

**GOVERNMENT OF KENYA**



**The National Treasury & Planning**

**Rural Kenya Financial Inclusion Facility Project  
(RK-FINFA)**

**Environmental and Social Management Framework  
(ESMF)**

**FINAL REPORT**

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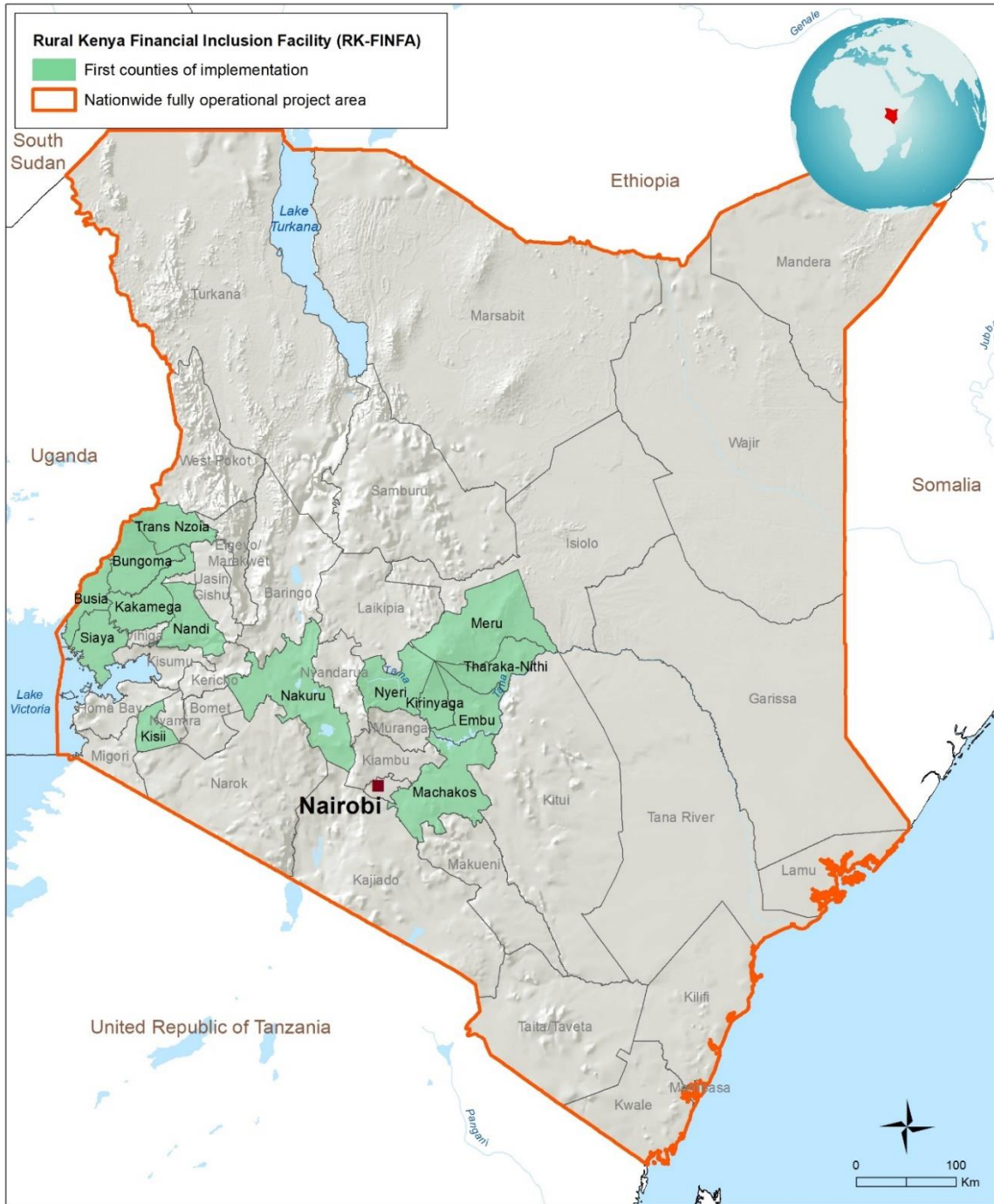
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## Acronyms and Abbreviations

ABDP	Aquaculture Business Development Programme
ASTGS	Agriculture Sector Transformation and Growth Strategy
ASALs	Arid And Semi-Arid Lands
BDS	Business Development Services
CA	Conservation Agriculture
CBK	Central Bank of Kenya
CC	Climate Change
CEnvO	County Environment Officer
CGC	Credit Guarantee Company
CGS	Credit Guarantee Scheme
CNRMO	County Natural Resource Management Officer
COK	Constitution of Kenya
COVID-19	Coronavirus Disease 2019
CPFT	County Project Facilitation Team
CPR	Comprehensive Project Report
CSA	Climate Smart Agriculture
CSSO	County Social Services Officer
DT-SACCO	Deposit Taking SACCO
E&S	Environmental and Social
ECCO	Environment and Climate Change Officer
ERO	ESMS Responsible Officer (for PFIs)
ESC	Environmental, Social and Climate Change
ESG	Environmental, Social and Governance
ESIA	Environmental and Social Impact Assessment
ESMS	Environmental and Social Management System
GALS	Gender Action Learning System
GDP	Gross Domestic Product
GFF	Green Financing Facility
GCF	Green Climate Fund
GoK	Government of Kenya
GRM	Grievance Redress Mechanism
ha	hectare
IFAD	International Fund for Agricultural Development
ILO	International Labour Organisation
IP	Indigenous Peoples
IPP	Indigenous Peoples Plan
IPPF	Indigenous Peoples Plan Framework
KCEP-CRAL	Kenya Cereals Enhancement Programme-Climate Resilient Agricultural Livelihoods Window
KeLCoP	Kenya Livestock Commercialization Project
KShs	Kenya Shilling
M&E	Monitoring and Evaluation
MALF	Ministry of Agriculture, Livestock and Fisheries
MFB	Microfinance Bank
MFI	Microfinance Institution
MITC	Ministry of Information, Communication and Technology
MITED	Ministry of Industry, Trade and Enterprise Development
MOEF	Ministry of Environment and Forestry
MPSYG	Ministry of Public Services, Youth and Gender
MSME	Micro, Small and Medium Enterprise
MTR	Mid-Term Review
NDC	Nationally Determined Contributions
NEMA	National Environment Management Authority
NPL	Non-Performing Loan
NT&P	National Treasury & Planning
PCR	Project Completion Report
PDO	Programme Development Objective
PDR	Project Design Report
PFI	Participating Financial Institution
PIM	Project Implementation Manual
PMU	Project Management Unit

PS	Principal Secretary
PSC	Project Steering Committee
PWD	Persons Living with Disabilities
RF	Rural Finance
PROFIT	Programme for Rural Outreach of Financial Innovations and Technologies
R-CGS	Rural Credit Guarantee Scheme
RK-FINFA	Rural Kenya Financial Inclusion Facility
SACCO	Savings and Credit Cooperative Society
SASRA	Sacco Societies Regulatory Authority
SDG	Sustainable Development Goal
SECAP	Social Environment and Climate Assessment
SIO	Social Inclusion Officer
SME	Small and Medium Enterprise
SPR	Summary Project Report
TA	Technical Assistance
TOC	Theory of Change
TSIS	Technical Support and Innovation Service
USD	United States Dollar
UTaNRMP	Upper Tana Catchment Natural Resource Management Project
VC	Value Chain

Map 1: Map of RK-FINFA Project Area



The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.  
 Map compiled by IFAD | 17-05-2021

Source: RK-FINFA PDR (June 2021)

## Executive Summary

### INTRODUCTION

The agricultural sector continues to be a key economic and social driver of development in Kenya. Overall, the sector directly contributes about 25% of the country's GDP and about 27% indirectly through linkages to agro-based industries and the service sector. The sector accounts for over 65% of exports, provides about 75% of total employment and supports over 80% of the rural population. The agricultural sector has four major sub-sectors, namely, crops, livestock, fisheries and forestry.

Both the Government of Kenya and IFAD share the vision that effective transformation of the rural sector can be achieved through (i) a substantially increased private sector focus in the development and investments of the sector; and (ii) improvements in the productivity of smallholder operations through modern cultivation methods and climate smart technologies, linking farmers to well-operating value chains and building farmer capacity to increase their readiness for innovation and diversification. In order to develop the rural sector successfully and in a sustainable manner, private sector financial institutions, particularly commercial banks, Savings and Credit Cooperative Societies (SACCOs) and microfinance institutions (MFIs), would need to play a central role in the financing of the rural transformation process. Development funding would be used to proactively stimulate the interest of the financial institutions (FIs) to expand the volumes and outreach of their agricultural and rural operations.

The International Fund for Agriculture Development (IFAD) and the Government of Kenya (GoK) through the National Treasury and Planning (NT&P) have designed the Rural Kenya Financial Inclusion Facility (RK-FINFA). The Facility would provide an avenue for ensuring that appropriate and adequate financial services would be available for the planned transformation and growth of the rural economy in Kenya. In the wake of COVID-19, the need for this strategic development support is even greater, to initially improve the chances of fast rural recovery and then later boost the sustained growth of the sector, building back better. At the same time, to respond to Government's and IFAD's agendas on climate change adaptation/mitigation and to improve environmental management and efficiencies in the use of natural resources, RK-FINFA will proactively encourage the mainstreaming of green finance activities when sustainably transforming the rural sector in Kenya.

### ENVIRONMENTAL AND SOCIAL MANAGEMENT FRAMEWORK (ESMF)

RK-FINFA may have environmental and social risks resulting from its activities, particularly the end line investments by the smallholders and MSMEs. In order to ensure that potential adverse impacts are minimised, environmental, social and governance standards will be a criterion for participation in the project by the partner financial institutions (PFIs) and technical assistance will be provided to strengthen or establish their Environment and Social Management Systems (ESMS). Some commercial banks and microfinance banks (MFBs) may already provide services and products for sustainable production, biodiversity and environmental protection, energy efficiency and renewable energy and may have established ESMSs that enable reporting on these portfolios. While it is unlikely that rural SACCOs have the capacity and resources to develop and implement ESMSs, guidance and capacity building would have to be provided to them to ensure environmental and social risks emanating from their activities will be avoided or minimised, and to set up monitoring and reporting systems.

Specifics of the nature of activities and interventions to be supported through RK-FINFA will be determined when PFIs review loan applications. This Environmental and Social



Management Framework (ESMF) is intended to provide guidance to the management of environmental, social and climate change (ESC) related risks and impacts of potential project activities that will be financed by RK-FINFA supported PFIs, SACCOs and MSMEs. The ESMF sets out the framework for these institutions to develop environmental and social management systems. It identifies specific criteria for screening of investments and steps for establishing or strengthening of the various PFI's ESMS.

## **PROJECT DESCRIPTION**

### ***Project Location***

The geographic coverage of RK-FINFA, once fully operational, will be nationwide. However, for an effective Project start-up, the entry point for the RK-FINFA outreach will be the 14 counties in which at least two IFAD-financed projects currently support agricultural value chains, namely: (i) Bungoma, (ii) Busia, (iii) Embu, (iv) Kakamega, (v) Kirinyaga, (vi) Kisii, (vii) Machakos, (viii) Meru, (ix) Nakuru, (x) Nandi, (xi) Nyeri, (xii) Siaya, (xiii) Tharaka Nithi and (xiv) Trans-Nzoia.

### ***Project Components***

The project will have three mutually reinforcing components namely:

Component 1: Technical Support and Innovation Services (TSIS). Through two fully inter-linked sub-components, Component 1 will (i) strengthen Participating Financial Institution (PFI) capacities for innovation, rural outreach and green finance services in Kenya, and (ii) build MSME and smallholder sustainable investment capacities and financial literacy skills particularly tailored to reach women, youth and marginalized groups. Both aspects of the TSIS, *supply and demand side*, will be embedded into the rural growth strategies of PFIs to foster sustainability and scalability and support the effective use of the resources provided through the project's Investment Instruments component. A co-financing partner organization/organizations will be engaged to coordinate the TSIS component.

Component 2: Rural Investment Instruments. The RK-FINFA will operate with two Rural Investment Instruments: (i) a *Rural Credit Guarantee Scheme (R-CGS)*, and (ii) a *Green Financing Facility (GFF)*. Both the R-CGS and the GFF will be designed as sustainable financing vehicles, which can utilize resources from the GoK and from interested international financiers to unlock private investment into Kenya's agricultural and agribusiness sector at attractive market terms through Kenyan financial institutions. The Technical Support and Innovation Services packages under Component 1 will support the PFIs in the implementation of the rural investment instruments, in line with each PFI's respective rural and agriculture finance strategy. Identification and referral of agribusiness and smallholder candidates into the PFI funding pipelines are supported through business development services and financial literacy services.

Component 3: Enabling Rural Finance Environment and Project Coordination. This component promotes policies and institutional arrangements that support the medium and longer-term development of a more conducive operational environment for the Rural Credit Guarantee Scheme and the Green Financing Facility. The project coordination activities will cover oversight, and arrangements for implementation and reporting.

### ***Project Implementation Arrangements***

The Lead Implementing Agency of RK-FINFA will be the Directorate of Budget, Fiscal and Economic Affairs in the National Treasury and Planning (NT&P). A Project Steering Committee (PSC) will be established, with representatives from the key ministries and

private and public agencies. A Project Management Unit (PMU) will be established at the NT&P, and housed in the Financial and Sectoral Affairs Department, Nairobi. This team will possess appropriate technical and project management skills and will be competitively recruited.

At the County level, each of the ongoing IFAD value chain projects have well-staffed PMUs, supported by County Project Facilitation Teams (CPFTs) and Sub-County Project Technical Teams (SCPTTs), which are composed of subject matter specialists, including County Environment Officers (CEnvOs), County Natural Resource Management Officers (CNRMOs) and County Social Services Officers (CSSOs).

For the implementation of the TSIS, the TSIS Coordinator(s) will enter into partnership with the NT&P, by covering 50 per cent of the TSIS coordination costs and assuming accountability for the TSIS implementation process and results. The R-CGS will be operated by dedicated and already operational MSME-CGS management unit in the NT&P. The GFF wholesale lending operations will be undertaken by a financial intermediary, the GFF Host institution. The National Treasury/RK-FINFA will enter into Financing Agreement with the GFF Host to on-lend the GFF funds in tranches to SACCOs and MFBs based on the eligibility criteria agreed at the Project start-up. The PFIs will then on-lend the funds to eligible borrowers, again based on criteria agreed at start up. Both at the Host and PFI level, the operation is based on effective revolving of the repaid capital back to new GFF-financed loans, to achieve maximum outreach and impact.

## **INSTITUTIONAL, POLICY, LEGAL AND FRAMEWORK FOR ENVIRONMENTAL MANAGEMENT**

The GoK has put in place several policies, legislations and institutional frameworks to regulate and address environmental, climate change and social inclusion thematic areas. These are listed in the table below together with the key institutions tasked with the implementation of the legislative frameworks.

*Table E1 Policy, Legislative and Institutional Framework*

<b>Thematic Area</b>	<b>Policies/Legislations/Guidelines/Strategies/Action Plans</b>	<b>Key Institutions</b>
<b>Agriculture</b>	Agriculture Sector Transformation and Growth Strategy (ASTGS 2019-2029); Agriculture Act (rev 2012); Crops Act (2013); Irrigation Act (2019); Crops (Nuts and Oil Crops) Regulations (2020); Crops (Food Crops) Regulations (2019); Pest Control Products Act Cap 346; Plant Protection Act Cap 324; Agriculture Produce Marketing Act (2017)	Ministry of Agriculture, Livestock and Fisheries, Pest Control Product Board
<b>Livestock</b>	Draft (reviewed) National Livestock Policy (2019); Kenya Veterinary policy (2015); Draft Livestock Breeding Bill (2015); Livestock identification and traceability system regulations (2019); Pest Control Products Act Cap 346; Kenya Meat Commission Act; Fertilizers and Animal Foodstuffs Act, Cap 345 (2012); Animal Health Bill (2019)	Ministry of Agriculture, Livestock and Fisheries, Pest Control Product Board
<b>Fisheries</b>	National Oceans and Fisheries Policy (2008); Fisheries Act 2016; Fisheries Management and Development Bill (2019); National Aquaculture Policy (2011); National Aquaculture Development Plan (2010-2015)	Ministry of Agriculture, Livestock and Fisheries
<b>Gender</b>	Sessional Paper No. 2 of 2019 on National Policy on Gender and Development; Gender Strategic Plan (2018-2022); National Policy for the Eradication of Female Genital Mutilation in Kenya (2019); National Policy for Prevention and Response to Gender Based Violence (2014); Prohibition of FGM Act (2011)	National Gender and Equality Commission (NGEC), Women Enterprise Fund, Ministry of Labour, Social Security and Services, Ministry of Public Service, Gender and Youth Affairs, National Council for People with Disabilities, National Council for Children Services

<b>Thematic Area</b>	<b>Policies/Legislations/Guidelines/Strategies/Action Plans</b>	<b>Key Institutions</b>
<b>Youth</b>	Kenya Youth Policy (2006); Kenya Youth Agribusiness Strategy (2017-2021); Kenya Youth Development Policy (2018)	Youth Enterprise Development Fund in Kenya, Ministry of Labour, Social Security and Services, Ministry of Public Service, Gender and Youth Affairs
<b>Nutrition</b>	National Comprehensive School Health policy (2007); National Food and Nutrition Security Policy (2011); National School Health Strategy Implementation Plan (2011), National Nutrition Action Plan (2012); The Breast Milk Substitutes (Regulation and Control) Act Number 34 (2012); Kenya National Strategy for the Prevention and Control of Non-Communicable Diseases (2015-2020)	Ministry of Health, Ministry of Education, Ministry of Agriculture, Livestock and Fisheries
<b>Climate Change</b>	National Green Economy Strategy and Implementation Plan (2016-2030); National Climate Finance Policy (2016); Climate Change Act (2016); The National Climate Change Response Strategy (2010); Kenya Nationally Determined Contributions (2015); Meteorology Policy (2019); Climate Finance Bill, 2018; Green bonds Guidelines, 2019; National Climate Change Action Plan (NCCAP) 2018-2022; National Adaptation Plan (NAP 2015- 2030); Kenya Climate Smart Agriculture Strategy (2017-2026); Climate Risk Management Framework (2017); National Climate Change Policy (2018); Kenya Climate Smart Agriculture Implementation Framework (2018-2027)	National Treasury & Planning (Green Climate Fund), Ministry of Environment and Forestry, Ministry of Water & Sanitation and Irrigation, Ministry of Agriculture, Livestock and Fisheries; Kenya Meteorological Department, Water Resources Management Authority, National Disaster Management Authority
<b>Environment and Natural Resources Management</b>	The Environmental Management and Coordination Act 1999 and the amendment Act 2015; Wildlife Conservation and Management Act 2013; Forest Conservation and Management Act, 2016, Natural Resources Act, 2016; Water Act 2016; National Solid Waste Management Strategy, 2015; Forest Conservation and Management Act, 2016; Natural Resources (Benefit Sharing) Bill, 2018; Environmental Management and Coordination (Water Quality) Regulations (2006); Environmental Management and Coordination (Wetlands, River Banks, Lake Shores and Sea Shore Management) Regulations (2009); Irrigation Policy (2011); Water Act (CAP 372) No. 8 (2002) (Revised 2012, 2016); Land Act (2012); National Environment Policy, 2013, Constitution of Kenya, 2010, Lands Act, 2012; Kenya Grass Fires Act Cap 327	Ministry of Environment and Forestry, National Environment Management Authority, Kenya Forest Service, Ministry of Water & Sanitation and Irrigation, Water Resources Management Authority, National Environment Trust Fund, Kenya Water Towers Agency, Kenya Wildlife Services
<b>Indigenous Peoples</b>	Kenya Constitution, 2010, Bill of Rights; Kenya Community Land Act (2016); Kenya Agricultural and Livestock Research Act (2013); National Cohesion and Integration Act (2008)	Ministry of Sports, Culture and Arts

## IFAD'S SAFEGUARD POLICIES

IFAD has developed safeguard policies to support the sustainable implementation of its activities and interventions in achieving its mandate to eradicate rural poverty and food insecurity. These include policies and strategies on: Improving Access to Land and Tenure Security; Disclosure of Documents; Environment and Natural Resources; Gender Equality and Women's Empowerment; Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse; Targeting; Climate Change Strategy; Social, Environment and Climate Assessment Procedures (SECAP) and Strategy and Action Plan on Environment and Climate Change. SECAP provides 14 Guidance Statements, namely: Biodiversity; Agrochemicals; Energy; Fisheries and Aquaculture; Forest Resources; Rangeland-based Livestock Production; Water; Dams, their Safety and SECAP; Physical Cultural Resources; Rural Roads; Development of Value Chains, Microenterprises and Small Enterprises; Rural

Finance; Physical and Economic Resettlement; and Community Health. The key differences between Kenyan and IFAD policies and requirements are that the GoK policies do not specifically provide for climate risk categorisation, FPIC and livelihood restoration where physical and economic displacement may occur.

## LESSONS LEARNED

Some key lessons from past and ongoing IFAD-supported operations for the RK-FINFA design can be summarised as:

- i. The provision of technical support services to PFIs should start immediately after the PFI selection. This includes capacity building in all aspects of the project.
- ii. Appropriate eligibility criteria for both PFIs and final borrowers and the operational guidelines in the RK-FINFA financed operations should be carefully designed at the Project start-up;
- iii. Particular emphasis would be required on progress monitoring and reporting, using as much as possible IT-based MIS solutions, supported by systematic field verification visits;
- iv. RF Project Management Unit and the implementing partners must have adequate and appropriate capacity and assigned institutional roles for the designed RF instruments; and
- v. Appropriate flexibility should be allowed for different types of PFIs.

## STAKEHOLDER CONSULTATIONS

During the preparation of this ESMF, virtual discussions were held with the following PFIs: Faulu, Agricultural Finance Corporation (AFC), Kenya Women’s Finance Trust (KWFT) and SMEP, as well as the Sacco Societies Regulatory Authority (SASRA). Prior to the discussions, a guidance questionnaire was sent to each institution to establish whether they had any Environmental, Social and Governance (ESG) requirements or a formal or informal environmental and social management system.

During Project start-up, extensive consultations will be held at the national, county and subcounty levels, as well as with the potential SACCOs and MSMEs in the Project counties.

## POTENTIAL ENVIRONMENTAL, SOCIAL AND CLIMATE-RELATED IMPACTS

### Beneficial Impacts

The beneficial impacts of the Project are summarised in the table below.

*Table E-2 RK-FINFA Benefits*

Target Group	Expected Benefits
<b>Environmental and Natural Resources</b>	
Smallholder producers	<ul style="list-style-type: none"> <li>• Increased productivity in agriculture value chains</li> <li>• Technical support to climate smart agriculture resulting in improved soil and water conservation and improved handling, storage and application of fertilizers;</li> <li>• Reduction in mortality and morbidity risks in livestock ruminant numbers thereby reducing the pressure on rangelands.</li> <li>• Improved knowledge and skills for natural resources management as a result of the advisory services (GFF)</li> </ul>

Target Group	Expected Benefits
<b>Socio-Economic</b>	
Smallholder households and producers	<ul style="list-style-type: none"> <li>• Direct and indirect financial services provided to an estimated 66,000 economically active smallholder households.</li> <li>• 90,000 smallholder households through participation in the VCs strengthened by the supported agribusinesses.</li> <li>• Estimated 32,000 persons will gain employment in the RK-FINFA supported farm and off-farm employment activities.</li> </ul>
Women	<ul style="list-style-type: none"> <li>• 50% of beneficiaries will be women, youth comprise 30% and a minimum of 5% of beneficiaries will be from vulnerable groups (marginalized groups including persons with disabilities and persons with HIV).</li> <li>• Financial support provided to women-owned micro and small and medium enterprises (SMEs) that have growth potential, through participating financial institutions including MFBs/MFIs and SACCOs.</li> <li>• Technical support services provided to women to build their capacity in agribusiness, their groups and associations and to build capacity of MFBs/MFIs, SACCOs to support the development of women owned agribusiness and financial products.</li> <li>• Access to information, knowledge and financial services for women will be through financial literacy, business development services, follow-up and training, and access to digital platforms such as through mobile phones.</li> <li>• Women will receive 50 percent of the training in business skills.</li> <li>• Leadership trainings and mentorship of women in farmer and agribusiness groups, village savings and loan groups, associations and co-operatives.</li> </ul>
Youth	<ul style="list-style-type: none"> <li>• 30% beneficiaries will be youth.</li> <li>• Youth-sensitive financing modalities will facilitate access to affordable finance and productive assets.</li> <li>• RK-FINFA will leverage on the private sector to pilot and scale-up digital solutions that will positively impact rural young women and men.</li> <li>• Capacity building on financial literacy and business development training, business skills provided to equip youth with tools for mindset change and confidence to make sound financial decisions, in turn enabling them to manage financial services.</li> <li>• RK-FINFA will encourage the use of youth as financial agents and educators in project activities to empower their leadership skills.</li> </ul>
Vulnerable groups	<ul style="list-style-type: none"> <li>• 5% of beneficiaries will be from vulnerable groups (marginalized groups including persons with disabilities and persons with HIV).</li> </ul>
Rural MSMEs	<ul style="list-style-type: none"> <li>• 2,000 rural MSMEs engaged in smallholder-inclusive value chains.</li> </ul>
Financial institutions	<ul style="list-style-type: none"> <li>• PFIs can expand their targeted area of investments with RK-FINFA resources to any rural county in Kenya.</li> </ul>
<b>Climate Change</b>	
Smallholder households and producers	<ul style="list-style-type: none"> <li>• Technical assistance provided to target beneficiaries to support increased resilience and ability to cope with climate risks.</li> <li>• Renewable energy use and improved resource use efficiency for climate change mitigation</li> </ul>

## Potential Environmental, Social and Climate Change Risks and Impacts

The Project and its onlending activities will have a number of environmental, social and climate-related risks and negative impacts that will have to be mitigated and managed. These are summarised in the table below.

