>High Risk FIs: when an FI's existing or proposed future portfolio includes or is expected to include in the future (including through IFAD's support), significant financial exposure to business activities with potential significant adverse environmental or social risks or impacts that are diverse, irreversible, or unprecedented. This includes FIs with existing or proposed future portfolios that substantially include clients and projects that would be categorized as High Risks as defined in IFAD's environmental and social categories for direct investments.</p> <p>A significant exposure to clients and projects within an FI's portfolio is when > 80% of the total portfolio value is with these clients and projects</p>
Substantial	<p>Substantial Risk FIs: when an FI's existing or proposed future portfolio includes or is expected to include in the future (including through IFAD's support), significant financial exposure to business activities with potential significant adverse environmental or social risks or impacts that are mostly temporary, predictable and/or reversible or that can be avoided or reversed. This includes FIs with existing or proposed future portfolios that substantially include clients and projects that would be categorized as Substantial Risks as defined in IFAD's environmental and social categories for direct investments and only a limited number of High-Risk clients and projects as defined in IFAD's environmental and social categories for direct investments.</p> <p>A significant exposure to clients and projects within an FI's portfolio is when > 80% of the total portfolio value is with these particular clients and projects.</p> <p>A limited exposure to clients and projects within an FI's portfolio is when < 20% of the total portfolio value is with these particular clients and projects.</p>
Moderate	<p>Moderate Risk FIs: when an FI's existing or proposed future portfolio includes or is expected to include in the future (including through IFAD's support), significant financial exposure to business activities with potential significant adverse environmental or social risks or impacts that are mostly predictable, temporary, and reversible. This includes FIs with existing or proposed future portfolios that substantially include clients and projects that would be categorized as Moderate Risks as defined in IFAD's environmental and social categories for direct investments and only a limited number of Substantial Risk clients and projects as defined in IFAD's environmental and social categories for direct investments.</p>

	A significant exposure to clients and projects within an FI's portfolio is when > 80% of the total portfolio value is with these clients and projects
Low	<p>Low Risk FIs: when an FI's existing or proposed future portfolio includes or is expected to include in the future (including through IFAD's support), significant financial exposure to business activities which are not likely to generate adverse environmental or social risks. This includes FIs with existing or proposed future portfolios that substantially include clients and projects that would be categorized as Low Risks as defined in IFAD's environmental and social categories for direct investments and only a limited number of Moderate Risk clients and projects as defined in IFAD's environmental and social categories for direct investments. Examples: microfinance institutions, digital finance providers, etc.</p> <p>A significant exposure to clients and projects within an FI's portfolio is when > 80% of the total portfolio value is with these clients and projects.</p> <p>A limited exposure to clients and projects within an FI's portfolio is when < 20% of the total portfolio value is with these particular clients and projects.</p>

Category	Climate Risks
High	<p>High Risk FIs: when an FI's existing or proposed future portfolio includes or is expected to include in the future (including through IFAD's support), significant financial exposure to business activities which are highly vulnerable to climate related hazards. This includes FIs with existing or proposed future portfolios that substantially include clients and projects that would be categorized as High Risks as defined in IFAD's climate change categories for direct investments.</p> <p>A significant exposure to clients and projects within an FI's portfolio is when > 80% of the total portfolio value is with these clients and projects.</p>
Substantial	<p>Substantial Risk FIs: when an FI's existing or proposed future portfolio includes or is expected to include in the future (including through IFAD's support), significant financial exposure to business activities which are substantially vulnerable to climate related hazards. This includes FIs with existing or proposed future portfolios that substantially include clients and projects that would be categorized as Substantial Risks as defined in IFAD's climate change categories for direct investments and only a limited number of High-Risk clients and projects as defined in IFAD's climate change categories for direct investments. A significant exposure to clients and projects within an FI's portfolio is when > 80% of the total portfolio value is with these clients and projects.</p> <p>A limited exposure to clients and projects within an FI's portfolio is when < 20% of the total portfolio value is with these particular clients and projects.</p>

Moderate	<p>Moderate Risk FIs: when an FI's existing or proposed future portfolio includes or is expected to include in the future (including through IFAD's support), significant financial exposure to business activities which are moderately vulnerable to climate related hazards. This includes FIs with existing or proposed future portfolios that substantially include clients and projects that would be categorized as Moderate Risks as defined in IFAD's climate change categories for direct investments and only a limited number of Substantial Risk clients and projects as defined in IFAD's climate change categories for direct investments. A significant exposure to clients and projects within an FI's portfolio is when > 80% of the total portfolio value is with these clients and projects. A limited exposure to clients and projects within an FI's portfolio is when < 20% of the total portfolio value is with these particular clients and projects.</p>
Low	<p>Low Risk FIs: when a FI's existing or proposed future portfolio includes or is expected to include in the future (including through IFAD's support), significant financial exposure to business activities which are not likely to be vulnerable to climate-related hazards. This includes FIs with existing or proposed future portfolios that substantially include clients and projects that would be categorized as Low Risks as defined in IFAD's climate change for direct investments and only a limited number of Moderate Risk clients and projects as defined in IFAD's climate change categories for direct investments. Examples: microfinance Institutions, digital finance providers, etc.</p> <p>A significant exposure to clients and projects within an FI's portfolio is when > 80% of the total portfolio value is with these clients and projects.</p> <p>A limited exposure to clients and projects within an FI's portfolio is when < 20% of the total portfolio value is with these particular clients and projects.</p>

ANNEX 4: ESAP AND ESDD TEMPLATES

AN 4.1 ESAP TEMPLATE

This template guides the development of an ESAP for Fis or End Beneficiaries

Mitigation Hierarchy	Action	Performance Indicators	Deadline	Responsible staff	Resources required	Operational procedures
Avoid the risk	What should be done to avoid the risk?	What parameters should be monitored to determine success?	When will this be accomplished?	Who is responsible for ensuring that this occurs?	What human and financial resources are needed?	What procedures should be put in place to ensure that this action becomes part of daily processes?
Minimise the risk						
Compensate /offset negative aspects of risk						

ESAP Development

When a sub-project includes distinct mitigation measures (physical works or management activities), an Environmental and Social Action Plan (ESAP) needs to be included with the sub-project application.

ESAP Contents:

An ESAP usually includes the following components:

- **Description of adverse effects:** The anticipated effects are identified and summarized.
- **Description of mitigation measures:** Each measure is described with reference to the effect(s) it is intended to deal with. As needed, detailed plans, designs, equipment descriptions, and operating procedures are described.
- **Description of monitoring program:** Monitoring provides information on the occurrence of environmental effects. It helps identify how well mitigation measures are working, and where better mitigation may be needed. The monitoring program should identify what information will be collected, how, where, by whom and how often. It should also indicate at what level of effect there

will be a need for further mitigation. It should also describe how monitoring data will be stored, analysed and reported. How environmental effects are monitored is discussed below.

- **Responsibilities:** The people, groups, or organizations that will carry out the mitigation and monitoring activities are defined, as well as to whom they report and are responsible. There may be a need to train people to carry out these responsibilities, and to provide them with equipment and supplies.
- **Implementation schedule:** The timing, frequency and duration of mitigation measures and monitoring are specified in an implementation schedule and linked to the overall sub-project schedule.
- **Cost estimates and sources of funds:** These are specified for the initial sub-project investment and for the mitigation and monitoring activities as a sub-project is implemented. Funds to implement the EMP may come from the sub-project grant, from the community, or both. Government agencies and NGOs may be able to assist with monitoring.
- **Training requirements**
- **Community liaison and involvement**

Monitoring Methods:

Methods for monitoring the implementation of mitigation measures or environmental effects should be as simple as possible, consistent with collecting useful information and that community members can apply themselves. For example, they could just be regular observations of sub-project activities or sites during construction and then use. Are fences and gates being maintained and properly used around a new water point? does a stream look muddier than it should and, if so, where is the mud coming from and why? are pesticides being properly stored and used? Most observations of inappropriate behaviour or adverse effects should lead to common sense solutions. In some cases (e.g., unexplainable increases in illness or declines in fish numbers), there may be a need to require investigation by a technically qualified person.

Typical Sub-Project ESAP

The following example of an agricultural activities (Horticulture Management) has been considered:

No.	POTENTIAL NEGATIVE IMPACTS	MITIGATION/ENHANCEMENT	REESPONSIBILITY	PERFORMANC E INDICATOR	TIMEFRAME	CAPACITY BUILDING
1.	<ul style="list-style-type: none"> Increased soil erosion due to clearing of vegetation. Increased siltation of surface waters. 	<ul style="list-style-type: none"> Restriction of vegetation clearing to working areas only. Soil erosion control measures (e.g., reforestation, reseeding of grasses, land preparation, terracing). 				
2.	<ul style="list-style-type: none"> Deterioration of soil fertility and physical characteristics through: <ul style="list-style-type: none"> removal of vegetation increased erosion soil compaction 	Same as 1				
3.	Increased rapid runoff due to vegetation clearing and soil compaction (Decreased infiltration capacity)	<ul style="list-style-type: none"> Water conservation measures and water spreading. . Same as 1 and 2. 				
4.	<ul style="list-style-type: none"> Degradation of vegetation and soil around water points. Over tapping of groundwater. Lowering of water table and degradation of vegetation Locally by drilling and use of boreholes. 	<ul style="list-style-type: none"> Development of many small capacity water sources. Strategic placement of water points. Control of use of water points (animal numbers and time of year) Closure of permanent water sources when temporary pools and Streams are available. Limitation of well capacity by choice of technologies (e.g., hand-Pumps or buckets instead of motor pumps). 				
5.	<ul style="list-style-type: none"> Displacement or reduction of wildlife population by reduction of habitat. Disruption of migratory routes. Competition for food and water resources. introduction of diseases. Impacts of burning. Increased poaching and killing of wildlife considered as pests or predators. 	<ul style="list-style-type: none"> Establishment of compensatory wildlife refuges. Investigation of management of wildlife ranching which will help protect wildlife Resources. 				

6.	Pollution, environmental disruption and health hazards from Diseases and pest control measures	<ul style="list-style-type: none"> Choice of chemical that is species-specific, short residence time (active period), and has low impact on other biologic resources. Protective measures for field workers. Spraying methods and timing to minimize potential of water pollution. Selection of disease-resistant breed. 				
7.	Reduction of genetic variability due to selective breeding	<ul style="list-style-type: none"> Conservation of genetic diversity in-site (protection of wild relatives in natural Habit, maintaining variability within populations by breeding) and ex-situ (e.g., preservation of genetic material in 'banks'). 				
8.	Negative effects of uncontrolled burning for brush control on soil and vegetation (deterioration of soil fertility and soil structure, altered wildlife habitat, destruction of vegetation)	Implementation of well-planned and controlled burning programs.				
9.	Conversion of most tropical lowland forests for agricultural production resulting in long-term environmental degradation and unsustainable production.	Avoidance of clearing such forests for agricultural production.				
10.	Occupational Health Safety risks <ul style="list-style-type: none"> The movement of trucks to and from the site, the operation of various equipment and machinery and the actual agricultural activities will expose the workers to work-related accidents and injuries. Pollutants such as dust and noise could also have negative implications for the health of workers. 	<ul style="list-style-type: none"> All safety precautions must be enforced. Provide PPE to all workers. institute dust and noise suppression measures. 				

AN 4.2 ESDD TEMPLATE

The following is an ESDD template that will be used to assess potential Financial Intermediaries for the ARCAFIM programme:

1.0 INTRODUCTION

Give background and state reason for conducting ESDD.

2.0 SCREENING:

Collect the Financial Intermediary's E&S information in order to screen its activities against excluded activities and to categorise the risk level of the Bank. This should include all existing policies, procedures and documents applicable to the E&S Risk management process.

3.0 Due Diligence (ESDD)

Conduct a detailed assessment of E&S risks of the FI's portfolio against international E&S standards paying particular attention to E&S management systems and capacity, labour and working conditions, resource efficiency, climate risk and impact pollution, community health and safety, land acquisition and resettlement, biodiversity, indigenous peoples, cultural heritage, and gender risks and opportunities.

A template assessment is included in the table below:

Table 1 ESDD Template

AP No.	Requirement	Review	Agreed Points	Action	By When
1.	Environmental and social policy with social and environmental requirements encompassing direct and indirect sub-projects. The policy should also include a commitment that all non-retail transactions comply.				
2.	A process to identify environmental, social and climate risks and impacts and categorise investments including sub-projects.				
3.	Internal organizational capacity and competency				
4.	Monitoring and reporting systems				
5.	Disclosure	•			

4.0 Loan Agreement

This should state the contractual arrangements between the lender and the borrower which should include E&S covenants to ensure that E&S risk management practices will be implemented. These may include ESMS implementation, ESAP compliance, and/or E&S reporting requirements², eg :

- Compliance with specific host-country laws,
- Adopting the exclusion list (Annex 1),
- Adopting a risk categorisation methodology,
- Commitment to ESAP requirements,
- Explicit commitments regarding the prevention and response to GBVH incidents, including appropriate awareness raising and grievance response mechanisms,
- Commitments to monitoring requirements; and
- Annual reporting.

5.0 Implementation and Capacity Building

This will cover measures to ensure implementation of the ESAP and covenants in the loan agreement, including capacity building and training as required.

ANNEX 5: EMERGENCY PREPAREDNESS AND RESPONSE PROCEDURE GUIDANCE

For all ARCAFIM participants with activities and facilities that are likely to generate impacts, an emergency preparedness and response system should be developed to respond to accidental and emergency situations. Buildings that are owned or rented/leased that are accessible to the public should be designed, constructed and operated in compliance with local building codes, local fire department regulations and local legal requirements. Depending on their risk categorization, FIs may also need to require End Beneficiaries to develop emergency preparedness and response plans.

The details of an Emergency Preparedness and Response Plan are specific to a particular facility/operation and its layout and infrastructure. However, the following broad components should be included in an Emergency Preparedness and Response Plan:

- Identification of potential emergencies based on hazard assessment;
- Procedures to respond to the identified emergency situations;
- Procedures to shut down equipment;
- Procedures for rescue and evacuation;
- List and location of alarms and schedule of maintenance;
- List and location of emergency response equipment (firefighting, spill response, first aid kits, personal protection equipment for emergency response teams);
- Protocols for the use of the emergency equipment and facilities;
- Schedule for periodic inspection, testing and maintenance of emergency equipment;
- Clear identification of evacuation routes and meeting points;
- Schedule of trainings and drills, including with local emergency response services (firefighters);
- Procedures for emergency drills;
- Emergency contacts and communication protocols, including with communities when necessary, and procedures for interaction with the government authorities; and
- Procedures for periodic review and update of emergency response plans.

ANNEX 6: SERIOUS ACCIDENT AND INCIDENT REPORTING PROCEDURE GUIDANCE

An Accident and Incident Reporting Procedure ensures that all incidents are responded to in a timely and effective manner and investigated thoroughly. The scope, scale and type of accident and incident reporting process will be proportionate to the nature and scale of the potential impact and risk of the FI/end beneficiary. The following broad components should be included in the ARCAFIM Participants' Serious Accident and Incident Reporting Procedures:

- Internal resource with designated responsibility for the incident reporting procedure
- Definition of types of incidents and accidents relevant to the ARCAFIM programme
- Methodology to categorise the severity of the accident/incident
- Process for incident reporting and investigation, including:
 - Receipt of the incident
 - Documentation of the incident
 - Categorisation of the type of incident
 - Notification of relevant parties (e.g. board, investors), dependent on the severity of the incident.
 - Investigation of the incident
 - Identification of corrective actions
 - Reporting on the above process

The above incident investigation and reporting process should include timeframes to ensure timely response to and resolution of incidents. An Incident Notification Form and Incident Reporting Form template can be developed to support this process.