Table E-3 RK-FINFA Risks and Impacts

Environmental, Social and Climate Aspects, Risks and Impacts	Recommended Mitigation/Enhancement measures
<b>Environmental Risks and Impacts</b>	
<p>Abstraction of water for irrigation and aquaculture resulting in depletion of aquifers, particularly in the dry season leading to threats to aquatic ecosystems.</p>	<ul style="list-style-type: none"> <li>• Adhere to permitted abstraction volume as stipulated in water user/abstraction permits.</li> </ul>
<p>Excavation activities and/or clearing of vegetation during construction of irrigation schemes, buildings/workshops, storage and processing facilities, leading to:</p> <ul style="list-style-type: none"> <li>- Soil erosion,</li> <li>- Dust emissions,</li> <li>- Loss in biodiversity;</li> <li>- Resulting increase in runoff also may lead to deterioration of water quality (sediment load) in water sources and/or sea</li> </ul>	<ul style="list-style-type: none"> <li>• Minimise/prevent soil erosion by controlling earthworks, installing and maintaining drainage structures and erosion control measure; use zero-till/reduce till methods of land preparation</li> <li>• Mitigation through restoration of the sites after works in accordance with contractors environmental and social management plans (CEMPS)</li> <li>• Any existing riparian vegetation should be maintained (not cleared)</li> <li>• Use zero-till/reduced till methods for land preparation</li> <li>• If mechanized clearing and where water is available, keep dust down by watering exposed/ worked surfaces</li> <li>• If possible, schedule clearing activities such that they avoid the height of the dry seasons.</li> <li>• Careful and continuous supervision of clearing activities so that only areas required for plot/fields are cleared.</li> <li>• Monitor water quality</li> </ul>
<p>Use of agrochemicals, leading to pollution due to leaching, seepage or transmission of agrochemicals through the soil into water sources; threats to aquatic ecology, including bio-magnification of toxins in tissues of aquatic fauna, and/or species die off; loss of biodiversity, ecological imbalances, caused by poisoning of non-target species, particularly bees and other beneficial insects; resistance to pesticides and pest resurgence.</p>	<ul style="list-style-type: none"> <li>• Prepare and implement an Agrochemical Management System, and an Integrated Pest Management Plan</li> <li>• Minimise use of agrochemicals through adopting conservation agriculture techniques, explore organic/natural fertilizers, agrochemicals</li> <li>• Manual removal of weeds</li> <li>• Careful supervision of application of agrochemicals</li> <li>• Use agrochemicals registered and approved by MALF, WHO and FAO</li> <li>• Train farmers/aquafarmers in proper use, handling, storage, and disposal of agrochemicals.</li> <li>• Ensure agrochemical containers are disposed of as hazardous waste according to NEMA's waste management regulations</li> <li>• Keep records of agrochemicals used, application amounts.</li> <li>• Monitor water quality in soils and water sources</li> </ul>
<p>Over-watering of fields leading to water logging and salinization</p>	<ul style="list-style-type: none"> <li>• Control water supplied to fields</li> <li>• Fields should have slight gradients so as to allow drainage of excess water</li> <li>• Maintain drainage canals and other drainage structures</li> </ul>
<p>Discharge of contaminated water from aquaculture ponds entering surface water bodies or contaminating soil.</p>	<ul style="list-style-type: none"> <li>• Monitor water quality discharged from fish ponds and irrigation canals</li> <li>• Treat effluent to conform with NEMA's Water Quality Regulations</li> </ul>
<p>Oil pollution from spills or leaks fuel, oils and lubricants from farm machinery,</p>	<ul style="list-style-type: none"> <li>• Where fuel is stored in bulk, the fuel tank should be contained in a bund of 110% tank capacity</li> <li>• Where fuel drums are used these should be stored on sump pallets.</li> <li>• Establish procedures for fuel delivery; decanting/draining; use, storage; spill response; disposal of waste oil; handling of oil products</li> </ul>

<b>Environmental, Social and Climate Aspects, Risks and Impacts</b>	<b>Recommended Mitigation/Enhancement measures</b>
Excessive noise from working machinery, drilling boreholes, etc.	<ul style="list-style-type: none"> <li>• Adhere to standards as prescribed in NEMA's Noise and Excessive Vibration Pollution (Control) Regulations</li> <li>• Install noise reduction technologies in machinery, generators, etc.</li> </ul>
Generation of waste such as food waste, packaging, scrap metal leading to health risks from proliferation of vermin, obstruction of access	<ul style="list-style-type: none"> <li>• Dispose of solid waste as per best practice guidelines: recycle, reuse, recover and reduce waste, and in line with NEMA's Waste Management Regulations</li> <li>• Sensitise construction workers, farmers, fishers, processors, on waste management practices</li> </ul>
Risk of fire destroying structures and surrounding vegetation, and causing air pollution, and solid waste pollution from fire debris	<ul style="list-style-type: none"> <li>• Prepare emergency preparedness and response plan</li> <li>• Training in emergency response as per plan</li> </ul>
<b>Social/Socio-Economic Risks and Impacts</b>	
<p>Irrigation, aquaculture resulting in reduced availability of water for other ongoing and planned developments, causing conflict between communities and project-supported interventions</p> <p>Competition for water sources with community sources</p>	<ul style="list-style-type: none"> <li>• Ensure community water sources are not compromised</li> <li>• Establish grievance redress mechanism to deal with conflicts</li> </ul>
Poor application and handling of agrochemicals: touching, inhaling or ingesting toxic chemicals leading to dermatological or gastric ailments, or poisoning.	<ul style="list-style-type: none"> <li>• Develop agrochemical management system and IPMP describing handling, storage, use and disposal of all agrochemicals used on the schemes.</li> <li>• Train farmers in the handling, safe storage, application and disposal of all agrochemicals.</li> </ul>
Poor treatment application methods and improper storage leading to proliferation of aflatoxins and resulting health effects on community	<ul style="list-style-type: none"> <li>• Remove sources of contamination, promoting better agricultural and storage techniques (control moisture, temperature, and aeration)</li> <li>• Ensure adequate resources are available for testing and early diagnosis, and enforcing strict food safety standards,</li> <li>• Sensitisation of farmers and consumers about risks of aflatoxins</li> <li>• Create general awareness about personal protection</li> <li>• Chemical decontamination or use of enterosorbents for contaminated grains</li> </ul>
<p>Accidents and injuries to workers due to movement of materials into construction sites, as well as construction activities, for processing plants, treatment and storage facilities, workshops, laboratories, etc.</p> <p>Accidents and incidents, electrocution, from handling machinery and working with electrical systems, during operation/implementation in buildings/warehouses</p>	<ul style="list-style-type: none"> <li>• Provide adequate and appropriate PPE such as safety boots, helmets, gloves, overalls and this should be in keeping with the task and exposure a worker is subjected to</li> <li>• Comply with OSHA requirements and best practice</li> <li>• Provide training to all relevant personnel in necessary OHS requirements to ensure their safety</li> <li>• First Aid Kit must be kept on the site and modestly stocked with necessities for any emergencies.</li> <li>• Prepare an Emergency Preparedness and Response and Evacuation Plan</li> <li>• Train all personnel in emergency response</li> </ul>
Women may be marginalised from participating in cultivation if access to training is limited and if technologies make it difficult for women	<ul style="list-style-type: none"> <li>• Continuous consultations and dialogue between project implementors and potential women participants/beneficiaries to establish how to overcome some of these difficulties.</li> </ul>



<b>Environmental, Social and Climate Aspects, Risks and Impacts</b>	<b>Recommended Mitigation/Enhancement measures</b>
Gender based violence (GBV) i.e. transactional sex (food crops/fish for sex) and Intimate Partner Violence, child labour	<ul style="list-style-type: none"> <li>• Create awareness on prevention, handling and referral for all forms of GBV and child labour – integrated in the project activities</li> </ul>
Retrogressive social norms prevent women and youth from participating and benefitting from project-supported activities	<ul style="list-style-type: none"> <li>• Use of GALS methodology and/or other gender participatory methodologies to empower women and make women’s roles, needs and aspirations visible; and sensitizing smallholder farmers, women, men and youth to increase their participation</li> <li>• Increasing women’s access to knowledge, skills, inputs and finance through training, matching grants, exposure visits and GALS fairs</li> <li>• Increasing women and youth’s visibility as actors in the value chains through representation quotas</li> </ul>
Inequitable labour and working conditions.	<ul style="list-style-type: none"> <li>• Ensure labour and working conditions are in line with national labour laws and ILO core conventions: equal pay, non-discrimination</li> </ul>
Inadequate consultation of various stakeholders, particularly with vulnerable and disadvantaged members of the communities may result in reduced uptake of linkages, promoted varieties, attendance at field schools, enhanced marketing, value chain interventions	<ul style="list-style-type: none"> <li>• Carry out continuous, extensive and inclusive consultations with stakeholders, particularly vulnerable and disadvantaged groups, during entire project period</li> <li>• Set up and disseminate Grievance Redress Mechanism which should be accessible to all stakeholders</li> </ul>
Risk of fire on spreading to neighbouring premises, and causing injury/fatalities to workforce and neighbours.	<ul style="list-style-type: none"> <li>• Prepare and train in emergency preparedness and response plan</li> </ul>
Impacts of COVID-19 may affect output, or cause lockdowns which disrupt transportation modes resulting in spoilt goods.	<ul style="list-style-type: none"> <li>• Ensure guaranteed markets</li> <li>• Encourage smallholder farmers to develop alternative livelihood means through safety nets</li> </ul>
<b>Climate Risks and Impacts</b>	
Pests and disease outbreaks, including locusts, fall army worm, fish diseases	<ul style="list-style-type: none"> <li>• Establish early warning systems</li> <li>• Farmers to be trained in accessing climate early warning systems</li> <li>• Encourage farmers to develop alternative livelihood means through safety nets</li> <li>• Develop and implement IPMP</li> </ul>
Excessive rain, wind or floods may damage buildings (warehouses, milling posts), roads (disrupting transport of produce) and water infrastructure.	<ul style="list-style-type: none"> <li>• Install and maintain drainage structures to regulate stormwater and runoff/run on</li> <li>• Provide guidance on siting, design and construction of robust infrastructure</li> </ul>
Excessive rain, wind or floods may cause severe soil erosion	<ul style="list-style-type: none"> <li>• Install and maintain drainage structures to regulate stormwater and runoff/run on</li> <li>• Use zero-till/reduced till methods for land preparation</li> <li>• Provide guidance on siting, design and construction of robust infrastructure</li> </ul>
Droughts / prolonged dry periods leading to water unavailability /scarcity	<ul style="list-style-type: none"> <li>• Establish early warning systems</li> <li>• smallholder farmers to be trained in accessing climate early warning systems</li> <li>• Encourage smallholder farmers to develop alternative livelihood means through safety nets</li> <li>• Establish alternative water supplies, eg. rainwater harvesting, storage facilities for times of spate</li> </ul>
Disillusion, distrust as a result of delayed implementation	<ul style="list-style-type: none"> <li>• Continuous communication with stakeholders at all levels.</li> </ul>



Environmental, Social and Climate Aspects, Risks and Impacts	Recommended Mitigation/Enhancement measures
Poor safeguards measures in procurement	<ul style="list-style-type: none"> <li>• Ensure procurement of safeguards related studies is done in accordance to IFAD's procurement guidelines</li> </ul>

## CLIMATE RISK ASSESSMENT

Kenya has been negatively affected by climate change in most sectors of its economy including crop and livestock production, tourism, transport among others. Climate variability and climate change is increasingly felt across the country and the duration between climate hazards such as droughts and floods has become shorter, with wide reaching impacts and losses. Kenya's mean annual temperature is expected to increase by 1.0°C to 2.8°C by 2060, while rainfall is expected to increase by up to 49mm per month. More hotter days are being experienced in Kenya, particularly during the long rainy seasons, when most farmers are planting.

The Climate Risk and Vulnerability Analysis undertaken for IFAD's Kenya Livestock Commercialisation Project (KeLCoP) provides projections for some of the RK-FINFA counties. A summary of likely changes in temperature and precipitation is presented in the table below.

*Table E-4 Likely Changes in Temperature and Precipitation in Selected RK-FINFA Counties*

RK-FINFA County	Likely Changes
Meru	Increase in temperature and rainfall variability altering the slope and bedrock stability in some areas
Nakuru	Mean temperatures are projected to increase by 0.3°C, with the first agricultural season projected to experience even greater changes. Precipitation is projected to increase by 0.3% and 6% in the first and second wet season respectively
Nandi	Dry spells and mean temperatures have been increasing gradually. These trends will continue in the future and therefore affect agricultural productivity
Nyeri	Increase in temperature and rainfall variability. The wildfires are expected to increase and be more severe
Siaya	Increase in intense precipitation with flooding more likely to occur. Wildfires are also expected to increase both in frequency and intensity due to increase in temperature and rainfall variability
Tharaka Nithi	Mean temperatures have increased by approximately 0.6°C and resulted in a moderate increase in heat stress days in the first and second agricultural seasons. Severe and mild droughts have been experienced leading to poor crop yields and low livestock production
Trans Nzoia	The county has experienced changes in rainfall patterns, which are expected to be more intense in the future. These changes result in reduced soil fertility and poor soil structure while higher temperatures and atmospheric humidity favours development of crop pests and diseases

Climate change over the next 20 years is not expected to dramatically affect the current geographical distribution of temperature and humidity stress in the RK-FINFA sub-counties. However, the duration of the exposure to stress is projected to increase for crops and livestock.

RK-FINFA has a focus on climate change adaptation, particularly through its Green Financing Fund (GFF). Climate change risk management will be incorporated into the ESMSs of the PFIs. Training and advisory services will be provided for the target beneficiaries to enhance their resilience and financial resources provided for green investments. The products under the green financing will promote climate smart agriculture, climate resilience and building back better after climate shocks.

## **ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM**

### ***Implementation and Coordination Arrangements***

As mentioned above, a PSC and PMU will be established to oversee the implementation of RK-FINFA. The PMU will have a Social Inclusion Officer (SIO), while at the county level, PMUs of ongoing IFAD value chain projects and County Project Facilitation Teams (CPFTs) will be composed of subject matter specialists, which it is expected will include County Environment Officers (CEnvOs), County Natural Resource Management Officers (CNRMOs) and County Social Services Officers (CSSOs) to support ESC management. However, in order to ensure that environmental and climate change safeguarding is mainstreamed into Project activities, it is recommended that the PMU be staffed with an Environmental and Climate Change Officer (ECCO) who will be directly responsible for overseeing both the environmental and climate related aspects, and for supporting the development and implementation of the PFI ESMSs.

In addition, each PFI will need to appoint a dedicated person (or team) to address environmental, social and climate-related issues. For the purposes of this document, this person is referred to as the ESMS Responsible Officer (ERO).

### ***Screening***

RK-FINFA has been categorised as SECAP Category B. In terms of NEMA's categorisation, RK-FINFA supported activities will therefore fall into the low or medium risk category.

IFAD will not support subprojects that: involve the production or trade in alcoholic beverages and tobacco, any product or activity deemed illegal in the host country by international conventions and agreements; or harmful or exploitative forms of forced labour and/or harmful child labour. In order to retain Category B, RK-FINFA will NOT support activity or intervention that:

- Would develop wetlands;
- Cause significant adverse impacts to habitats and/or ecosystems and their services, such as conversion of natural forest or wildlands, loss of habitat, erosion or other form of land degradation, or fragmentation of habitats;
- Result in major hydrological changes;
- Is located in ecologically sensitive areas, areas of global/national significance for biodiversity conservation), and/or biodiversity-rich areas and habitats depended on by endangered species. These include protected areas such as national parks and forests, world heritage sites (WHS) and water towers.
- Is located in an area subjected to major destruction as a result of geophysical hazards eg. landslides, earthquakes or volcanic eruptions.
- Would lead to unsustainable natural resource management practices (fisheries, forestry, livestock) and/or result in exceeding carrying capacity;
- Would result in significant increase in the use of agrochemicals which may lead to life-threatening illness and long-term public health and safety concerns;
- Relies on water-based (groundwater and/or surface water) development where there is reason to believe that significant depletion and/or reduced flow has occurred from the effects of climate change or from overutilization;
- Poses a risk of introducing potentially invasive species or genetically modified organisms which might alter genetic traits of indigenous species or have an adverse effect on local biodiversity
- Is located in an area of socio-environmental conflict about water resources.
- Is located or has an impact on ecological sensitive areas.
- Is located in an area that is significantly struck by the effects of climate change or natural hazards.
- Requires the need to rehabilitate or develop large scale irrigation schemes of more than 100 hectares per scheme;

- Involves significant extraction/diversion/containment of surface water, leaving the river flow below 20 per cent environmental flow plus downstream user requirement;
- Includes drainage or permanent correction of natural waterbodies (eg. river training, wetland reclamation).
- Results in any economic displacement or physical resettlement;
- Causes significant social adverse impacts on disadvantaged, vulnerable, indigenous and underserved groups;
- Results in conversion and/or loss of physical cultural and traditional resources, including graves, indigenous tree/plant species that have traditional value.

Through the GFF, RK-FINFA will intentionally encourage activities/interventions with a climate-smart slant. These may include, for example:

- Water efficient technologies eg. through drip irrigation/sprinkler or micro-jet systems);
- Flood protection measures (physical and biophysical);
- Climate resilient infrastructure;
- Climate smart agriculture, eg. employing no-tilling, terracing, drought or flood tolerant inputs, etc);
- Soil and water conservation measures;
- Renewable energy, eg solar pumps for farms, solar lighting for warehouses;
- Water harvesting/water storage systems eg. road, roof and rock runoff harvesting, spate harvesting;
- Agro-forestry and afforestation/reforestation;
- Post harvest handling technologies to reduce post-harvest food losses (eg. cooling facilities, warehouses)
- Cleaner transport solutions eg pooled transport modes for transporting agricultural produce, increased use of bicycles)
- Production of energy-saving stoves and biogas technologies to reduce firewood and fuel consumption.

### **Environmental and Social Management System (ESMS)**

The various PFIs that were consulted have different levels of ESG requirements in place and had some elements of an ESMS. But none had a fully fledged ESMS. The table below provides guidance in regard to the key elements necessary to develop and implement an ESMS. It must be noted that while the banks and guarantor PFIs, and some of the larger SACCOs, would be able to develop all these elements to produce a comprehensive ESMS, it is unlikely that smaller MFBS, rural Agri MSMEs and rural SACCOs would have the human and financial resources to do so, nor would it necessarily be appropriate for them to have such a detailed ESMS.

*Table E-5 Key Elements and Requirements of an ESMS for PFIs*

Elements of an ESMS	Guideline for Requirements
<b>1. POLICIES</b>	
E&S Policy	Indicate types of activities financed by PFI (incl those financed through RK-FINFA)
	Identify officer who has the specific responsibility to manage E&S and climate-related risks and to who s/he will report
	Indicate compliance with national laws and international best practice.
	Key items for E&S policy should be reflected in policy: <ul style="list-style-type: none"> <li>◦ Management of E&amp;S and climate-related risks</li> <li>◦ Resource efficiency and pollution prevention</li> <li>◦ Community health safety and security</li> <li>◦ Gender based violence and sexual exploitation and abuse</li> <li>◦ Land acquisition</li> <li>◦ Biodiversity</li> <li>◦ Indigenous and vulnerable people</li> <li>◦ Cultural heritage</li> </ul>

<b>Elements of an ESMS</b>	<b>Guideline for Requirements</b>
	<ul style="list-style-type: none"> <li>◦ Climate change</li> </ul>
	Stipulate commitment to continual improvement (endorsed by top management)
	Policy should be a public document and easily available upon request
	One page policy, signed by CEO, to be prepared and displayed in all branches
OHS Policy	Indicate types of activities financed by PFI (incl those financed through RK-FINFA)
	Indicate who has the specific responsibility to manage OHS risk and to who s/he will report
	Indicate compliance with national laws and international best practice
	Key items for OHS policy should be reflected in policy: <ul style="list-style-type: none"> <li>◦ Management of OHS risks</li> <li>◦ Labour and Working Conditions</li> <li>◦ Community Health and Safety</li> </ul>
	Stipulate commitment to continual improvement (endorsed by top management)
	Policy should be a public document and easily available upon request
	One page policy, signed by CEO, to be prepared and displayed in all branches
Governance Policy	Indicate types of activities financed by PFI's (incl those financed through RK-FINFA)
	Indicate who has the specific responsibility to manage governance risk and to who s/he will report
	Indicate compliance with national laws and international best practice
	Key items for Governance policy should be reflected in policy: <ul style="list-style-type: none"> <li>◦ Business Integrity</li> <li>◦ Know Your Customer</li> <li>◦ Anti-bribery &amp; corruption</li> <li>◦ Whistle blowing</li> <li>◦ Zero tolerance for GBV/SEA</li> <li>◦ Code of Conduct</li> </ul>
	Stipulate commitment to continual improvement (endorsed by top management)
	Policy should be a public document and easily available upon request
	One page policy, signed by CEO, to be prepared and displayed in all branches
<b>2. ORGANISATIONAL CAPACITY AND COMPETENCY</b>	
ESMS Focal Point	Assign one person to oversee ESMS development and implementation, and E&S and climate related performance
Organisation Chart	Develop an organization chart indicating linkages and reporting lines between different departments within the PFI, eg. Board, Management, E&S Unit, Social performance unit, agricultural unit, Procurement Officer
	Include linkages with MFBS, SACCOs and MSMEs to be supported through RK-FINFA
Capacity to implement ESMS	Carry out needs assessment to identify type of training and capacity building needed for each department in order to effectively implement the ESMS.
	Carry out training as identified
<b>3. LEGAL FRAMEWORK</b>	
Compliance with the Kenyan ESHS laws and regulations, IFAD's SECAP, other development partner standards (eg IFC) as well as with international conventions and treaties.	Prepare legal register indicating relevant national laws and regulations, international conventions / treaties, ESG requirements (incl. IFAD, development partner, international conventions such as ILO), as relevant to RK-FINCA supported operations
	Include licensing and permitting requirements
Compliance with the Exceptions list	Prepare Exclusion List listing types of interventions that will not be funded by the PFI
	Exclusion List to be aligned with IFAD's Exclusion List
	Exclusion list to include high and substantial risk activities/projects as these cannot be considered by RK-FINFA to maintain IFAD category B, or that would necessitate expensive additional studies and mitigation actions such as RAPs, biodiversity assessments
<b>4. IDENTIFICATION OF RISKS AND IMPACTS</b>	
ESC Screening	ESMS to identify generic risks and impacts associated with all types of potential interventions that may be financed by the PFI

<b>Elements of an ESMS</b>	<b>Guideline for Requirements</b>
	Based on generic list of risks and impacts, develop screening checklist to identify E&S and climate-related risks and impacts of specific investments at PFI, SACCO and MSME levels
	Screening checklist to align with EP, IFC PS and IFAD SECAP standards. Risks to be assessed against key E&S criteria, namely: <ul style="list-style-type: none"> <li>◦ Labour and working conditions</li> <li>◦ Resource efficiency and pollution prevention</li> <li>◦ Community health safety and security</li> <li>◦ Land acquisition</li> <li>◦ Biodiversity</li> <li>◦ Indigenous peoples</li> <li>◦ Cultural heritage</li> <li>◦ Climate change</li> <li>◦ Legal compliance</li> </ul>
	PFI to develop checklists to assess capacity of on-lendee MFBs, MSMEs and SACCOs to implement activities/investments and manage risks and impacts
Categorisation of risk	ESMS to include guidance on categorization of activities/interventions to be financed (high, medium, low risk categories) (NB: Interventions that have high E&S and climate-related risks will not be supported under RK-FINFA)
E&S and climate-related risks and impact assessment	ESIAs to be conducted/prepared by clients prior to lending, depending on nature and scale of activity/project to be funded, and in line with NEMA and IFAD guidelines
E&S and climate-related risk and impact management plans	Prepare generic risk and impact management plans to provide guidance on types of impacts and potential mitigation measures ESMPs to be prepared as part of ESIAs
<b>5. SPECIFIC MANAGEMENT PLANS OR PROCEDURES</b>	
Integrated Pest Management Plan	Prepare procedures for transport, storage, handling and application of agrochemicals
Emergency Preparedness and Response	Procedures for responding to accidents and emergencies, including accident/incident reporting Requirements for on-lendee PFIs and SACCOs to have EPR plans in place
Labour Management	Develop Labour Management Procedure (LMP) specifying adherence to core ILO conventions (mainly to prohibit forced labour and child labour, freedom of association and fair wages) PFIs to ensure labour management procedures are implemented at on-lendee MFB, SACCOs and MSME level
Gender Based Violence and Sexual Exploitation and Abuse	Develop GBV/SEA prevention and mitigation procedures emphasising zero tolerance on all forms of GBV/SEA in line with national laws and IFAD GBV/SEA policy. PFIs to ensure GBV/SEA prevention and mitigation procedures are applied at on-lendee MFB, SACCOs and MSME level
<b>6. STAKEHOLDER ENGAGEMENT</b>	
Stakeholder Engagement Plan (SEP)	Prepare SEP which will identify key stakeholders, relevance to the PFI, prioritisation for engagement, establish frequency and channels of engagement and feedback
Communication Strategy	Elaborate on SEP to develop means of communication with and between PFIs, MFBs, SACCOs and MSMEs as relevant
<b>7. FREE PRIOR AND INFORMED CONSENT</b>	
FPIC	Prepare specific procedures describing approach to include vulnerable people (eg minority groups, indigenous groups, persons with disabilities) to benefit from RK-FINFA support to ensure equitable access by all to PFI's products Stipulate percentage of target beneficiaries falling within this category Monitor inclusion of vulnerable groups in on-lending activities
<b>8. GRIEVANCE MECHANISMS</b>	
Grievance Redress Mechanisms	Grievance redress mechanisms to be set up at all levels: PFIs, MFBs SACCOs PFIs to ensure that SACCOs/MFBs that they on lend to also have a GRM in place GRM to indicate grievance registration procedures (incl. where and how to register grievance), responsibilities for action, timelines for communication and resolution, and avenues for escalation to higher levels if necessary
Registration of Complaints/Grievances	PFIs to establish platform on their websites to enable lodging of complaints.

Elements of an ESMS	Guideline for Requirements
<b>9. SECURITY</b>	
Security Procedures	Procedures for security, including cyber security, personnel security
<b>10. COVID-19 PANDEMIC</b>	
COVID-19 Response	Develop procedures to prevent the spread of COVID and response to any positive cases
	PFIs to ensure on-lendee MFBs, SACCOs and MSMEs follow COVID-19 protocols
<b>11. RECORD KEEPING</b>	
Maintenance of Documentation	Ensure all records are maintained for the development of the ESMS, procedures and plans, consultations/ engagement, complaints/ grievances, etc
<b>12. REPORTING</b>	
Internal Reporting	Establish internal reporting system
	Submit quarterly reports on ESMS progress and E&S and climate-related performance to top management
	Inform all organisation's staff of ESMS requirements and E&S and climate-related performance (incl. actions required by staff where necessary)
External Reporting	Reporting on E&S and climate-related performance to shareholders and clients
<b>13. DISCLOSURE</b>	
Disclosure of Policies, Sustainability or E&S Reports, ESIA reports	Policies to be displayed at all offices and made available to public upon request
	Determine which other E&S and climate-related documentation can be made public, and whether at all times or only upon request
	ESIA reports (PR and CPRs) to be disclosed in accordance with NEMA EIA Regulations
<b>14. MONITORING AND REVIEW</b>	
Monitoring	E&S and climate-related performance to be monitored based on indicators developed for specific types of activities, their nature and size.
	Establish procedures for monitoring on lending performance to assess in regard to E&S and climate-related performance
	Where ESMPs have been prepared, also use these as a basis monitoring
	For on-lendees, specify who will monitor E&S and climate related performance (eg a consultant or by branch personnel) and how monitoring will be done (visits to clients, feedback online, etc)
	Set up feedback mechanism geared to improve processes/procedures (continual improvement)
	Monitoring reports to be provided to top management quarterly
Review	Review of ESMS, procedures, etc, to include improvements from feedback, lessons learned
	ESMS document to be updated every 2 years at least.

As part of the ESMS, PFIs will be required to prepare or develop some or all of the following, depending on the nature and scale of activities supported:

Environmental and Social Impact Assessment (ESIA) Studies: Based on the exclusions listed, all activities/interventions supported through RK-FINFA will fall under SECAP Category B (or Category C), which, according to SECAP, and some would require ESMPs to be prepared. In terms of NEMA categorisation, the interventions falling under Category B activities will require Summary Project Reports (SPRs) or Comprehensive Project Reports (CPRs) – these being equivalent to Environmental and Social Management Plans (ESMPs) as required by SECAP. In the event that the proposed activities or interventions have some environmental and/or social impacts of concern which would require full ESIA's, these would be screened out during the screening process. In addition, if they involve activities listed in the exclusion list, then those interventions will also not be supported through RK-FINFA. ESIA's reports will be prepared by a NEMA-registered practitioner.

Environmental and Social Management Plans: ESMPs are to be prepared as part of the PRs and CPRs (see above). Stakeholder concerns must be addressed in the ESMPs, and the project design should be presented to the communities. While the actual implementation of ESMPs will be done by contractors, the communities or individual beneficiaries

(depending on the type of project and the mitigation measure to be implemented) , the CEnVOs or CNMROs will be responsible for ensuring that these are implemented and will carry out regular monitoring. However, supervision and monitoring of ESMP implementation will be done by the ECCO in the PMU.

Integrated Pest Management Plan: RK-FINFA will promote increased agricultural productivity, and could therefore necessitate the increased use of agrochemicals. Agrochemicals (mainly pesticides) may be necessary to achieve higher production, but they must be carefully applied as they have various adverse environmental and social impacts related to contamination of water bodies and soil and thereby threatening biodiversity, risks to farmers and community health from exposure to agrochemicals, and releases of GHGs. In order to properly manage the use of pesticides, an Integrated Pest Management Plans (IPMP) must be prepared by the Project PMU for application by the PFIs.

FPIC Documentation: The FPIC process is intrinsic in RK-FINFA's social inclusion as well as targeting strategies. RK-FINFA has a clear strategy for the inclusion of women, youth, smallholder households, PWDs and vulnerable persons. The targeting focus is on low-income, economically active rural households, with specific targets on 50 per cent of women, 30 per cent of youth participation and 5% of persons from vulnerable groups (marginalized groups including persons with disabilities and persons with HIV) in both capacity building and financing activities. To ensure effective social targeting and inclusion – which will deliberately include vulnerable people - the RK-FINFA strategy will apply a combination of targeting mechanisms and measures, namely i) poverty and community-based targeting; ii) direct targeting, and iii) self-targeting. Through the application of these social inclusion and targeting approaches, RK-FINFA will ensure all rural people are reached and no one is left out.

Standard Operating Procedures: Depending on the scale and complexity of the some of the RK-FINFA supported interventions, other operating procedures or plans may need to be developed to ensure environmental protection, community and occupational health and safety and other risks and hazards. If necessary, these may include management plans to address/control: traffic management; waste management; health and safety; pollution; erosion; emergency preparedness and response; and cultural heritage.

Stakeholder Engagement Plan (SEP): An SEP will be developed by the PMU for the Project, and also by the PFIs. The SEP will include stakeholder identification and mapping, a plan for the implementation of the SEP (including a communication strategy), roles and responsibilities, grievance management, and monitoring and reporting on the adequacy and effectiveness of the SEP.

Grievance Redress Mechanism: In order to receive and facilitate the resolution of affected peoples' concerns, complaints, and grievances about the Project-supported activities, a Grievance Redress Mechanism (GRM) will be developed for RK-FINFA at the PMU level as well as by the PFIs. The purpose of the GRM is to record and address any complaints that may arise during the implementation of Project supported activities and interventions, and/or any future operational issues that have the potential to be designed out during the implementation phase. The GRMs will be designed to address concerns and complaints promptly and transparently with no impacts (cost, discrimination). The GRMs will work within existing legal and cultural frameworks, providing an additional opportunity to resolve grievances at the project and local levels. In addition, grievants will have access to IFAD's Complaints Procedure.

### ***Gender Based Violence (GBV) and Sexual Exploitation and Abuse (SEA):***

RK-FINFA supported interventions, can exacerbate existing risks or can create new ones. Project-related risk factors may include, among others: i) unequitable sharing of income

between men and women after sale of agricultural produce, livestock, poultry or bees related products; ii) low employment rates of women; and iii) limited land for agriculture and livestock rearing which may require hiring of land especially by the youth and women, often based on informal agreements. All these can exacerbate already existing inequities between women, men, and youth.

### **Quarterly and Annual Reviews**

Quarterly and annual reviews will be undertaken by the PMU ECCO and SIO. Annual workshops will be held where environmental, climate change and social performance of the Project will be reviewed and discussed, and recommendations made for improved Project performance and design.

### **Monitoring and Reporting**

Monitoring of RK-FINFA supported activities at PMU will be done primarily by the ECCO and SIO. At the PFI level, monitoring will be done by the PFI ESMS Responsible Officers.

The PFIs will submit quarterly reports on environmental, social and climate-related issues to the ECCO at the PMU. The ECCO will produce quarterly and annual environmental, social and climate performance reports, which the PMU Project Coordinator will review and then submit to the PSC and IFAD.

### **Environmental and Social Auditing**

Where ESIAAs have been prepared for given activities/interventions financed by PFIs, annual environmental and social auditing as required by NEMA.

Auditing of the ESMS is to be done internally every year as part of the ESMS review process, and may involve the PFI internal auditors where present. This will be done by the PFI EROs, with support from the ECCO. Audit reports will be sent to the PSC and IFAD.

## **CAPACITY BUILDING**

Based on discussions held during the consultations with selected PFIs, it was established that for the most part these PFIs (Tier 1 and some Tier 2) have in place several ESG requirements that could feed into specific elements of an ESMS. However, not all PFIs will have policies, procedures and processes or institutional set-ups that could support an ESMS. There is clearly a need to build capacity in ESG as well as to deal with ESC issues and challenges that the agricultural sector experiences.

The table below summarises capacity building topics and training that could be included for capacity building covering topics and issues relevant to the ESMF, the development and implementation of the ESMF and SECAP requirements.

*Table E-6 Anticipated Capacity Building and Training*

<b>Capacity Building Topics</b>	<b>Target Audience</b>	<b>Training Methods</b>
National environmental, social and climate policies, legislation and administrative frameworks, and requirements (including permitting and licencing)	RK-FINFA PMU, PFIs, CPFTs	Training workshops
IFAD's SECAP, Gender, Indigenous Peoples, FPIC, Climate, Land and Disclosure Policies	RK-FINFA PMU, PFIs, CPFTs	Training workshops



Capacity Building Topics	Target Audience	Training Methods
RK-FINFA environmental and social management system, incl. ESG policies, ESC management procedures and plans; institutional and organizational arrangements to implement the ESMS; legal compliance; safeguards requirements; ERP; reporting and monitoring and ESMS review.	RK-FINFA PMU, PFIs, CPFTs	Training workshops
RK-FINFA SEP, Grievance Redress Mechanism, GBV/SEA	RK-FINFA PMU, PFIs, CPFTs Project beneficiaries	Training workshops for PMU, Tier 1 & 2 PFIs Roll out training to Tier 3 PFIs and project beneficiaries
GALs Training	RK-FINFA PMU, PFIs, CPFTs Project beneficiaries	Training workshops for PMU, Tier 1 & 2 PFIs Roll out training to Tier 3 PFIs and project beneficiaries

## ESMF IMPLEMENTATION BUDGET

At this preliminary stage of the ESMF, the implementing of this ESMF is in the region of USD 466,000. This covers i) the salary for the Environment and Climate Change Officer; ii) technical assistance consultancy fees to carry out a needs assessment, capacity building in ESC awareness targeted at the PMU, PFIs, MFBs, SACCOs, Agri MSMEs; iii) technical assistance consultancy fees to support ESMS development (initial and refresher training); iv) training materials for ESMS for first and refresher courses; v) annual review workshops; vi) Project ESC management and monitoring.

## KEY RECOMMENDATIONS FOR DESIGN

Project Implementation Arrangements: Given that there is significant emphasis throughout the project design on the need for ESG and climate resilience to be mainstreamed throughout the lending process, it is imperative that the PMU will also have an Environment and Climate Change Officer on its team. This ESMF has therefore assumed that this will be the case. It is also necessary that the subject matter specialists in the CPFTs who will support RK-FINFA project implementation include County Environment Officers, County Natural Resource Management Officers and County Social Services Officers.

ESMSs for PFIs: The ESMSs that will be developed for the various levels of PFIs will have to be appropriate to the size of the PFIs and the nature of the activities they finance. It is imperative that the ESMS developed for each PFI is integrated into its existing systems, rather than developing a stand-alone or parallel system, and that top management are involved throughout the development of the ESMS.

Capacity Building: All the PFIs consulted were keen to establish ESMSs for their institutions and saw the benefits of doing so. However, there is clearly need to build capacity in ESG as well as to deal with ESC issues and challenges that the agricultural sector experiences.

Project Categorisation: In order to ensure that RK-FINFA remains within SECAP's Category B classification, each activity/intervention supported through RK-FINFA will be screened. Thus, any activities/interventions that are likely to have high or substantial risk will be screened out at this early stage, prior to any approval for financing.

Climate Footprint: RK-FINFA has a focus on climate change adaptation, particularly through the GFF. PFIs recognise that agricultural risks are intrinsically related to climatic events. During discussions, the PFIs expressed a definite interest in green finance initiatives, particularly those which would promote climate adaptation and resilience. Through the GFF, PFIs can provide finance for their clients to introduce technological innovations that result in GHG emission reductions, and thus potentially generate carbon credits. PFIs could also offer financing for conducting emission reduction evaluations. It is therefore recommended that during the initial stages of project implementation, a taxonomy of different green financing initiatives and products that can be supported by the PFIs be developed.

Physical and Economic Displacement: Given the scale of financing, most activities will be undertaken on farms or premises already owned by borrowers, not requiring any physical relocation or economic displacement. Nevertheless, RK-FINFA must ensure that none of the activities it supports activities or interventions would result in any involuntary physical or economic displacement.

Grievance Redress Mechanisms: GRMs will be set up at the RK-FINFA PMU as well as at the PFI level.

GBV/SEA Management: The ESMS for all PFIs will include prevention and mitigation measures for GBV/SEA and PFIs will be bound to ensure that these are applied across their client base.

# 1 Introduction

## 1.1 Background to the Rural Kenya Financial Inclusion Facility (RK-FINFA)

The agricultural sector continues to be a key economic and social driver of development in Kenya. Overall, the sector directly contributes about 25% of the country's GDP and about 27% indirectly through linkages to agro-based industries and the service sector. The sector accounts for over 65% of exports, provides about 75% of total employment and supports over 80% of the rural population. The agricultural sector has four major sub-sectors, namely, crops, livestock, fisheries and forestry.

Over the past two decades, the performance of smallholder agriculture in Kenya has been modest. Yields for most staple crops and livestock have stagnated. The principal barriers to smallholder agricultural productivity in Kenya can be clustered in six main areas: (a) land and population pressures, with average farm size rapidly declining; (b) poor soil fertility and land degradation; (c) limited agricultural research, development and extension; (d) reduced overall government spending on agriculture; (e) climate change and limited application of smart agriculture technologies; and (f) limited access to quality inputs, appropriate financial services and effective markets.

The Government's strategy to improve agricultural performance and productivity is presented in the Agriculture Sector Transformation and Growth Strategy (ASTGS 2019-2029). This strategy is anchored in three outcomes: (i) increasing small-scale farmer, pastoralist, and fisher incomes; (ii) increasing agricultural output and value addition; and (iii) boosting household food resilience. To be successful, the Government acknowledges that the ASTGS 2019-2029 needs to be implemented as much as possible through the private sector. Kenya's vibrant agribusiness sector would be a powerful engine in this agricultural transformation process. The ASTGS will be implemented in line with Kenya's Green Economy Strategy and Implementation Plan 2016-2030, which firmly embeds the principles of sustainable development in the overall national growth strategy. It identifies enabling conditions such as sustainable financing and creation of green, decent jobs.

Both the Government of Kenya and IFAD share the vision that effective transformation of the rural sector can be achieved through (i) a substantially increased private sector focus in the development and investments of the sector; and (ii) improvements in the productivity of smallholder operations through modern cultivation methods and climate smart technologies, linking farmers to well-operating value chains and building farmer capacity to increase their readiness for innovation and diversification. In order to develop the rural sector successfully and in a sustainable manner, private sector financial institutions, particularly commercial banks, Savings and Credit Cooperative Societies (SACCOs) and microfinance institutions (MFIs), would need to play a central role in the financing of the rural transformation process. Development funding would be used to proactively stimulate the interest of the financial institutions (FIs) to expand the volumes and outreach of their agricultural and rural operations.

The International Fund for Agriculture Development (IFAD) and the Government of Kenya (GoK) through the National Treasury and Planning (NT&P) have designed the Rural Kenya Financial Inclusion Facility (RK-FINFA). The Facility would provide an avenue for ensuring that appropriate and adequate financial services would be available for the planned transformation and growth of the rural economy in Kenya. In the wake of COVID-19, the need for this strategic development support is even greater, to initially improve the chances of fast rural recovery and then later boost the sustained growth of the sector, building back better. At the same time, to respond to Government's and IFAD's agendas on climate change adaptation/mitigation and to improve environmental management and efficiencies in the use of natural resources, RK-FINFA will proactively encourage the

mainstreaming of green finance activities when sustainably transforming the rural sector in Kenya.

## **1.2 Goal and Objectives of RK-FINFA**

The overall goal of the RK-FINFA project is: *"poverty reduction, climate change resilience and improved livelihoods in rural areas"*.

*The Project Development Objective (PDO) of RK-FINFA is: "increased rural financial inclusion and green investments by agriculture value chain stakeholders, leading to equitable employment opportunities, innovative and resilient production systems, and increased incomes for smallholders, poor and marginalised rural households, women and youth"*.

## **1.3 Rationale and Objectives of this Environmental and Social Management Framework**

One of IFAD's key overall objectives is to fully mainstream environmental, social and climate change issues throughout the project cycle. In order to achieve this, clear procedures on risk assessment are necessary to: (i) analyse potential risks and provide information to strengthen the social, environmental and climate change dimensions of programmes and projects; (ii) maximize social, environmental and climate change adaptation and mitigation benefits, (iii) avoid or minimize negative impacts; and (iv) increase consistency, transparency and accountability in decision-making. IFAD's Environment and Natural Resource Management (ENRM, 2011) Policy and Climate Change Strategy (2010), and its Strategy and Action Plan on Environment and Climate Change 2019-2025 stress that project designs present opportunities to improve systematic integration and scaling up of environmental and natural resource management to better respond to climate change. IFAD's Social Environmental and Climate Assessment Procedures (SECAP, 2017) describe how to better mainstream environmental, social and climate change considerations into the project cycle, going beyond "doing no harm" to maximize development gains. In line with IFAD's project cycle processes, a SECAP Review Note was prepared during the project design in June 2021.

The RK-FINFA SECAP Review Note indicates that the environmental and social risks that may result from the project activities, particularly the end line investments by the smallholders and MSMEs, can be avoided and/or minimized with appropriate actions, and the Project's environment and social categorization has been determined as Category B.

In order to ensure that potential adverse impacts are minimised, environmental, social and governance standards will be a criterion for participation in the project by the partner financial institutions (PFIs) and technical assistance will be provided to strengthen or establish their Environment and Social Management Systems (ESMS). Some commercial banks and microfinance banks (MFBs) may already provide services and products for sustainable production, biodiversity and environmental protection, energy efficiency and renewable energy and may have established ESMSs that enable reporting on these portfolios. While it is unlikely that rural SACCOs have the capacity and resources to develop and implement ESMSs, guidance and capacity building would have to be provided to them to ensure environmental and social risks emanating from their activities will be avoided or minimised, and to set up monitoring and reporting systems. The targeted end beneficiaries are in many cases smallholders and entrepreneurs benefiting from IFAD-supported or other donor-funded projects/programmes and therefore have already been receiving training in good practices in environmental and natural resources management.

Specifics of the nature of activities and interventions to be supported through RK-FINFA will be determined when PFIs review loan applications. This Environmental and Social Management Framework (ESMF) is intended to provide guidance to the management of environmental, social and climate change (ESC) related risks and impacts of potential project activities that will be financed by RK-FINFA supported PFIs, SACCOs and MSMEs. The ESMF sets out the framework for these institutions to develop environmental and social management systems. It identifies specific criteria for screening of investments and steps for establishing or strengthening of the various PFI's ESMS.

#### **1.4 Approach and Methodology used for the Preparation of the ESMF**

The preparation of this ESMF has been guided by IFAD's policies and SECAP (2017) as well as Kenya's legal framework for environmental and social management. The ESMF conforms with IFAD's safeguard policies, including its Policy on Disclosure of Documents (2010), Climate Change Strategy (2010), Environment and Natural Resources Management Policy (2012), Social, Environment and Climate Assessment Procedures (SECAP, 2017) and Strategy and Action Plan on Environment and Climate Change (2019-2025). These are also summarised in Chapter 3.

This Preliminary ESMF study was undertaken during June 2021. The study methodology comprised: collection and review of secondary baseline data, RK-FINFA project documentation, documentation of other IFAD-supported projects in Kenya, discussions with potential PFIs and report writing. The project description presented in this ESMF is based on that in the RK-FINFA Project Design Report (PDR) dated June 2021, and county baselines drawn from the SECAP Review Note as well as other IFAD supported projects such as the Kenya Livestock Commercialisation Project (KeLCoP).

#### **1.5 Stakeholder Consultations**

Due to the COVID-19 Pandemic and IFAD's restrictions on travel, stakeholder consultations were held virtually with potential PFIs. It has not been possible to carry out consultations with potential beneficiary SACCOs and MSMEs in the Project's targeted counties.

For the finalisation of the ESMF, extensive consultations will be held at the national, and county levels, as well as with the potential SACCOs and MSMEs in the Project's counties.

#### **1.6 Disclosure of this ESMF**

IFAD's Policy on the Disclosure of Documents (2010) requires full disclosure to the public, and includes information notes on projects being developed for Board presentation, agreements for approved loans and grants, and project/programme design documents which include ESIA's, ESMF's, RAP's and RAF's.

RK-FINFA has been categorised as SECAP Category B. Although Category B ESMF's and related SECAP studies are not normally disclosed, in order to follow good practice, this preliminary ESMF will be disclosed on IFAD's official website (<http://www.ifad.org>) prior to the Executive Board meeting.

The final ESMF will then be disclosed on IFAD's website and the National Treasury & Planning's website.

## **1.7 Limitations and Assumptions**

### **Limitations**

The main limitations in the preparation of this ESMF have been:

1. This Preliminary ESMF was prepared in June 2021, when the country was in partial lockdown and on curfew due to the COVID-19 pandemic. At the time, IFAD still had travel restrictions in place for its personnel. It was therefore not possible to undertake visits to the Project counties, nor was it possible to conduct stakeholder consultations with rural SACCOs and target beneficiaries.
2. Due to the time limitations for preparing this ESMF, baseline data has been sourced mainly from secondary data which have not been validated. Where available, baseline data has been enhanced with primary data from the RK-FINFA design documents (eg. PDR, SECAP review note) and team, as well as from documentation from other IFAD-supported projects in Kenya.

### **Assumptions**

The assumptions made are as follows:

1. This ESMF is intended to be an “umbrella document” to guide the development of environmental and social management systems (ESMSs).
2. At Project start up, it is expected that this ESMF will be updated following visits to the Project counties and extensive consultations with key stakeholders.
3. Physical and economic displacement as defined under SECAP’s Guidance Statement #13 will not occur, since any activities requiring compensation, relocation and/or resettlement will be screened out at the loan application stages.
4. Activities supported through RK-FINFA may have a number of direct and indirect impacts, including knock-on effects. It is assumed that RK-FINFA PMU’s Environment and Climate Change Officer (ECCO), Social Inclusion Officer (SIO), as well as the County Environment Officers (CEnvOs) and/or County Natural Resource Management Officer (CNRMOs) as well as County Social Services Officers (CSSOs) will be responsible for monitoring and managing any adverse environmental and social impacts due to such knock-on effects.

## **1.8 Report Presentation**

This report is presented as follows:

Chapter 1 sets the context of the ESMF by describing the background to RK-FINFA, the Project’s goals and objectives, as well as rationale. The methodology for developing this Preliminary ESMF is described. It also presents limitations and assumptions made during the preparation of this ESMF.

Chapter 2 describes the Project target regions and its components. Chapter 3 provides an overview of the policy, legal and institutional framework for environmental, social and climate-related management in Kenya. It presents IFAD’s Safeguard Policies, describes differences in IFAD and GoK policies and the requirements of international conventions and treaties to which Kenya is party.

Lessons learned from completed and ongoing IFAD-supported projects, and other similar projects in Kenya, are summarised in Chapter 4.

Chapter 5 presents an initial overview of the environmental and social profiles of the Project counties. Chapter 6 summarises the outcomes of consultations with some key PFIs and FPIC as relevant to this project.

Generic environmental, social and climate-related impacts due to the activities anticipated from the Project subprojects and interventions are presented in Chapter 7.

Chapter 8 discusses climate risk and its implications on the Project.

Chapter 9 describes the environmental and social management systems to be developed and implemented for RK-FINFA PFIs; these procedures are expected to be incorporated into the Project Implementation Manual. Chapter 10 discusses capacity building needed to implement the requirements of the ESMF, while Chapter 11 provides an estimated budget for the implementation of the ESMF.

Chapter 12 summarises the key issues arising and proposed recommendations for design at this preliminary stage of the ESMF development.

The Annexes contain References; List of Persons Consulted; Guidelines for an Integrated Pest Management Plan; Guidelines for the Preparation of an Indigenous Peoples Planning Framework; and Terms of Reference for the Environmental and Climate Change Officer and Social Inclusion Officer.

## 2 RK-FINFA Project Description

The following description of the RK-FINFA has been sourced from the Project Design Report (June 2021).

### 2.1 Overview of the Project Area Characteristics

The geographic coverage of RK-FINFA, once fully operational, will be nationwide. However, for an effective Project start-up, the entry point for the RK-FINFA outreach will be the 14 counties in which at least two IFAD-financed projects currently support agricultural value chains, namely: (i) Bungoma, (ii) Busia, (iii) Embu, (iv) Kakamega, (v) Kirinyaga, (vi) Kisii, (vii) Machakos, (viii) Meru, (ix) Nakuru, (x) Nandi, (xi) Nyeri, (xii) Siaya, (xiii) Tharaka Nithi and (xiv) Trans-Nzoia.

The Project has been designed to align itself with IFAD's corporate mainstreaming priorities, viz addressing nutrition, gender (principally women and youth), marginalised groups and indigenous peoples.

### 2.2 Target Strategy

The RK-FINFA targeting strategy is based on the beneficiary profiles applied in the on-going IFAD-supported value chain projects. The focus is on low-income, economically active rural households, with specific targets on women and youth participation in both capacity building and financing activities. The PIM of RK-FINFA includes comprehensive strategies for gender and youth targeting, as well as nutrition linkages of RK-FINFA. The RK-FINFA target counties are exposed to environmental degradation and climatic shocks such as droughts and floods, which impact the livelihoods of the communities and economic activity in these areas. Therefore, improved environmental management and climate change resilience-related objectives will be integral parts of the project's general strategy and were among the key factors influencing the selection of the RK-FINFA investment instruments. The RK-FINFA beneficiary profiles include:

- **Smallholders and rural microenterprises** with limited access to financial services and products due to lack of adequate business skills, limited access to markets and lack of collateral assets. They rely on traditional safety nets such as borrowing from family, friends and community-based savings groups. This category of beneficiaries will represent about 90 per cent of the total number of RK-FINFA beneficiaries, and will include 50 per cent women and 30 per cent youth.
- **Under-employed rural men, women and youth** with no access to land or assets beyond their skills and time. The project will support them to seek employment with value chain agribusinesses. This group represents about 10 per cent of RK-FINFA beneficiaries.
- **Agribusiness-SMEs** that have some assets and viable market-oriented business models with potential to create jobs and livelihood opportunities for smallholders. However, due to risks inherent in the agriculture sector, as well as insufficient business planning and financial management capacities, these SMEs have limited access to finance to expand their operations, limiting the potential off-farm and on-farm employment creation in the VCs.

### 2.3 Theory of Change

Despite high development potential and significant positive impacts on rural livelihoods and food systems, poverty reduction and resilience to climate change, modernization and

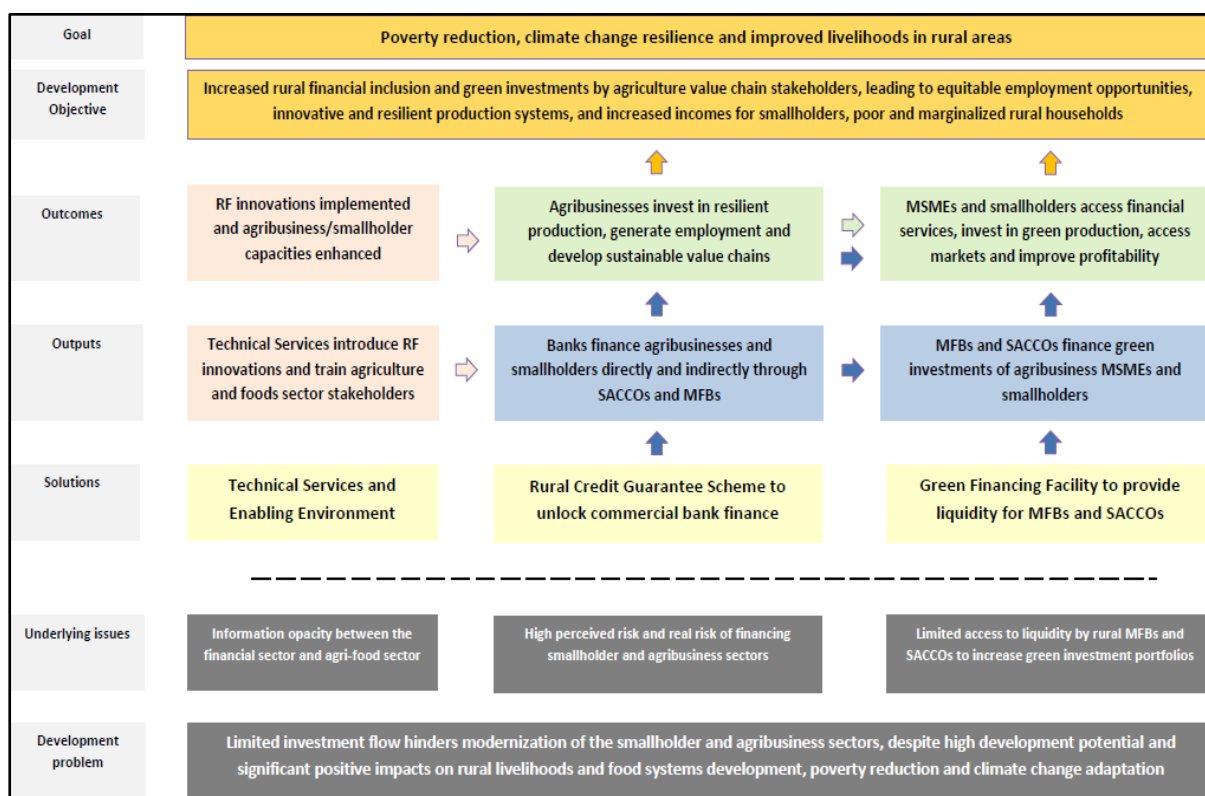


improved income flows in the smallholder and agribusiness sectors is hindered by limited investment.

Three identified underlying causes for this development problem are: (i) information and communication gaps between the financial sector and agribusiness sector due to capacity constraints; (ii) high perceived risk and real risk of financing smallholder, agribusiness sectors, in particular of rural youth and women, and (iii) limited access to liquidity by rural MFBs and SACCOs, the last mile financial service providers, particularly to commit resources into new innovative approaches such as green finance.

The Theory of Change diagram below developed for RK-FINFA captures the rationale behind the Project’s components and activities, its outcomes and outputs.

Figure 2-1 RK-FINFA Theory of Change



Source: RK-FINFA PDR (June 2021)

## 2.4 RK-FINFA Project Components

To achieve the RK-FINFA Project Goal and Development Objective, the project activities are structured into three mutually reinforcing components: Component 1: Technical Support and Innovation Services (TSIS); Component 2: Rural Investment Instruments; and Component 3: Enabling Rural Finance Environment and Project Coordination.

**Component 1: Technical Support and Innovation Services (TSIS).** Through two fully inter-linked sub-components, Component 1 will (i) strengthen Participating Financial Institution (PFI) capacities for innovation, rural outreach and green finance services in Kenya, and (ii) build MSME and smallholder sustainable investment capacities and financial literacy skills particularly tailored to reach women, youth and marginalized groups. Both aspects of the TSIS, supply and demand side, will be embedded into the rural growth strategies of PFIs to foster sustainability and scalability, and support the effective use of the resources provided through the project’s Investment Instruments component. Co-

financing partner organization/organizations will be engaged to coordinate the TSIS component.

- ▶ Sub-component 1.1: PFI Capacity Building for Rural Outreach and Innovation. The expected outputs of this sub-component are: (i) the capacity of five participating commercial banks, six micro-finance banks (MFBs) and 30 deposit-taking Savings and Credit Cooperative Societies (DT-SACCOs) improved to provide rural and agriculture financial services including products tailored to youth and women; (ii) the capacity of all 41 PFIs built to implement and monitor green investment portfolios; and (iii) Environmental and Social Management Systems operationalized/strengthened by 41 PFIs.
- ▶ Sub-component 1.2: Business Development Services for Agribusinesses and Smallholders. The expected outputs of this sub-component are: (i) 1,500 small and microenterprises receive Business Development Services (BDS) and are able to submit bankable business plans; and (ii) 50,000 male and female smallholder producers receive financial literacy training including for preparation of simple business plans appropriate for SACCO/MFB loan applications. The BDS is a key tool for social inclusion targeting of RK-FINFA: minimum of 50 per cent women and 30 per cent youth are included among all BDS clients.

**Component 2: Rural Investment Instruments.** The RK-FINFA will operate with two Rural Investment Instruments: (i) a Rural Credit Guarantee Scheme (R-CGS), and (ii) a Green Financing Facility (GFF). Both the R-CGS and the GFF will be designed as sustainable financing vehicles, which can utilize resources from the GoK and from interested international financiers to unlock private investment into Kenya's agricultural and agribusiness sector at attractive market terms through Kenyan financial institutions. The Technical Support and Innovation Services packages under Component 1 will support the PFIs in the implementation of the rural investment instruments, in line with each PFI's respective rural and agriculture finance strategy. Identification and referral of agribusiness and smallholder candidates into the PFI funding pipelines are supported as described above in Component 1.2.