ANNEX 7: ARCAFIM PROGRAMME LEVEL GRIEVANCE RESPONSE MECHANISM

ANN 7.1 GENERAL

This grievance redress mechanism (GRM) is a process for receiving, evaluating and addressing programme related concerns of, and complaints by, programme affected communities or persons.

The ARCAFIM Grievance Redress Mechanism allows affected complainants to have their concerns resolved in a fair and timely manner through an independent process. The GRM requires i) working proactively with the affected parties to resolve complaints; ii) ensuring that the complaints procedure is responsive and operates effectively; and iii) maintaining records of all complaints and their resolutions.

The key steps for grievance management are:

- i. Publicising grievance management procedures so that the mechanism is accessible to everyone.
- ii. Receiving (i.e., collecting, recording, and registering) and keeping track of grievances.
- iii. Reviewing and investigating grievances to assess the nature of the grievance, its severity and legitimacy.
- iv. Developing resolution options commensurate with the nature of grievances and preparing and communicating a clear response and closing out cases when agreement with the complainants is reached.
- v. Monitoring grievances through tracking to ascertain effectiveness, adapting the mechanism to correct inefficiencies, using the results of monitoring for feedback and lessons learned.

ANN 7.2 OPERATION OF THE GRIEVANCE REDRESS MECHANISM

The programme-wide grievance redress mechanism (GRM) is a system by which queries or clarifications about the programme will be responded to, problems with implementation will be resolved, and complaints and grievances will be addressed efficiently and effectively.

ANN 7.2.1 PURPOSE OF THE GRM

The GRM will serve the following purpose:

- to be responsive to the needs of all participating partners down to beneficiaries and to address and resolve their grievances.
- to serve as a conduit for soliciting inquiries, inviting suggestions, and increasing participation.
- to collect information that can be used to improve operational performance.
- to enhance the programme's legitimacy among stakeholders.
- to promote transparency and accountability.
- to deter fraud and corruption and mitigate project risks.

ANN 7.2.2 STRUCTURE OF THE GRM

The GRM consists of a small number of components:

- The access point for impacted/concerned people
- Grievance log
- Acknowledgement stage
- Assessment stage
- Passing of resolution
- Response
- Room for appeal
- Case closure

The following key steps must be followed for all complaints received by ARCAFIM staff:

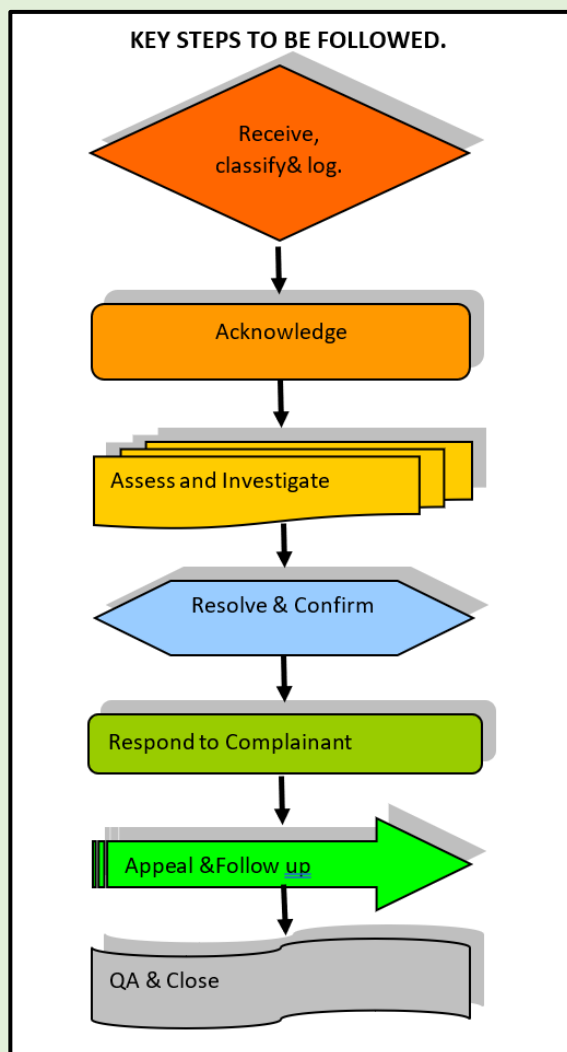
i) Receive, classify & log

All potential issues must be captured and classified for escalation, review and action as required.

a) Receiving the Grievance:

The access points will be as close to the users as possible. Thus for the programme, an easily accessible and well publicized focal point or user-facing 'help desk' will be the first step. This will be established in each participating country and at every sub-project Offices so that it will be seen as credible and accessible. The main issues for the access point include the following:

- Uptake channels should include some or all of the following:
 - phone hotline,
 - email,
 - mail,
 - SMS,
 - webpage,
 - or face-to-face.
- The uptake channels will be publicized and advertised via local media and the implementing agency.
- Verbal complaints should be recorded by staff for them to be considered.
- Many complaints may be resolved 'on the spot' and informally by the ARCAFIM PMU staff but should also be logged in order to (i) encourage responsiveness; and (ii) ensure that repeated or low-level grievances are being noted in the system.
- The GRM should have the ability to handle anonymous complaints.



Typically, the complainant will be provided with a receipt and 'roadmap' telling him/her how the complaint process works and when to expect further information.

b) Logging and classifying:

Any complaint, issue or negative stakeholder interaction (whether this is formally logged by the complainant or not), must be logged and classified for action (Grievance Log).

All of these complaints must be formally logged using the standard forms and all complaints must be prioritized as follows:

- **Priority 1 – urgent,**
These pose potentially high health and high business impact. **These require a response to the Complainant within three (3) working days.**
 - This should be used (sparingly) for major health issues where the complaint may have disastrous impacts on either human, the environment or ARCAFIM itself.
 - Also, this could be used in a situation where the complainant may be in a position to influence or make public statements that would impact upon the ARCAFIM reputation.
- **Priority 2, - non-urgent,**
These pose lower health environmental and social impact. **These require a response to the complainant within 2 working weeks.**
 - This should be used for most complaints with individual stakeholders, as this allows a reasonable time to collect information and produce a balanced response.

Discretion and flexibility should be exercised in prioritizing all complaints.

The staff member logging the complaint should review the complaint and its priority with the Sub-project/ ARCAFIM Programme Country Manager before proceeding to the next step.

The Sub-project/ ARCAFIM Programme Country Manager will decide on the appropriate person(s) to carry out subsequent steps, including the investigation.

All Priority 1 complaints must be escalated immediately to the ARCAFIM Programme Manager.

ii) Acknowledge

Ensure that every complaint receives a formal written acknowledgement, containing an expectation of when they will receive a response, and the person dealing with it. All complaints, regardless of priority, should receive a pro forma acknowledgement sent out 1st class mail on the day of receipt.

iii) Assess & Investigate

Follow up all aspects of the complaint, both internal and external, to ensure that the key facts are identified and clarified.

- The priority of the complaint will drive the timescale for completion (3 days for urgent or 2 weeks for non-urgent).
- All areas of interaction and communication should be established (who, what, where, when why etc.) and documented where possible.

iv) Resolve & Confirm

Ensure that the final resolution is clear and fair. Also confirm the proposed action and resolution with another senior person (ARCAFIM Management).

- Ensure that the proposed resolution meets corporate guidelines and does not prejudice ARCAFIM in any unnecessary legal or financial manner.
- Document the proposed action and discuss and agree with the ARCAFIM Project Manager.
- Discuss and review the solution from both the corporate and complainant viewpoint to ensure fairness and clarity.
- The review should include recognition and documentation of any underlying issues that have contributed to the complaint and recommendations for actions to prevent further occurrence.
- This should then be reviewed as part of the bi-monthly quality assurance reviews.

v) Respond to Complainant

Provide the Complainant with the resolution within the timescales promised.

- The details of the findings and proposed resolution should be clearly explained (in written or verbal form as appropriate) to the complainant- within the agreed timescales.
- If this cannot be done on time the Complainant should be contacted by telephone to request further time.

vi) Appeal & Follow

Ensure that complaints are followed up to confirm that the complainants are satisfied with the response given. If not satisfied the Complainant is advised on the route for Appealing

- All Priority 1 complaints and 95% of priority 2 complaints must be followed up within a reasonable timescale.
- This will be carried out by ARCAFIM Administration team / ARCAFIM Programme Manager's office.
- The follow-up should identify the following:
 - Is the complainant satisfied with the response?
 - Did they feel that their complaint was properly and fairly handled?
- Any negative responses to these questions should be referred to ARCAFIM Programme Managers for action and direct follow up with the complainant.
- The complainant is given room for appealing to the Ministry of Agriculture or Courts of Law, if he is not satisfied.

vii) QA & Close

Ensure that the ARCAFIM as a whole is aware of the complaints and any underlying issues. Plan actions to remove these and prevent future recurrence.

- All complaints should be reviewed monthly as part of the quality assurance review meetings.
- Any complaints where action can be taken to avoid recurrence must be acted upon and raised with the appropriate managers/teams across the ARCAFIM.

ANN 7.3 OPERATION MODALITIES OF GRIEVANCE REDRESS MECHANISMS IN ARCAFIM

Communities and individuals who believe that they are adversely affected by ARCAFIM can submit complains through the grievance redress mechanism of the programme. The mechanism ensures that complaints are promptly reviewed in order to address concerns related to ARCAFIM.

ANN 7.3.1 Establishment of Grievance redress Committees

ARCAFIM Programme will put in place the strategies to monitor and resolve complaints that may arise during and after the Project implementation by the affected people. For better performance and sustainability of ARCAFIM project the committees on GRM have to be established at the different levels of operations. The Grievance Redress Mechanism (GRM) ensures that complaints are received, reviewed and addressed by the elected Grievance redress committees.

ANN 7.3.2 Project Grievance Log.

The Grievance Redress Mechanism Committee will ensure that each complaint has an individual reference number and is appropriately recorded and tracked. The project grievance log form will contain record of the person responsible for an individual complaint received, and records dates for the following events:

1. Date of the received complaint.
2. Name of the PAP complaining
3. Status of the complaint
4. PAP Confidentiality/Identity
5. Signatures of the PAP complaining
6. Signature of committee representative
7. How and who addressed the complaint
8. Dates when the complaint was addressed.

ANN 7.3.3 Grievance prevention/Alternative Dispute Resolution

ANNEX 8: LABOUR, COMMUNITY HEALTH AND SAFETY MANAGEMENT PLAN.

INTRODUCTION

1.1 BACKGROUND

This Labour Management Procedures (LMP) was developed by to manage risks under the Africa Rural Climate Adaptation Financing Mechanism Programme, (ARCAFIM).

1.2 The ARCAFIM Programme

The Africa Rural Climate Adaptation Financing Mechanism (ARCAFIM) Programme is a financing mechanism targeting the stimulation of climate adaptation and resilience in the agricultural sectors of several (4) target countries in East Africa. It is being designed by the International Fund for Agricultural Development (IFAD) through its Private Sector Financing Program (PSFP), jointly with a consortium of partners.

The total project cost for ARCAFIM operations in both East and South African regions will be US\$ 135 million for on-lending and US\$ 30 million of a Technical Assistant (TA) grant budget. The fund will be channelled through two Host Banks - one for each region.

For Phase 1 to be implemented in the East Africa Region with the total project size is US\$ 90 million for on-lending and US\$ 20 million of a TA grand budget. The Host Banks are expected to invest a matching amount bringing the total facility size of ARCAFIM Phase I for on-lending to US\$ 180 million.

1.3 ARCAFIM Objectives

The ARCAFIM objective is to catalyse and scale up private sector climate adaptation financing.

The programme will achieve this through providing green credit lines to two regionally reputable and active commercial financial institutions targeting smallholders and rural MSMEs in Africa through sub-loans, to address the unmet needs of small-scale producers involved in MSME food systems.

Specifically, the ARCAFIM Programme has two main goals:

- III. increased Climate Change (CC) resilience of small-scale producers and rural MSMEs active in the local food systems through Climate Change Adaptation (CCA) investments across agricultural value chains, and
- IV. improved capacity of agriculture value chain participants to adapt to risks imposed by climatic changes.

Overall, the ARCAFIM programme intends to reach 260,000 small-scale producers and SMEs in East Africa.

OVERVIEW OF LABOUR ON THE ARCAFIM PROJECT

The LMP is applicable, as per ESS 5 to all the ARCAFIM Project workers as per the following condition:

- People employed or engaged directly by ARCAFIM to work specifically in relation to the Project,
- Service providers to the Project, will remain subject to the terms and conditions of their existing public sector employment agreement or arrangement,
- People employed or engaged by consultants to perform work related to core function of the Project, regardless of location,

- People employed or engaged by ARCAFIM's primary suppliers,

2.1 LABOUR REQUIREMENTS

2.1.1 Direct Workers:

Direct workers include, the ARCAFIM PMU staff, PMU, Host Banks staff, Fis staff, MSMEs staff, Program-based Staff and Permanent Government Staff. The PMU will employ consultants and support staff who will be working on contractual bases as part of the PMU. Terms and conditions of these consultants will be guided by the Labour Laws of each individual country. In addition, the civil servants at the local level will be involved in the program implementation on a full time or on part-time basis. The consultants will be engaged by the Program to undertake short period assignments as necessary. These are consultants guided by specific contractual agreements between them and ARCAFIM.

Direct workers are eligible to work for a fixed contract period of not more than 1 year. Contracts will be renewed annually based on satisfactory services. Consultants will be engaged under a short-term period of not more than six months and the labour requirement including the time schedule and deliverables are stipulated in their respective contracts.

The ARCAFIM will established a Project Management Unit (PMU) to oversee the Project. The Unit will engage throughout the Project the following personnel:

- Project Coordinator,
- Administrator,
- Procurement Specialist,
- Project Accountant,
- Internal Auditor,
- Monitoring and Evaluation Specialist,
- Environmental and Social Specialist,
- Driver.

2.1.2 Contracted Workers:

Based on the requirement in every component the PMU will employ contractors who will hire contracted workers based on their level of skills and program needs. If agreed with the PMU, sub-contracts of the work could be given. Sub-contractors recruited may supply labourers as per the agreed terms and conditions.

Contracted workers are eligible to work for a contract period fixed by the PMU, and then recruited by the Contractor. Their contracts will be renewed, if required, based on satisfactory services.

2.1.3 Primary Supply Workers:

Based on the requirement in every component primary supply workers will be recruited by the suppliers as required. It will be ensured (and monitored periodically by the PMU) that no children are recruited and supplied as worker. Furthermore, it will be monitored like above that these workers are not subject to 'forced labour' in any manner. The PMU will be responsible to make sure that these standards are followed strictly. If any deviation is identified the PMU will take action as prescribed in the contract/agreement following the LMP.

Their tenure service will be based on supplies as procured.

ASSESSMENT OF POTENTIAL LABOUR RISKS

The main labour risks associated with the Project are assessed to be related to the work environment and associated risks of accidents. **Based on current conditions in the sector it is assessed that the risk of child or forced labour is negligible**, and already managed through national legislation.

The ARCAFIM has developed this LMP as part of the ESCMF which will illustrate the types of workers to be engaged and their management in line with ESS5 and national labour laws and regulations. Even though labour influx is not anticipated, social impacts such as GBV, sexual exploitation and communicable diseases for local communities cannot be ruled out. Thus, management and mitigation of GBV/SEA risks were integrated in both the stakeholder engagement and LMP.

3.1 LABOUR INFLUX

It is not expected that there will be any labour influx in any project community. The ARCAFIM will mandate and localize the economic benefits and only allow for outside, including expatriate labour, where there is a requirement for special skills.

Specific requirements to manage risks associated with labour influx, related to interaction between project workers and local communities, such as communicable diseases and gender-based violence, are managed through contractual requirements, Code of Conduct and training set out in this document. These procedures are guided by the national legislation.