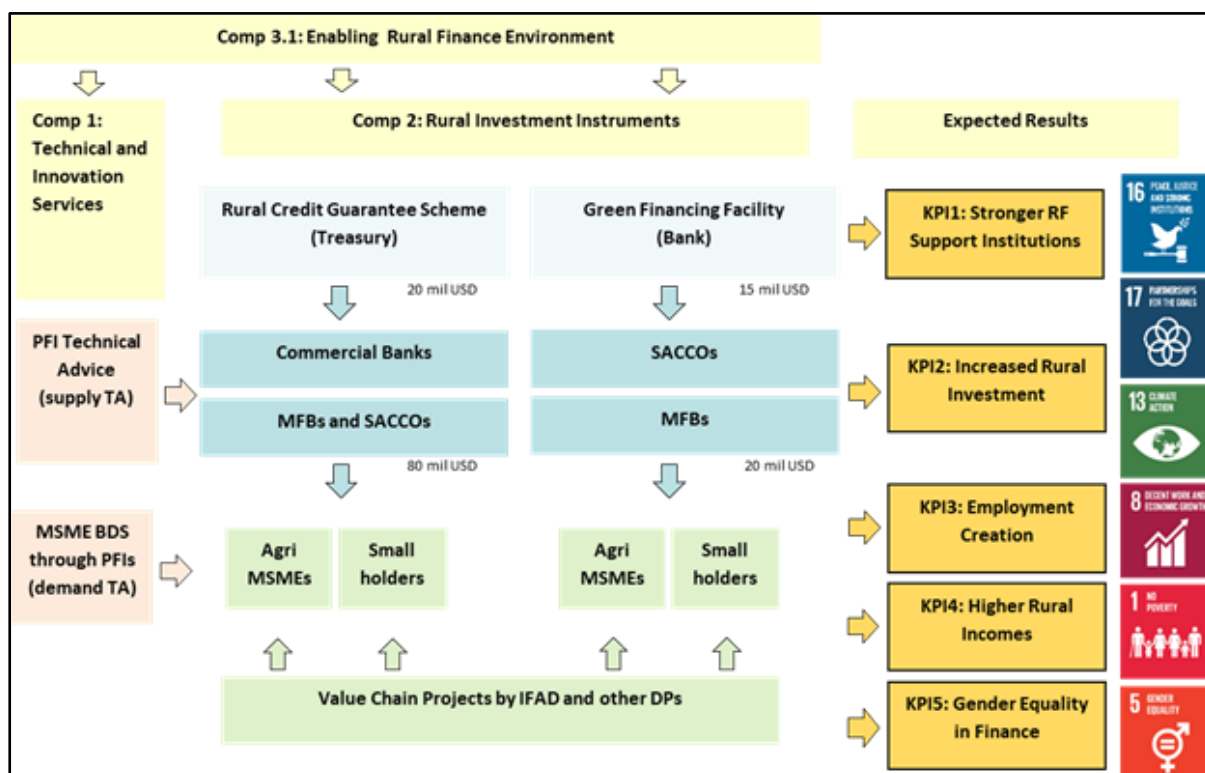
- ▶ Sub-component 2.1: Rural Credit Guarantee Scheme (R-CGS). The strategy of the R-CGS is to provide risk sharing to promote rural outreach innovations and catalyze funding from Kenyan mainstream financial institutions into the rural and agriculture sector. The expected results of the R-CGS are: (i) supported by the R-CGS guarantee amount of US\$ 20 million, PFIs lend US\$ 80 million to rural MSMEs and agriculture value chains; (ii) 2,000 rural MSMEs have improved access to finance; (iii) 15,000 microenterprises and farmers have improved access to finance, including women and youth-owned enterprises, (iv) 30,000 smallholder farmers have improved access to finance with targeted products for women and youth, and (v) in overall the target of 30 per cent women and youth among end-client groups is achieved.
- ▶ Sub-component 2.2: Green Financing Facility. Sub-component 2.2 supports the target of the innovative and sustainable transformation of Kenyan rural economy through the operations and services of the Green Financing Facility (GFF), to be established with the RK-FINFA support. The GFF will contribute to the sustainable rural transformation, growth, and income generation through two fully interlinked methods: (a) alleviating the liquidity constraints of non-bank financial institutions that are the main financial service providers to smallholders and rural micro-enterprises, and (b) encouraging small-scale farmers and micro-firms to invest in climate-smart and environmentally friendly activities while promoting gender-equitable access to finance. The GFF initial investment by RK-FINFA is US\$ 20 million and it is expected to reach out to about 30,000 rural households through micro and small-scale loans. The GFF will be established as a permanent facility at a selected Host Financial Institution to provide wholesale capital to rurally oriented SACCOs and MFBs/MFIs, for on-lending to the smallholder sub-sector and rural micro-enterprises, targeting 50 per cent women and 30 per cent youth.

Component 3: **Enabling Rural Finance Environment and Project Coordination**. This component is divided into two sub-components: 3.1. Enabling Rural Finance Environment and 3.2. Project Coordination.

- ▶ **Sub-component 3.1: Enabling Rural Finance Environment**. The aim of Sub-component 3.1 activities is to promote policies and institutional arrangements that support the medium and longer-term development of a more conducive operational environment for the Rural Credit Guarantee Scheme and the Green Financing Facility, therefore, fostering their capacity to improve rural financial intermediation through their increased rural outreach and impact to IFAD target groups including smallholders, women and youth.
- ▶ **Sub-component 3.2: Project Coordination**. The Lead Implementing Agency of RK-FINFA will be the Directorate of Budget, Fiscal and Economic Affairs in the National Treasury and Planning (NT&P). The Directorate is headed by a Director General who is answerable to the Principal Secretary of the NT&P. The Project Management Unit (PMU) of RK-FINFA will be established at the NT&P, housed in the Financial and Sectoral Affairs Department. The key technical service and investment components of the project are planned to be implemented through intermediaries or co-financing partner institutions with proven capacity and appropriate institutional mandate.

Figure 2-2 below illustrates the Project’s technical components and expected outcomes.

Figure 2-2 RK-FINFA Technical Components and Expected Outcomes



Source: RK-FINFA PIM (June 2021)

## 2.5 Project Management and Coordination

The Lead Implementing Agency of RK-FINFA will be the Directorate of Budget, Fiscal and Economic Affairs in the National Treasury & Planning (NT&P). The Directorate is headed by a Director General who is answerable to the Principal Secretary of the NT&P.

A Project Steering Committee (PSC) will be established with representation, at senior level, from the ministries and private and public agencies that will play key roles in the implementation of RK-FINFA. The public sector membership in the PSC will include the representatives from the National Treasury and Planning (NT&P); the Central Bank of Kenya (CBK); the Ministry of Agriculture, Livestock and Fisheries (MALF); the Ministry of Industry, Trade and Enterprise Development (MITED); the Ministry of Public Services, Youth and Gender (MPSYG); the Ministry of Environment and Forestry (MOEF); the Ministry of Information, Communication and Technology (MICT); the Ministry of Devolution and ASALs (MDA); and SASRA. The private sector members would be from the apex organisations of commercial banks, MFBs/MFIs and SACCOs. Other institutions will be incorporated into the PSC as required. The PSC will be chaired by the PS of NT&P or his/her representative. The key tasks of the PSC include: (a) provide oversight and strategic guidance to the project implementation; (b) oversee planning of project activities; (c) review and approve annual workplans and budgets (AWPBs) prior to submission to IFAD; and (d) review RK-FINFA implementation progress and impact. The PSC will meet two times a year or as otherwise required.

The RK-FINFA Project Management Unit (PMU) will be established at the NT&P, and housed in the Financial and Sectoral Affairs Department. The PMU will comprise a Project Coordinator, Financial Controller, Senior Rural Finance Specialist, Rural Finance Officer, Procurement Specialist/Contract Manager, Monitoring and Evaluation Officer, Value Chain Finance Officer, Rural Finance Officer, Social Inclusion Officer, Accountant, 2 Drivers and an Administrator/Programme Assistant. The key investment components and sub-components are planned to be implemented by intermediaries or investing partner institutions. The PMU will report directly to the PSC and will be responsible for the day-to-day management of the project activities. Its responsibilities will include but not be limited to: (i) financial and administrative management of the project resources; (ii) planning of the project activities, preparation of the AWPBs and their execution; (iii) monitoring credit flow to final beneficiaries; (iv) procurement and contracting of goods and services for the PMU; (v) coordination of the various project activities; (vi) supervision of activities' implementation; (vii) setting up and maintaining a flexible and effective M&E system to monitor and record project activities, outcomes and impact; and (viii) preparation of progress reports. The PMU will ensure that the project is implemented strictly in accordance with the Financing Agreements between the GoK and IFAD.

County Level: At the County level, each of the ongoing IFAD value chain projects have well-staffed PMUs, supported by County Project Facilitation Teams (CPFTs) which are composed of subject matter specialists, including County Environment Officers (CEnvOs), County Natural Resource Management Officers (CNRMOs) and County Social Services Officers (CSSOs)<sup>1</sup>. These PMUs will, jointly with the CPFTs and SCPTTS, sensitize those beneficiaries who they have trained to access financial services and apply for the RK-FINFA-supported resources through the PFIs. The VC projects will also support in following-up of loan utilisation and their outcomes and impact, as part of monitoring undertaken for the ongoing VC projects. The illustration of the full organisation of RK-FINFA is shown in Figure 2-3 below.

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<sup>1</sup> The designation of county officers assigned to social and community development varies from county to county depending on the directorates that have been established in the counties.

## 2.6 Implementation Arrangements Under Project Components

Technical Support and Innovation Services (TSIS). For the implementation of the TSIS, the TSIS Coordinator(s) will enter into partnership with the National Treasury & Planning (NT&P), by covering 50 per cent of the TSIS coordination costs and assuming accountability for the TSIS implementation process and results. The tasks include selection of PFIs into the TSIS pipeline, preparation of TORs for Technical Service Providers (TSP), following the selected PFI demand, selection of the TSPs jointly with the PFIs, and their recruitment, monitoring and evaluation (M&E), jointly with the PFIs. The detailed tasks of the TSIS Coordinator(s) are presented in the PIM. The TSPs will be selected from among locally present and specialized organizations including private sector and Non-Governmental Organizations (NGOs). Depending on the TSP capacity and specialization, they may focus on demand or supply side of the TSIS or cover both aspects as per demand from the PFI.

Rural Credit Guarantee Scheme (R-CGS). R-CGS will be operated by dedicated and already operational MSME-CGS management unit in the NT&P. The Unit is appropriately staffed, housed at the National Treasury Division of Financial and Sectoral Affairs, and operates a progress monitoring system connected to the MISs of the PFIs. The detailed management guidelines have been developed for the MSME-CGS operations and will be used also in R-CGS operations with special rulings to be agreed on for RK-FINFA supported rural activities at the Project start-up. Dedicated staff will be recruited under the RK-FINFA PMU to support the rural investment aspects of the Credit Guarantee Scheme.

Green Financing Facility (GFF). The GFF wholesale lending operations will be undertaken by a financial intermediary, the GFF Host institution. The National Treasury/RK-FINFA will enter into Financing Agreement with the GFF Host to on-lend the GFF funds in tranches to SACCOs and MFBs based on the eligibility criteria agreed at the Project start-up. The PFIs will then on-lend the funds to eligible borrowers, again based on criteria agreed at start up. Both at the Host and PFI level, the operation is based on effective revolving of the repaid capital back to new GFF-financed loans, to achieve maximum outreach and impact. Furthermore, both at the Host and PFI level, the GFF finances will be adequately ring-fenced from other operations and finances of the implementing institutions, to enable effective fund utilisation, control, and reporting. The whole operation will be documented in detail in a GFF Operations Manual, to be finalised before the lending operations commence.

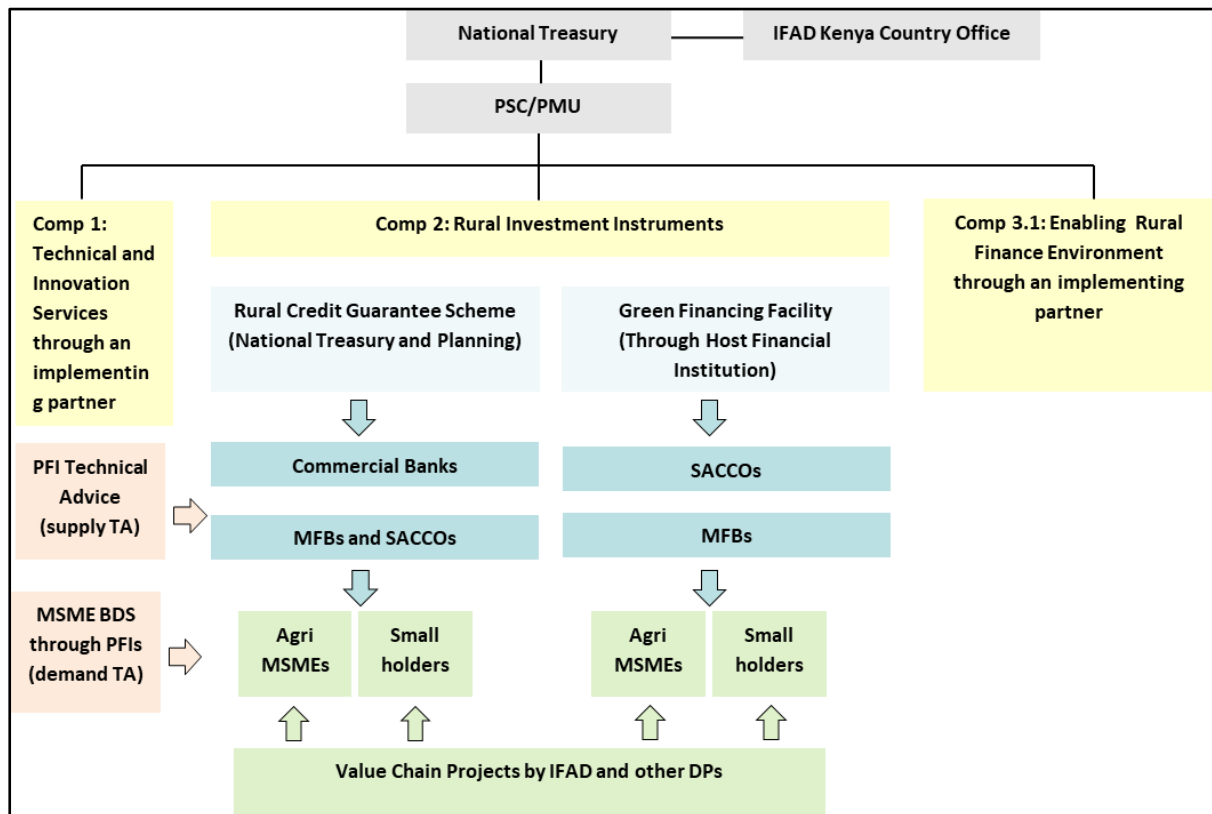
Effective monitoring and accurate reporting will be critical in the R-CGS and GFF schemes, under which the issuing of the client loans is carried out by the selected PFIs. The improvement of the MIS systems of the PFIs is a core target function of Component 1 technical support activities. The key features of the R-CGS and GFF reporting and field monitoring/verification plan are presented in the PIM of RK-FINFA. Most of the required performance reporting data will be automatically available from the IT-based accounting/management information systems of the CBK or SASRA-regulated PFIs. This data will be electronically submitted by the PFIs to the NT&P and GFF Host, which will aggregate it to be able to periodically present the whole scheme level data. The reported information will include detailed data on portfolio indicators such as the gender, age and location of the borrower, loan purpose, loan disbursements and outstanding balances, as well as the repayment performance for each of the above categories. The estimation of the development impact of the R-CGS and GFF interventions on supported projects, including the smallholder households, will be surveyed by the RK-FINFA through specific, sample-based baseline studies and then through repeat studies after the supported projects/investments are fully implemented.

The implementation responsibility for Sub-component 3.1 activities will be with the RK-FINFA Policy Component Co-Financing and Implementation Partner (NGO), under the supervision of the PMU. Before Project start-up and in consultation with key stakeholders,

the Policy Component Implementation Partner will make the final action plan for this support instrument and thereafter, detailed AWPBs for the sub-component. In the actual activity implementation, the Partner will use either its own experts or contract external consultants/companies when required. The Partner will also ensure that the Sub-Component 3.1 activities are fully integrated with and provide support to the progress of the key investment instruments of RK-FINFA, the R-CGS and the GFF.

Figure 2-3 below depicts the organisational structure and institutional arrangements for the Project.

Figure 2-3 Organisational Structure of RK-FINFA



Source: RK-FINFA PDR (June 2021)

## 2.7 Project Risks and Mitigation

The table below summarises main environmental and social risks identified during the Project design, and from other IFAD-supported projects, and how these have been addressed in the PDR. Section 7.2 of this document identifies additional risks and impacts related to types of activities supported through RK-FINFA.

Table 2-1 Project Risks and Mitigation

Risk Categories	Mitigation Measures in Project Design	Risk Rating	
		High (H) Substantial (S) Medium (M) Low (L)	
		Inherent	Residual
<b>Environment, Social and Climate Related Risks</b>			
Climate shocks such as droughts and floods as well as incidence of pests and diseases will impact the end line investments, particularly those in the agricultural sector, by the smallholders and micro-enterprises. Climate change impacts can also affect loan repayments and thus the portfolio of the PFIs.	Climate change risk management will be incorporated in the ESMS of the PFIs. Training and advisory services will be provided for the target beneficiaries to enhance their resilience and financial resources provided for green investments. The products under the green financing will promote climate resilience and building back better after climate shocks.	S	M
The marginalization of women and youth beneficiaries, and persons with disabilities, who are more vulnerable to climate change because they face discrimination and inequalities in accessing land and water, markets, technologies and credit. This would affect their ability to repay loans.	RK-FINFA target is that women comprise 50% of beneficiaries, youth comprise 30% and a minimum of 5% of beneficiaries will be from vulnerable groups (marginalized groups including persons with disabilities and persons with HIV).	S	M
Smallholder farmers particularly women, youth and poor households may feel they do not qualify to apply for loans.	The Project's social targeting approach includes participatory assessment of common social risks and barriers identified in project design that could compromise participation by women, youth and poor households	S	L
Women and youth may not possess sufficient confidence, knowledge technical skills, business skills, capital and access to markets to engage profitably in selected value-chains. They would therefore not feel confident to apply for loans	Use of GALS tools to build confidence.  A minimum of percent of the business skills training will target young women and men. Young women and men will be selected and trained as business coaches (ToTs) from the Counties and Wards. Business skills training will be delivered to the various groups through these ToTs. 5% of the recipients of financial literacy and business skills training will be persons from marginalized groups persons with disability or persons with HIV.  Enhancement of women's role in decision-making and leadership at household and community level will be implemented through leadership trainings and mentorship of women in farmer and agribusiness groups, village savings and loan groups, associations and co-operatives	S	M
Patriarchal norms prevent women from participating and benefitting from project activities.	GALS will be instrumental in creating awareness on gender and social relations amongst smallholders in groups and in farmer groups to empower women and men towards financial inclusion, more balanced workloads, equitable decision making and benefits sharing.  GALS tools will be used to have smallholder farmers engage gender-transformative	S	M



	household dialogue sessions focused on understanding the importance of time in starting, running, and developing agribusinesses and facilitate changes in contemporary society and adoption of labour and energy saving technologies to increase time efficiency in relation to reproductive and productive work.		
Risk of men taking over if women's economic activities increase in value and/or become more Profitable/ Adults taking over youth assets and economic activities	GALS training to empower women to take up leadership positions and promote gender equity.  Beneficiaries will be informed about the Grievance Redress Mechanism which will enable beneficiaries to record and provide feedback on services as well as any challenges they face in participating in the project activities	S	M
Elite capture of project resources by more enlightened/educated among target groups	Criteria will be established for selection of vulnerable households, women, youth and the disabled and will be followed by close monitoring and supervision.	M	L
Exclusion of persons with disability from participation in the project	A minimum of 5% of beneficiaries will be from vulnerable groups (marginalized groups including persons with disabilities and persons with HIV).	S	L
Security threats: Security threats (ethnic clashes, social and political conflicts, and terrorist attacks) can be an inherent project risk, especially in more vulnerable regions such as the Rift Valley and North Eastern Region.	While taking precautions for Kenya's security issues, RK-FINFA will avoid focusing its activities into areas with obvious danger to experience tribal clashes and terrorism.	M	M
<b>Governance</b>			
The 2019 Corruption Perceptions Index for Kenya indicates high governance Risk and corruption-related risk rating. Lengthy Government processes to establish Project Management Units and conduct procurement have delayed start-up of projects. Despite improved systems, problems in effective monitoring and reporting by GoK persist.	In RK-FINFA, the main responsibility of practically all components has been contracted to intermediaries, with tested implementation guidelines and methods, supported by systematic development of eligibility rules and procedures for RK-FINFA project activities. Major measures have been taken to avoid dependence of slow and often inefficient GoK procurement and management processes in RK-FINFA supported activities.	S	M
County Governments do not feel involved in project activities, and therefore may not effectively track project implementation in the counties	All investments, plans and project activities will be discussed and agreed upon with County Governments to secure their commitment.	S	M

Source: RK-FINFA PIM (June 2021) and ESMF Study (June 2021)

### 3 Institutional, Policy and Legal Framework for Environmental Management in Kenya

This chapter presents an overview of the institutional, policy and legal framework for environmental management in Kenya.

#### 3.1 Policy, Legal and Institutional Framework for RK-FINFA

The Government of Kenya has put in place several policies, legislations and institutional frameworks to regulate and address environmental, climate change and social inclusion thematic areas as illustrated in Table 3-1 below.

*Table 3-1 Policy, Legislative and Institutional Framework for Environment, Climate and Social Inclusion*

Thematic Area	Policies/Legislations/Guidelines/Strategies/Action Plans	Key Institutions
<b>Agriculture</b>	Agriculture Sector Transformation and Growth Strategy (ASTGS 2019-2029); Agriculture Act (rev 2012); Crops Act (2013); Irrigation Act (2019); Crops (Nuts and Oil Crops) Regulations (2020); Crops (Food Crops) Regulations (2019); Pest Control Products Act Cap 346; Plant Protection Act Cap 324; Agriculture Produce Marketing Act (2017)	Ministry of Agriculture, Livestock and Fisheries, Pest Control Product Board
<b>Livestock</b>	Draft (reviewed) National Livestock Policy (2019); Kenya Veterinary policy (2015); Draft Livestock Breeding Bill (2015); Livestock identification and traceability system regulations (2019); Pest Control Products Act Cap 346; Kenya Meat Commission Act; Fertilizers and Animal Foodstuffs Act, Cap 345 (2012); Animal Health Bill (2019)	Ministry of Agriculture, Livestock and Fisheries, Pest Control Product Board
<b>Fisheries</b>	National Oceans and Fisheries Policy (2008); Fisheries Act 2016; Fisheries Management and Development Bill (2019); National Aquaculture Policy (2011); National Aquaculture Development Plan (2010-2015)	Ministry of Agriculture, Livestock and Fisheries
<b>Gender</b>	Sessional Paper No. 2 of 2019 on National Policy on Gender and Development; Gender Strategic Plan (2018-2022); National Policy for the Eradication of Female Genital Mutilation in Kenya (2019); National Policy for Prevention and Response to Gender Based Violence (2014); Prohibition of FGM Act (2011)	National Gender and Equality Commission (NGEC), Women Enterprise Fund, Ministry of Labour, Social Security and Services, Ministry of Public Service, Gender and Youth Affairs, National Council for People with Disabilities, National Council for Children Services
<b>Youth</b>	Kenya Youth Policy (2006); Kenya Youth Agribusiness Strategy (2017-2021); Kenya Youth Development Policy (2018)	Youth Enterprise Development Fund in Kenya, Ministry of Labour, Social Security and Services, Ministry of Public Service, Gender and Youth Affairs
<b>Nutrition</b>	National Comprehensive School Health policy (2007); National Food and Nutrition Security Policy (2011); National School Health Strategy Implementation Plan (2011), National Nutrition Action Plan (2012); The Breast Milk Substitutes (Regulation and Control) Act Number 34 (2012); Kenya National Strategy for the Prevention and Control of Non-Communicable Diseases (2015-2020)	Ministry of Health, Ministry of Education, Ministry of Agriculture, Livestock and Fisheries
<b>Climate Change</b>	National Green Economy Strategy and Implementation Plan (2016-2030); National Climate Finance Policy (2016); Climate Change Act (2016); The National Climate Change Response Strategy (2010); Kenya Nationally Determined Contributions (2015); Meteorology Policy (2019); Climate	National Treasury & Planning (Green Climate Fund), Ministry of Environment and Forestry, Ministry of Water & Sanitation and Irrigation, Ministry of Agriculture, Livestock and Fisheries; Kenya Meteorological Department,

Thematic Area	Policies/Legislations/Guidelines/Strategies/ Action Plans	Key Institutions
	Finance Bill, 2018; Green bonds Guidelines, 2019; National Climate Change Action Plan (NCCAP) 2018-2022; National Adaptation Plan (NAP 2015- 2030); Kenya Climate Smart Agriculture Strategy (2017-2026); Climate Risk Management Framework (2017); National Climate Change Policy (2018); Kenya Climate Smart Agriculture Implementation Framework (2018-2027)	Water Resources Management Authority, National Disaster Management Authority
<b>Environment and Natural Resources Management</b>	The Environmental Management and Coordination Act 1999 and the amendment Act 2015; Wildlife Conservation and Management Act 2013; Forest Conservation and Management Act, 2016, Natural Resources Act, 2016; Water Act 2016; National Solid Waste Management Strategy, 2015; Forest Conservation and Management Act, 2016; Natural Resources (Benefit Sharing) Bill, 2018; Environmental Management and Coordination (Water Quality) Regulations (2006); Environmental Management and Coordination (Wetlands, River Banks, Lake Shores and Sea Shore Management) Regulations (2009); Irrigation Policy (2011); Water Act (CAP 372) No. 8 (2002) (Revised 2012, 2016); Land Act (2012); National Environment Policy, 2013, Constitution of Kenya, 2010, Lands Act, 2012; Kenya Grass Fires Act Cap 327	Ministry of Environment and Forestry, National Environment Management Authority, Kenya Forest Service, Ministry of Water & Sanitation and Irrigation, Water Resources Management Authority, National Environment Trust Fund, Kenya Water Towers Agency, Kenya Wildlife Services
<b>Indigenous Peoples</b>	Kenya Constitution, 2010, Bill of Rights; Kenya Community Land Act (2016); Kenya Agricultural and Livestock Research Act (2013); National Cohesion and Integration Act (2008)	Ministry of Sports, Culture and Arts

### 3.2 Institutional Framework for Environmental Management

The key institutions responsible for environmental management in Kenya are described below.

#### **National Environmental Council (NEC)**

The National Environment Council established under section 4 of part 3 of the EMCA act consists a board which comprises the Chairman (Minister), PS of the relevant ministry, representatives from public universities, representatives from research institutions, NGO representatives, Director General (Secretary) and such as may, from time to time, be co-opted by the minister to be members of the council. NEC provide policy formulation and direction for the purposes of EMCA act.

#### **National Environmental Management Authority (NEMA)**

NEMA is the supreme regulatory and advisory body on environmental management in Kenya. NEMA coordinate and supervise various environmental management activities being undertaken by statutory organs with a view to promote the integration of development policies, programme, plans and projects that provide sustainable development. The key functions of NEMA through the National Environment Council include:

- i) Policy formulation as spelt out in the Act;
- ii) Setting national goals, objectives and determining policies and priorities for the protection of the environment;
- iii) Cooperation among public departments, local authorities, private sector, non-governmental organizations and other organizations engaged in environmental protection and perform other related functions as are assigned by the Act.

In 2012, EMCA was revised to align its organisational structure with the 2010 Constitution. Consequently, NEMA decentralised its functions to the country's 47 counties.

### **National Environment Action Plan Committee (NEAPC)**

NEAPC is established under Section 37 of EMCA. This is a cross-sectoral committee responsible for the development of a five-year national environment action plan. The national environment action plan shall contain among other aspects analysis of the natural resources of Kenya and their distribution, quantity and diverse uses. It also recommends legal and fiscal incentives for business that incorporate environmental requirements into their planning and operational processes and set out guidelines for the planning and management of the environment and natural resources. The national environment action plan shall, upon adoption by Parliament, be binding on all organs of government.

### **National Environmental Complaints Committee (NECC)**

NECC is the body charged with the task of investigating complaints or allegations regarding the condition of the environment in Kenya and suspected cases of environmental degradation. The NECC also undertakes public interest litigation on behalf of the citizens in environmental matters. It is composed of seven members appointed by the Cabinet Secretary for Environment and Natural Resources headed by a chairman who is a person qualified to be appointed as a judge of the High Court of Kenya and members nominated by the Attorney-General, the Council of County Governors (Secretary), the Law Society of Kenya and the business community.

### **County Environment Committees**

Under section 29 (1) of EMCA (rev. 2012), the Cabinet Secretary issued a notice in the gazette to appoint County Environment Committees of NEMA in respect of every County. These committees assist NEMA in carrying out its function of proper management of the environment at county level. The membership of these committees includes representatives of farmers or pastoralists, business community, women and youth, among others.

## **3.3 National Environmental Guidelines and the EIA Process**

The National Environment Management Authority prepared the Environment Impact Assessment Guidelines and Administrative Procedures in November 2002 (referred to as the EIA Guidelines). The Guidelines describe procedural steps in EIA studies and Environmental Audits as well as the contents and format of the study reports to be submitted to NEMA, the EIA study review and decision-making process.

In 2019, the EIA process was revised. The Environmental (Impact Assessment and Audit) (Amendment) Regulations, 2019 (Legal Notice 32 dated 30<sup>th</sup> April 2019), now requires that every proponent undertaking a project specified in the Second Schedule of the Act as being a low risk project or a medium risk project, shall submit to the Authority a Summary Project Report (SPR) of the likely environmental and social effects of the project. After review, where the Authority considers that the proposed project may have a significant adverse environmental impact, it shall recommend that the proponent should prepare and submit a Comprehensive Project Report (CPR); or where the Authority considers that the proposed project is not likely to have any significant adverse environmental impact, it shall exempt the proponent from submitting a Comprehensive Project Report and issue the proponent with an approval to proceed with the project.

The Second Schedule of the Environmental Management and Coordination Act 1999 has also been amended by Legal Notice 31 dated 30<sup>th</sup> April 2019. This Schedule lists the following activities which may be relevant to RK-FINFA as low risk projects:

- Community water projects including boreholes, water pans, sand dams and sub-surface dams;
- Livestock holding grounds and cattle dips;
- Expansion or rehabilitation of markets;
- Local roads and facility access roads;
- Business premises including shops, stores, urban market sheds;
- Cottage industry, jua kali sector and garages;
- Small scale rehabilitation, maintenance and modernization of projects; and
- Standard warehouses not exceeding one thousand four hundred square meters.

Medium risk projects listed under the amended Second Schedule which could be relevant to RK-FINFA interventions are:

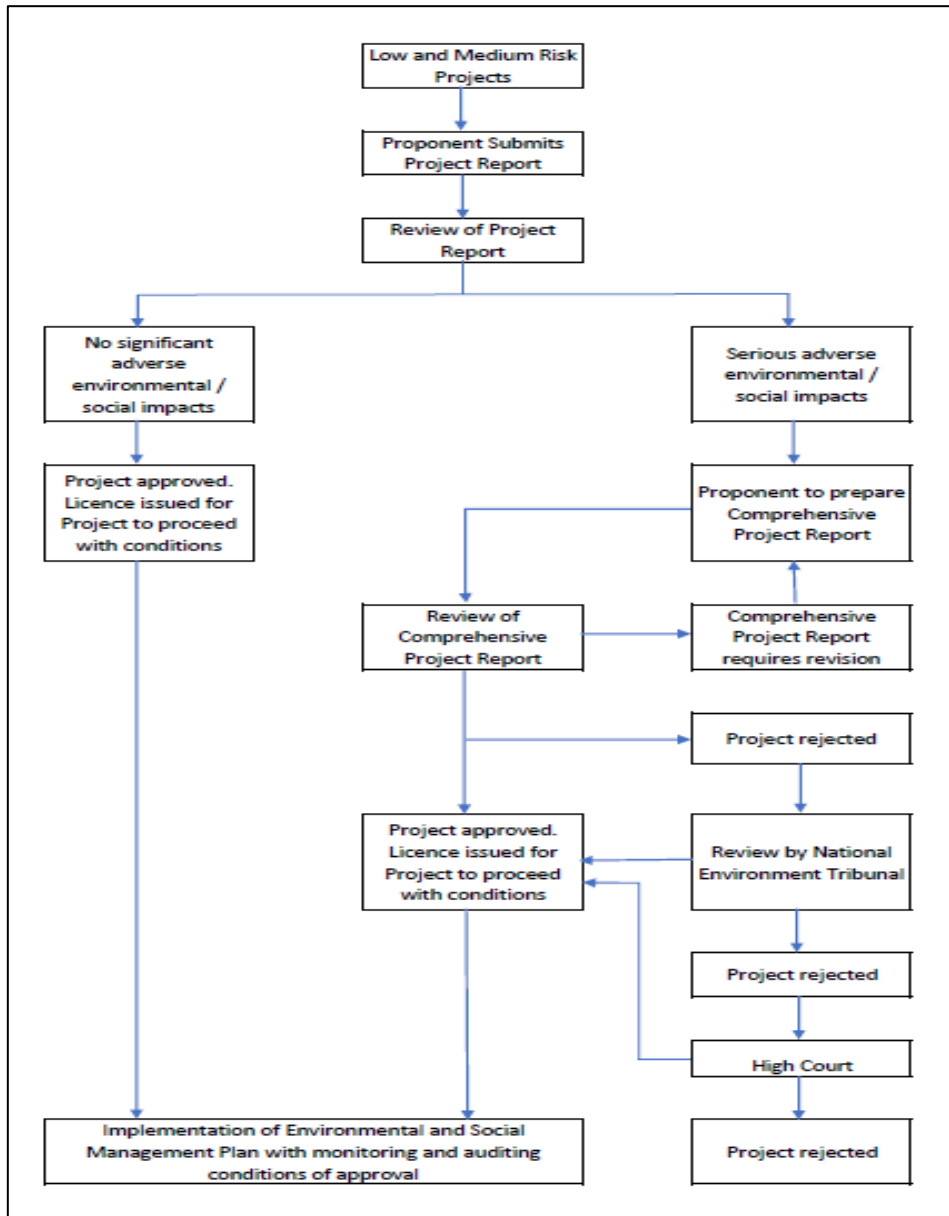
- Water resources and infrastructure, including drilling for purposes of utilizing ground water resources and related infrastructure;
- Medium-scale agriculture not exceeding one hundred hectares;
- Medium size grain storage;
- Medium size agricultural and livestock produce storage facilities;
- Medium scale irrigation projects.
- Medium scale abattoirs and meat-processing plants;
- Any other medium-scale food-processing plants or agro-based processing plants; and
- Go-downs for storage and warehouses.

The definition of “medium” is not provided.

High risk projects are required to undertake full environmental and social impact assessments. RK-FINFA interventions will not include high risk projects as described in Second Schedule, since these would capitulate the Project into IFAD’s SECAP Category A.

The EIA Process is depicted in the figure below.

Figure 3-1 The EIA Process in Kenya



Source: Adapted from NEMA, EIA Guidelines and Administrative Procedures (November 2002) an EMCA 2019 (LN31) and EIA EA Regulations 2019 (LN32)

### 3.4 Permitting and Licencing Requirements

There are a number of permits and licences that will be required for the implementation of RK-FINFA supported activities, depending on the type of activity. These may include, for example:

- Environmental Impact Assessment Licence;
- Water Abstraction Permit;
- Discharge Licence for Effluents, Emissions and Wastewater;
- Construction Permit;
- Certification of Registration of Work Place;
- Licence for Storage and Sale of Pest Control Products;
- Permit for Excavation of Borrow Pits.

### 3.5 Contractor’s Contractual Obligations

Some of the activities supported through RK-FINFA may involve the construction of infrastructure (for example, markets, earth dams or water infrastructure). Contractors hired for these works will be required to familiarize themselves with national environmental and social policies, as well as IFAD’s policies and safeguards. They will also be required to obtain all necessary national and local governmental permits and approvals as will be detailed in ESMPs which will form part of the Summary Project Reports (SPRs) and Comprehensive Project Reports (CPRs), for those activities where these are required. All works will be performed in accordance with current environmental practices, guidelines and standards in accordance with the documents cited above. In addition, they are required to abide by environmental and occupational health and safety provisions the Occupational Safety and Health Act (2007) and applicable Factories Act Rules which cover medical examinations noise prevention and control, fire risk reduction, among others.

The Contract Documents typically include aspects such as: worker health and safety (including the need for a Health & Safety Officer), visual intrusion, child labour, emergency response plans, environmental protection plan (covering solid waste, water pollution, dust/air pollution, workplace hygiene and sanitation, HIV/AIDS, gender, and traffic management. However, in order to ensure that environmental and social mitigation measures are actually implemented, all recommendations made in the ESMPs should be included as items in the Bills of Quantities.

Prior to mobilisation, the Contractor’s Environment and Social Management Plan (CESMP) must be prepared presenting the environmental and social management measures identified as part of the SPRs and CPRs in order to provide practical guidance on meeting the additional contractual requirements for a specific subproject. The CESMP should integrate the environment and social management measures identified for offsetting, eliminating or reducing environment and social impacts into the implementation and operational stages of the subproject. It will demonstrate how the contractor will monitor and then manage those impacts including measures to be undertaken to offset / mitigate the impacts at specific locations and the time at which the measures will be implemented.

### 3.6 International Conventions and Treaties

Kenya is party to a number of international conventions and treaties. The GoK has domesticated these treaties and conventions, as reflected in the various policies and laws described above. The relevance of these treaties and conventions are summarised in the table below.

*Table 3-2 International Treaties and Conventions*

<b>International Treaty / Convention</b>	<b>Stipulations/ Requirements</b>	<b>Relevance to RK-FINFA</b>
<b>Convention on Biological Diversity (CBD, 1992)</b>	Aims to conserve biological diversity, promote the sustainable use of the components of biological diversity, and ensure fair and equitable sharing of the benefits arising out of the utilization of genetic resources.	RK-FINFA supported activities may include rangeland management, while other activities such as crop development and fodder production may result in clearing of vegetation, while earth dams and irrigation schemes may affect aquatic ecology if environmental flow is not maintained.
<b>The Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization</b>	A supplementary agreement to the Convention on Biological Diversity which provides a legal framework for the effective implementation of the fair and equitable	The Project will support pastoralists and smallholder livestock keepers by promoting small ruminant systems to stimulate and increase the efficiency



International Treaty / Convention	Stipulations/ Requirements	Relevance to RK-FINFA
	sharing of benefits arising out of the utilization of genetic resources. The Protocol addresses traditional knowledge associated with genetic resources with provisions on access, benefit-sharing and compliance. It also addresses genetic resources where indigenous and local communities have the established right to grant access to them.	of small livestock production through better feeding, health and genetic resources management.
<b>Convention on the Conservation of Migratory Species of Wild Animals (CMS)</b>	A framework convention which provides a global platform for the conservation and sustainable use of migratory animals and their habitats.	RK-FINFA supported activities may support mixed and pastoral farming activities that are proximate to game reserves, parks and conservancies, which harbour several migratory species of wild animals.
<b>UN Framework Convention on Climate Change (UNFCCC)</b>	Provides a framework for international cooperation to combat climate change by limiting average global temperature increases and the resulting climate change, and coping with its impacts.	
<b>Kyoto Protocol to the UNFCCC (1997)</b>	Legally binds developed country Parties to emission reduction targets.	RK-FINFA focusses on climate smart interventions and requires a climate risk assessment to be undertaken in order to guide supported activities in coping with climate-related impacts. Climate change mitigation will also be part of the green financing facility eg. use of renewable energy and efficient resource use for which advisory services will be provided
<b>Paris Agreement to the UNFCCC (2015)</b>	Seeks to accelerate and intensify the actions and investment needed for a sustainable low carbon future. Its central aim is to strengthen the global response to the threat of climate change by keeping a global temperature rise this century well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius. The Agreement also aims to strengthen the ability of countries to deal with the impacts of climate change	
<b>United Nations Convention to Combat Desertification (UNCCD, 1994)</b>	Aims to combat desertification and mitigate the effects of drought in countries experiencing serious drought and/or desertification, particularly in Africa, through effective action at all levels, supported by international cooperation and partnership arrangements. It specifically addresses the arid, semi-arid and dry sub-humid areas, known as the drylands, where some of the most vulnerable ecosystems and peoples can be found.	The Arid and Semi-Arid Lands (ASALs) in Kenya are spread across 29 counties with varying degrees of aridity. ASAL counties under the current RK-FINFA design include: Nakuru, Tharaka Nithi, Meru, Embu, Machakos and Nyeri. As the project expands to national scale, it will likely cover several more arid and semi-arid counties.
<b>Convention concerning the Protection of the World Cultural and Natural Heritage (World Heritage Convention, 1972)</b>	Requires state parties to recognize that the duty of ensuring the identification, protection, conservation, presentation and transmission to future generations of the cultural and natural heritage situated on its territory, belongs primarily to that State. It will do all it can to this end, to the utmost of its own resources and, where appropriate, with any international assistance and co-operation, in particular, financial, artistic, scientific and technical, which it may be able to obtain.	Kenya has a number of UNESCO World Heritage Sites (WHSs). However, the Project will have no interaction with these, but some Project counties contain WHSs, eg. Lake Nakuru (Nakuru). In addition, Kakamega Forest (Kakamega) and Lake Nakuru National Park are on the tentative List to be considered for nomination.

International Treaty / Convention	Stipulations/ Requirements	Relevance to RK-FINFA
<b>The Rotterdam Convention (formally, the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade)</b>	<p>Promotes shared responsibilities in relation to importation of hazardous chemicals. The convention promotes open exchange of information and calls on exporters of hazardous chemicals to use proper labeling, include directions on safe handling, and inform purchasers of any known restrictions or bans.</p> <p>Signatory nations can decide whether to allow or ban the importation of chemicals listed in the treaty, and exporting countries are obliged to make sure that producers within their jurisdiction comply.</p>	<p>Agrochemicals (pesticides) used on the schemes must be those that are registered with PCPB, and approved by the MALF and properly labelled for safe handling, disposal, etc. In addition, farmers must be trained on the hazards of these agrochemicals and how to store, handle and use them.</p>
<b>The Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal (the Basel Convention, 1989),</b>	<p>Designed to reduce the movements of hazardous waste between nations, and specifically to prevent transfer of hazardous waste from developed to less developed countries (LDCs). It does not, however, address the movement of radioactive waste. Also intended to minimize the amount and toxicity of wastes generated, to ensure their environmentally sound management as closely as possible to the source of generation, and to assist LDCs in environmentally sound management of the hazardous and other wastes they generate.</p>	<p>Expired agrochemicals and their containers are considered to be hazardous wastes. In the case of RK-FINFA, this convention applies to the provision of assistance in the management of hazardous and other wastes.</p>
<b>Stockholm Convention on Persistent Organic Pollutants (1992)</b>	<p>Aims to eliminate or restrict the production and use of persistent organic pollutants (POPs).</p>	<p>Agrochemicals used in RK-FINFA supported activities must be those that are registered with the PCPB and approved by MALF.</p>
<b>The Bamako Convention on the ban on the Import into Africa and the Control of Transboundary Movement and Management of Hazardous Wastes within Africa (Bamako Convention, 1991).</b>	<p>Prohibits the import of any hazardous (including radioactive) waste into Africa</p>	<p>Relevant in the event that expired agrochemicals and their containers are taken to other countries for disposal.</p>

### 3.7 IFAD Safeguard Policies

#### **Policy on Improving Access to Land and Tenure Security, 2008**

Secure access to productive land is critical to the millions of poor people living in rural areas and depending on agriculture, livestock or forests for their livelihood. It reduces their vulnerability to hunger and poverty; influences their capacity to invest in their productive activities and in the sustainable management of their resources; enhances their prospects for better livelihoods; and helps them develop more equitable relations with the rest of their society, thus contributing to justice, peace and sustainable development (IFAD, 2008)

The Fund's first strategic objective is to help "ensure that, at the national level, poor rural men and women have better and sustainable access to ... natural resources (land and water), which they are then able to manage efficiently and sustainably." Land access and tenure security issues are linked, directly or indirectly, to all the strategic areas of IFAD's interventions.

The IFAD Policy on Improving Access to Land and Tenure Security has been formulated to: (a) provide a conceptual framework for the relationship between land issues and rural poverty, acknowledging the complexity and dynamics of evolving rural realities; (b)

identify the major implications of that relationship for IFAD's strategy and programme development and implementation; (c) articulate guiding principles for mainstreaming land issues in the Fund's main operational instruments and processes; and (d) provide the framework for the subsequent development of operational guidelines and decision tools. The policy acknowledges the complexity and dynamics of evolving rural realities and articulates guiding principles for mainstreaming land issues in the Fund's main operational instruments and processes. It also

In the policy, land refers to farmland, wetlands, pastures and forests. Land tenure refers to rules and norms and institutions that govern how, when and where people access land or are excluded from such access. Land tenure security refers to enforceable claims on land, with the level of enforcement ranging from national laws to local village rules, which again are supported by national regulatory frameworks. It refers to people's recognized ability to control and manage land – using it and disposing of its products as well as engaging in such transactions as the transferring or leasing of land.

The main principles of the policy are:

- i. Align with national priorities and support to poverty reduction strategies;
- ii. Adhere to the "do-no-harm" principle at all times;
- iii. Appreciate the diversity and dynamic nature of existing agrarian structures and tenure systems;
- iv. Support the centrality of the empowerment of poor rural people and the organizations that
- v. represent them;
- vi. Forge complementary partnerships with like-minded actors;
- vii. Focus on the gender dimension of land rights;
- viii. Adhere to the principle of free, prior and informed consent;
- ix. Support to production services and market linkages to maximize the positive effects of access to land and tenure security.

Anchored in this policy are the tenets of Free Prior and Informed Consent (FPIC).

### **Climate Change Strategy, 2010**

The goal of IFAD's Climate Change Strategy is to maximize IFAD's impact on rural poverty in a changing climate through:

- Supporting innovative approaches to helping smallholder farmers build their resilience to climate change;
- Helping smallholder farmers take advantage of available mitigation incentives and funding;
- Informing a more coherent dialogue on climate change, rural development agriculture and food security.

The strategy aims to empower local communities and their institutions to participate in climate-change related decision-making processes, and to build their capacity to respond using their own and others' experience. IFAD's focus is to develop key partnerships on the ground, such as community-based, farmers' and women's organizations, NGOs, and national and local public institutions, including agriculture ministries. Based on its growing in-country presence, IFAD also engage where appropriate in country-level climate and environment coordination efforts, working closely with bilateral and multilateral donors, and taking advantage where appropriate of the capacity of partner organizations.

### **Environment and Natural Resources Policy, 2012**

IFAD's Environment and Natural Resources Policy aims to enable poor rural people to escape from and remain out of poverty through more productive and resilient livelihoods

and ecosystems, by integrating the sustainable management of natural assets across its activities and its partners' activities.

The Policy sets out 10 core principles to guide its support, namely:

1. Scaled-up investment in multiple benefit approaches for sustainable agricultural intensification;
2. Recognition and greater awareness of the economic, social and cultural value of natural assets;
3. 'Climate-smart' approaches to rural development;
4. Greater attention to risk and resilience in order to manage environment- and natural-resource related shocks;
5. Engagement in value chains to drive green growth;
6. Improved governance of natural assets for poor rural people by strengthening land tenure and community-led empowerment;
7. Livelihood diversification to reduce vulnerability and build resilience for sustainable natural resource management;
8. Equality and empowerment for women and indigenous peoples in managing natural resources;
9. Increased access by poor rural communities to environment and climate finance; and
10. Environmental commitment through changing its own behaviour.

### **Social, Environment and Climate Assessment Procedures (SECAP), 2017**

SECAP endeavours to ensure that IFAD's goal of enabling poor rural people to improve their food and nutrition security, increase their incomes and strengthen their resilience, particularly to climate change, is done in an environmentally and socially responsible manner. The procedures set the minimum standards for the assessment of social, environmental and climate change risks of IFAD projects which apply throughout the project cycle. The procedures aim to:

- i. Analyse potential risks and provide information to strengthen the social, environmental and climate dimensions of programmes and projects;
- ii. Maximize social, environmental and climate change adaptation and mitigation benefits, and avoid or minimize negative impacts; and
- iii. Increase the consistency, transparency and accountability in decision-making concerning these dimensions of IFAD's results-based country strategic opportunities programmes (RB-COSOPs), country strategy notes (CSNs), and programmes and projects in a timely fashion.

SECAP provides a step-wise description of the processes and guidance to assess risk at each phase of a project or programme cycle, as follows:

- Step 1: Project Concept: environmental and social categorisation and criteria, climate risk classification, nature and sensitivity of project location, significance of impacts, cumulative and induced impacts;
- Step 2: Early Design: environmental and social impact assessment, climate risk analysis;
- Step 3: Late Design: Review of ESIA and Climate Risk Analysis reports and incorporation of recommendations into design;
- Step 4: Loan Negotiations: financing agreement, including clauses, covenants, and provisions for environmental, social and climate related actions;
- Step 5: Board Approval: final ESIA/ESMP report disclosed;
- Step 6: Project Implementation: implementation of social, environmental and climate adaptation/mitigation actions/measures contained in the ESIA/ESMP, RAP, IPP and other relevant loan covenants;
- Step 7: Project completion and ex-post ESIA: analysis of the impact of social, environmental and climate issues arising from project implementation.

Step 1 requires the screening of projects to allocate one of three categories:

- Category A projects require one or combination of a formal Environmental and Social Impact Assessment (ESIA) or Environmental and Social Management Framework (ESMF), Resettlement Action Framework (RAF)/ Resettlement Action Plan (RAP), free, prior and informed consent (FPIC)/FPIC implementation plan and Indigenous People Plan.
- Category B projects are those that may have some adverse environmental and/or social impacts on human populations or environmentally significant areas but the impacts are less adverse than those for Category A, are site-specific and few are irreversible in nature, and can be readily remedied by appropriate preventive actions and/or mitigation measures. While no formal ESIA is required for Category B programmes/projects, in many cases further environmental analysis could be undertaken during project preparation or implementation. In some cases, an ESMF is developed during project preparation or implementation. Category B projects require an ESMP.
- Category C projects generally do not require additional environmental analysis because the activities have positive environmental impacts, or negligible or minimally adverse environmental impacts. They would include, for example, technical assistance grants for agricultural research and training, grants to generate global environmental impacts, research, capacity building and institutional strengthening.

The SECAP Review Note for RK-FINFA categorises the Project as Category B. In order to retain Category B status, RK-FINFA interventions may not, among others: develop wetlands; result in the loss of natural habitat and loss of biodiversity or environmental services provided by a natural ecosystem in sensitive areas – protected areas and their buffer zones, ecologically sensitive areas such as wetlands; or necessitate economic or physical displacement (ie. land, potable water and water for other uses), or physical resettlement of more than 20 people, or impact more than 10 per cent of any one community's or individual farmer's or household's assets. Where physical or economic displacement is envisaged affecting access and user rights to land and other resources, SECAP requires that Free, Prior and Informed Consent (FPIC) is obtained from the affected people, the stakeholder engagement and consultation process is documented, and a resettlement action plan (RAP) or resettlement action framework (RAF) is prepared.

SECAP provides 14 Guidance Statements, namely: **Biodiversity; Agrochemicals; Energy; Fisheries and Aquaculture; Forest Resources; Rangeland-based Livestock Production; Water; Dams, their Safety and SECAP; Physical Cultural Resources; Rural Roads; Development of Value Chains, Microenterprises and Small Enterprises; Rural Finance; Physical and Economic Resettlement; and Community Health.** Those of particular relevance to RK-FINFA are emboldened.

SECAP also provides for climate risk classification based on available information about historic climate hazard occurrences, current climate trends, and future climate change scenarios, as follows:

- High risk programmes or projects can be expected to be highly vulnerable to climate-related hazards and thus would benefit from an in-depth climate risk analysis as part of the design or initial implementation stage. This analysis should include an analysis of GHG emissions and present recommendations for risk management – for example, practical climate risk management measures that can be integrated into the project design and implementation phases and could be used to mobilize climate finance for the co-financing of targeted risk reduction and adaptation/mitigation measures.
- Moderate risk programmes or projects can be expected to be moderately sensitive to climate risks and thus requires a basic integration of climate issues to be undertaken during the project design phase. This process should result in practical

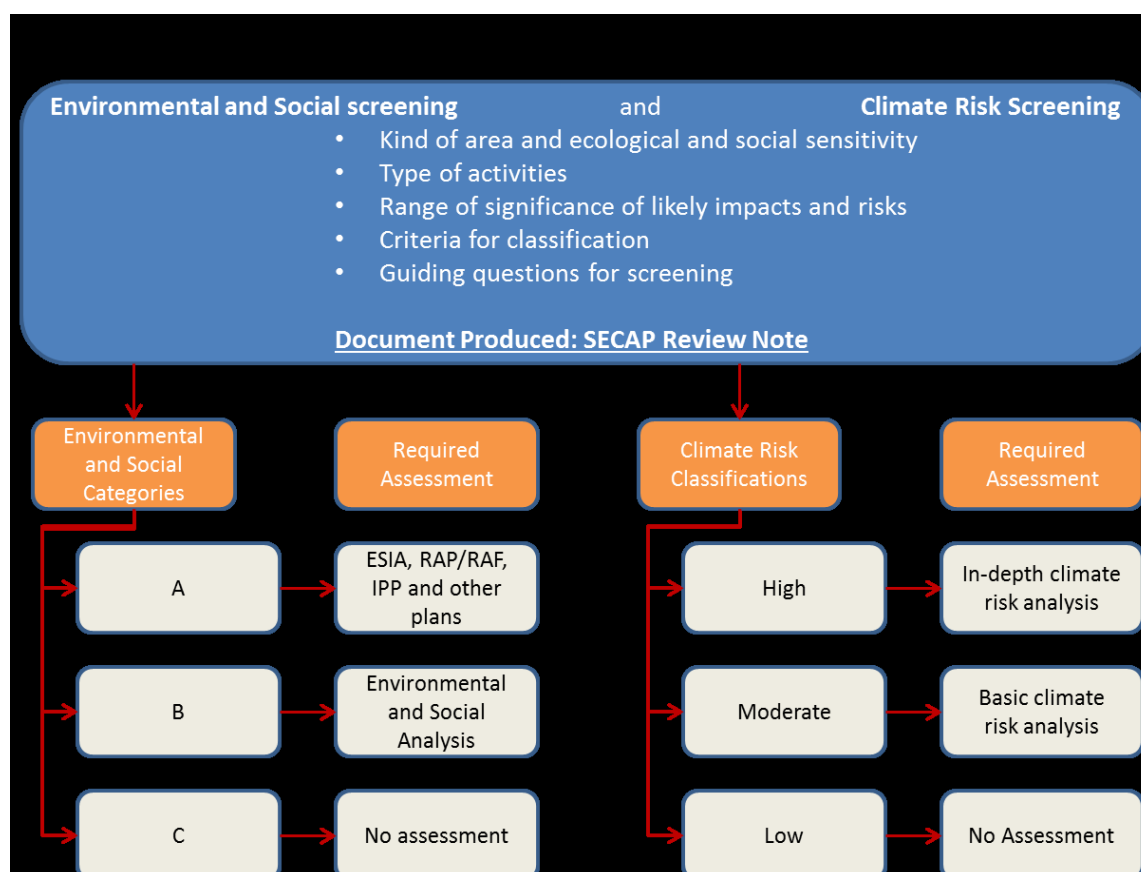
adjustments under the project to reduce losses and damages from climate hazards to IFAD’s client group and capitalize on opportunities to strengthen local risk-management capacities.

- Low risk programmes or projects are unlikely to be vulnerable to climate risks and thus voluntary measures could be incorporated into the detailed design and implementation phases based on the SECAP project assessment recommendations. These projects generally focus on investments which do not have a direct physical or geographical interface with climate hazards.

RK-FINFA target areas have experienced droughts, floods and increasing temperatures. Based on mixed projections and relative intensity of the extreme events, the RK-FINFA climate risk classification is considered to be high, requiring an in-depth climate risk analysis (CRA). Chapter 8 of this ESMF presents a summary of the CRA.

Figure 3-2 below presents the SECAP screening flow diagram.

Figure 3-2 Social Environmental and Climate Screening Flow Diagram



Source: SECAP 2017

### **Strategy and Action Plan on Environment and Climate Change 2019-2025**

The 2019-2025 Environment and Climate Change Strategy aligns with IFAD’s Strategic Framework (2016-2025), responds to commitments to the Eleventh Replenishment of IFAD’s Resources (IFAD11) and builds on Social, Environmental and Climate Assessment Procedures (SECAP) and the Adaptation for Smallholder Agriculture Programme (ASAP). Although IFAD has separate policies and strategies for environment and climate change, in practice, it has long addressed them in an integrated way, as have smallholders. The strategy is built around a conceptual framework that reflects IFAD’s integrated practice and experience to date, draws on new scientific understanding of the links between climate

and environment, including at the livelihood level, and takes into account recent policy developments, notably the Sustainable Development Goals (SDGs). By addressing environmental sustainability and climate resilience in a single strategy, and by incorporating social dimensions in the conceptual framework and where relevant in the strategic actions, the strategy provides the foundation for planned full integration of the environmental and social dimensions of rural development into IFAD's work.