3.2 OCCUPATIONAL HEALTH AND SAFETY:

The Occupational health and Safety measures and action plan guided by the IFAD updated SECAP 21 will be developed and implemented to assess and manage risks and impacts to the community arising from Project activities and workers. The consultants to be engaged will ensure that their employees/staff will be trained on occupational health and safety and records of which are to be inspected monthly and audited bi-annually. The ARCAFIM will consider the incremental risks of the public's health and safety and potential exposure to operational accidents.

3.3 GENDER-BASED VIOLENCE:

Gender based violence is widespread in Eastern Africa and primarily affects girls and women, hence based on the GBV/SEA/SH country-level risk assessment rating, the social risks of Sexual Exploitation/Harassment and GBV are rated as moderate, and the project will not directly or indirectly cause or contribute to any of the pre-existing social issues related to gender-based violence but will attempt to ultimately contribute to their mitigation through improving the livelihoods of the poor stakeholders.

Nonetheless, there is a possibility of contextual risks of GBV and there could be an increase in the risk and exposure of GBV/SEA against women because they have improved economic opportunity as a result of the project. There is thus a need to uphold safe environments at all sub-project areas and implement the GBV Action Plan in the project ESCMF.

3.4 CHILD AND FORCED LABOUR:

The risk of child labour will be very minimal and will be mitigated through Certification of labourers' age. This will be done by using the legally recognized documents such as the National Identification Card, and Birth Certificate. Further, awareness-raising sessions will be conducted regularly to the communities to sensitize on prohibition and negative impacts of child and forced Labour.

REGULATORY FRAMEWORK

All activities under the proposed project must be consistent with all applicable laws, regulations, and notifications that are relevant in the context of the proposed project interventions. Therefore, it is the responsibility of the ARCAFIM to ensure that the proposed activities are consistent with the regulatory/legal framework, whether National or regional.

4.1 LEGAL FRAMEWORK

ARCAFIM programme activities must be compliant with the provisions of the legal framework of the relevant host countries as referenced in ARCAFIM's E&S Policy.

Programme stakeholders in committing to adhere to ARCAFIM E&S Policy thereby commit to achieving and demonstrating compliance with national, environmental, social, occupational health and safety and labour laws, and construction and operation permits, etc.

In cases where the national requirement provides for the more stringent safeguarding standard, ARCAFIM's stakeholders shall conform to the national requirements provided it does not create any inconsistencies with the Framework. In cases where there is inconsistency between national requirements and the ARCAFIM's ESMF, this Framework will prevail to the extent of the inconsistency.

4.2 NATIONAL LEGAL FRAMEWORKS

The ARCAFIM SEP is also guided by the national laws, regulations, and policies in the End Beneficiary countries in which the Programme will operate. Key national E&S legislation and policies in the ARCAFIM countries are outlined in the ESMF.

RESPONSIBLE STAFF AND PROCEDURES

The ARCAFIM PMU has the overall responsibility to oversee all aspects of the implementations of the LMP, in particular to ensure contractor compliance. ARCAFIM PMU will address all LMP aspects as part of procurement for works as well as during contractor induction. The contractors will subsequently be responsible for management of labour issues in accordance with contract specific labour Management Plans, implementation of which will be supervised by ARCAFIM PMU on a monthly basis or at shorter intervals as defined by specific Plans. The detailed approach is described in the following sections.

5.1 OCCUPATIONAL HEALTH AND SAFETY.

The ARCAFIM PMU Environmental Specialist must ensure that the implementation of ARCAFIM will be conducted in compliance to occupational health and safety requirements. The ARCAFIM Environmental Specialist will make sure that each participating country and institution receives the template OHS programs, establish safety representatives for day-to-day monitoring of safety requirements, record and report all incidents accordingly to the ARCAFIM.

5.2 LABOUR AND WORKING CONDITIONS.

Government civil servants, who may provide support to the Project, will remain subject to the terms and conditions of their existing public sector employment agreement and their contract will include Environmental and Health and Safety Guidelines and industry standard code of conduct that address OHS risks and measures to prevent GBV etc. In addition to these the COVID – 19 regulations 2020 will also apply. A Labour Management Procedure (LMP), which illustrates types of workers to be engaged and their management in line with ESS 6 and national labour laws and regulations, has been developed. although labour influx is not anticipated, social risks such as GBV, sexual exploitation and abuse within the project workforce are envisaged as possibility.

5.3 CONTRACTORS OCCUPATIONAL HEALTH AND SAFETY.

Contractors must engage a minimum of one safety representative. Smaller contracts may permit for the safety representative to carry out other assignments as well. The safety representative will ensure the day-to-day compliance with specified safety measures and records of any incidents are done. Minor incidents are reported to ARCAFIM PMU on a monthly basis; serious incidents are reported immediately. Minor incidents are reflected in the quarterly reports to the IFAD

5.4 CONTRACTOR LABOUR AND WORKING CONDITIONS.

Contractors will keep records in accordance with specifications set out in this LMP. ARCAFIM PMU may

at any time require records to ensure that labour conditions are met. The PMU will review records against actuals at a minimum on a monthly basis and can require immediate remedial actions if warranted. A summary of issues and remedial actions will be included in quarterly reports to the IFAD.

5.5 WORKER GRIEVANCES.

The ARCAFIM PMU's procedures currently developed will remain in place for Project staff. Contractors will be required to present a worker grievance redress mechanism which responds to the minimum requirements in this LMP. The PMU's Social Officer will review records on a monthly basis. Where worker concerns are not resolved, the national system will be used as set out in the section, but the PMU will keep abreast of resolutions and reflect them in quarterly reports to IFAD.

5.6 ADDITIONAL TRAINING.

Contractors are required to, at all times, have a qualified safety officer on board. If training is required, this will be the contractor's responsibility. The safety officer will provide instructions to contractor staff. ARCAFIM PMU will provide training to address risks associated with labour influx and will provide a schedule for trainings required. The contractor will be obligated to make staff available for this training, as well as any additional mandatory trainings required by ARCAFIM PMU, as specified by the contract.

POLICIES AND PROCEDURES

6.0 RELEVANT POLICIES AND PROCEDURES

The engagement and treatment of program staff will be made on the basis of characteristics related to inherent job requirements. It will be based on the principle of equal opportunity and fair treatment, and there will be no discrimination with respect to any aspects of the employment relationship, such as recruitment and hiring, compensation (including wages and benefits), working conditions and terms of employment, access to training, job assignment, promotion, termination of employment or retirement, or disciplinary practices.

Contractors will be responsible for mitigating all environmental and social impacts of subprojects resulting from activities directly under their control. The ARCAFIM PMU Environmental Specialist will incorporate standardized environmental and social clauses in the tender and contract documents in order for potential bidders to be aware of environmental and social performance requirements that will be expected from them and are able to reflect that in their bids and required to implement the clauses for the duration of the contract.

The contractor will be required to ensure that all documentation related to environmental and social management, including the LMP, is available for inspection at any time by the respective Labour Ministries or their appointed agents in the different countries. The contractual arrangements with each project worker must be clearly defined in accordance with each local Legislation. All environmental and social requirements will be included in the bidding documents and contracts in addition to any additional clauses, which are contained, in the Projects environmental and social instruments.

The PMU, Host Banks, FIs, MSMEs, Contractors, suppliers or sub-contractors will never engage forced labour. Forced labour includes bonded labour (working against an impossible debt), excessive limitations of freedom of movement, excessive notice periods, retaining the worker's identity or other government-issued documents or personal belonging, imposition of recruitment or employment fees payable at the commencement of employment, loss or delay of wages that impede the workers' right to end employment within their legal rights, substantial or inappropriate fines, physical punishment, use of security or other personnel to force or extract work from project workers, or other restrictions that compel a project worker to work on a non-voluntary basis.

6.1 LABOUR INFLUX AND GENDER BASED VIOLENCE

Contractors will need to maintain labour relations with local communities through a code of conduct (CoC). The CoC commits all persons engaged by the contractor, including sub-contractors and suppliers, to acceptable standards of behaviour. The CoC must include sanctions for non-compliance, including non-compliance with specific policies related to gender-based violence, sexual exploitation and sexual harassment (e.g., termination). The CoC should be written in plain language and signed by each worker to indicate that they have:

- Received a copy of the CoC as part of their contract.
- Had the CoC explained to them as part of induction process.
- Acknowledged that adherence to this CoC is a mandatory condition of employment.
- Understood that violations of the CoC can result in serious consequences, up to and including dismissal, or referral to legal authorities.

A copy of the CoC shall be displayed in a location easily accessible to the community and project affected people. It shall be provided in English and the local language.

Contractors must address the risk of gender-based violence, through: Mandatory training and awareness raising for the workforce about refraining from unacceptable conduct toward local community members, specifically women. Training may be repeated.

- Informing workers about national laws that make sexual harassment and gender-based violence a punishable offence which is prosecuted.
- Adopting a policy to cooperate with law enforcement agencies in investigating complaints about gender-based violence.
- Developing a system to capture gender-based violence, sexual exploitation and workplace sexual harassment related complaints/issues.

This process will be under the portfolio of the Environmental Specialist to be recruited under the PMU and shall identify and engage the relevant stakeholders on GBV and HIV and Aids related issues.

6.2 OCCUPATIONAL, HEALTH AND SAFETY

ARCAFIM is committed to:

- Complying with Participating Governments' legislation and other applicable requirements which relate to the occupational health and safety hazards.
- Enabling active participation in OH&S risks elimination through promotion of appropriate skills, knowledge and attitudes towards hazards.
- Continually improving the OH&S management system and performance.
- Communicating this policy statement to all persons working under the control of ARCAFIM with emphasis on individual OH&S responsibilities.
- Availing this policy statement to all interested parties at all participating educational facilities and institutions.

The ARCAFIM Environmental Specialist will be responsible for overseeing the workplace Safety, Health and Environmental issues. He/she must:

- Identify potential hazards.
- In collaboration with the employer, investigate the cause of accidents at the workplace.
- Attend meetings of the safety and health committee to which that safety and health representative is a member.
- Make recommendations to the employer in respect of safety and health matters affecting employees.

Further to avoid work related accidents and injuries, the contractor will:

- Provide occupational health and safety training to all employees involved in ARCAFIM works.
- Ensure availability of first aid box.
- Provide employees with access to toilets and potable drinking water.

- Provide safety and occupational safety measures to workers with Personal Protection Equipment (PPE) when installing solar systems to prevent accidents during replacement and installation and follow safety measures in installing them.
- Properly dispose of solid waste at designated permitted sites landfill allocated by the local authorities.

Further to enforcing the compliance of environmental management, contractors are responsible and liable of safety of site equipment, labours and daily workers attending to the site installations and safety of citizens for each sub-project site, as mandatory measures.

AGE OF EMPLOYMENT

The participating countries have approved both the ILO Minimum Age Convention (C138) and the ILO Worst Forms of Child Labour Convention (C182) in 2002. Section 97 of the Employment Act applies minimum age protections to children working in industrial undertakings, but it does not cover children working in domestic and agricultural work. Similarly, Section 246 of the Children's Protections and Welfare Act 6, 2012 prohibits hazardous work for children under the age of 18 in industrial undertakings.

The African Charter on the Rights and welfare of the Children (also known as ACRWC or Children's Charter) was adopted by the Organisation of African Union (OAU) in 1990 and was entered into force in 1999. Most of the participating countries have also ratified both the ILO Minimum of Age Convention (C138) and the ILO Worst Forms of Child Labour Convention (C182). The ACRWC, C138, C182 prohibit employment of children under the age of 18.

The minimum age of employment for this project shall be 18 years and to ensure compliance, all employees will be required to produce National Identification Cards as proof of their identity and age which is the national identification required for employment.

If any consultant employs a person under the age of 18 years, that consultant will not only be terminated but also reported to the authorities.

TERMS AND CONDITIONS

As stated in the LMP sections, the terms and conditions of employment in the participating countries are governed by the provisions of their respective Employment Acts and it is generally mandatory for employers to give its employees a copy of the written particulars of employment, signed by both parties within six weeks of employment.

Contractors will also be required to comply with the most current Regulations of Wages Orders for their particular sector, e.g., the Building and Construction Industry which is issued by the Government and reviewed on a regular basis. The Wages Orders normally specify the minimum wages, hours of work, overtime pay, leave entitlements, travelling and subsistence allowances, and the issue of protective clothing.

Also it is generally accepted that, before a contractor is awarded a public contract, that contractor is required to certify in writing that the wages, hour and conditions of work or persons to be employed by him on the contract are not less favourable than those contained in the most current wages regulation issued in that country. Where a contractor fails to comply with this requirement, the contract with the contractor may be withdrawn as an approved contractor.

8.1 WORKER'S ORGANIZATION

Most of the countries have also ratified the numerous ILO Conventions aimed at ensuring that member states protect the notion of collective bargaining. These Conventions include ILO Convention 87 on Freedom of Association and Protection of the Right to Organize and ILO Convention 98 on the Right to Organize and Collective Bargaining.

The participating countries' Constitutions also guarantees all workers of their rights to freely form, join or not join a trade union for the promotion and protection of the economic interest of that worker and collective bargaining and representation.

DISCIPLINARY PROCEDURES AND GRIEVANCE MECHANISM

In any working environment it is essential for both employers and employees to be fully conversant with all aspects of disciplinary processes, the grievance handling procedures and the legal requirements and rights involved. In implementing an effective dispute management system consideration must be given to the disputes resulting from the following:

- Disciplinary Action
- Grievance Redress Mechanism (GRM)
- Individual grievances
- Gender-based violence, sexual exploitation and workplace sexual harassment

9.1 DISCIPLINARY PROCEDURE

The starting point for all disciplinary action is rules. These rules may be implied or explicit and of course will vary from workplace to workplace. Some rules are implied in the contract of employment (e.g., ruling against use of alcohol and drugs at workplace), however it is advisable that even implied rules be included in the disciplinary code or schedule of offences. Therefore, the workplace rules must be:

- Valid and reasonable
- Clear and unambiguous
- The employee must understand the procedure to be applied if he/she contravenes any of the rules.

A comprehensive Grievance Redress Mechanism has been developed for the project, however the following dispute resolution procedures at workplace will be as follows:

- Conducting of a comprehensive investigation to determine whether there are grounds for a hearing to be held.
- If a hearing is to be held, the employer is to notify the employee of the allegations using a language that the employee can understand.
- The employee is to be given reasonable time to prepare for the hearing and to be represented by a fellow employee or lawyer.
- The employee must be given an opportunity to respond to the allegations, question the witnesses of the employer and to lead witnesses.
- If an employee fails to attend the hearing the employer may proceed with the hearing in the absence of the employee.
- The hearing must be held and concluded within a reasonable time and is to be chaired by an impartial representative.
- If an employee is dismissed, it must be given the reasons for dismissal and the right to refer the dispute concerning the fairness of the dismissal to the labour Court.

Therefore, it is incumbent upon the Consultants/Contractor to ensure that they have a disciplinary procedure and Code and Standards which the employees are aware of. Each Consultant/Contractor will be required to produce this procedure to ensure that employees are not treated unfairly.

9.2 INDIVIDUAL GRIEVANCE PROCEDURE

Termination of Employment requires every employer, including contractors, to have a Formal Grievance Procedure which should be known and explained to the employee. Such procedure should at least:

- a) Specify to whom the employee should lodge the grievance.
- b) Refer to time frames to allow the grievance to be dealt with expeditiously.
- c) Allow the person to refer the grievance to a more senior level within the organization, if it is not resolved at the lowest level.
- d) If a grievance is not resolved the employee has the right to lodge a dispute with the employer.