The strategy therefore aims to guide the integration of environmental sustainability and climate resilience into IFAD's programming. It does this by:

- Summarizing the major accomplishments of IFAD's work on environment and climate integration to date, as well as its commitments going forward;
- Describing the changing context in which IFAD works – both within the organization and in its areas of implementation;
- Establishing a vision and conceptual framework for IFAD's approach to environment and climate change;
- Presenting a theory of change, including outcomes and strategic directions for the strategy period; and
- Providing an action plan and results management framework.

The main objective underlying this strategy is enhanced resilience of smallholder farmers and rural communities to environmental degradation and climate change impacts. This will ultimately provide the foundation for more prosperous livelihoods today and in the future. IFAD will contribute to meeting this objective through the following outcomes:

- i. Governments are increasingly effective in integrating environment and climate change objectives and considerations into smallholder agriculture and other rural development policies and programmes.
- ii. IFAD has the skills, capacity, partnerships, systems and resources needed to fully support governments in integrating environment and climate change into rural development policies and programmes.
- iii. IFAD investments contribute to the generation of environmental assets and services, and global public goods that make the livelihoods of poor rural people more prosperous and resilient, and IFAD's own operations more environmentally sustainable.
- iv. IFAD becomes a global leader in generating knowledge on managing sustainable rural livelihoods, enabling IFAD to play a greater advocacy role in supporting global efforts to build a healthy planet.

### **Policy on Engagement with Indigenous Peoples, 2009**

This policy aims to enhance IFAD's development effectiveness in its engagement with indigenous peoples' communities in rural areas. It sets out the principles of engagement IFAD will adhere to in its work with indigenous peoples, and the instruments, procedures and resources IFAD will deploy to implement them.

Indigenous people account for an estimated 5 per cent of the world's population, but 15 per cent of those people living in poverty. In many countries, rural poverty is increasingly concentrated in indigenous and tribal communities.

IFAD's Strategic Framework identifies indigenous peoples as an important target group because they face economic, social, political and cultural marginalization in the societies in which they live, resulting in extreme poverty and vulnerability for a disproportionate number of them. To reach them requires tailored approaches that respect their values and build upon their strengths. In its engagement with indigenous peoples, IFAD will be guided by nine fundamental principles: (a) cultural heritage and identity as assets; (b) free, prior and informed consent; (c) community-driven development; (d) land, territories and resources; (e) indigenous peoples' knowledge; (f) environmental issues and climate change; (g) access to markets; (h) empowerment; and (i) gender equality.



The formulation of the ESMF document recognises these principles so that they can be implemented throughout the project cycle.

### **Gender Equality and Women's Empowerment Policy, 2012**

IFAD's Gender Policy goal is to deepen the impact and strengthen the sustainability of IFAD-supported development initiatives, in order to increase IFAD's impact on gender equality and strengthen women's empowerment in poor rural areas. The Policy has three strategic objectives:

- Strategic objective 1: Promote economic empowerment to enable rural women and men to have equal opportunity to participate in, and benefit from, profitable economic activities.
- Strategic objective 2: Enable women and men to have equal voice and influence in rural institutions and organizations.
- Strategic objective 3: Achieve a more equitable balance in workloads and in the sharing of economic and social benefits between women and men.

To achieve these objectives, the Policy outlines five action areas aiming to:

- i. Systematically address gender equality and women's empowerment issues in IFAD-supported country programmes and projects;
- ii. Improve IFAD contributions to advocacy, partnerships and knowledge management on gender equality;
- iii. Strengthen capacity of partners to address gender issues in agriculture and rural development;
- iv. Develop corporate approaches and procedures with IFAD that support gender and diversity; and
- v. Ensure IFAD's corporate human and financial resources, and monitoring and accountability systems fully support gender equality and women's empowerment.

### **Nutrition Action Plan 2019-2025**

The revised NAP (2019-2025) sets out the framework that is to guide IFAD's actions to accelerate nutrition mainstreaming and achieve its ambitious commitments on nutrition. It specifies how IFAD will mainstream nutrition across the organization's programme of loans and grants and its non-lending areas. In order to deliver on the commitments of the NAP 2019-2025, the following principles will be adopted:

- Ensure coherence and increase effectiveness through the integration of nutrition with other cross-cutting themes, namely environment and climate, gender and youth.
- Apply a nutrition lens to the design and implementation of investments in agriculture, food systems and rural development, so as to optimize their contribution to improving nutrition.
- Adopt a multisectoral approach and engage with other actors through optimizing the complementary contributions that other sectors and actors make to nutrition, including policy engagement and coordination with partners working particularly in health, education, water, sanitation and hygiene.
- Adopt a life cycle approach by aiming to improve the nutrition of all household members, primarily through improvements in dietary quality, and at the same time ensuring that no one is left behind, particularly the most nutritionally vulnerable groups in the household and their specific nutrient requirements (children, adolescent girls, women of reproductive age and in particular pregnant and lactating women), and tailoring interventions to address their nutrition needs.

## **Policy to Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse (2020)**

IFAD is committed to the principles of integrity, professionalism and respect for the dignity of all people. IFAD seeks to ensure a safe working environment free of harassment, including sexual harassment, and free of sexual exploitation and abuse (SEA) in its activities and operations. SEA is a grave breach of trust of the people IFAD intends to serve, and can have devastating consequences for victims, their families and affected communities. Thus, IFAD deems it central to its core values and mandate to have in place an effective policy addressing sexual harassment and SEA in its activities and operations. IFAD has no tolerance towards acts of sexual harassment or SEA and takes action to prevent sexual harassment and SEA from occurring in the first place and ensures a prompt and effective response to allegations.

The policy defines the obligations of IFAD staff and those individuals holding a work contract with IFAD with respect to sexual harassment and SEA; and sets out IFAD's rules and procedures and approach in preventing and responding to sexual harassment and SEA. IFAD promotes a victim-centered approach in relation to prevention, mitigation and response to sexual harassment, sexual exploitation and abuse. The policy extends to contractors and vendors of IFAD-funded projects and programmes.

## **Targeting Policy, 2008**

IFAD's mandate defines its "target group" as rural people living in poverty and experiencing food insecurity in developing countries. Within this broad group, IFAD proactively strives to reach extremely poor people (as defined by SDG 1) who have the potential to take advantage of improved access to assets and opportunities for agricultural production and rural income-generating activities (SDG 2). IFAD's Targeting Policy focuses on improving livelihoods through: ensuring national and international resources are used effectively, policy support is dedicated to rural and agricultural development; encouraging local and national governments to focus on enabling the rural poor to improve their livelihoods; economically and socially empowering rural poor; and encouraging national ownership of interventions.

The Policy's guiding principles are to:

- Focus on rural people who are living in poverty and experiencing food insecurity, and who are able to take advantage of the opportunities to be offered;
- Expand outreach to proactively include those who have fewer assets and opportunities, in particular extremely poor people;
- Include marginalized groups, such as minorities and indigenous peoples, and address their specific needs;
- Address gender differences and have a special focus on women within all identified target groups – for reasons of equity, effectiveness and impact – with particular attention to women heads of household, who are often especially disadvantaged;
- Recognize that relative wealth or poverty can change rapidly due to external shocks and that this vulnerability needs to be addressed;
- Clearly identify at the programme or project design stage who the intended target groups are and why, and consistently apply these categories, during implementation, in monitoring and evaluation (internal and external) of targeting performance;
- Identify and work with like-minded partners at local, country, regional and international levels to develop a shared understanding of both the dynamics of rural poverty in different contexts and successful targeted approaches;
- Pilot and share learning on successful approaches to targeting hard-to-reach groups; and
- Build innovative and complementary partnerships with actors that can reach target groups that IFAD cannot reach with the instruments at its disposal.

### **Revised Operational Guidelines on Targeting (2019)**

These guidelines further enhance the 2008 Targeting Policy and include additional targeting principles as follows:

- Targeting the poorest, the poor and the vulnerable rural people and those who are more likely to be left behind;
- Mainstreaming gender, youth, nutrition and environmental and climate issues in the operationalization of the targeting process in COSOPs and projects;
- Recognizing the dynamic nature of poverty and the importance of tackling the multiple forms of vulnerability;
- Aligning targeting with government poverty reduction priorities, policies and strategies;
- Ensuring that working with relatively better-off stakeholders<sup>4</sup> results in direct benefits for the poorest;
- Testing innovative targeting approaches by strengthening existing partnerships and establishing new ones;
- Adopting consultative and participatory approaches to targeting; and
- Empowering and building the capacity of those who have less of a voice and fewer assets.

### **Private Sector Engagement Strategy 2019-2024**

IFAD's Private Sector Engagement Strategy 2019-2024 is based on the following principles:

- Alignment with COSOPs and government priorities, and alignment with IFAD's mandate;
- Scale of expected development benefits to IFAD core target group (smallholder farmers, women, youth, etc.);
- The effects of the intervention on environmental quality and sustainability; and conformance with IFAD's ESG standards;
- The risks resulting from the intervention and acceptable corresponding mitigation, as well as ability to be self-sustaining;
- Value addition compared to other sources, and comparative advantage over other market sources.

The strategy proposes two objectives with related actions, which have been selected based on the current needs of small-scale agriculture and private sector actors, the rural context and the above-mentioned lessons learned:

- i. Mobilize private funding and investments into rural MSMEs and small-scale agriculture; and
- ii. Expand markets, and increase income and job opportunities for IFAD's target groups.

### **Policy on Disclosure of Documents, 2010**

IFAD's Policy on the Disclosure of Documents enables project design documents to be disclosed prior to the Executive Board session at which the project is to be considered. The Consultation also directed the Executive Board to review policy provisions with regard to the disclosure of previously undisclosed documents.

Under IFAD's current disclosure policy, the following documents are disclosed to the public at the same time that they are made available to Executive Board representatives and Governors:

- All documents submitted to the Governing Council (including its Replenishment Consultations);
- All documents submitted to the Executive Board (including the Evaluation Committee);
- Information/status notes on projects being developed for presentation to the Executive Board following internal approval of the inception memorandum;
- Agreements for loans and grants once they are signed and effective;
- Amendments to loan and grant agreements once signed and countersigned;
- Previously undisclosed documents that are eligible for disclosure under the current policy (upon request or as necessary).

All evaluation reports and documentation submitted to the Evaluation Committee are made available to the general public on the website of the IFAD Office of Evaluation (IOE), which is part of IFAD’s corporate website. Project/programme design documents are disclosed to the public in their original language prior to the Executive Board session at which the project/programme is to be considered.

The policy also discusses the process for disclosure of previously undisclosed documents, the language of disclosure and appeals.

### 3.8 Comparison of GoK and IFAD Policy Requirements

A comparison of the Government of Kenya policies and requirements and IFAD’s policies are summarised in the Table 3-3 below.

*Table 3-3 Comparison of Government of Kenya and IFAD Requirements*

Requirement	Kenyan Environmental and Social Requirements	IFAD SECAP and Other Policies
<b>Environmental and Social Screening and Categorisation</b>	<p>Environmental and social requirements for the development of projects are articulated in the Environmental Management and Co-ordination Act, 1999 (EMCA). The amended Second Schedule of the National Environment Management and Coordination Act (LN31) lists projects for which Summary Project Reports/Comprehensive Project Reports and Environmental and Social Impact Assessments are required.</p> <p>High risk projects are required to conduct full environmental impact assessment studies in accordance with the EIA Regulations of 2006.</p> <p>Low risk projects or a medium risk projects are required to submit a Summary Project Report to NEMA of the likely environmental effect of the project. After review, depending on the significance of the adverse impacts, NEMA may approve the project and issue a licence, or may request the preparation of a Comprehensive Project Report. The contents of these documents are prescribed in the EIA Regulations Amendment of 2019.</p>	<p>SECAP assigns Category A to projects located in, or proximate to, ecologically sensitive areas such as wetlands, national parks, buffer zones, areas of global/national biodiversity significance; projects that will require significant use of agrochemicals; water based development where it is believed that significant depletion and/or reduce flow may have occurred from the effects of climate change or from overutilization; risk of project-induced pollution on sensitive ecosystems; introduction of potentially invasive species or genetically modified organisms which may impact on local biodiversity; economic or physical displacement or physical resettlement of more than 20 people or impacting more than 10% of a community’s or individual farmer’s assets. For Category A projects a formal ESIA, RAP and/or IPP, as applicable, are required with ESMP elaboration.</p> <p>Category B projects include; agricultural intensification and/or expansion of cropping area in “non-sensitive areas”; natural resources-based value chain development; small and microenterprise development subprojects, including artisanal production; watershed management or rehabilitation;</p>

Requirement	Kenyan Environmental and Social Requirements	IFAD SECAP and Other Policies
		<p>projects involving the development of an agro-processing facility; economic and physical displacement affecting fewer than 20 people or impacting less than 20 per cent of any one community's or individual farmer's or household's assets; projects resulting in short-term public health and safety concerns; and projects requiring a migrant workforce for construction or seasonal workers for construction, planting and harvesting. Category B projects do not require formal ESIA, but in many cases further environmental analysis is requested during project preparation or implementation in the form of an ESMF or ESMP which may be a stand-alone document or an output from environmental analysis.</p>
<p><b>Climate Risk Classification</b></p>	<p>Kenya's Climate Change Act 2016 articulates the development, management, implementation and regulation of mechanisms to enhance climate change resilience and low carbon development for the sustainable development of Kenya. The Act requires public consultation in matters relating to climate change policy, strategy, programme, plan or action,</p> <p>There are no risk classifications but the Act emphasises the mainstreaming of climate change responses into development planning, decision making and implementation; building resilience and enhancing adaptive capacity to the impacts of climate change.</p>	<p>SECAP provides a Climate Risk Classification methodology which specifies that projects that have high vulnerability to climate risk are for example: projects that establish infrastructure in areas with a track record of extreme weather events; and projects in areas in which rural development projects have experienced weather-related losses and damages in the past. IFAD requires that projects classified as high risk undertake an in-depth climate risk analysis. Examples of moderate risk projects include projects that make use of climate-sensitive resources, but do not focus on these resources as a main commodity; projects which invest in infrastructure not directly exposed to extreme weather events but have potential to become more resilient through adaptation of green technologies; and projects which focus on institutional development and capacity building for rural institutions in climatically heterogeneous areas, where opportunities exist to strengthen indigenous climate risk management capabilities. Low risk projects are those that are not likely to be vulnerable to climate risks (eg. development of a micro-finance institution). Projects under RK-FINFA are therefore considered to lie within the moderate climate risk category.</p>
<p><b>Consultations and FPIC</b></p>	<p>The EIA Guidelines and Regulations require consultations with key stakeholders at National, county and local level, as well as with the affected communities, and their participation, during the entire EIA process. The interested and affected groups should participate through consultations, and also provide inputs and comments throughout the ESIA process. With regard to RK-FINFA, all key stakeholders including communities are required to be involved in the identification, implementation and management of the proposed project activities.</p>	<p>SECAP emphasises the need for greater consultation by communities (especially the marginalized poor) and stakeholders that are likely to be affected by IFAD's operations during the respective programme/project cycle, in order to provide input to the project design, receive feedback on the draft ESIA report, ensure broad community support to the project, and to ensure that affected people endorse the proposed mitigation/ risk reduction and management measures.</p> <p>In addition to public consultations, SECAP requires FPIC for all projects that are likely to</p>

Requirement	Kenyan Environmental and Social Requirements	IFAD SECAP and Other Policies
		affect land or user rights to land, whether or not the affected people belong to historically underserved groups or minorities.
<b>Compensation and Resettlement</b>	<p>With regard to compensation and resettlement issues, the main pieces of legislation are the Constitution of Republic of Kenya/and the Land Act both of which require that compensation should be aimed at minimizing social disruption and assist those who have lost assets because of proposed project to maintain their livelihoods. In accordance with Kenyan laws and standards, a disturbance allowance is to be provided to assist the Project affected individual or family to cover costs of moving and locating to a new holding.</p> <p>Further the Land Acquisition Act requires the Government or developer is to compensate any person who suffers damage as a result. The Act requires that adequate, fair and prompt compensation be paid before taking possession of land and property.</p> <p>The Land Laws (Amendment) Act (2016) enhances the security of occupancy of lawful and bona fide occupants on registered land. Accordingly, a lawful or bona fide occupant shall not be evicted from registered land except upon an order of eviction issued by a court and only for non-payment of the annual nominal ground rent.</p> <p>The Community Land Act (2016) provides for agreements relating to investment in community land should be free, open and a result of a consultative process which should involve among other things stakeholder consultations and involvement of the community. The agreement should provide for the payment of compensation and royalties, capacity building of the community and transfer technology to the community.</p>	<p>IFAD’s Policy on Improving Access to Land Tenure Security stresses the need for Free Prior Informed Consent and the “Do no Harm” Principles. These principles are also reflected in other IFAD policies including the Targeting Policy, Engagement with Indigenous Peoples Policy and Gender Equality and Women’s Empowerment Policy. The core tenets of IFAD’s principles on compensation and resettlement are that wherever possible, any physical or economic resettlement that could negatively impact affected people should be avoided or minimised; that all land and natural resource users with a legitimate claim will be recognised including people having informal/customary rights; and that no affected person should be left worse off, and preferably in a better position through proper and timely compensation and other mitigation measures.</p>
<b>Grievance Redress Mechanisms</b>	<p>There is no distinct policy or law providing for grievance redress for any complaints that may arise out of non-compliance of environmental or social actions provided in the ESIA/ESMP.</p> <p>However, the Environment and Land Act (2011) establishes the Environment and Land Court which exercises its jurisdiction under Section 162(2)(b) of the Constitution and has power to hear and determine disputes relating to — (a) Environmental planning and protection, climate issues, land use planning, title, tenure, boundaries, rates, rents, valuations, mining, minerals and other natural resources; (b) Compulsory acquisition of land; (c) Land administration and</p>	<p>IFAD has developed a Complaints Procedure for “Alleged Non-Compliance with its Social and Environmental Policies and Mandatory Aspects of Its Social Environmental and Climate Assessment Procedures”. Parties adversely or potentially adversely affected by IFAD-funded projects and programmes may bring issues to the Fund’s attention using <a href="mailto:SECAPcomplaints@ifad.org">SECAPcomplaints@ifad.org</a>. Complaints must be put forward by at least two people who are both nationals of the country concerned and/or living in the project area. Complaints from foreign locations or anonymous complaints will not be taken into account. Complaints must concern projects/programmes currently under design</p>

Requirement	Kenyan Environmental and Social Requirements	IFAD SECAP and Other Policies
	<p>management; (d) Public, private and community land and contracts, choses in action or other instruments granting any enforceable interests in land; and (e) Any other dispute relating to environment and land.</p> <p>Further, grievance redress mechanisms exist at location and sublocation levels where the chiefs and assistant chiefs are involved in dispute resolution for civil cases. For criminal cases, the police are required to intervene. Should disputes not be resolved at these levels, then the matter is taken to the magistrate's and high courts.</p>	<p>or implementation. Complaints concerning closed projects, or those that are more than 95 per cent disbursed, will not be considered. IFAD does not provide monetary compensation to resolve complaints. The IFAD website provides a clear summary of the steps involved and guidance on how to report issues.</p>
<b>Biodiversity</b>	<p>EMCA addresses issues of management and conservation of biological diversity; and the Biodiversity Regulations 2006 refer to access to genetic resources or parts of genetic resources, whether naturally occurring or naturalised, including genetic resources bred for or intended for commercial purposes within Kenya or for export, whether in in-situ conditions or ex-situ conditions. In addition, there are specific laws and regulations addressing wildlife conservation, forests and wetlands, water resources, etc. The Strategic Plan for Biodiversity 2011-2020 addresses the key concerns regarding biodiversity management in Kenya. These include, among others, action include conservation within protected areas, arid and semi-arid areas, forests, degraded ecosystems, threatened, and alien species, genetically modified organisms, indigenous systems and knowledge.</p>	<p>Conservation of biodiversity is a cornerstone of IFAD projects, particularly those for agricultural development. IFAD recognises that value chain development projects may also offer opportunities for preserving biodiversity by promoting the sustainable harvesting and marketing of products derived from old plant varieties and breeds (e.g. underutilized species), locally used plants (e.g. medicinal plants) and non-timber forest products.</p> <p>IFAD does not implement projects in areas of critical habitats<sup>2</sup> or which result in conversion or degradation of such habitats. It emphasises the need to identify alternatives and ensure that any potential degradation or conversion is appropriately mitigated. IFAD supported projects are therefore required to protect biodiversity through appropriate design and full community participation.</p>
<b>Physical Cultural Resources</b>	<p>EMCA article 108, section 4 (b) recognises the importance of the preservation and protection of cultural, traditional and aesthetic assets.</p> <p>The National Museums and Heritage Act of 2006 provides for the identification, protection, conservation and transmission of the cultural and natural heritage of Kenya. Any discoveries of the objects made that are considered to be of importance according to this Act the person shall, within seven days, give notice thereof, indicating the precise site and circumstances of the discovery, to the National Museums, and in the case of an object, shall deliver the object to the National Museums or to the District Commissioner to keep it for any particular purpose or for any particular period.</p>	<p>In cases where physical cultural resources are found, IFAD assists borrowers in avoiding, minimising or mitigating adverse impacts on PCR in the development programmes/projects that it finances. Due diligence is carried out through applying SECAP to ensure that PCR are properly identified and adequately addressed and that any measures to protect PCR comply with the borrower's national legislation as well as with its obligations under relevant international treaties and agreements. SECAP prescribes general steps for programmes/ projects that apply in cases involving PCR: screening; collecting data; assessing impacts; and formulating mitigating measures.</p>

<sup>2</sup> A "critical habitat" is identified based on five criteria that address habitat of significant importance to threatened, endemic, congregatory and migratory species, threatened or unique ecosystems, and key evolutionary processes. IFC (2019); Guidance Note 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources).



Requirement	Kenyan Environmental and Social Requirements	IFAD SECAP and Other Policies
<b>Public Disclosure</b>	The Government of Kenya does not have public disclosure policy. However, the EIA Regulations require NEMA’s Director General to invite the general public to make written comments on any environmental impact assessment report and provide for the calling of a public hearing if warranted.	<p>IFAD’s Policy on the Disclosure of Documents (2010) requires full disclosure to the public and includes information notes on projects being developed for Board presentation, agreements for approved loans and grants, and project/programme design documents which include ESIA’s, ESMFs, RAPs and RAFs.</p> <p>The Policy requires that documents be disclosed, when available, in a timely manner prior to project appraisal at the quality assurance stage (or other key stages during project implementation) on IFAD’s website and in an accessible place in the programme- or project-affected area, in a form and language understandable to project-affected parties and other stakeholders, for the purposes information and obtaining their meaningful feedback. Stakeholders are allowed to submit comments on SECAP-related disclosed documents through the SECAP Help Desk email using: <a href="mailto:secaphelpdesk@ifad.org">secaphelpdesk@ifad.org</a></p>

The key differences between Kenyan and IFAD policies and requirements are that the GoK policies do not specifically provide for climate risk categorisation, FPIC and livelihood restoration where physical and economic displacement may occur. Where there is a difference between the local policies and regulations and IFAD’s policies and requirements, the Project will aim to apply the more stringent requirements.

## 4 Lessons Learnt

The RK-FINFA design process is informed by lessons learned and best practices from: (a) previous IFAD experiences in Kenya; (b) results from IFAD projects in other countries of the region; and (c) similar projects financed by the Government or other development partners in the country. Particularly relevant have been the experiences from the implementation of the IFAD-supported and recently closed Programme for Rural Outreach of Financial Innovations and Technologies (PROFIT<sup>3</sup>). The key lessons from past and ongoing operations for the RK-FINFA design can be summarised as:

- The provision of technical support services (TSS) to PFIs should start immediately after the PFI selection, to ensure that the actual portfolio financing and guaranteeing operations fully benefit from the TSS. Furthermore, the TA functions need to be aligned and well targeted so that TA to PFIs, MSMEs and farmers are provided in synergy.<sup>4</sup>
- RF Project Management Unit and the implementing partners must have adequate capacity and assigned institutional roles for the designed RF instruments.<sup>5</sup> RK-FINFA should build on existing progress of institution-building in the National Treasury and embed all project elements into existing public and private organizations, which have RK-FINFA-aligned mandates.
- Appropriate eligibility criteria for both PFIs and final borrowers in the RK-FINFA financed operations should be included in the design, to ensure both (a) the smooth start-up of financing operations and (b) adequate emphasis on IFAD mainstreaming themes, climate smart agriculture and climate change resilience, gender, and youth empowerment.<sup>6</sup>
- The key investment instruments should be implemented through specialized intermediaries, based on operational guidelines to enable both the smooth operations of the facilities and appropriate controls and reporting through IT-based reporting solutions, supported by systematic field verification visits.<sup>7</sup>
- Targeting framework should be drafted and agreed upon at the design stage of the project, and at start-up confirmed through subsidiary agreements with the PFIs. For appropriate social targeting, a RF project and its PFIs should apply criteria in line with IFAD and Government priorities, including focus on reaching women and youth. For geographical targeting, most ESA RF projects are implemented nationwide in rural areas, while more specific geographical focus is agreed upon with individual PFIs.<sup>8</sup>
- Targeting strategies need to place more emphasis on gender and youth, as well as on the elderly. Communities tend to have more trust in older committee and group members in regard to managing cooperatives, and are observed to support resource-poor households, providing mentorship to the latter to ensure sustainability of the cooperatives<sup>9</sup>.

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<sup>3</sup> See full list of PROFIT lessons at PIM

<sup>4</sup> IFAD ESA Rural Finance Stocktake including review of projects PROFIT/Kenya, MIVARF/Tanzania, RUFIP II/Ethiopia, RUFEP/ Zambia, PROFIRA/Uganda, PAIFAR-B/Burundi, FARMSE/Malawi, REFP/Mozambique, FINCLUDE/Eswatini and RUFIP III/Ethiopia

<sup>5</sup> See experiences of PROFIT at Mid Term Review report 2014, Supervision reports 2015-2019, IFAD

<sup>6</sup> *ibid*

<sup>7</sup> Principles for Public Credit Guarantee Schemes for SMEs, 2015, World Bank Group

<sup>8</sup> See targeting structures of IFAD ESA RF projects PROFIT/Kenya, MIVARF/Tanzania, RUFIP II/Ethiopia, RUFEP/Zambia, PROFIRA/Uganda, FARMSE/Malawi, REFP/Mozambique and RUFIP III/Ethiopia

<sup>9</sup> Smallholder Dairy Commercialization Programme Project Completion Report, 2020

- PFI reporting should be based on indicators that the financial institutions collect as a part of their standard operations, focusing on detailed transaction and portfolio data. The evaluations of the project impact on benefiting households should be organised separately by the PMU and carried out on a sample basis by specialist institutions/NGOs, based on experiences from similar projects elsewhere.<sup>10</sup>
- Operating with a large number of different types of PFIs (banks, SACCOs, MFBs) with different types of clientele in different types of environments, appropriate flexibility should be allowed concerning particularly the terms that the different PFIs apply in their lending to final customers.<sup>11</sup>
- To ensure an effective exit strategy for the project and a long-term impact of its investments, the project design and loan negotiations should cover in detail the longer-term sustainability aspects of the supported facilities and make provisions for the entry of new public and private development investors to these support facilities.<sup>12</sup>
- For procurement, a dedicated specialist as part of PMU should closely monitor, review and approve the procurement processes for implementing partners to ensure conformity and consistency with IFAD's/GoK's procurement procedures. Furthermore, the project implementation procurement should be planned in the logical order of the delivery of the planned results and the Technical Service Providers need to be procured ahead of the launch of financial instruments.
- Sustained capacity building/awareness raising throughout the project duration, beginning in the initial stages of the project, will be important to changing behavioural attitudes to fully grasp the impacts of environmental, social and climate change related risks, for all levels of PFIs and beneficiaries.<sup>13</sup>
- The use of GALS methodology, and assigning a GALS champion, effectively entrenches gender equality and participation by women and youth in project activities<sup>14</sup>. Moreover, certain types of activities are more attractive to youth (eg aquaculture) and women (eg. poultry keeping), and loans to support these activities should be encouraged<sup>15</sup>.