All the contractors who will be engaged for the project will be required to produce their grievance procedure as a requirement for tender which at a minimum comply with these requirements. In addition, good international practice recommends that the procedures be transparent, is confidential, adheres to non-retribution practices and includes the right to representation. After they are engaged, they will be required to produce proof that each employee has been inducted and signed that they have been inducted on the procedure.

9.3 COLLECTIVE GRIEVANCES AND DISPUTES RESULTING FROM THE NEGOTIATIONS OF COLLECTIVE AGREEMENTS

Where a trade union is recognized, it is entitled to negotiate on a regular basis with the employer over terms and conditions existing at the workplace and the employer is obliged to negotiate with it. The procedures followed in such instances is usually contained in the Recognition Agreement, which states how the issues are raised, the procedure for negotiations, the composition of the parties involved in the negotiation and the procedure to deal with issues that are not resolved through consensus.

9.4 GENDER-BASED VIOLENCE, SEXUAL EXPLOITATION AND WORKPLACE SEXUAL HARASSMENT

Violence and harassment in the work world deprives people of their dignity, is incompatible with decent work, and a threat to equal opportunities and to safe, healthy, and productive working environments. It remains a widespread phenomenon, present in all participating countries and disregarding sectors, occupations and workplace arrangements. Convention No. 190 and Recommendation No. 206 recognizes the right of everyone to a world of work free from violence and harassment, including gender-based violence and harassment.

CONTRACTOR MANAGEMENT

The ARCAFIM PMU will require that contractors monitor, keep records and report on terms and conditions related to labour management. The contractor must provide workers with evidence of all payments made, including social security benefits, pension contributions or other entitlements regardless of the worker being engaged on a fixed term contract, full-time, part-time or temporarily. The application of this requirement will be proportionate to the activities and to the size of the contract, in a manner acceptable to the ARCAFIM and the IFAD:

- **Labour conditions:** records of workers engaged under the Project, including contracts, registry of induction of workers including CoC, hours worked, remuneration and deductions (including overtime), collective bargaining agreements.
- **Safety:** recordable incidents and corresponding Root Cause Analysis (lost time incidents, medical treatment cases), first aid cases, high potential near misses, and remedial and preventive activities required (for example, revised job safety analysis, new or different equipment, skills training, and so forth).
- **Workers:** number of workers, indication of origin (expatriate, local, nonlocal nationals), gender, age with evidence that no child labour is involved, and skill level (unskilled, skilled, supervisory, professional, management).
- **Training/induction:** dates, number of trainees, and topics.
- **Details of any security risks:** details of risks the contractor may be exposed to while performing its work—the threats may come from third parties external to the project.
- **Worker grievances:** details including occurrence date, grievance, and date submitted; actions taken and dates; resolution (if any) and date; and follow-up yet to be taken grievances listed should include those received since the preceding report and those that were unresolved at the time of that report.

Every Safety File is 'site-specific'. It will be compiled following the client's and the site's safety specifications. The overall information requirements remain the same, and the site-specific documents will be added.

COMMUNITY WORKERS

The project will not engage community workers, Community workers are not currently used by the Participating Governments' Ministries of Agriculture in any projects due to the specialized labour needs required.

PRIMARY SUPPLY WORKERS

This section addresses labour management risk associated with people employed or engaged by ARCAFIM's primary suppliers. Primary suppliers are suppliers who, on an ongoing basis, provide goods or materials directly to the Project.

The project will require procurement of a substantial number of materials, including protection and control equipment, power-poles, steel products, Solar products, computer products etc.

All primary suppliers are formal businesses who are required to procure and produce materials subject to high standards.

ANNEX 9: ARCHAEOLOGICAL CHANCE FINDS PROCEDURE

ARCHAEOLOGICAL CHANCE FINDS PROCEDURE

1.0 INTRODUCTION

The purpose of the Archaeological Chance Finds Procedure is to address the possibility of archaeological deposits, finds and features becoming exposed during earthmoving and ground altering activities that will be associated with the Africa Rural Climate Adaptation Financing Mechanism Programme, (ARCAFIM) and to provide procedures to follow in the event of a chance archaeological find.

The objectives of these procedures, are to identify and promote the preservation and recording of any archaeological material that may be discovered and notify the relevant District Authority, the Environment Management Authority and the Institution responsible for Museums in the particular country of the discovery, to resolve any archaeological issue that may arise.

2.0 ARCHAEOLOGICAL CHANCE FINDS PROCEDURE

During the project induction meeting/training, all contractors/construction teams will be made aware of the need to be on the lookout for objects of archaeological interest as they carry out their earthmoving and excavation activities.

Generally, the following procedure is to be executed in the event that archaeological material is discovered:

- All construction activity in the vicinity of the find/feature/site will cease immediately.
- The discovered find/ feature/ site will be delineated immediately.
- Record the find location, and make sure all remains are left in place.
- Secure the area to prevent any damage or loss of removable objects.
- Contact, inform and notify the District Administrator (DA), District Environmental Officer (DEO), the Environment Management Authority and the Institution responsible for Museums in the particular country of the discovery,
- The Authorities so notified will avail an archaeologist.
- The archaeologist will assess, record and photograph the find/feature/ site.
- The archaeologist will undertake the inspection process in accordance with all project health and safety protocols under the direction of the District Health and Safety Officer.
- In consultation with the DA, DEO, the Environment Management Authority and the Institution responsible for Museums, the Archaeologist will determine the appropriate course of action to take.

Finds retrieval strategy:

- All investigation of archaeological soils will be undertaken by hand, all finds, osteological remains and samples will be kept and submitted to the National Museum as required. In the event that any artefacts need to be conserved, the relevant license (License to Alter) will be sought from the National Museum Department.
- An on-site office and finds storage area will be provided, allowing storage of any artefacts or other archaeological material recovered during the monitoring process.
- In the case of human remains, in addition to the above, the Local Leadership will be contacted and the guidelines for the treatment of human remains will be adhered to. If skeletal remains are identified, an osteoarchaeologist will be available to examine the remains.

Conservation:

- A conservator should be made available to the project, if required.

The on-site archaeologist will complete a report on the findings as part of the licensing agreement in place with the Department of Culture.

Once authorization has been given by the responsible statutory authorities, the client will be informed when works can resume.

ANNEX 10: ARCAFIM MONITORING AND REVIEW PROGRAMME GUIDANCE

ARCAFIM commits to a standardised programme of monitoring and review covering the management of E&S risks and impacts and E&S performance of all ARCAFIM participants. The ARCAFIM monitoring process should flow from end-beneficiaries up to ARCAFIM's investors (GCF and co-financiers), and outline specific requirements with respect to monitoring, reporting, and ESMS review. The Monitoring and Review Programme should specify the monitoring and reporting requirements for each ARCAFIM Participant (e.g. IFAD, Host Banks TTFIs, End Beneficiary) and risk level. The Programme should also specify the instances in which monitoring and reporting will be undertaken internally, and when support from external qualified experts is required.

The following broad components should be included in the ARCAFIM Monitoring and Review Programme.

Collection of monitoring data

- Guidance on specific data points to be collected
- Frequency of data collection

Monitoring Site Visit

- Site visit protocol (site inspection, interview and performance reporting requirements)
- Guidance on selection of sites and frequency of site visits

Reporting

- Lines of reporting
- Frequency of reporting
- Structure and content of performance monitoring reports (e.g. regulatory compliance, ESAP updates, ESMS development updates, new risks identified, etc.)

Review of ARCAFIM Participants' ESMSs

- Guidance on events that trigger an ESMS review (e.g. changes in regulatory environment, expansion of operations, new risks identified, etc).
- Details on steps for undertaking an ESMS review

Requirements for FI reporting to IFAD as outlined in SECAP are summarized below, and should be integrated into the Monitoring and Review Programme and adapted as required to the ARCAFIM context.

Requirements for visiting the FI	FIs categorized as FI-1 and/or with high-risk sub-projects should be visited annually.
Requirements for visiting sub-projects	Visit at least one high-risk sub-project when visiting the FI.

Reporting frequency	Annual environmental performance reports (AEPRs) for FI-1–FI-3 projects
Reporting content	<p>FI-1–FI-3 submit regular E&S performance reports describing progress made with respect to the ESAP</p> <p>and effectiveness of ESMS implementation at least annually, including:</p> <ul style="list-style-type: none"> • Portfolio breakdown by sectors and product lines, high-risk transactions, and sample ESDD • reports; • Update on progress achieved in E&S covenants; • Cases of non-compliance and significant E&S accidents (lost time accident rate, fatality rate) or • incidents related to a transaction; • Information on the implementation of any changes to the FI's ESMS; and • Where relevant, the FI clients' exposure to high-risk activities.
Review of AEPRS	E&S specialists complete a formalized AEPR review report with the environmental and social risk assessment and submit the report to FI through the portfolio officers.
External communications mechanism	File Manager for all E&S documents and communication.
External communications mechanism	Establish and maintain an external communications mechanism.

ANNEX 11: LAND ACQUISITION AND RESETTLEMENT GUIDANCE

SECAP Standard 7 (physical and economic resettlement) recognizes that increasing investments in the rural sector may at times involve project-related land acquisition and restrictions on land access and use – actions that, if improperly managed, may have adverse impacts on communities and persons, including physical displacement (relocation, loss of residential land or loss of shelter), economic displacement (loss of land, assets or access to assets, leading to loss of income sources or other means of livelihood) or both. The term “involuntary resettlement” refers to these impacts. Resettlement is considered involuntary when affected persons or communities do not have the right to refuse land acquisition or restrictions on land use that result in displacement.

Standard 7 is aimed at ensuring that displacement is avoided whenever possible. It also recognizes that when displacement cannot be avoided its scale must be minimized and that this must be done in a way that does not increase socio-economic risks or otherwise negatively impact a community, ensuring that affected persons are compensated fairly prior to any displacement. When displacement has been identified as necessary and cannot be avoided, it must be pursued and performed in a manner that is consistent with the requirements of standard 7 and international and national standards. These standards require full justification and other forms of legal protection and prescribe that displacement occurs only in exceptional circumstances, and then supported with relief, relocation and full and fair compensation.³ Risks related to potential displacement should be systematically assessed and shall result in the preparation of a (abbreviated) resettlement action plan or framework.

ARCAFIM should develop a Resettlement Policy Framework which will set out standards to account for any potential land acquisition, resettlement, and livelihood restoration processes required by sub-projects.

A Resettlement Policy Framework should broadly contain the following components:

- Describe potential scale and scope of land acquisition and resettlement that may be required based on Programme activities
- Legal frameworks guiding land acquisition and resettlement in ARCAFIM programme countries
- International standards guiding land acquisition and resettlement
- Key ARCAFIM principles guiding resettlement that account for the national legislative context and international standards and the specific ARCAFIM context
- Broad guideline on how roles and responsibilities should be structured (e.g. ARCAFIM, Lenders, End-Beneficiaries, communities, government, etc)
- Broad socioeconomic baseline information (at national-level given the wide possible scope of project locations)
- Definition of potential livelihood and displacement impacts (e.g. residential structures, business premises, agricultural land, ecosystem services, local infrastructure, cultural heritage, etc).
- Eligibility and entitlements
- Livelihood restoration support
- Resettlement Planning and Implementation steps

- Grievance Redress process tailored for Project Affected Persons (PAPs) affected by land acquisition
- Monitoring and Reporting

Due to the broad scale and scope of sub-projects and differing legislation requirements, the Resettlement Policy Framework will be set at a high level to guarantee a minimum standard of practice, with more details to be defined as part of individual Resettlement Action Plans/Livelihood Restoration Plans.

As part of the end-beneficiary risk management process (screening and due diligence), ARCAFIM Host Banks and TOFIs should assess resettlement risks of sub-projects. SECAP 7 outlines the following screening questions:

Would the project involve or potentially lead to:

- *Temporary or permanent and full or partial physical displacement (including people without legally recognizable claims to land)*
- *Economic displacement (e.g. loss of assets or access to resources due to land acquisition or access restrictions – even in the absence of physical relocation)?*
- *Risk of forced evictions?*
- *Impacts on or changes to land-tenure arrangements and/or community-based property rights/customary rights to land, territories and/or resources?*

If land acquisition and resettlement risk is identified, the guidance of the ARCAFIM Resettlement Policy Framework will be applied.

ARCAFIM Participants should refer to SECAP 7 for further guidance on the identification and management of land acquisition and resettlement risks.

ABBREVIATED RESETTLEMENT ACTION PLAN

1 AIM AND OBJECTIVES OF THE RESETTLEMENT PLAN FRAMEWORK

The aim of the Abbreviated Resettlement Action Plan (ARAP) is to synchronise resettlement planning in the implementation of the agricultural activities to be funded from the ARCAFIM in order to minimise negative social externalities. Specific objectives of the Abbreviated Resettlement Action Plan are as follows:

- To outline steps in resettlement screening of agricultural activities and how to incorporate it in the appraisal system of the activities.
- To describe potential socio-economic impacts from resettlement.
- To outline policies to govern resettlement in implementation of agricultural activities to be funded from the Africa Rural Climate Adaptation Financing Mechanism (ARCAFIM).
- To describe the policy and legal framework on land acquisition and resettlement.
- To describe eligibility criteria for compensations to various categories of affected people.
- To describe methods of valuing affected assets for purposes of compensations.
- To outline institutional arrangements in the implementation of resettlement.
- To outline budget estimates and funding arrangements for resettlement.

2 POTENTIAL USERS OF THE RESETTLEMENT PLAN FRAMEWORK

The Abbreviated Resettlement Action Plan (ARAP) has been prepared as a strategic guide on resettlement planning for agricultural activities to be funded from the ARCAFIM. It outlines policies, procedures, screening criteria for resettlement, and legal and administrative framework on resettlement and compensations to displaced persons in the course of the programme. The main potential users of this manual are staff involved in the planning and management of the Africa Rural Climate Adaptation Financing Mechanism (ARCAFIM). These include staff of the Host Bank Project Management Unit (PMU), ARCAFIM national Focal Points, sector level staff, District Commissioners (DC), District Development Committees (DDC), staff of District Councils and village development committee (VDC).

3 GENERIC PROJECT CYCLE AND LINKAGES TO RESETTLEMENT ISSUES

The identification of resettlement issues will be done during sub-project planning and site selection process in the first stage. It is at this stage that the community will have to conduct resettlement screening and highlight potential need for compensatory measures.

4 GENERAL LAND ACQUISITION PROCEDURES

In case that a specific land area needs to be acquired, a Resettlement Action Plan will be prepared following guidance established in this ARAP. The process will begin with the village development committee initiating negotiations with the occupier(s) of customary land, registered proprietor or their representatives. Inter-department cooperation will be utilized wherever necessary to tap on the expertise and experiences of the various stakeholder institutions.

- (a) The village development committee in consultations with the line district sector line officials prepare actions plans for implementation of land acquisition and resettlement that comply with the provisions of this ARAP;
- (b) Affected persons are then served with a notice with a clear explanation of the purpose of the acquisition, the area of land required and the owners' right to compensation in accordance with the existing law;
- (c) Affected persons will be given an opportunity to comment on the plan and to participate in the planning process.

In the case of customary land, District Commissioner/Chief Executive ascertains from the village head, the land register or whichever is applicable in order to determine the person or persons who have the right over that land.

The District Commissioner/Chief Executive commissions a survey on such land to be acquired.

Thereafter a plan is prepared and certified to be accurate showing:

- (i) land to be acquired;
- (ii) names of the owners and occupiers of that land as far as they can be ascertained; or
- (iii) in the case of customary land, the name of the land owner who is the holder of the right over the land as ascertained by the local chief and other bonafide local residents;
- (iv) assets currently on the land to be acquired (shelters, buildings, crops, etc.)

A copy of such plan shall be deposited in the office of the District Commissioner/Chief Executive and another at the premises of the local chiefs. It should be highlighted that in case some project affected

persons have objections to the proposed land acquisition and resettlement, their objections have to be done in writing to District Commissioner for or Commissioner for Lands and Valuation within 21 working days after the public notice. Alternatively, formal complaint can be lodged via Chiefs.

5 POTENTIAL SOCIO-ECONOMIC IMPACTS OF RESETTLEMENTS

Resettlement encompasses land acquisition and relocation of existing people from the existing homesteads. Such resettlement exercise undertaken whether within rural communities or urban settings trigger a number of negative externalities on the affected people. In general, some impacts emanate from the consequences of losses of access to their settlement sites, others from losses of and loss of access to their traditional productive assets. Furthermore, some impacts arise from loss of social cohesion and relations. Examples of potential socio- economic impacts from such sources are outlined in the table below:

Table 2-1 Summary of main social and economic impacts from resettlement activities.

Category of losses	Social and economic impacts
Displacement from land	<ul style="list-style-type: none"> Landlessness Loss of productive resource for agriculture and other businesses
Loss of residential property and homestead	<ul style="list-style-type: none"> Landlessness, homelessness Impoverishment of people Disturbance of house production systems Loss of sources of income Loss of or weakening of community system and social networks. Loss of access to ancestral sites, graveyards Loss of access to social amenities such as hospitals and schools. Loss of traditional authority.
Loss of assets or access to assets	<ul style="list-style-type: none"> Impoverishment Loss of sources of income Loss of employment opportunities (self – employment)
Loss of income sources or means of livelihood	<ul style="list-style-type: none"> Impoverishment Loss of self – employment opportunities Disruption of attainment of services such as schools, health services resulting in further impoverishment, malnourishment
Loss of identity and cultural survival	<ul style="list-style-type: none"> Alienation of persons from their tribal society Lack of access to community support
Loss of access or proximity to social amenities e.g. water sources, (e.g. boreholes), schools, hospitals and clinics, markets	<ul style="list-style-type: none"> Impoverishment. Loss of sources of income Increased time to access resources. Loss or shortage of time for other activities.
Blockage of footpaths/pathways	<ul style="list-style-type: none"> Increase in travel distance due to longer route
Loss of grazing land	<ul style="list-style-type: none"> Difficulties in rearing livestock
Blockage of access to public water bodies	<ul style="list-style-type: none"> Difficulties in collection of water for domestic uses Difficulties in collection of water for irrigation

6 GUIDING PRINCIPLES ON RESETTLEMENT

The ultimate aim of the ARCAFIM is to increase the climate resilience of the rural sectors including Agricultural Activities, which have to avoid or minimise all resettlement related risks. This is because by and large resettlement disrupts the existing social and economic fabrics of the rural communities. In this regard, appropriate principles (described below here) will guide acceptable mechanisms for minimising or avoiding altogether incidences of resettlements during implementation of Activities funded

by the ARCAFIM. The principles revolve around the basic tenets of the IFAD SECAP Policies on resettlement:

Principle 1: Agricultural Activities eligible for funding from ARCAFIM shall be those proposed in suitable sites:

Suitable sites for funding of agricultural activities are those sites where the implementation of a project should avoid bringing about involuntary resettlement, voluntary or involuntary physical dislocation, eviction of squatters, loss of land (whether ownership is recognized by customary land tenure or land titles), impact on cultivations and property, loss of access to property, loss of access to natural resources and other economic resources.

Principle 2: Agricultural Activities proposed within a site where resettlement on the proposed site is unavoidable;

The stakeholders must plan and implement resettlement well in advance of the ARCAFIM funded agricultural activity. Implementation of resettlement activities by the communities will be on the following sub – principles:

2.1: Genuine consultation and participation must take place

In case the beneficiary(ies) wish(es) to site an agricultural activity on a particular site, affecting a section of the community, the beneficiary(ies) will adequately consider the views, rights and interests of the displaced and to – be- resettled people.

2.2: A pre - resettlement data baseline must be established

The preparation of resettlement action plans will be based on baseline surveys of the project affected persons and the locality of the subprojects.

2.3: Resettlement assistance to project affected persons

Project affected people will be provided with necessary support in the course of relocation. The support will include provision of transport and basic services on the new sites of settlement.

2.4: A fair and equitable set of compensation options must be negotiated

In case of resettlement needs on the proposed project site of an ARCAFIM activity, the beneficiary(ies) have to take care of the required compensations on and assets to project affected people based on open market.

2.5: Vulnerable social groups must be specifically catered for.

Compensations and resettlement assistance will cover all entitled categories of project affected persons including vulnerable groups such as the squatters, female headed households (widows, unmarried females), child headed families (orphans), the aged, widowers and the disabled.

2.6: Setting up of accessible grievance redress mechanisms.

The actors accessing funding from ARCAFIM will put in place user friendly and cost-effective mechanisms for addressing complaints from project affected persons. The mechanisms will include use of local grievance redress mechanisms administered by local village heads, traditional authorities as well as use of formal courts under the Judiciary. The use of local traditional courts administered by village headmen, and Chiefs will allow project affected people to access such services without going long distance.

2.7: Compliance to relevant policies and laws

Land acquisition and resettlement activities by the communities will be implemented in compliance to relevant government policies and laws.

7 DETERMINING NUMBER OF DISPLACED PERSONS AND CUT – OFF DATE

In the context of resettlement, cut-off date is normally the date when a task team mandated to facilitate resettlement/relocation of persons from one place to another commence the census of project affected persons within the project area. Normally, the purpose of the exercise is to preparation of pre-resettlement data and information regarding those to be re-located. The exercise involves rapid “census or head counts” of the number people and their properties within the site. Normally the exercise is for preparation of database for drawing plans for compensations and resettlements. The steps to determine the number of displaced persons include the following:

- | | |
|---------------|--------------------------------------------------------------------------------------------------------------------------------------------|
| Step 1 | Undertake site visit to the chosen site for the community driven project |
| | This will help to appraise the pattern of the structures, scope of activities and density of residential properties on the site. |
| Step 2 | Delineation of the proposed site: The purpose would be to prepare boundaries of the site within which to work on. |
| Step 3 | Calculate the size of the area in hectares |
| | This would be to estimate the size of land which the persons would lose and which would be acquired and compensated for after negotiation. |
| Step 4 | Carry out physical check and count of the houses and other assets within demarcated site |
| | This would be to find out the number of residential premises of heads of households within the site to be acquired. |
| Step 5 | Establish the number of persons per house within the demarcated area |
| | This would be to find out the number of persons living within the houses within the site. |
| Step 6 | Determine the number of people to be displaced: |
| | Document the previous steps to add up to the final number of people to be displaced. |

8 METHODS OF VALUATION OF ASSETS

In case the beneficiary(ies) wish(es) to implement an agricultural activity within a site where some people own the land and assets, there would be need for proper land acquisition and compensation of the assets. Land acquisition and compensation of the assets would depend on proper and fair valuation. All assets will be valued at an amount equal to or greater than the amount needed to replace the assets, as well as any lost production during which assets are replaced to original productive level. In East African countries methods of valuation of assets (such as buildings, trees, fruit trees, crops, vegetables) for purpose of compensations are based on various pieces of legislations. Generally, the Department of Lands, and the Department of Physical Planning coordinate the exercises. This starts with establishment of compensation schedules to determine values for loss of assets due to implementation of the projects for construction of roads, dams, health centre, earth dams, water schemes and other infrastructure. Three types of compensation schedules based on type of assets affected can be used. These schedules are used to determine compensations for the following groups of assets:

- (a) Physical assets such as buildings, bare land and other structures
- (b) Agriculture produces such as crops fruit trees, plantation crops, flowers
- (c) Trees such as indigenous and exotic trees

Each category of the assets has its own methods of valuation, and the exercises of valuation are based on appropriately established professional rates by relevant experts. The following paragraphs highlight the approaches to valuation of the assets.

(a) Valuation of physical building/structures and land

This category covers valuation of land, building and related structures such as houses, toilets, kitchens, and bathrooms, temporary structures made of wood and metal and animal enclosures. A detailed inventory of household heads and their properties is established. The Department of Lands in collaboration with the District Commissioner calculates compensation amounts based on prevailing construction cost estimates for a given area. Construction costs estimates are normally prepared by qualified quantity surveyors. In big and permanent buildings, normally government uses the services of qualified valuation surveyors and quantity surveyors to determine the best replacement values of the affected structures. Normally compensation is paid based on these replacement cost estimates.

Valuation for compensation for loss of land is normally led by Department of Lands.

Department of Lands in collaboration with the District Commissioner of the district of interest calculate compensation amounts based on prevailing market rates for a given area. In this case, those people who have interests in land (customary or leased) are compensated based on the market values established by land economy surveyors from the Department of Lands. Similarly, when the government agency intends to acquire land for development or resettlement as is in this case, the government will have to compensate the original owners of land on the basis of commercial market prices.

(b) Valuation for compensation of agricultural produce

This category covers crops, fruit trees, flowers and plantation crops. The valuation of people's crops and trees is undertaken by a team of relevant professional experts at District level, led by the District Commissioner (DC). Additional expertise comes from Ministry of Agriculture, Ministry of Lands and Ministry of Forestry in the particular country.

A detailed inventory of household heads and their assets will be established. The calculations will be based on established compensation rates. The District Commissioner (DC) maintains schedules of compensation rates for various types of crops and trees. After the exercise, the District Commissioner produces a schedule outlining names of household heads, list of their properties, values of their properties and total value of all properties assessed. This schedule is normally used for payment of the compensations to the affected people.

(c) Valuation for compensation of forest trees

This category covers forest trees (both indigenous and exotic trees). The valuation of people's trees are done based on species of trees, measured diameter of breast, height and market price per cubic meter. The exercise is led by a team of relevant professional experts from Ministry of Forestry, Ministry of Lands, district level, led by the District Commissioner (DC).

A detailed inventory of household heads and their assets will be established. The calculations will be based on established compensation rates. Ministry of Forestry, Ministry of Lands and the District Commissioner (DC) maintain schedules of compensation rates for various types of trees. After the exercise, The District Commissioner produces a schedule outlining names of household heads, list of trees lost, values of their properties and total value of all trees assessed. This schedule is normally used for payment of the compensations to the affected people.

9 LIMITATIONS OF THE EXISTING VALUATION METHODS ON ASSETS

The existing valuation methods have several limitations as some parameters were established many years ago. The consequences include under valuation of the assets and underpayment of compensations to project affected people. The limitations of the valuation methods stem from the following weaknesses:

- (a) The methods use old rates in valuation of replacement costs of buildings and structures in some local authorities in rural districts.
- (b) The rates for calculating replacement costs for buildings do not include the labour costs, transport costs incurred in the re – erection of the houses and other structures.
- (c) The rates used for valuation of crops in some local authorities in rural districts tend to be old rates and not regularly reviewed by relevant authorities.
- (d) In most cases, key experts in some asset valuation are not involved as the actual field work is dominated by officials from local authorities. Cases in points are valuation of trees and fruit trees are normally carried out by officials from District Commissioners Office based on old stipulated figures from Ministry of Agriculture, Ministry of Forestry and Ministry of Lands. Such incidents lead to undervaluation of assets as some officials cannot professionally adjust rates to realistic levels reflecting the field observations.
- (e) The methods do not explicitly stipulate resettlement assistance especially in identification of appropriate alternative land for relocation. The tasks of identification of alternative land are left in the hands of local leadership such as village headmen and Chiefs of the area where the people stay. The District Commissioner is practically expected to oversee how the people are assisted in relocation by their local leaders. Normally it is when serious difficulties crop up when the District Commissioner assists in identification of alternative land.

Some of the measures which could be adopted in addressing the inadequacies outlined above include the following:

- a) Government authorities to ensure that local authorities which will be involved in valuation of land and assets have up to date rates of valuation of all assets.

- b) Government authorities will have to ensure that appropriate teams of experts are constituted prior to commencement of preparation of resettlement action plans. The team should at least consist of well experienced personnel in land management, valuation, e.g., forester, building foreman, quantity surveyor, agronomist and horticulturalist.
- c) Cases of compensations of loss of land should emphasize on compensations in the form of alternative land for those people displaced.
- d) Compensations related to communal land acquisition are to be made on open market values as opposed to previous practice of considering communal land as a free commodity.
- e) Compensations should be paid to categories of project affected people so long they are covered within the cut-off date. Some special project affected persons to be included are the squatters, pirates, vendors' stalls/hawkers.
- f) Compensations should be paid in relations to labour inputs into gardens and maintenance of trees and crops within the immediate past year.
- g) Provisions of basic and social services (such as potable water, graded access roads, sanitation facilities, subsidised fertiliser, and income generating activities) to project affected people within the new area of relocations. Such support would enhance the restoration of standards of living of the project affected people.

10 ELIGIBILITY CRITERIA FOR COMPENSATIONS FOR PROJECT AFFECTED PEOPLE (PAP)

In cases of the need for resettlement in relation to implementation of Agricultural Activities in their chosen sites, the community will have to ensure that necessary compensations are taken care of and sorted out prior to submission of project for funding from the ARCAFIM. The procedures for determining eligibility for compensation, resettlement assistance and the actual displaced persons by the communities shall consider the following:

- (a) Those that have formal legal rights to land, including customary and traditional rights recognized under the laws of the participating countries. This class of people includes those holding leasehold land, and land held within the family or passed through generations.
- (b) Those who have no formal legal rights to land at the time the census begins but have a claim to such land or assets provided that such claims are recognized under the laws of the participating country. This class of people includes those that come from outside the area and were given land by the local chief to settle.
- (c) Those who have no legal right or claim to the land they are occupying. This class of people includes those that settle at a place on semi-permanent basis, or those settling at a place without any formal grant or authority.

Displaced persons classified under paragraph (a) and (b) shall be provided compensation from the community for the land, building or fixed assets on the land and buildings taken by the project in accordance with the provisions of this framework if they occupy the project area prior to the cut-off date (date of commencement of the census). Displaced persons classified under paragraph (c), shall be eligible for compensation from the community for the assets but not land. Displaced persons who

encroach on the project area after the cut-off date shall not be entitled to compensation, or any resettlement assistance or any other form of rehabilitation assistance.

11 ENTITLEMENTS FOR COMPENSATIONS

Entitlements for compensation by project affected persons shall be based on the criteria outlined in section 3.3 above, and the various categories of losses identified in the desk studies and field consultations. The matrix in annex 2 will be used in the settlement of claims for compensation for lost assets of project affected persons based on the aforementioned principles in section 3.3 above and legal framework where land is involuntarily taken. Unless otherwise indicated, payment of compensation and other entitlements and the extension of assistance will be given by the local community to head of households and not individuals. Annex 2 provides details of entitlements to compensations to various potential categories of project affected persons.

12 APPROACH AND PROCEDURES FOR DELIVERY OF COMPENSATIONS

Once valuation of land losses and asset losses has been finalized, it is the responsibility of the extension workers and District Lands Officer to circulate to District Development Committees for review and approval of the compensation packages from the community to project affected people. The process of payment of compensations has to be effected speedily so as to reduce risks of inflations and devaluation of the sums of the money. Normally the compensations have to be delivered to project affected persons within a period of six months from the date of valuation of the assets. The recommended procedures for the community to deliver compensation to project affected people are as follows:

(a) Delivery of compensation based on official valuations

This delivery mechanism is based on what the community offers and what the displaced person may accept as compensation payable to him. Normally the sums are disbursed to the District Commissioners or Chief Executive Officer (CEO) for the community in question for payment to the displaced persons. Local village headmen, Chiefs and district Commissioners shall maintain records of displaced persons, their claims and entitlements. After payment of such sums, districts Commissioners document the name(s) of the displaced persons, the amount of compensation and the records of how the compensation was arrived at. A copy of such records shall be made available to the government and local chiefs. Efforts should be made to ensure the entire household is made aware of compensation negotiations and agreed amounts.