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<sup>10</sup> PROFIT Completion Report, 2019

<sup>11</sup> IFAD Decision Tools for Rural Finance, 2010

<sup>12</sup> PROFIT Completion Report, 2019

<sup>13</sup> SDCP Project Completion Report, 2020, and Kenya Upper Tana Catchment Natural Resources Management Project (UTaNRMP)

<sup>14</sup> *ibid*

<sup>15</sup> Aquaculture Business Development Programme, PDR, 2017

## 5 Environmental and Social Profile of the Project Counties

### 5.1 Physical Environment

The tables below provide a summary of the physical environment of the Project counties.

#### 5.1.1 Topography

The general topography found in the Project counties is described in Table 5-1 below.

Table 5-1 Topography in the Project Counties

County	Agro-Ecological Zones/ production potential	Topography
Bungoma	Semi-humid/ Medium potential	<ul style="list-style-type: none"> <li>Major physical features include Mt Elgon, several hills, rivers and waterfalls.</li> <li>The altitude ranges from 1200m to over 4,321m (Mt Elgon) above sea level.</li> <li>County has only one gazetted forest, the Mt Elgon Forest Reserve (618.2Km<sup>2</sup>) and one National Park, (50.683 Km<sup>2</sup>).<sup>16</sup></li> </ul>
Busia	Sub-humid/ High potential	<ul style="list-style-type: none"> <li>Most parts of the county fall within the Lake Victoria Basin.</li> <li>Has undulating altitude from 1,130m (shores of Lake Victoria) to 1,500m (Samia and North Teso Hills) above sea level.</li> <li>Central part of the county is occupied by a penepains marked by low flat divides of approximately uniform height.<sup>17</sup></li> </ul>
Embu	Semi-humid to arid/ Low-Medium Potential	<ul style="list-style-type: none"> <li>Main features include Mount Kenya, Kiambere, Kiangómbe hills, Mwea Game Reserve (42km<sup>2</sup>)</li> <li>The county is also endowed with several rivers such as Thuci, Kii, Rupingazi, Thuba and Tina, and dams which generate hydroelectric power.</li> <li>Altitude ranges from 515m to 5,199m (Mt. Kenya) above sea level.<sup>18</sup></li> </ul>
Kakamega	Sub to semi-humid/ Medium-High potential	<ul style="list-style-type: none"> <li>The county has several hills and rivers</li> <li>The southern part of the county is hilly and is made up of rugged granites.</li> <li>The Nandi Escarpment forms prominent feature on the county's eastern border, with its main scarp rising from 1,700m to 2,000m above sea level.</li> <li>County altitude ranges from 1,240m to 2,000m above sea level<sup>19</sup>.</li> </ul>
Kirinyaga	Semi-humid/ Medium potential	<ul style="list-style-type: none"> <li>County physical features include part of Mt. Kenya and Mt. Kenya Forest (350.7Km<sup>2</sup>) which have several wildlife.</li> <li>Major rivers include Sagama, Nyamindi, Rupingazi, Thiba, Rwamuthambi and Ragati, which all feed into Tana River.</li> <li>Parts of the county have volcanic rocks along Nyamindi river and has seven waterfalls.</li> <li>The county altitude ranges from 1158 to 2000m (lowlands), 2000 to 3400m (middlelands) and 3400 to 5380m (highhighlands) above sea level.<sup>20</sup></li> </ul>
Kisii	Sub-humid/ High potential	<ul style="list-style-type: none"> <li>The county is characterised by hilly topography with several ridges and valleys and several hills such as Nyamasibi, Sameta, Kiamwasi, Kiongányo.</li> <li>The county is traversed with several permanent rivers (Gusha, Moguisii, Riana, Mogonga, Chirichiro and Iyabe) that flow westwards into Lake Victoria.</li> <li>Altitude ranges from 1500m to 2,170m (Nyamasibi Hills) above sea level.</li> <li>75% of the county is covered with volcanic soils (nitisols), which are rich in organic matter.<sup>21</sup></li> </ul>

<sup>16</sup> Bungoma County Government, County Integrated Development Plan, 2018-2022.

<sup>17</sup> Busia County Government, County Integrated Development Plan, 2018-2022.

<sup>18</sup> Embu County Government, County Integrated Development Plan, 2018- 2022.

<sup>19</sup> Kakamega County Government, County Integrated Development Plan, 2018-2022.

<sup>20</sup> Kirinyaga County Government, County Integrated Development Plan, 2018-2022.

<sup>21</sup> Kisii County Government, County Integrated Development Plan, 2018-2022.

Machakos	Semi-humid to semi-arid/ Low to medium production	<ul style="list-style-type: none"> <li>The county has several hills such as Iveti, Lukenya, Komarock and Kangonde and Yatta Plateau and two permanent rivers of Tana and Athi.</li> <li>County altitude ranges from 1,800m to 2,100m above sea level.</li> <li>County soils are well drained, shallow, dark and red clays soils.<sup>22</sup></li> </ul>
Meru	Arid/ Low potential	<ul style="list-style-type: none"> <li>The county occupies part of Mount Kenya and Nyambene Ranges, which are sources of many rivers that provide water for household and agriculture use.</li> <li>The county has gazetted forest area of 972.3km<sup>2</sup> (part of the gazetted forest area is Mt. Kenya).</li> <li>Altitude ranging from 300m to 5,199m (Mt Kenya) above sea level.<sup>23</sup></li> </ul>
Nakuru	Sub-humid to semi-humid/ Medium to High Potential	<ul style="list-style-type: none"> <li>The main topographical features include the Mau Escarpment (2400m) covering the Western part of the County, the Rift Valley floor, Ol-Doinyo Eburru Volcano, Akira Plains and Menengai Crater.</li> <li>The topography in Naivasha and Gilgil Sub-Counties is characterized by mountain ranges and savannah vegetation.</li> <li>Altitude ranges from 700m and 2700m above mean sea level.</li> <li>Main rivers include Njoro and Makalia which drain into Lake Nakuru; Malewa River which drains into Lake Naivasha and Molo River which drains into Lake Baringo</li> <li>Forests include Mau, Menengai Crater, Mbogoini, Solai, Mau, Bahati, Subukia, Eburru and Dundori<sup>24</sup></li> </ul>
Nandi	Sub-humid to semi-humid/ Medium to High Potential	<ul style="list-style-type: none"> <li>County consists of rolling hills, plateaus, volcanic mass, swamp, and escarpment with rugged terrain and consist of granite and volcanic rocks.</li> <li>The County is transversed by various rivers which include Kipkorean, Kamondi, Berei, Kibos, Kipkurere of which some have potential for generating hydro power.</li> <li>12 % of the total land is under forest.</li> <li>The altitude ranges from 1300m to 2,047m (Nandi Hills) above sea level.<sup>25</sup></li> </ul>
Nyeri	Semi-humid/ Medium Potential	<ul style="list-style-type: none"> <li>The main features include Mt. Kenya (5199m) and Aberdare ranges (3999m) above sea level, the two features also form part of county forest area.</li> <li>Main hills include Karima, Nyeri and Tumutume.</li> <li>Main rivers include Sagama, Rafati, Chania, Gura and Nairobi.</li> <li>The county lies between 3,076 meters and 5,199 meters (Mt. Kenya) above sea level<sup>26</sup></li> </ul>
Siaya	Semi-humid to sub-humid/ Medium Potential	<ul style="list-style-type: none"> <li>Main geomorphological areas include: Dissected Uplands, Moderate Lowlands and Yala Swamp.</li> <li>County gazetted forests include Got Ramogi and Got Abiero, and others which are not gazetted</li> <li>The altitude of the County rises from 1,140m on the shores of Lake Victoria to 1,400m above sea level in the North.<sup>27</sup></li> </ul>
Tharaka Nithi	Arid/ Low Potential	<ul style="list-style-type: none"> <li>The major forest areas include Mt. Kenya Forest, which serves as catchment area for Tana River.</li> <li>Major Hills found in the county include Kiera, Munuguiri, Njunguni, Kijege and Ntugi.</li> <li>Major rivers include Mutoga, Thingithu, Kathita, Thanantu, Thangata, Kithinu and Ura which provide domestic and irrigation water.</li> <li>County attitude ranges from 600m (Tharaka) to 5,200m (Chula) above sea level.<sup>28</sup></li> </ul>
Trans Nzoia	Humid to semi - humid/ High Potential	<ul style="list-style-type: none"> <li>Trans Nzoia County is generally flat with gentle undulations rising steadily towards Cherangany Hills in the east.</li> <li>The largest natural forests are found in Mt. Elgon and the Cherangany hills.</li> <li>Major physical features include Mt Elgon in the northwest and Saiwa Swamp</li> <li>Main rivers include Ewaso-Rongai, Noigamaget and Sabwani.</li> <li>Altitude ranges from 1,400m to 4,313m (Mt Elgon) above the sea level.<sup>29</sup></li> </ul>

<sup>22</sup> Machakos County Government, County Integrated Development Plan, 2018-2022.

<sup>23</sup> Meru County Government, County Integrated Development Plan, 2018-2022.

<sup>24</sup> Nakuru County Government, County Integrated Development Plan, 2018-2022

<sup>25</sup> Nandi County Government, County Integrated Development Plan, 2018-2022

<sup>26</sup> Nyeri County Government, County Integrated Development Plan, 2018-2022

<sup>27</sup> Siaya County Government, County Integrated Development Plan, 2018-2022.

<sup>28</sup> Tharaka Nithi County Government, County Integrated Development Plan, 2018-2022.

<sup>29</sup> Trans Nzoia Government, County Integrated Development Plan, 2018-2022

### 5.1.2 Climate

Table 5-2 below describes the climate in the Project counties.

Table 5-2 Climate in the Project Counties

County	Agro-Ecological Zone	Climate
Bungoma	Semi-humid/ Medium potential	<ul style="list-style-type: none"> <li>The County experiences two rainy seasons, the long season is from March to July and short season is from August to October.</li> <li>The annual rainfall ranges between 400mm to 1,800mm.</li> <li>Due to different altitude, the annual temperatures vary between 0°C and 32°C, with the highest peak of Mt Elgon recording slightly less than 0°C.</li> <li>The average wind speed is 6.1 km/hr.<sup>30</sup></li> </ul>
Busia	Sub-humid/ High potential	<ul style="list-style-type: none"> <li>The county experiences two rainy seasons, the long season rains are from March and late May, and the short season rains are between August and October.</li> <li>The annual rainfall ranges between 760mm and 2000mm.</li> <li>50% rain falls in the long rain season 25% during the short rain season and the rest are scattered during drier season.</li> <li>The annual mean maximum temperatures range between 26°C and 30°C while the mean minimum temperature range between 14°C and 22°C.<sup>31</sup></li> </ul>
Embu	Semi-humid to arid/ Low-Medium Potential	<ul style="list-style-type: none"> <li>The county has two distinct agro ecological characteristics with the windside of Mt. Kenya experiencing cold to wet conditions the Tana Basin experiencing mostly dry to hot conditions.</li> <li>The rainfall pattern is bi-modal with rains experienced from March to June and October to December.</li> <li>Rainfall ranges from 600mm in lower altitudes (600m) to 2,200mm at higher altitude (2500m).</li> <li>The temperatures ranges between 12°C in July to 30°C in March.<sup>32</sup></li> </ul>
Kakamega	Sub to semi-humid/ Medium-High potential	<ul style="list-style-type: none"> <li>The county has two rainy seasons from March to July, and December to February</li> <li>March to July receives heavy rains while December and February receive light rains.</li> <li>The annual rainfall ranges from 1,280mm to 2,214mm per year.</li> <li>The annual temperatures range from 18°C to 29°C.<sup>33</sup></li> </ul>
Kirinyaga	Semi-humid/ Medium potential	<ul style="list-style-type: none"> <li>The county has tropical climate and equatorial rainfall pattern. The climatic conditions is influenced by the county positions along the equator and the windward side of Mt. Kenya.</li> <li>The county experiences two rain seasons which occur between March and May (2,146mm) and October to November (1,212mm).</li> <li>The temperatures range from 8.1°C in the highlands to 30.3°C in the lowlands during the hot seasons.<sup>34</sup></li> </ul>
Kisii	Sub-humid/ High potential	<ul style="list-style-type: none"> <li>Kisii County exhibits a highland equatorial climate resulting into a bimodal rainfall pattern with an average annual rainfall of 1,500mm.</li> <li>The long rainy season is from March and June while the short season is from September to November.</li> <li>The maximum temperatures range between 21°C and 30°C, while the minimum temperatures range between 15°C and 20°C.<sup>35</sup></li> </ul>
Machakos	Semi-humid to semi-arid/ Low to medium production	<ul style="list-style-type: none"> <li>The County receives bi-modal rainfall with short rains in October and December and long rains from March to May.</li> <li>The rainfall range is between 500mm and 1250mm, which is unevenly distributed and unreliable. The altitude mainly influences rainfall distribution in the county.</li> <li>Dry spells mainly occur from January to March and August to October</li> <li>Temperatures vary between 18°C and 29°C throughout the year.<sup>36</sup></li> </ul>
Meru	Arid/ Low potential	<ul style="list-style-type: none"> <li>There are two seasons with the long rain season occurring from mid-March to May and short rain season from October to December.</li> <li>Rainfall ranges from as low as 300mm in the lower midlands in the North to 2,500mm per annum in the South East.</li> </ul>

<sup>30</sup> Bungoma County Government, County Integrated Development Plan, 2018-2022.

<sup>31</sup> Busia County Government, County Integrated Development Plan, 2018-2022.

<sup>32</sup> Embu County Government, County Integrated Development Plan, 2018-2022.

<sup>33</sup> Kakamega County Government, County Integrated Development Plan, 2018-2022

<sup>34</sup> Kirinyaga County Government, County Integrated Development Plan, 2018-2022.

<sup>35</sup> Kisii County Government, County Integrated Development Plan, 2018-2022.

<sup>36</sup> Machakos County Government, County Integrated Development Plan, 2018-2022.

County	Agro-Ecological Zone	Climate
		<ul style="list-style-type: none"> <li>• Temperatures range from a low of 8°C to as high as 32°C during the cold and hot seasons respectively.<sup>37</sup></li> </ul>
Nakuru	Sub-humid to semi-humid/ Medium to High Potential	<ul style="list-style-type: none"> <li>• The climate of Nakuru County is strongly influenced by the altitude and physical features.</li> <li>• Altitude between 2,300m to 2,700m above mean sea level, receive over 1400mm per annum.</li> <li>• Altitude between 1,800m to 2,300m receive between 1,100mm to 1,400 mm per annum and most parts between 900m to 1,800m receive 500-800mm per annum.</li> <li>• Temperatures ranges from 8°C to 29°C.<sup>38</sup></li> </ul>
Nandi	Sub-humid to semi-humid/ Medium to High Potential	<ul style="list-style-type: none"> <li>• The county has two rainy seasons, with long season starting in early March to June, and short season from mid-September and end in November.</li> <li>• The Northern parts of the County receive from 1,300mm to 1,600mm per annum; while the Southern parts which is affected by the Lake Basin atmospheric conditions receives rainfall as high as 2,000mm per annum.</li> <li>• Most parts of the County experience mean temperatures ranging between 18°C to 22°C.<sup>39</sup></li> </ul>
Nyeri	Semi-humid/ Medium Potential	<ul style="list-style-type: none"> <li>• The county experiences equatorial rainfall due to its location within the highland zone of Mt. Kenya.</li> <li>• The county experiences two rainy seasons, with the long season occurring from March to May while the short season occurs between October to December.</li> <li>• The annual rainfall ranges between 1,200mm to 1,600mm during the long rainy seasons and 500mm-1,500mm during the short rainy season.</li> <li>• Monthly mean temperature ranges from 12.8°C to 20.8°C.<sup>40</sup></li> </ul>
Siaya	Semi-humid to sub-humid/ Medium Potential	<ul style="list-style-type: none"> <li>• The county experiences bi-modal rainfall, with long rains falling between March and June and short rains between September and December.</li> <li>• In the highlands, the rainfall ranges between 800mm – 2,000mm while lower areas receive rainfall ranging between 800mm – 1,600mm.</li> <li>• Temperatures vary with altitude with mean minimum temperature of 16.3°C and mean maximum temperature of 29.1°C.<sup>41</sup></li> </ul>
Tharaka Nithi	Arid/ Low Potential	<ul style="list-style-type: none"> <li>• The county has a bi-modal rainfall pattern with the long rains falling during the months of April to June and the short rains falling in October to December.</li> <li>• The rainfall ranges from as low as 500mm in Tharaka to 2,200mm in Chogoria Forest.</li> <li>• The high altitude areas experience reliable rainfall while middle areas of the county receive moderate rainfall and the lowerlands receive low, unreliable and poorly distributed rainfall.</li> <li>• Temperatures in the highland areas range between 14°C to 30°C while those of the lowland area range between 22°C to 36°C, but Tharaka constituency, which lies in the lower side, experiences temperatures of up to 40°C.<sup>42</sup></li> </ul>
Trans Nzoia	Humid to semi - humid/ High Potential	<ul style="list-style-type: none"> <li>• The county has a cool and temperate climate</li> <li>• Western parts receive the highest rainfall ranging between 1,300mm and 1,700mm per year. The eastern parts receives moderate rains (1,200 to 1,300mm and northern parts receive the lowest rainfall (1,000mm to 1,200mm).</li> <li>• Mean day time maximum temperatures range between 23°C and 28°C</li> <li>• Mean night time minimum temperatures range between 11°C and 13.5°C.</li> <li>• The maximum and minimum extreme temperature are recorded in February (about 34.2°C) and January (about 6.5°C) respectively.<sup>43</sup></li> </ul>

<sup>37</sup> Meru County Government, County Integrated Development Plan, 2018-2022.

<sup>38</sup> Nakuru County Government, County Integrated Development Plan, 2018-2022.

<sup>39</sup> Nandi County Government, County Integrated Development Plan, 2018-2022

<sup>40</sup> Nyeri County Government, County Integrated Development Plan, 2018-2022

<sup>41</sup> Siaya County Government, County Integrated Development Plan, 2018-2022.

<sup>42</sup> Tharaka Nithi Government, County Integrated Development Plan, 2018-2022.

<sup>43</sup> Trans Nzoia County Government, County Integrated Development Plan, 2018-2022.



### 5.1.3 Hydrology and Water Resources

A description of the hydrology and water resources in the Project counties is summarised in the table below.

Table 5-3 Hydrology and Water Resources

County	Agro-Ecological Zone	Hydrology and Water Resources
Bungoma	Semi-humid/ Medium potential	<ul style="list-style-type: none"> <li>• Main rivers in the county include Nzoia, Kuywa, Sosio, Kibisi and Sio-Malaba/Malakisi and waterfalls such as Nabuyole and Teremi.</li> <li>• There are four urban and six rural water supply schemes in the County</li> <li>• 87 percent of the population in the county uses an improved source of drinking water.<sup>44</sup></li> </ul>
Busia	Sub-humid/ High potential	<ul style="list-style-type: none"> <li>• Major water sources include Lake Victoria, Malakisi river, Nzoia rivers and Sio river.</li> <li>• There are two main existing water supply schemes in Busia County.</li> <li>• Main drinking water source is borehole (46%) followed by rivers (19.1%), springs (22.3%) and piped water (12.5%).<sup>45</sup></li> </ul>
Embu	Semi-humid to arid/ Low-Medium Potential	<ul style="list-style-type: none"> <li>• The County is served by six major rivers; Thuci, Tana, Rupingazi, Thiba and Ena.</li> <li>• The main sources of drinking water include rivers, dams, piped water, boreholes, springs, wells and pans.</li> <li>• 30.% population get water from rivers, 35% from piped water and 21% from dug wells.<sup>46</sup></li> </ul>
Kakamega	Sub to semi-humid/ Medium-High potential	<ul style="list-style-type: none"> <li>• Major rivers include Yala, Isiukhu, Nzoia, Firatsi, Sasala and Lusumu.</li> <li>• Water supply sources include rivers, streams, springs, boreholes, hand-dug wells, small dams</li> <li>• Water supply service providers supply about 78% of urban population and 30% of rural population<sup>47</sup>.</li> </ul>
Kirinyaga	Semi-humid/ Medium potential	<ul style="list-style-type: none"> <li>• The county main rivers include Sagana, Nyamindi, Rupingazi, Thiba, Rwamuthambi and Ragati, all of which drain into the Tana River.</li> <li>• County has 12 established Water Resource User Associations (WRUA) supplying to over 51,515 households.</li> <li>• Other water resources include unprotected springs which are 29 in number, 12 water pans, 3 dams, and 208 shallow wells.<sup>48</sup></li> </ul>
Kisii	Sub-humid/ High potential	<ul style="list-style-type: none"> <li>• Water resources comprise of surface, ground and roof catchment.</li> <li>• The county has several permanent rivers and streams which drain into Lake Victoria.</li> <li>• There are numerous springs and boreholes which are sources of water for both human and livestock. However, most of the water is untreated.</li> <li>• The county has over 61 functional water schemes.<sup>49</sup></li> </ul>
Machakos	Semi-humid to semi-arid/ Low to medium production	<ul style="list-style-type: none"> <li>• The county has two perennial rivers namely Athi River and Tana River, but most rivers are seasonal and the county generally experiences water scarcity and its water situation level is below the national natural endowment of 647m<sup>3</sup> per capita per year.</li> <li>• The Maruba and Masinga dams are main sources of water supply and has a number of water supply service providers.</li> <li>• Most of these water sources are under threat of pollution from agricultural chemicals, urban and industrial wastes especially the Athi River<sup>50</sup></li> </ul>
Meru	Arid/ Low potential	<ul style="list-style-type: none"> <li>• The county has eleven (11) permanent rivers with major one being River Kathita which is a tributary to River Tana.</li> <li>• The county has and uses several shallow wells, protected springs, water pans, dams and boreholes as major sources of water for domestic use and irrigation.</li> </ul>

<sup>44</sup> Bungoma County Government, County Integrated Development Plan, 2018-2022.

<sup>45</sup> Busia County Government, County Integrated Development Plan, 2018-2022.

<sup>46</sup> Embu County Government, County Integrated Development Plan, 2018-2022.

<sup>47</sup> eLimu Learning Company. 2015. Kakamega County. Retrieved from <http://learn.e-limu.org/topic/view/?t=1496&c=468> on May 15<sup>th</sup>, 2020.

<sup>48</sup> Kirinyaga County Government, County Integrated Development Plan, 2018-2022.

<sup>49</sup> Kisii County Government, County Integrated Development Plan, 2018-2022.

<sup>50</sup> Machakos County Government, County Integrated Development Plan, 2018-2022.

County	Agro-Ecological Zone	Hydrology and Water Resources
		<ul style="list-style-type: none"> <li>The quality of waters in the county is understood to be generally good but there is potential pollution threat from use of agrochemicals in agriculture sector.<sup>51</sup></li> </ul>
Nakuru	Sub-humid to semi-humid/ Medium to High Potential	<ul style="list-style-type: none"> <li>The County boasts of an elaborate drainage system with various inland lakes in the Rift Valley where nearly all the permanent rivers and streams drain into.</li> <li>Main rivers include river Njoro and Makalia which drain into Lake Nakuru, Malewa River drains into Lake Naivasha and Molo River which drains into Lake Baringo among others.</li> <li>63 percent of the county population have access to improved treated water <sup>52</sup>.</li> </ul>
Nandi	Sub-humid to semi-humid/ Medium to High Potential	<ul style="list-style-type: none"> <li>Nandi County is endowed with various water resources, which include six permanent rivers namely Kipkaren, Kingwal, Kundos, Mokong, Yala and Ainabng'etuny. The county also has numerous permanent springs scattered across all the sub-counties.</li> <li>Water resources in the county currently face serious threats arising from intensive human activities in the water catchments, wetlands, farms and industrial processes.</li> <li>County has approximately 150 small water schemes run and operated by community project management committees.<sup>53</sup></li> </ul>
Nyeri	Semi-humid/ Medium Potential	<ul style="list-style-type: none"> <li>County has 49 permanent rivers, including Nanyuki, Burguret, Naromoru, Thegu, wasoNyiro, Karemeno, Rwarai, Gikira, Thuti, Kururu, Muthira, Sagana, Nairobi, Chania, Gura, Honi and Ragati among others.</li> <li>The main catchment areas for these rivers are Aberdare Ranges and Mount Kenya.</li> <li>County has 77 water dams, 72 boreholes.</li> <li>The quality of the water is good and suitable for domestic, Wildlife, livestock and irrigation purposes.<sup>54</sup></li> </ul>
Siaya	Semi-humid to sub-humid/ Medium Potential	<ul style="list-style-type: none"> <li>Rivers Nzoia and Yala traverse the County and enter Lake Victoria through Yala Swamp.</li> <li>Alluvium flats and marshes are common along the courses of rivers in the area.</li> <li>Water Pans and Dams in the county particularly in Rarieda and Bondo Sub-Counties frequently dry up due to high evaporation rates.</li> <li>Improved water access is estimated at 66 percent<sup>55</sup>.</li> </ul>
Tharaka Nithi	Arid/ Low Potential	<ul style="list-style-type: none"> <li>The county is well endowed with both ground water and surface water available through numerous rivers originating from Mt. Kenya Forest.</li> <li>Rivers include Mutonga, Thingithu, Kathita, Thanantu, Thangatha, Kithinu and Ura .</li> <li>In the drier parts of the county; boreholes, water pans, earth dams and shallow wells provide water for the community.</li> <li>A majority of the county population access water from rivers, wells, springs, dams and boreholes.<sup>56</sup></li> </ul>
Trans Nzoia	Humid to semi - humid/ High Potential	<ul style="list-style-type: none"> <li>Main water sources include Ewaso-Rongai, Noigamet, and Sabwani rivers,</li> <li>County also has 65 dams, 2 water pans,(kobos and Twiga ), 300 shallow wells, over 132 potential springs ,and over 150 boreholes</li> <li>The water from the rivers is utilized for domestic consumption, small scale irrigation an also has potential for hydroelectric power generation<sup>57</sup>.</li> </ul>

## 5.2 Biological Environment

Table 5-4 below provides an overview of the biological environment to be found in the Project counties. This includes the vegetation, forests, wildlife, national parks, protected areas and wetlands.

<sup>51</sup> Meru County Government, County Integrated Development Plan, 2018-2022.

<sup>52</sup> Nakuru County Government, County Integrated Development Plan, 2018-2022.

<sup>53</sup> Nandi County Government, County Integrated Development Plan, 2018-2022.

<sup>54</sup> Nyeri County Government, County Integrated Development Plan, 2018-2022.

<sup>55</sup> Siaya County Government, County Integrated Development Plan, 2018-2022.

<sup>56</sup> Tharaka Nithi County Government, County Integrated Development Plan, 2018-2022.

<sup>57</sup> Trans Nzoia County Government, County Integrated Development Plan, 2018-2022.