(b) Delivery of compensation-based values arbitrated by formal courts

Normally this approach is based on the recommended figures for compensations from formal courts. Such incidents occur when some people appeal to courts for review of the compensation packages. What is decided by the courts can be used for compensation to project affected people.

It should be highlighted that in case some project affected persons have objections to

land acquisition and resettlement, their objections have to be done in writing to the District Commissioner within 21 working days after the public notice; or the formal complaint may be lodged via the local village headmen and Chiefs. It should also be pointed out that normally claims are not entertained after five years from the date of the proclamation; and or 12 months after the execution of the purpose out of which the claim has arisen in respect of any damage done to the land acquired.

ANNEX 12: INDIGENOUS PEOPLES GUIDANCE

IFAD defines Indigenous Peoples based on the following criteria:

- Priority in time with respect to occupation and use of specific territory;
- The voluntary perpetuation of cultural distinctiveness, which may include aspects of language, social organization, religion and spiritual values, modes of production, laws and institutions;
- Self-identification, as well as recognition by other groups or by state authorities, as a distinct collectivity; and
- An experience of subjugation, marginalization, dispossession, exclusion or discrimination.

ARCAFIM's approach to Indigenous Peoples is guided by IFAD's Policy on Engagement with Indigenous Peoples and SECAP standard 4.

As part of the end-beneficiary screening and due-diligence process, ARCAFIM Host Banks and TOFIs should assess sub-projects to identify indigenous peoples and historically underserved local communities and potential risks. SECAP 4 outlines the following screening questions:

Would the project potentially involve or lead to:

- *Areas where indigenous peoples and historically underserved local communities are present (including the project area of influence)?*
- *Activities located on lands and territories claimed by indigenous peoples and historically underserved local communities?*
- *Impacts on the rights of indigenous peoples and historically underserved local communities or to the lands, territories and resources claimed by them?*
- *The utilization and/or commercial development of natural resources on lands and territories claimed by indigenous peoples and historically underserved local communities?*
- *Impacts on the cultural heritage of indigenous peoples and historically underserved local communities, including through the commercialization or use of their traditional knowledge and practices?*

As per SECAP 4, if IPs are identified, the engagement and impact mitigation process should be structured as follows:

- As early as possible, identify potential partners from indigenous peoples and historically underserved local communities in order to ascertain their priorities and preferred strategies for project development.
- Develop a stakeholder engagement plan and start early consultations. For projects that target indigenous peoples and historically underserved local communities or are implemented in rural areas that are home to indigenous and tribal peoples and ethnic minorities, develop an implementation plan based on free, prior and informed consent (FPIC), and initiate FPIC

processes¹⁷ (note that IFAD's FPIC requirements also apply to projects that affect land access and use rights of rural communities).

- Assess direct and indirect, positive and negative impacts of project activities on indigenous peoples and historically underserved local communities, their rights, lands, territories and resources, social, cultural and economic status, livelihood systems, etc.
- Ensure indigenous peoples and historically underserved local communities are actively involved in project design, risk identification and analysis.
- Apply precautionary principle and follow mitigation hierarchy.*
- With the active participation of indigenous peoples and historically underserved local communities, develop and implement an indigenous peoples plan and an FPIC implementation plan with appropriate mitigation and management measures.
- Monitor affected indigenous peoples and historically underserved local communities using participatory approaches.

An Indigenous Peoples Plan should broadly contain the following components:

- Description of indigenous peoples and historically underserved local communities (names, numbers, ethnicities, connection to the land, identification of any vulnerable IPs, etc).
- National legal frameworks guiding the rights of IPs
- International frameworks guiding the rights of IPs
- Social and environmental impacts on IPs (based on prior studies), including mitigation measures for identified impacts and to ensure that IPs receive appropriate benefits from the Project
- Summary of FPIC process undertaken
- Capacity building measures for IPs
- Internal resources with designated responsibility for implementing the IPP
- Grievance Redress process tailored for IPs
- Monitoring and Reporting
- Budget

Refer to SECAP Standard 4 and IFAD's 'How to Do Note: Seeking free prior and informed consent in IFAD investment projects' for a more detailed process on risk management and engagement with respect to IPs.

¹⁷ See IFAD's 'How to Do Note: Seeking free prior and informed consent in IFAD investment projects' for the definition of FPIC and details on how to design a meaningful FPIC process
https://www.ifad.org/documents/38714170/40197975/htdn_fpic.pdf/7601fe69-3ada-4b9d-a30d-95ae4c98216b

ANNEX 13: TORS FOR ENVIRONMENTAL AND SOCIAL SAFEGUARDS SPECIALISTS.

ARCAFIM

1.0 SCOPE OF WORK

To ensure the effective implementation of the ESMF project wide environmental and social safeguards Specialists will be engaged at:

1. ARCAFIM Coordination Unit at IFAD.
2. Host Bank PMU.

The following TORs for environmental and social safeguards can be adapted for each level of operation,

Specific responsibilities and duties will cover three main areas of activity:

Area (1):

- Support, manage and co-ordinate the project's SECAP risk management issues to ensure the implementation of the Environmental and Social Management Framework (ESMF), Climate Risk Assessment (CRA), sub-project site specific Environmental and Social Management Plans (ESMPs), Environmental Checklists, Integrated Pest Management Plans (IPMPs), etc.
- Evaluate needed updates as necessary to ensure that the project SECAP risk management instruments are always up to date, and
- Manage procedures including the establishment of an appropriate field structure to ensure the appropriate level of support to technical personnel.

Area (2):

Establish a Grievance Redress Mechanism/ feedback mechanism and advising the ARCAFIM and key stakeholders in the best practice of monitoring and reporting on the social and environmental impact of the project.

Area (3):

Support in the co-ordination of capacity building and training activities to ensure the principles and procedures for Environmental and Social Management Framework (ESMF) are well understood and complied with by stakeholders.

Area (1): Project SECAP risk management instruments Implementation support

- Continuously review and update the developed project SECAP risk management instruments in line with current SECAP developments.
- Support the ARCAFIM in the co-ordination, management and implementation of the project SECAP risk management instruments in compliance with the SECAP Policies and the Government of partner states Environmental standards.
- Support the ARCAFIM in the development and rolling out of a SECAP risk management monitoring and reporting system against the Environmental and Social Management Framework (ESMF) provisions.

- Support the project partner states line ministries, and all responsible parties to achieve the maximum SECAP **risk management** efficiency in their assigned tasks.
- Support the project to ensure that safety and health concerns of the workers and the general public are addressed during design, setting up/construction and implementation phases of the project.
- Provide assistance to ARCAFIM and applicant communities in screening of proposed sub-projects and assigning environmental category.
- Visit proposed sub-project sites to assess baseline conditions and potential site-specific impacts.
- Advise on anticipated environmental impacts and possible mitigation measures, and on the relevant type of environmental review to be undertaken and documentation to be prepared (e.g., sub-project specific Environmental Assessment and/or Environmental Management Plan).
- review sub-project specific environmental documentation and give recommendations as needed, to applicant communities and designers, for finalizing the documents.
- Participate in evaluation of sub-project proposals and advise on environmental eligibility and acceptability of proposals, based on guidance provided in the ESMF and on personal experience.
- Working with ARCAFIM Procurement staff, ensure that environmental compliance is incorporated as appropriate in contracts for goods and services (mainly civil works contracts) and ensure that contractors are fully aware of their responsibilities in this regard.
- During implementation of the approved sub-projects, undertake regular environmental monitoring and supervision in order to verify whether and how provisions of the project ESMF and sub-project specific ESMPs are followed by all relevant stakeholders (designers, contractors, beneficiaries).
- Report regularly to the ARCAFIM Coordinator in writing on the results of monitoring visits, promptly identify any environmental issues or cases of non-compliance, and make recommendations for dealing with those issues. In conjunction with the ARCAFIM Coordinator, discuss compliance status and measures to re-establish compliance with contractors and/or beneficiaries as appropriate, including agreeing on specific steps and timing for any remediation/corrective actions.
- Closely collaborate with technical staff and engineers to ensure that environmental measures are incorporated at all stages of sub-project preparation and implementation, including site selection, sub-project design, preparation and evaluation of bidding documents and bids, preparation and supervision of contracts.
- Provide contribution to the ARCAFIM's regular progress reports on the project implementation.

Area (2): Establish a Grievance Redress Mechanism in Line with the ESMF requirements.

- Develop the project grievance redress/feedback mechanism and design the complaints register using an established methodology in consultation with the ARCAFIM.
- Co-ordinate the formation of Grievance Redress Committees before the commencement of construction or any identified potentially impactful activities to resolve issues.
- support the establishment and training of a selected focal person within the ARCAFIM to handle Grievance Redress issues and facilitate the resolution of issues.
- Technically support the ARCAFIM in creating awareness of the Grievance Redress Mechanism amongst all the stakeholders through public awareness campaigns; and support dissemination of information to the concerned local communities as proposed in the ESMF.
- Develop a system to document information on grievances and redress and progress for monthly/quarterly reporting.

Area (3): Support in the co-ordination of training and awareness raising activities.

- Support in the efficient co-ordination regarding SECAP Instruments considerations to be taken into account in the sub-project preparatory activities.
- Support the identification of the capacity and training needs of the ARCAFIM, the Ministry, District Offices and other Responsible Parties regarding:

- Training all farmers in proper Fertiliser application regimes and encouragement to use organic fertilizers.
- Training the Farmers in climate change adaptation approaches.
- Training the cooperatives in Group Dynamics, Gender equality, youth engagement and other socially related subjects.
- Training of SPIU, ARCAFIM, ARCAFIM District Focal Persons, District Administration Staff, Proximity Extension Staff and farmers in Environmental and natural resources Management, Waste management, etc.
- Training in Pesticides, and pest management.
- Advise on the co-ordination of the delivery of the requisite training.

2.0 QUALIFICATIONS AND EXPERIENCE

2.1 Key Qualifications:

To adequately address the core issues of this position, the Environmental Specialist should possess the following:

- Master's degree or above in environment, sociology, economics, development, or a closely related field.
- At least seven years of experience related to social and environmental standards and impact assessment in an international development context.
- Technical background and experience in developing safeguards for agriculture, land use and management projects.
- Knowledge of Human rights (including human rights-based approach and human rights impact assessment); gender equality and women's empowerment (including gender mainstreaming and gender analysis).
- Demonstrated knowledge of cultural heritage (including chance find procedures, physical and intangible cultural resources).

2.2 Competencies:

Functional Competencies:

- Excellent drafting, documentation and communication skills in English.
- Knowledge of Climate Change and project management skills.
- Proven record on similar documentation work at the National level.

Corporate Competencies:

- Promote the highest standards of ethics and integrity.
- Support creativity and innovation.
- Help create an enabling environment for open communication.
- Share knowledge and support a culture of learning.
- Demonstrate fairness and transparency.

Language:

- An excellent command of English and Local Languages is a requirement.

ANNEX 14: GBV/SEAH ACTION PLAN.

This is a GBV/SEAH and Child Protection Prevention and Response Action Plan for ARCAFIM

1.0 INTRODUCTION

This Action Plan has been developed to ensure that the Project does not have any negative impacts or further perpetuate GBV/SEA. It presents operational activities as well as recommendations for GBV/SEAH risk mitigation that build on existing mechanisms in the partner states.

2.0 CONTEXT OF GBV

Incidence of GBV and SEAH in the Partner States presents a significant and persistent challenge. Despite important gains in advancing more equitable gender norms, challenges in the promotion of gender equality across all spheres persist and incidence rates of GBV/SEAH remain high.

Drivers of GBV/SEAH include entrenched social norms. Harmful socio-cultural practices such as early and forced marriage, as well as female genital mutilation or circumcision (FGM/C), also persist in some parts of the region, while alcohol and substance abuse further contribute to GBV. Poverty and unemployment are also key drivers of GBV, as associated stress and frustration often manifest in negative coping behaviours including aggression and violence, particularly in the home.

A culture of silence around experiences of GBV prevails across the region. This is influenced by socio-cultural norms that both stigmatize survivors, justify and normalize perpetration of violence, particularly in the home. Feelings of shame and fear also deter survivors from seeking care or reporting incidents to justice or security actors. As such understanding of incidence is often impaired and the magnitude of the challenge is likely even more significant. Over half of women (53 percent) who experience sexual violence never seek care nor tell anyone about their experiences of violence, while 42 percent of those who experience physical violence never seek care or tell anyone. It is notable that there is limited understanding of male experiences of physical or sexual violence, however, several studies highlight experiences particularly of sexual assault among adult men and boys. Actual and perceived stigmatization is often even more pronounced for male survivors; thus, the scope

and extent of the challenge remains underreported and poorly understood.

The National Governments have developed critical legislation, legal instruments and policy frameworks that seek to address and mitigate the consequences of GBV. These include enacting Sexual Offenses Laws, establishing National Gender and Equality Commissions (NGEC), and laws that Prohibit Female Genital Mutilation.

3.0 CATEGORIZATION OF GBV/SEAH

GBV/SEAH is an ‘umbrella term for any harmful act that is perpetrated against a person’s will and that is based on socially ascribed gender differences.’ GBV/SEA can occur in a variety of ways, including through the infliction of physical, mental, and sexual harm or suffering threats of such acts, as well as coercion and other deprivations of liberty, such as early or forced marriage, economic abuse and denial of resources, services and opportunities, trafficking and abduction for exploitation, or IPV perpetrated by a former or current partner.

It can also be defined as any actual or attempted abuse of position of vulnerability, differential power or trust, for sexual purposes. This includes, but not limited to, profiting monetarily, socially or politically from the sexual exploitation of another. In IFAD financed operations/projects, sexual exploitation occurs when access to or benefit from IFAD financed goods, works, non-consulting services or consulting services is used to extract sexual gain. Sexual abuse is defined as the actual or threatened physical intrusion of a sexual nature, whether by force or under unequal or coercive conditions.

Sexual harassment (SH) is understood as unwelcome sexual advances, requests for sexual favors, and other unwanted verbal or physical conduct of a sexual nature. SH differs from SEA in that it occurs between personnel/staff working on the project, and not between staff and project beneficiaries or communities. The distinction between SEA and SH is important so that agency policies and staff training can include specific instructions on the procedures to report on both. Both women and men can experience SH.

Four key areas of GBV/SEA risks can be defined:

- i. *SEA* - exploitation of a vulnerable position, use of differential power for sexual purpose; actual or threatened sexual physical intrusion,
- ii. *Workplace sexual harassment* - unwanted sexual advances; requests for sexual favors, sexual physical contact,

- iii. *Human trafficking* - sexual slavery, coerced transactional sex, illegal transnational people movement; and
- iv. *Non-SEA* - physical assault, psychological or physical abuse, denial of resources, opportunities or services and IPV.

The broader definition of GBV/SEAH will be applied to this project. This approach will ensure that a wider set of acts are covered in order to guarantee the protection of project affected persons.

3.1 Potential Project-related GBV/SEAH Risks

There are several GBV-related negative impacts anticipated from this project. There is a risk of GBV against potential project beneficiaries from project and workers. There is also potential risk among co-workers contracted by the ARCAFIM and among the primary suppliers. GBV could spill over to the communities in the form of sexual favors sought by service providers (e.g., by contractors and primary suppliers) to benefit from the project interventions.. Specifically, the following forms of abuse are likely to occur:

- i. *SEA* - exploitation of workers and community members by the project workers (direct, contract and primary suppliers) using their differential power. This could lead to rape/defilement of women engaged in project activities as workers and service providers, and,
- ii. *Workplace sexual harassment*: this may occur among the workers within the ARCAFIM, contract workers and primary suppliers in the form of unwanted sexual advances; requests for sexual favors, sexual physical contact.

3.2 Key GBV/SEA Mitigation Measures

Reporting of GBV/SEA cases committed by contract workers or other workers engaged by the project will be critical. The ARCAFIM and the implementing partners including primary suppliers, will require contractors/suppliers to report instances involving credible allegations of GBV/SEA accurately and fully by contract workers, primary suppliers, and/or third parties; and sharing of best practices and lessons learned on addressing GBV/SEA with other stakeholders.

When working with Primary Suppliers, adequate safeguards will be established, and appropriate actions taken on GBV/SEA. This will include screening, cooperative arrangements, monitoring, and termination of arrangements where applicable. The dedicated focal points identified for this project (social safeguards officers, and GRM focal points at the national and district offices) have the overall responsibility for the implementation of prevention of SEA policies and activities and will report regularly to the Project Management Unit (PMU), IFAD and the Host Banks.

GBV/SEA programming guiding principles are outlined below.

- i. **Confidentiality:** at all stages of the intervention, the privacy and confidentiality of survivors will be assured, prioritizing the well-being of survivors, and ensuring that the delivery of services and support will not compromise the privacy or identity of the individuals involved.
- ii. **Respect:** respect of the wishes, dignity and choice of the survivors will be always observed and during all stages of any intervention. Survivors will be supported to give their free and informed consent, based on a clear understanding of the facts, implications, risks, and consequences of an action, before information is shared or action is taken.
- iii. **Safety and security:** awareness and consideration of any risks or safety concerns that might compromise the physical safety of individuals affected by GBV/SEA will be sufficiently addressed and factored into any GBV/SEA intervention or initiative.
- iv. **Non-discrimination:** all GBV/SEA interventions will be designed to ensure access and the same level of quality of care and assistance for all persons seeking support, or persons affected by GBV/SEA, without regard to sex, gender, age, ethnicity, religion, or other status.

3.3 Community awareness

Practice within IFAD funded projects prescribes that beneficiary awareness raising efforts are undertaken on SEA in beneficiary communities. Information will be provided on the ARCAFIM's standards of conduct and reporting mechanisms; community-based complaints mechanisms will be set up in project sites and offices as appropriate, including mechanisms for monitoring and reviewing the complaints mechanisms. An incident reporting form is an integral part of the complaints and investigation mechanisms.

3.4 GBV/SEA Referral Pathways

IFAD advocates for survivor centered approach to managing all GBV/SEA cases. The security and safety of the survivor should take precedence with any actions taken once the case is reported. The PMU aims to provide avenues for comprehensive GBV/SEA services including GBV/SEA case management, psychosocial support and referral mechanisms for survivors, among others, as illustrated in Table 11-7:

Table 11-7: Template of a Referral Mechanism

TELLING SOMEONE AND SEEKING HELP (REPORTING)	
Survivor/client tells family, friend, community member or service provider; that person accompanies the survivor to the health or psychosocial entry point	Survivor/client self-reports to any service provider

IMMEDIATE RESPONSE			
The service provider must provide a safe, caring environment and respect the confidentiality and wishes of the survivor/client, learn the immediate needs, and give honest and clear information about the services available. If agreed and requested by survivor/client, obtain informed consent and make referrals, accompany the survivor/client to assist her/him in accessing services			
Medical/health care entry point-GBV/SEA	Psychosocial support entry point - GBV/SEA Adult	Psychosocial support entry point-GBV/SEA Child- under 18	
List of health facilities or other entities offering GBV/SEA care and support at the district level.	Agencies (list agencies operating in the district.)	The Children Services and other organizations involved in child protection.	
If the survivor/client wants to pursue police/legal action or if there are immediate safety and security risks, for example, if the survivor is a minor (under 16 years), refer and accompany survivor to police/security or to legal assistance for information			
Safety and Security		Legal Assistance Counselors	
AFTER IMMEDIATE RESPONSE, FOLLOW-UP AND OTHER SERVICES			
Over time and based on survivor’s/Client’s choices can include any of thefollowing:			
Healthcare	Psychosocial services/Case management	Protection, security, and justice actors	Basic needs -children's services, safe shelter
Refer to facilities identified as able to handle GBV/SEA cases (each District has facilities that manage GBV/SEA)	This could be accessed at health facilities or through partners (CSOs, CBOs or FBOs)	Agency Name: The Mounted Police, Ministry of Labor and Social Protection, National Gender Commission. SERVICES: * Arrest perpetrator – Police, * Gather evidence and complete file for case, * Inform survivor and witnesses on court hearing, * Provide physical protection/safe shelter. SERVICES: * Provide legal counselling, * Transport, accommodation and meals for survivor/witness and family to attend court.	Agencies: Children Services (among otherprovidersdepending on the district) SERVICES: *Livelihood program, life skills/vocationaltraining/ entrepreneurship.

4.0 ACCESS TO JUSTICE

The provision for a project based GRM does not in any way limit the aggrieved party from

seeking recourse from the courts of law in the country. Information will be provided to the project beneficiaries on the legal system that they could use as needed including the sources outlined below.

- v. The Judiciary system has in the past invested in strengthening the National Police Force to establish gender desks in most police stations across the region. Specific police officers have also been trained to manage survivors and ensure that all necessary information and evidence is gathered to facilitate prosecution of offenders/perpetrators, as necessary.
- vi. The National Gender Commissions, which have a GBV/SEA mandate, have offices across the member countries which can be used to facilitate access to justice for survivors and their families.
- vii. There are many organizations (both local and international) operating across the member countries (although not evenly distributed) which render support to survivors in the pursuit of justice.

5.0 PREVENTION OF SEXUAL EXPLOITATION AND ABUSE

This Plan aims to facilitate a consistent approach across all potential GBV/SEA complaints received from every possible channel established to manage GRM on the project (email, call center/hotline, phone calls, in-person reports, etc.). The IFAD has SEA misconduct response systems, which will apply and ensure that all parties engaged in the project respond to the misconduct of project staff or any worker of contractors and primary suppliers. These responses will follow the different organizational set-ups, but will all comply with the relevant IFAD protocols on SEA.

All IPs, contractors and suppliers for this project are obligated to create and maintain an environment that prevents GBV/SEA. They are also required to develop systems that maintain this environment, including but not limited to the following.

- i. *Adoption of the Core Principles of the IFAD's GBV/SEA policy.* All categories of workers will be inducted and required to sign a code of conduct (CoCs), which includes expected standards of behavior regarding GBV/SEA. The IPs, contractors and primary suppliers will further ensure that all workers have been inducted and have signed a CoC.
- ii. *Prevention of Child Labor:* The project shall not engage anyone aged below 18 years of age (as per ILO guidelines to prevent Child Labor).
- iii. *Media:* The arcafim will ensure that images of children are not used without the consent of both the parent/guardian/caregiver and the child (assent based on the age), and any pictures should have children fully dressed and none should depict them as victims including in captions.

5.1 Mitigation of SEA

Several mitigation measures will be implemented by the project to ensure the protection of all people involved in the project.

- i. *Community awareness and disclosure of CoC:* The CoC will be made available to the public in the project areas, especially to identified project stakeholders. Education and raising of awareness for communities on SEA and their legal rights will be done. Project beneficiaries will be made aware of the laws and services that can protect them and provide redress in case of an incident.
- ii. *Community awareness on child protection concerns:* Communities will be informed that in case project and partner staff abuse children, they should refer such complaints to child protection partners and any other agencies engaged in GBV/SEA prevention without recording the survivor's details.
- iii. *Gender and child sensitive communication channels:* Disclosure will take place through different communication channels taking into consideration child and survivor safety when designing and distributing information by the PMU and/or the respective IP.
- iv. *Training of Workers and Partners:* the ARCAFIM and all IPs will ensure their direct workers, partners, suppliers and others are trained in CoC, GBV/SEA and child protection risk issues as part of their induction (and refreshers will be offered regularly). They will roll out direct training activities for all contracted, as well as community workers deployed for their activities – prior to the start of such. The IPs will ensure that records of all inductions are kept and shared with the PMU. The PMU, Host Banks and IFAD Team will further review training materials and make suggestions for revision if there are gaps.
- v. *Cases of GBV/SEA can be reported through the general Project GRM:* the GRM focal points for the project will be trained to receive GBV/SEA cases in an appropriate manner. Beneficiaries and communities will generally be encouraged to report all GBV/SEA cases through the dedicated GBV/SEA referral system and complaints resolution mechanism. Contact information will be made explicit in all community awareness sessions, as well as be part of the publicly disclosed information. All information will be made accessible to all project beneficiaries. The GBV/SEA referral system will ensure that survivors receive all necessary services, including medical, legal, counselling, and that cases involving children aged 16 years and below are reported to the police where applicable.

Cases of GBV will require immediate attention. If such cases are reported through the Project GRM, the GRM focal point will report the case immediately to the PMU, as the PMU is obligated to report any cases of GBV/SEA to the Host Bank and IFAD within 24 hours. Furthermore, cases need to be reported to the respective IPs, if they concern direct workers or workers from a contractor, NGO partner or even community workers.

5.2 Response to GBV/SEA

The Project team has established a separate GBV/SEA response mechanism that will be used in line with the IFAD Guidance. Responses will include the implementation of sanctions for violations of worker CoC.

- i. All partners and contractors will be required to develop organizational whistleblowing policies that encourage workers to report concerns or suspicions of misconduct by colleagues by offering protection from retaliation for reporting. The definition, scope,

and protection measures may differ between organizations. General principles apply to whistle-blowers, as they would to any complainant, and internal agency policies will protect whistle-blowers on GBV/SEA from retaliation, so long as the report is made in good faith and in compliance with internal agency policies (this obligation is also contained in the CoC which is signed with all workers engaged on project activities).

- ii. All IPs will commit to timely and expeditious action to provide assistance to survivors and to comply with all timelines for action laid out in this Action Plan.

6.0 INVESTMENTS IN GBV/SEA SERVICE PROVISION AND REFERRAL PATHWAYS

This GBV/SEA Action Plan provides general guidance and recommendations for improving existing mechanisms, specifically in rural areas and the historically marginalized communities. Where services are not available, training will be provided to frontline health providers on basic response (e.g., psychosocial first aid and basic care). This will be done in consultation with other agencies engaged in project activities as appropriate.

- i. *Safety audit and GBV/SEA assessments* to understand specific GBV/SEA risks in project sites that relate to workers and beneficiaries as well as changes in community gender dynamics.
- ii. *GBV/SEA risk assessments*: This assessment will serve to understand possible negative impacts in gender dynamics in schools and communities in implement appropriate mitigation measures. Examples of activities include the engagement of key stakeholders in the community, psychosocial support to workers, community members, etc.
- iii. *Mapping and delineation of GBV/SEA referral services in project areas*: In order to complete existing information on referral pathways in project areas, a community and stakeholder consultation on GBV/SEA referral pathways assessment will provide information on the functioning and effectiveness of referral pathways in place. Consultation will take place during the Project Inception Phase and will serve to update this GBV/SEA Action Plan.
- iv. *Provision of a package of GBV/SEA services* (medical, legal, mental health, psychosocial and materials support) in project areas as per results of the GBV/SEA mapping of services. GBV/SEA services will be provided through either mobile health outreach teams and/or community/district health centers depending on the project area needs.
- v. *Training on GBV/SEA and Survivor Centered Response for community and district health professionals*. The training of key community structures will include GBV/SEA guiding principles and referral pathways. Also, training on WHO guidelines for Clinical Management of Rape (CRM) and psychosocial support.
- vi. *Provision of hygiene/dignity kits* for vulnerable girls including GBV/SEA survivors and pregnant girls.
- vii. *Provision of relevant GBV materials*, including fliers on referral pathways to be used in case of violation, school reentry guidelines, and legal redress mechanisms.
- viii. *Strengthen coordination and collaboration*: This will be done at national and district levels by involving the government's relevant units in strengthening of the GBV/SEA package of services and referral systems in project areas.

7.0 PARTNERSHIP AND COLLABORATION

The project will seek partnership with several partners at the Regional, national and sub-

national levels. These will include the Health Ministries, Department of Gender, Children's department, Police Service, Judiciary, Probation and Office of the DPP to ensure that perpetrators are arrested, tried in court and sentenced accordingly. The Department of Children's Services has the capacity to rescue abused children and secure them while court proceedings are ongoing to prevent perpetrators from interfering with the judicial process. Further, faith-based organizations, NGOs and various charity organizations also offer support services and rescue efforts countrywide.

8.0 GBV/SEA CAPACITY BUILDING, MONITORING AND EVALUATION.

The project will put in place monitoring tools to ensure adherence to the provisions made in this plan.

8.1 Response to GBV/SEA

The PMFU, as well as IPs, will use the existing GBV/SEA referral pathways as well as expand the availability of the basic package of multi-sectoral GBV/SEA services at the district level. Also, the project will build capacity of service providers to deliver quality GBV/SEA services in line with best practices, with a focus in counties that might not have GBV service providers. The project will ensure that affected women, men, boys and girls receive psychosocial support and safe referral Services.

8.2 Monitoring and Supervision

The Project safeguards team will monitor all GBV/SEA reported cases through the various reporting mechanisms and report back to the PMU. The monitoring will adopt a mixed-methods approach, including the utilization of perception surveys and community-based monitoring to enable an in-depth understanding of the impact of project activities on community members. This is a particularly pertinent approach given the sensitivities of the interventions that center on children.

Continuous monitoring: new complaints and ongoing cases and complaints will be followed closely by the GBV/SEA focal points at the sub-national and national levels.

Monthly review of services: the PMU will conduct monthly review of services to ensure the continuous availability of services, continued access to services by survivors, dissemination of correct information to survivors during case management and to women, girls and the community at large during awareness on available services.

Quarterly monitoring: The PMU will monitor the implementation of this Action Plan on a quarterly basis. Quarterly reviews will focus on:

- i. Ensuring that all activities (as listed above) have been undertaken and/or are on track,
- ii. Reviewing all referrals made in specific cases, and assessing whether complaints have been handled and/or resolved appropriately,
- iii. Monitoring and reporting on the effectiveness of the implementation of the GBV/SEA Action Plan, and
- iv. Reporting on progress on all activities and re-assessment of risks and monitoring of the situation as appropriate.

Non-compliance: where quarterly reviews identify non-compliance with the GBV/SEA Action Plan, the matter will be reported to the Project Manager in case of IPs' non-compliance and to the IFAD in case of PMU non-compliance. The PMU and IFAD will then seek clarification from the respective IP or PVMU and jointly develop plans on how to assist to bring activities back on track. Serious cases can lead to the termination of contract with the IP.

Monitoring and evaluation of SEAH activities will include the following measures:

- i. The PMU will ensure that all project workers sign the CoC developed for this project. Spot checks will be done at funded facilities to monitor adherence to this provision,
- ii. All staff will be trained on SEA, CoC and the relevant protocols. All GBV/SEA related complaints will be received and handled in a manner that safeguards the well-being of the survivor,
- iii. It is expected that all IPs, contractors, and sub-contractors will disclose their CoC, and that IPs will report all related activities to the PMU for monitoring purposes,
- iv. PMU will monitor that IPs have a GBV/SEA free environment and implement safety audit recommendations regarding lighting, signing of CoC, information on GRM and referral pathways, and
- v. PMU will monitor the project implementers bimonthly on their implementation of the GBV/SEA action plan via reports, community-based monitoring, and field visits.

On GBV/SEA programming, the PMU will monitor that:

- i. Communities, including children, are aware of the risks of GBV/SEA, their rights, and the mechanisms available to them to report GBV/SEA cases,
- ii. Appropriate GBV/SEA services and referral pathways are provided to survivors,
- iii. Referral pathways are in place and functional,
- iv. Percentage of first responders who are trained/oriented on the referral pathway,
- v. Standard intake and referral forms are developed and utilized by service providers; and
- vi. Percentage of GBV/SEA survivors who were referred for comprehensive care, within a given period.

ANNEX 15: CONFLICT ANALYSIS PLAN

1.0 INTRODUCTION

The Conflict analysis Process follows three stages (Figure 1):

- Preparation.
- Creating ownership and committing partners
- Data gathering and analysis.

Each of the stage involves numerous steps as outlined in figure 1 below.

2.0 PREPARATION

2.1 DEFINING THE OBJECTIVE OF THE CONFLICT ANALYSIS

Convene a meeting involving major representatives from the project area and start by defining the objectives, benefits, and eventual outcome of the Conflict Analysis. The main reasons for conducting the Conflict Analysis include the following:

- To get a better understanding of the possible conflicts and their dynamics to ensure more targeted interventions.
- To enable staff, stakeholders, and other international organisations working in the project area to have an in-depth view of potential conflicts in the region.
- The results of the Conflict Analysis will provide the ARCAFIM programme with the necessary background information that will enable it to integrate greater conflict sensitivity into its approach and it will allow for organisational adaptation to accommodate the sensitive issues.
- The Conflict Analysis will provide the necessary baseline data against which future evaluations regarding impacts and effects could be measured.

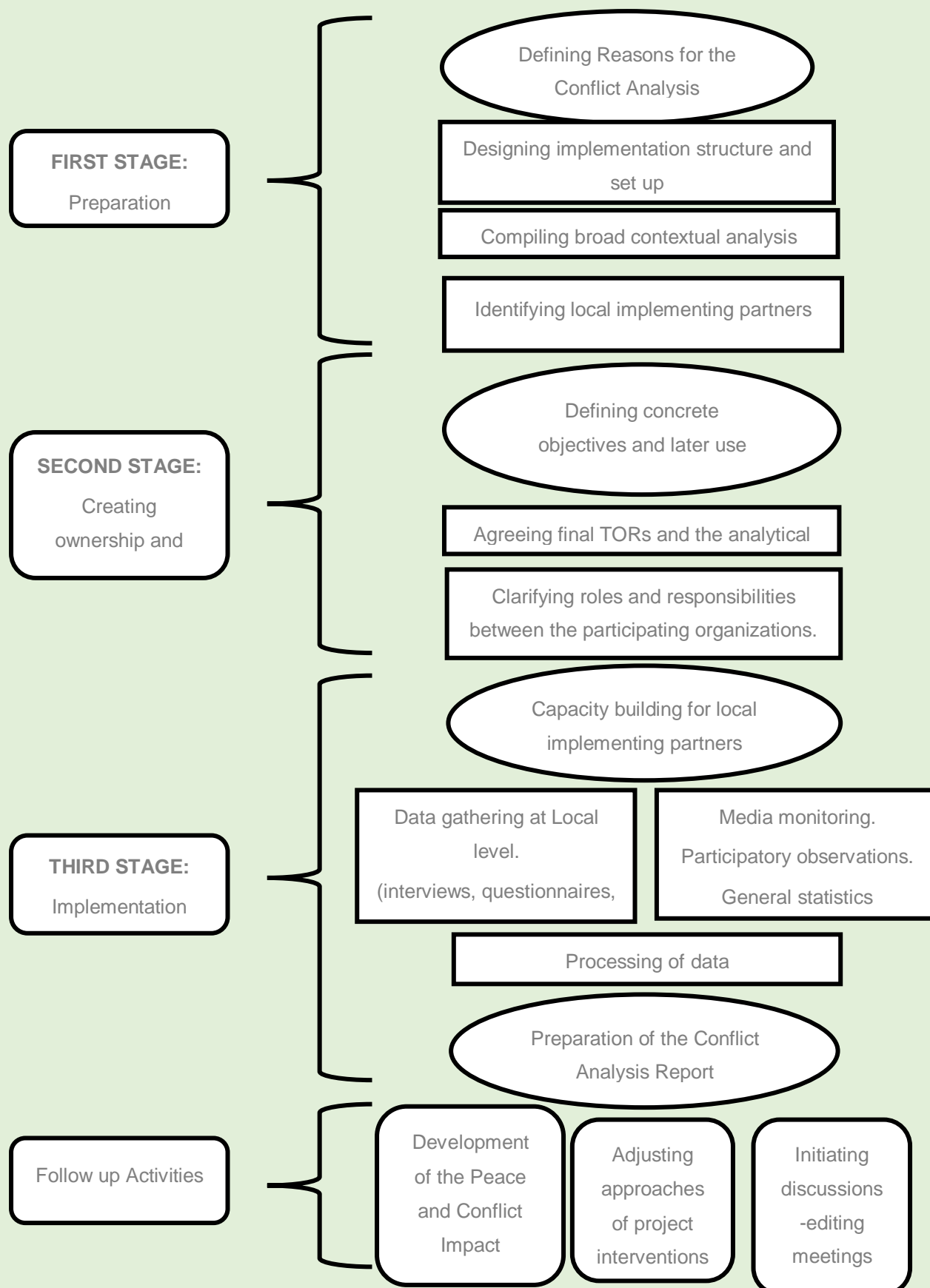


Figure 1 The Conflict Analysis Process

2.2 OVERALL CONTEXTUAL ANALYSIS

Conduct a literature review prior to the main data collection exercise, to obtain a more focussed understanding of the main conflict-lines in the region. This will also streamline the subsequent data collection process and helps define more precise terms of reference for the study teams who will be collecting and analysing the data.

The main areas for the contextual analysis will include:

- Research on conflict history in the region,
- Review of secondary literature
- Determination of key issues
- Brainstorming on possible issues for conflict

2.3 SELECTION OF LOCAL STUDY TEAMS

The quality and value of data and information is related to the competency of the study teams selected, so it is necessary to pair local personnel with competent NGOs. The local personnel will ensure that their local knowledge is made use of whilst the NGO will provide the necessary analytical skills.

The criteria for selecting the study teams includes the following:

- People or organisations which are well accepted by local community.
- Proof that the organisation understood what local conflict analysis is all about.
- Proof of current capacity to conduct Conflict Analysis.
- Evidence of what follow-up steps the organisation will undertake after completion of the Conflict Analysis.

The local study teams/organisation will conduct seminars and meetings with focus groups, undertake media monitoring, collect statistics, process, and analyse the primary data, and finally draft the main conflict analysis report.

2.4 DESIGNING THE CONFLICT ANALYSIS IMPLEMENTATION APPROACH.

Inclusive meetings should be held between ARCAFIM Host Bank, FIs, PMU, Local NGOs, representatives of End-beneficiaries, etc to design and agree on the Conflict Analysis approach to be taken. The TORs should contain a detailed implementation or action plan.

The inclusive meetings should be held regularly to synchronise the approach among the teams and exchange any information and experience.

3.0 CREATING OWNERSHIP

The main objectives of the second stage of the Conflict Analysis process (Figure 2) is to develop a team who will have the same vision, approach and understanding necessary to successfully implement the conflict analysis.

3.1 CONCRETE OBJECTIVES AND LATER USE

Prior to conducting an “in the field” conflict analysis, clear and concise objectives must be agreed upon with the local stakeholders. This should include potential areas of intervention and related follow-on activities. This should emphasise the goals of the conflict analysis and the future use of the insights gained from the analysis. The objectives may include the following:

- Gain an understanding of the conflicts.
- Identify the main areas of conflict.
- Develop an awareness of conflict dynamics
- Include a base for further activities directed at strengthening local capacities for conflict transformation
- Monitor future developments and the impact of programme activities on the conflict dynamics.

The further use of the Conflict analysis results must be agreed upon at the start of the process because the publication of such information can lead to or even escalate conflicts. Generally, it can be agreed that the results would be used to:

- Initiate discussions/editing group meetings on specific issues identified and analysed in the Conflict Analysis.

- Develop together with all partners a peace and conflict impact assessment tool.
- Reflect and adjust ARCAFIM' approaches.

3.2 AGREEING FINAL TORs AND THE ANALYTICAL SCHEME

At this stage, the final TORs are agreed upon. Some issue to include are:

- Developing conflict profiles, the, what, where and when of the conflict. What is the conflict about, what is its extent, and what are its impacts? When and how did it start? How did it develop? Where exactly is it taking place and what are the main demographic and geographic indicators of conflict?
- Developing stakeholder analysis and detailing the “who is who” in the conflict. Who are the conflict actors? How are they related to each other? What are their roles in the conflict? What is their desired outcome of the conflict?
- Analysis of conflict processing institutions at the official and social level, analysing the way in which stakeholders deal with the conflict, their formal. Informal and traditional ways as well as the implications of the process used to manage conflicts on further developments.
- Conflict source analysis, which identifies the “root causes” and the trigger factors.
- Conflict trend and scenario analysis, which detail the development of the conflict and the actions that could mitigate conflicts and tensions.

The analytical scheme is as follows:

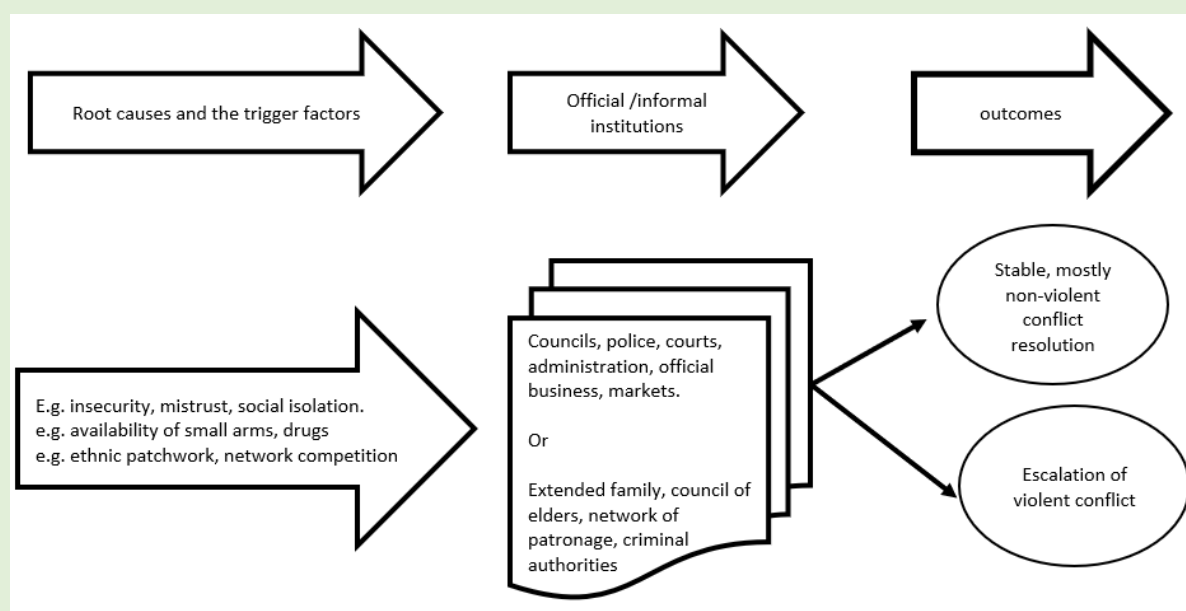


Figure 2 The analytical scheme

3.3 ROLES AND RESPONSIBILITIES OF PARTICIPATING ORGANIZATIONS.

ARCAFIM will have to work with service providers to carry out such an analysis. In view of this and the spatial dimensions of the Conflict Analysis, the project must make sure that all organisations clearly understand their roles and responsibilities, eg collection of primary data whilst ARCAFIM PMU supervises the process. The different local organisations who will be involved in primary data collection require a lot of training so that they will conduct the data collection in a standard way.

4.0 IMPLEMENTATION

This stage will involve the actual field work which will be implemented by the local organisations. ARCAFIM's role was capacity building, advising, and monitoring.

4.1 CAPACITY BUILDING FOR LOCAL PARTNERS

The local partners will require extensive training in:

- General concepts of conflict analysis
- Methodologies,
- Interview and survey techniques,
- Group discussion approaches,
- Training in conflict transformation
- Identifying key stakeholders
- Topics to be addressed during interviews,
- Structuring of questions, to be short and precise,

A careful appraisal should be taken of the questions to be asked to avert any possible negative sentiments, mistrust or fear being created.

4.2 DATA GATHERING

A variety of data gathering methods can be used. These can be grouped into quantitative and qualitative methods.

quantitative methods.

These can include:

- General statistical information from official national and local sources.
- Administering a focused questionnaire

qualitative methods.

These can include:

- Focus Group meetings
- Individual native interviews with representatives of focus groups.
- Guideline interviews with local key stakeholders.
- Professional interviews with local experts.

The qualitative methods can focus primarily on the way in which the stakeholders deal with conflicts, their perceptions of others and trends.

The data gathering will be complemented by physical observations and monitoring of local and national media and other sources of public opinion.

4.3 PROCESSING OF DATA

All the data collected by the local partners can be brought to one central place for processing. The data can be analysed using various qualitative and quantitative methods, ranging from statistical calculations to sociological interview analysis.

4.4 PREPARING THE CONFLICT ANALYSIS REPORT.

Experts can then draft the first draft report structured in line with the various conflict aspects defined in the second stage of the process and reflecting the findings of the analysis. This should include the general information about the conflict parties and stakeholders as well as specific information on conflict fields.

The draft can go through various review stages together with all stakeholders.

ANNEX 16: SAMPLE TIER TWO FI ANALYSIS

ARCAFIM has engaged a sample of four East Africa-based Tier 2 FIs to gain a general understanding of the maturity of the E&S risk management systems of potential ARCAFIM partners. The results of the ESMS assessment are provided in the table below:

Tier Two FI ESMS Comparison

	TTFI 1	TTIF 2	TTFI 3	TTFI 4
Commitment to E&S/Sustainability	Yes. Annual Report commits to sustainability approach of managing social, environmental, and economic risks	Yes. Have joined UN Global Compact, Women's Empowerment Principles, and are committed to the SDGs	Yes.	Yes.
ESG Resources/Capacity	No resource responsible for ESG.	No resource responsible for ESG.	Regional manager is driving ESG adoption. Would like to have their field staff trained on ESG. Current have been trained on OHS, fire safety, waste management.	In progress. Looking to hire dedicated ESG resource/ establish ESG unit.
Policy	No.	In progress. Recruited ESG consultant in 2023 to develop an ESG Policy and Framework.	In progress. Have a draft ESG Policy in place. Looking for a technical/financial partner to further develop.	Yes.
ESMS	No.	In progress. See above.	No.	Yes, although ESMS not fully implemented. Consultant is currently contracted to revise ESMS

				(developed in 2016 as part of AfDB loan).
Exclusion List	Yes Part of Old Mutual Group, use Old Mutual Exclusion List	No. Only prohibited projects are those in contravention of Kenyan law.	Yes. Included in credit policy.	Yes. Based on AfDB and other international standards.
E&S Screening/ Due Diligence	No. Investigate necessary environmental permits required by national law only.	No.	No. Have 'green finance' code to denote projects with environmental benefits, but no specific screening.	Yes. Have screening checklist, will be revamped, and better implemented as part of ESMS revision.
E&S Monitoring	No. Monitor conditions against permit only.	In progress. Currently limited reporting against UNGC and WEP. Reporting to be fleshed out through use of above consultant	No.	Yes. Currently only for bigger projects which require an ESIA. As part of ESMS revamp, all clients will have monitoring requirements.
ESG-related to support to loan recipients	No. Some CSR may be linked to sustainability initiatives	Yes. Provide 'life-touching' products to support clients on an individual level. Some relate to ESG e.g., solar to replace kerosene, prevent deforestation	Yes. Field representatives encourage borrowers to adopt environmentally friendly practices e.g., protect water bodies, forests, minimum tillage, alternative energy sources.	No. Work with partners below them who are engaging more directly with loan beneficiaries on the ground.