Table 5-4 Overview of the Biological Environment of the Project Counties

County	Agro-Ecological Zone	Vegetation, Forests, Wildlife, National Parks, Protected Areas and Wetlands
Bungoma	Semi-humid/ Medium potential	<ul style="list-style-type: none"> <li>The county is comprised of forest and grassland vegetation such as Mt Elgon Forest Reserve covering an area of 618.2km<sup>2</sup>.</li> <li>The Mt. Elgon Forest and Mt Elgon National Park ecosystems support diverse life systems.</li> <li>There are other scale forests and woodlands owned by individuals and institutions such as Webuye Pan Paper Mills.</li> <li>Types of wildlife include birds, elephants, antelopes, gazelles, and baboons.<sup>58</sup></li> </ul>
Busia	Sub-humid/ High potential	<ul style="list-style-type: none"> <li>The county is home to a medium altitude forest that covers parts of its sub-counties. Other vegetation types include; grass and wooded savannas and swamps.</li> <li>The total area under gazetted forest is approximately 38km<sup>2</sup>.</li> <li>Hippos, wild pigs, velvet monkeys, birds and biodiversity areas are found in different parts of the county.<sup>59</sup></li> </ul>
Embu	Semi-humid to arid/ Low-Medium Potential	<ul style="list-style-type: none"> <li>The county has gazetted and non-gazetted forests with a total of 3,751ha, which include Irangi and Maranga forests (gazetted) and Kiang'ombe, Kimiriri, Kianjiru, Njukiri, Ndume and Kiambere (ungazetted).</li> <li>County has two national parks namely; Mwea and Mt Kenya, which have great potential for the tourism industry.</li> <li>Wildlife include elephants, lesser kudu, Nile crocodiles, hippos, giraffes, Burchell's zebra, buffalos, leopards, grey duikers, black-backed jackals, bushbucks, waterbucks, olive baboons, monkeys, serval cats, spotted hyenas</li> <li>Over 200 species of birds are also available in the National Parks.<sup>60</sup></li> </ul>
Kakamega	Sub to semi-humid/ Medium-High potential	<ul style="list-style-type: none"> <li>The county is home to 3 natural vegetation forests that include the Kakamega Tropical Rain Forest.</li> <li>These forests are a sanctuary of rare endemic plants, birds, and insects.</li> <li>Kakamega Forest Reserve is home to various wildlife such as bush pigs, various monkey species, duikers, bushbucks, squirrels, and the African clawless otter.<sup>61</sup></li> </ul>
Kirinyaga	Semi-humid/ Medium potential	<ul style="list-style-type: none"> <li>There are 7 forests in Kirinyaga County of which 5 are gazetted namely, Mt. Kenya Forest (35,043 ha); Njukiini West Forest (570.2ha); Murinduku (194.2ha); Kariani Forest (24.28ha) and Kamuruana Forest (23ha); 2 are non-gazetted, namely, Karimandu Forest (12ha) and Kerugoya urban forest (10ha).</li> <li>The main types of forests include indigenous natural forests covering 35,876ha, plantations which cover 1,540ha, bamboo forests which cover 7,500ha, bush land/grassland forests that cover 6,956ha and tea zone forests which cover 290ha.</li> <li>Wildlife include elephants, buffaloes, monkeys, bushbucks and colourful birds while the</li> <li>County has numerous waterfalls located in the upper parts of the county<sup>62</sup></li> </ul>
Kisii	Sub-humid/ High potential	<ul style="list-style-type: none"> <li>The County does not have any gazetted forests but has 10 non-gazetted forests covering a total area of 201.5ha.</li> <li>There are no registered game parks in the County, but there are some geological sites such as Nyangweta, Ritumbe and Ibencho forests that offer good tourist sites.</li> <li>Wild animals include porcupines, monkeys, and various species of birds.</li> <li>County has waterfalls at Keera in Chitago Borabu.<sup>63</sup></li> </ul>
Machakos	Semi-humid to semi-arid/ Low to medium production	<ul style="list-style-type: none"> <li>County has Donyo Sabuk National Park, and other forests that include Iveti Forest (364.07ha) and Muumandu forest (139.22ha). Total forest area is 2,516.19Ha.</li> <li>The wildlife found in county include antelopes, zebras, elands, giraffes, gazelles, grant gazelles, elephants, hippopotamus, buffaloes,</li> </ul>

<sup>58</sup> eLimu Learning Company. 2015. Bungoma County. Retrieved from <http://learn.e-limu.org/topic/view/?t=1488&c=468> on May 15<sup>th</sup>, 2020.

<sup>59</sup> eLimu Learning Company. 2015. Busia County. Retrieved from <http://learn.e-limu.org/topic/view/?t=1489&c=468> on May 15<sup>th</sup>, 2020.

<sup>60</sup> Embu County Government, County Integrated Development Plan, 2018-2022.

<sup>61</sup> eLimu Learning Company. 2015. Kakamega County. Retrieved from <http://learn.e-limu.org/topic/view/?t=1496&c=468> on May 15<sup>th</sup>, 2020.

<sup>62</sup> Kirinyaga County Government, County Integrated Development Plan, 2018-2022.

<sup>63</sup> Kisii County Government, County Integrated Development Plan, 2018-2022.

County	Agro-Ecological Zone	Vegetation, Forests, Wildlife, National Parks, Protected Areas and Wetlands
		waterbucks, lions, cheetahs, leopards, warthogs, ostriches, impalas, dikdiks, hyena, reedbucks and a variety of birds <sup>64</sup>
Meru	Arid/ Low potential	<ul style="list-style-type: none"> <li>The county has gazetted game parks and forests such as the Meru National Park, Mt. Kenya National Park and Imenti Forest.</li> <li>The county's gazetted forest cover is 972.3 km<sup>2</sup>, which is 14% of the total county area.</li> <li>The county is one of the few regions in the country that has the big five-the lion, elephant, rhino, leopard and buffalo.</li> <li>There are also a variety of wild animals in the northern grazing area where game has co-existed with communities for hundreds of years. These include baboons, giraffe, gazelle, cheetah, Grevy's zebra and numerous bird species.<sup>65</sup></li> </ul>
Nakuru	Sub-humid to semi-humid/ Medium to High Potential	<ul style="list-style-type: none"> <li>The county's main game park and reserves include Lake Nakuru National Park, Hell's Gate National Park, Kigio Wildlife Conservancy, and Masai Mara National Reserve.</li> <li>Wildlife species include lion, leopard, hippos, variety of fish species, antelopes, flamingos, warthogs, and monkeys.<sup>66</sup></li> </ul>
Nandi	Sub-humid to semi-humid/ Medium to High Potential	<ul style="list-style-type: none"> <li>The largest forest cover are the South Nandi Forest tropical rain forest (20,150ha) and the North Nandi tropical forest (16,004ha)</li> <li>The main wildlife species are found in the Bonjoge Game Reserve and the Kingwal wetland, and include baboons, velvet monkeys, gazelles and antelope. Over 247 bird species in the forest areas.<sup>67</sup></li> </ul>
Nyeri	Semi-humid/ Medium Potential	<ul style="list-style-type: none"> <li>The county has 2 gazetted forests (Aberdare Ranges and Mt. Kenya) mainly of indigenous and plantation trees with a size of 861.7 Km<sup>2</sup> and rich in historical heritage and diversity in flora and fauna.</li> <li>Nine ungazetted forests which include; Karima Hill, Tumutumu Hill, Gachirichiri, Wagere, Karundu, Karindi, Thangathi, Ngamwa Hilltop and Gachuthe.</li> <li>Aberdare's National Park and Mt. Kenya have African elephant, rare black leopard, spotted hyena, olive baboon, and black and white colombus monkey, sykes monkey, the cape buffalos, warthogs, common zebra, and lions among others.</li> <li>County also has a wildlife conservancy which is managed by Dedan Kimathi University with 9 species of grazing mammals that include; wildbeest, warthogs, grant's gazelles, impallas, burchell's zebras, andean llamas among other flora and fauna.<sup>68</sup></li> </ul>
Siaya	Semi-humid to sub-humid/ Medium Potential	<ul style="list-style-type: none"> <li>The county is also home to the Lake Kanyaboli National Reserve which is part of the Yala swamp complex</li> <li>The county has forest vegetation that is natural habitat to birds and indigenous plants.</li> <li>Wildlife include crocodiles, warthogs, and monkeys.<sup>69</sup></li> </ul>
Tharaka Nithi	Arid/ Low Potential	<ul style="list-style-type: none"> <li>The main forests include Mt. Kenya in the upper zone constitutes the Chogoria, Chuka Forest and other small forests.</li> <li>The size of gazetted forests stands at 44,617 ha and 3,344 ha for non-gazetted forests.</li> <li>Wild animals found in Mt. Kenya and other small forests include: elephants, hyraxes, mongoose, duiker, mole rat, bushbucks, water bucks, elands, buffalos, leopard, bongo, hyenas, over 150 species of birds and over 50 species of reptiles.<sup>70</sup></li> </ul>
Trans Nzoia	Humid to semi - humid/ High Potential	<ul style="list-style-type: none"> <li>Gazetted forests in the county include the Mt Elgon Forest and the Cherangani Hills.</li> <li>Game parks and reserves include the Mt Elgon National Park, Saiwa Swamp National Park, Kitale Nature Conservancy and Snakes Reserve.</li> <li>Wildlife consists of various birds, elephants, antelopes, and monkeys. <sup>71</sup></li> </ul>

<sup>64</sup> Machakos County Government, County Integrated Development Plan, 2018-2022.

<sup>65</sup> Meru County Government, County Integrated Development Plan, 2018-2022.

<sup>66</sup> eLimu Learning Company. 2015. Nakuru County. Retrieved from <http://learn.e-limu.org/topic/view/?t=1516&c=468> on May 15<sup>th</sup>, 2020.

<sup>67</sup> Nandi County Government, County Integrated Development Plan, 2018-2022.

<sup>68</sup> Nyeri County Government, County Integrated Development Plan, 2018-2022.

<sup>69</sup> eLimu Learning Company. 2015. Siaya County. Retrieved from <http://learn.e-limu.org/topic/view/?t=1523&c=468> on May 15<sup>th</sup>, 2020.

<sup>70</sup> Tharaka Nithi County Government, County Integrated Development Plan, 2018-2022.

<sup>71</sup> eLimu Learning Company. 2015. Trans Nzoia County. Retrieved from <http://learn.e-limu.org/topic/view/?t=1527&c=468> on May 15<sup>th</sup>, 2020.

### 5.3 Socio-Economic Environment

This section describes the socio-economic environment of the Project counties.

#### 5.3.1 Population

The demographics presented below show the Counties' areas, population, and density as provided in the 2019 census report.

Table 5-5 Project Counties, Area, Population and Density

County	Population	Household Size	Land Area (Sq. Km)	Population Density	Poverty Index (%)	Percentage <sup>72</sup> Rural Population	% Youth to Rural Population
<b>Kenya</b>	<b>47,564,296</b>	<b>3.9</b>	<b>580,876</b>	<b>82</b>	<b>45.2</b>	<b>72.0</b>	
Bungoma	1,670,570	4.6	3,024	552	47.3	88.6	34.4
Busia	893,681	4.5	1,696	527	60.4	87.3	34.6
Embu	608,599	3.3	2,821	216	35.3	87.5	34.5
Kakamega	1,867,579	4.3	3,020	618	49.2	90.1	33.5
Kirinyaga	610,411	3.0	1,478	413	25.2	77.7	32.5
Kisii	1,266,860	4.1	1,323	958	51.4	88.0	34.6
Machakos	1,421,932	3.5	6,043	235	24.1	70.9	33.9
Meru	1,545,714	3.6	7,006	221	31.0	91.0	35.3
Nakuru	2,162,202	3.5	7,462	290	33.5	51.6	37.3
Nandi	885,711	4.4	2,856	310	40.7	93.3	37.0
Nyeri	759,164	3.0	3,325	228	27.6	80.1	30.4
Siaya	993,183	3.9	2,530	393	38.2	91.4	33.4
Tharaka Nithi	393,177	3.6	2,564	153	41.0	91.7	33.7
Trans Nzoia	990,341	4.4	2,495	397	52.8	82.0	34.4

Source: KNBS, 2019 Kenya Population and Housing Census: Volume I

#### 5.3.2 Land Tenure

The 2009 National Land Policy (NLP) provides general guidance to the country towards efficient, sustainable and equitable use of land for prosperity and posterity. The objective of the National Land Policy is to secure rights over land and provide for sustainable growth, investment and the reduction of poverty in line with the Government's overall development objectives.

The Land Act (2012) guides the sustainable administration and management of land and land based resources, the Land Registration Act (2012) rationalizes the registration of titles to land, and the National Land Commission Act (2012) was enacted purposely to establish and provide for the functioning of the National Land Commission (NLC), the public body charged with responsibility of managing public land on behalf of the national and county governments.

<sup>72</sup> [https://www.citypopulation.de/en/Kenya/admin/eastern/16\\_embu](https://www.citypopulation.de/en/Kenya/admin/eastern/16_embu) ("the county") – 2019

Land tenure is the act, right or period of holding land, and there are two types of land tenure system in Kenya:

- a) Freehold: It is the greatest interest a person can have on land as it gives the holder absolute ownership of the land for life. This means descendants can succeed the owner for as long as the family lineage exists. A freehold title deed generally has no restrictions as to the use or occupation. However, there are conditional freeholds, which restrict the use of the land, for instance, for agricultural purposes or ranching only. A freehold interest is also known as fee simple or absolute proprietorship.
- b) Leasehold: This is the interest in land for a specific period subject to payment of a fee or rent to the grantor. Payment of rates is made to the respective county governments for services rendered. Leases are granted by the Government for public land, local authority for trust land and individuals with freeholds. The maximum term of government leases is 99 years.

A leaseholder can also apply for a renewal or extension of the lease more particularly if he or she wants to re-develop the property and the lease period is about to expire or the remaining period is not enough to recoup the investments<sup>73</sup>.

The table below presents a summary of the land tenure types across the KeLCOP Counties.

*Table 5-6 Types of Land Tenure in the RK-FINFA Counties*

County	Land Tenure
Bungoma	<ul style="list-style-type: none"> <li>• Land in the County is either privately owned (freehold), leasehold (for predetermined period) or held in trust by the government for the community.</li> <li>• The average holding size in the County for small scale farm sizes is 1.5 acres, while for large scale farms is 10 acres.</li> <li>• 34.1% of land parcels in the County have title deeds whereas 65.9% of households reside on ancestral lands with no official documents of ownership.<sup>74</sup></li> </ul>
Busia	<ul style="list-style-type: none"> <li>• Large proportion of the population own less than 0.6 hectares.</li> <li>• Most land in Busia County was predominantly ancestral land (91.7%) and acquired through inheritance (84.6%).</li> <li>• Despite the Constitution advocating for both male and female children inheritance, intergenerational transfer is predominantly to male children (82.6%), while only a small percentage of females own land (8.7%).</li> <li>• 71.9% has been demarcated with title deeds issued.<sup>75</sup></li> </ul>
Embu	<ul style="list-style-type: none"> <li>• The average farm size for small scale farming is 0.8 ha.</li> <li>• 46.4% of poor population in Manyatta and Runyenjes constituencies have title deeds and 32.8% poor population do not own land.</li> <li>• In Mbeere North and Mbeere South sub-counties, 10.2% of the poor population has title deeds and 42.2% do not own land.<sup>76</sup></li> </ul>
Kakamega	<ul style="list-style-type: none"> <li>• Land in the county is classified into Public Land, Community Land, Private Land.</li> <li>• Over 95% of the total land in the county is privately land, with the remainder comprising of public, community land.<sup>77</sup></li> </ul>
Kirinyaga	<ul style="list-style-type: none"> <li>• About 67% of farmers in the county have title deeds</li> <li>• 23% of the farmers especially in the lower zones of Mwea Constituency are farming on the land owned by National Irrigation Board.</li> <li>• Most of the land in the upper parts of the county is ancestral land which has been passed down from one generation to the next.<sup>78</sup></li> </ul>
Kisii	<ul style="list-style-type: none"> <li>• The land holding sizes for Kisii County is small ranging from 0.2ha to 2.1ha.</li> <li>• The small sizes of land holdings are due to high population pressure</li> <li>• 35% of surveyed land in Kisii County has title deeds.</li> </ul>

<sup>73</sup> <https://www.landcommission.go.ke/article/faqs>; accessed on 15<sup>th</sup> May 2020

<sup>74</sup> Bungoma County Government, County Integrated Development Plan, 2018-2022.

<sup>75</sup> Busia County Government, County Integrated Development Plan, 2018-2022.

<sup>76</sup> Embu County Government, County Integrated Development Plan, 2018-2022.

<sup>77</sup> Kakamega County Government, County Integrated Development Plan, 2018-2022.

<sup>78</sup> Kirinyaga County Government, County Integrated Development Plan, 2018-2022.



County	Land Tenure
	<ul style="list-style-type: none"> <li>Since land in the County is either private or public, there are incidences of landlessness among female members of the society as mostly only the male get inheritance from the parents.<sup>79</sup></li> </ul>
Machakos	<ul style="list-style-type: none"> <li>Machakos County had a mean holding size of 3.9 acres and mean agricultural parcel of 2.4 acres.</li> <li>28.5% of lands owners have title deeds.</li> <li>The most areas without title deeds are along Athi River and Kathiani, which led to land ownership conflicts.<sup>80</sup></li> </ul>
Meru	<ul style="list-style-type: none"> <li>More than 60% of land in Meru County is registered under private ownership.</li> <li>The average land holding size per household is 1.8 ha for the small scale and 18.25 ha for the large scale land owners.</li> <li>Approximately 65% of farmers in the county have title deeds.</li> <li>However, in Meru North region which includes the Igembe South, Central and North and Tigania East and West leads with the highest number of farmers are without title deeds.<sup>81</sup></li> </ul>
Nakuru	<ul style="list-style-type: none"> <li>Over 95% of the total land in the county is privately owned</li> <li>There is some community land in Mau Narok Areas and public land hosting institutions, government offices, open parks dams and road reserves.</li> <li>72.5% of land owners have title deeds.</li> <li>small-scale land owners have mean landholding size of 0.77ha while large-scale land owners have mean landholding size of 263ha.<sup>82</sup></li> </ul>
Nandi	<ul style="list-style-type: none"> <li>Land in Nandi County ownership is under two categories namely; Freehold and leasehold.</li> <li>Large scale farming especially of tea farmers own large chunks of land (100 acres to above 1000 acres).</li> <li>Small and medium scale farmers own approximately 2 acres to 50 acres</li> <li>Over 80% of land parcels has title deeds.<sup>83</sup></li> </ul>
Nyeri	<ul style="list-style-type: none"> <li>Most of the land in the county is owned by individuals as freehold and especially where subsistence farming practiced.</li> <li>Over 85% of farmers have title deeds<sup>84</sup></li> </ul>
Siaya	<ul style="list-style-type: none"> <li>Private land forms majority of land ownership in the county</li> <li>Depending on sub counties, the average landholding sizes for smallscale farmers ranges from 1ha to 3ha.</li> <li>Large farmers mean land holding size is 7ha.<sup>85</sup></li> </ul>
Tharaka Nithi	<ul style="list-style-type: none"> <li>A majority of the county residents are small scale farmers owning an average of 2.9ha mostly used for food and cash crop farming.</li> <li>Large scale farmers own an average of 6.7 hectares.</li> <li>The mean holding size in the county therefore is 4.8 hectares.</li> <li>62.1% of the land owners have title deeds.<sup>86</sup></li> </ul>
Trans Nzoia	<ul style="list-style-type: none"> <li>Majority of the land in the County is under private ownership as either leasehold or freehold.</li> <li>Public owned or in some urban areas is also held on temporary basis under Temporary Occupation Licenses (TOLs).</li> <li>The average land holding in the County is 0.6ha for small farm holders and 12.2ha for large scale farm holders.</li> <li>40% of land owners have title deeds.<sup>87</sup></li> </ul>

### 5.3.3 Land Use

Land is the most important factor of production, besides labour and capital in Kenya. It is not only a critical resource, but also the foundation of economic development for the country. The major land-cover types in Kenya are forests, savannahs, grasslands, wetlands, fresh and saline water bodies, and deserts. These are used for agriculture, pastoralism, water catchments, nature reserves, urban and rural settlements, industry, mining, infrastructure, tourism, recreation. Other uses include cultural sites, fishing,

<sup>79</sup> Kisii County Government, County Integrated Development Plan, 2018-2022.

<sup>80</sup> Machakos County Government, County Integrated Development Plan, 2018-2022.

<sup>81</sup> Meru County Government, County Integrated Development Plan, 2018-2022.

<sup>82</sup> Nakuru County Government, County Integrated Development Plan, 2018-2022.

<sup>83</sup> Nandi County Government, County Integrated Development Plan, 2018-2022.

<sup>84</sup> Nyeri County Government, County Integrated Development Plan, 2018-2022.

<sup>85</sup> Siaya County Government, County Integrated Development Plan, 2018-2022.

<sup>86</sup> Tharaka Nithi County Government, County Integrated Development Plan, 2018-2022.

<sup>87</sup> Trans Nzoia County Government, County Integrated Development Plan, 2018-2022.

forestry, energy. A larger population in the country derives their livelihoods from land-based activities. The table below presents the different land uses in the Project counties.

*Table 5-7 Land Use in the Project Counties*

<b>County</b>	<b>Land Uses</b>
Bungoma	<ul style="list-style-type: none"> <li>Land uses include agriculture, forestry, mining, human settlements, business, social and public amenities.</li> <li>Land is also used as collateral to obtain credit.</li> </ul>
Busia	<ul style="list-style-type: none"> <li>Major land uses are crop production and livestock farming.</li> <li>Others include brick making, urban settlements, sand harvesting and quarrying.</li> </ul>
Embu	<ul style="list-style-type: none"> <li>The County is characterised by a predominantly rural settlements where dominant land uses are from the agriculture sector.</li> <li>Large concentration of people along the major permanent water sources such as rivers and dams practice irrigation farming and fishing.</li> </ul>
Kakamega	<ul style="list-style-type: none"> <li>Majority of the land is used for crop and livestock production (estimated at 545,806 acres).</li> <li>32,712.60 acres of land is under forest cover.</li> <li>Other non-arable land is under mining (building stones, sand mining and other minerals).</li> </ul>
Kirinyaga	<ul style="list-style-type: none"> <li>The total arable land in the county stands at area 116,980 ha which represent 79 % of total area.</li> <li>Forest cover mainly from indigenous natural forest is 35,876ha, plantations which cover is 1,540ha, bamboo forests cover 7,500ha, bush land/grassland cover 6,956 Ha and tea zone forests cover 290ha.</li> </ul>
Kisii	<ul style="list-style-type: none"> <li>Agriculture is dominant land use and approximately 78% of the County is arable land.</li> <li>98,870ha is arable land, 32,940ha is not arable, 1,891ha is water mass and 13,680ha is urban area.</li> <li>Of total arable land in the County (98,870ha) 70 % is under food crop while 30 percent is under cash crop production.</li> </ul>
Machakos	<ul style="list-style-type: none"> <li>Agriculture is the dominant land use in Machakos County occupying over 75% of the land in Machakos</li> <li>Maize and beans are the main food crops grown across the County occupying 62,000ha and 38,000ha respectively. Mangoes and coffee are the major cash crops with 6,000ha and 5,000ha respectively.</li> <li>The County has 13 animal ranches raising mostly cattle, sheep and goats.</li> </ul>
Meru	<ul style="list-style-type: none"> <li>The major land use in the county is mainly from agricultural activities for both crop farming and livestock-keeping.</li> <li>Other uses include cultural and forestry conservation.</li> </ul>
Nakuru	<ul style="list-style-type: none"> <li>The main land uses are crop and livestock production(ranching), with aquaculture, and apiculture also practised.</li> <li>Arable land is 73%, Forest land is 10% and water area is 2.6%</li> </ul>
Nandi	<ul style="list-style-type: none"> <li>Main land use are from agriculture activities including tea plantations</li> <li>Other land use include forests, woodlots, wetlands, open grasslands with vegetation for grazing.</li> <li>Other land uses include cultural sites, fishing, forestry, and energy production.</li> <li>The main food crops produced in the region are maize, beans, Finger millet, sorghum, sweet potatoes and cassava which cover a total of 105, 087ha</li> </ul>
Nyeri	<ul style="list-style-type: none"> <li>Agricultural activities constitute main land uses</li> <li>The larger part of the arable land is used for food crop while the rest is used for cash crop farming, livestock rearing and farm forestry.</li> <li>The county has a total area of 98,750ha and 75,850ha of arable and non-arable land respectively.</li> </ul>
Siaya	<ul style="list-style-type: none"> <li>The major form of land use is peasantry agriculture and only a small portion of Siaya town has been planned for industrial use.</li> </ul>
Tharaka Nithi	<ul style="list-style-type: none"> <li>Agricultural activities constitute main land use mostly from crop and livestock production</li> <li>Approximately 43,799 hectares is under food crops while cash crops cover 14,839 hectares.</li> <li>The crops include tea and coffee planting, subsistence crop farming, dairy farming and keeping of other livestock such as goats and sheep.</li> </ul>
Trans Nzoia	<ul style="list-style-type: none"> <li>Major land uses are crop production and livestock farming.</li> <li>Mining and extraction activities are minimal but building stones and sand harvesting are carried out in some areas.</li> </ul>



### 5.3.4 Health Status in the Project Counties

Better health is central to human happiness and well-being and it also makes an important contribution to economic progress, as healthy populations live longer, are more productive, and save more. Understanding of the Counties' health status is therefore critical to planning for development.

The table below summarizes the project area's morbidity, mortality, disease prevalence, and nutritional status.

Table 5-8 Health Status in Project Counties

County	Health Status
Bungoma	<ul style="list-style-type: none"> <li>The County has a total of 197 health facilities.</li> <li>The top 5 diseases in the County (2016/17) were Malaria, Anaemia, Pneumonia, Diarrhoea and Peptic Ulcers.</li> <li>Stunted rate for under five children (moderate or severe) is 24% against the national rate of 26%. Wasted under five children rate (moderate or severe) is 2% against the national 4%, underweight under five children rate is 9% against 11% at the national level. Overweight under five children rate is 3% while those at the national stand at 4%.</li> </ul>
Busia	<ul style="list-style-type: none"> <li>The County has 81 health facilities.</li> <li>Malaria and Road, Traffic and Accidents (RTAs) are among the top causes of morbidity and mortality in the County.</li> <li>31% of the children below five years are malnourished .</li> <li>26.5% of the children below five years are stunted.</li> </ul>
Embu	<ul style="list-style-type: none"> <li>The county has 93 health facilities</li> <li>Diseases of the respiratory system account for the largest share of diseases (57%), followed by diseases of the skin (14.%) and intestinal diseases (11.7%).</li> <li>Stunting rate in the county stands at 26.8%, wasting at 3% and underweight at 11.1%</li> <li>HIV and AIDS prevalence is 3.3%</li> </ul>
Kakamega	<ul style="list-style-type: none"> <li>County has one General Hospital, nine (9) sub-county hospitals, nine (9) mission/NGO hospitals, one (1) private hospital, eight (8) nursing homes and twenty-seven (27) public health centres.</li> <li>The most prevalent diseases in the county are malaria, diarrhoea, stomach ache, respiratory diseases and flu.</li> <li>8.6% under five children are underweight.</li> </ul>
Kirinyaga	<ul style="list-style-type: none"> <li>There are 202 health facilities in the county with a total bed capacity of 764 comprising</li> <li>The most prevalent diseases are; Flu related (38%), respiratory diseases (36.9 %), malaria (21.6%) and diarrhoea (6%).</li> <li>The proportions of stunting, underweight and acute malnutrition is below 2.5 percent among children below 5.</li> </ul>
Kisii	<ul style="list-style-type: none"> <li>There 158 health centres with different levels</li> <li>The doctor to patient ratio stands at 1:7,000 against the recommended World Health Organisation (WHO) of 1:1,100.</li> <li>The five most common diseases are malaria, diarrhoea, skin diseases, pneumonia and respiratory diseases.</li> <li>The County has a few number of stunted children. However, there is need to sensitize communities on proper feeding methods</li> </ul>
Machakos	<ul style="list-style-type: none"> <li>The total health facilities in the County are 367.</li> <li>The most prevalent diseases are of respiratory system which account for 46.1% of the total cases reported, followed by skin diseases (11.2%).</li> <li>The predominant forms of malnutrition in the County are stunted under five children, which is at 27% .</li> <li>The HIV AIDS prevalence is at 4.5%.</li> </ul>
Meru	<ul style="list-style-type: none"> <li>The county has 144 community health units</li> <li>The stunting rate is 25%, underweight 8.1% and wasting at 2.9%.</li> <li>Common diseases include respiratory and skin diseases</li> <li>HIV and AIDS prevalence stands at 2.9%</li> </ul>
Nakuru	<ul style="list-style-type: none"> <li>There is a total of 459 health facilities in the County.</li> <li>The five most common diseases are upper respiratory infections, followed by skin diseases, then diarrheal diseases, pneumonia and lastly arthritis.</li> </ul>
Nandi	<ul style="list-style-type: none"> <li>County has 174 health facilities.</li> <li>Respiratory infections and malaria are the leading causes of morbidity.</li> </ul>

County	Health Status
	<ul style="list-style-type: none"> <li>The proportion of children under 5 years who are stunting stands at 29.9% as compared to 26% at the National level.</li> <li>The proportion of children who are underweight stands at 11% while wasting rate is at 4%.</li> <li>The obesity rate among the population is at 3.7%.</li> <li>HIV prevalence in Nandi is lower than the national prevalence at 2.4%.</li> </ul>
Nyeri	<ul style="list-style-type: none"> <li>County has 269 health units</li> <li>stunting (15.1%), underweight (2.5 %) and wasting (2.4 %).</li> <li>Respiratory skin and diarrhoea are most prevalent diseases.</li> <li>The county HIV and AIDS prevalence is 4.3%</li> </ul>
Siaya	<ul style="list-style-type: none"> <li>The County has a total of 213 health facilities of which 147 are public health facilities.</li> <li>Communicable diseases such as Malaria, HIV/AIDS, diarrhoea, respiratory infections and Tuberculosis (TB) continue to dominate causes of ill health in the County.</li> <li>Under five underweight (7.8%), Stunting (24.7%) and wasting (4.7%)</li> </ul>
Tharaka Nithi	<ul style="list-style-type: none"> <li>County has 149 health facilities.</li> <li>Main prevalent diseases are respiratory, skin diseases and arthritis</li> <li>Stunting is at 22%</li> <li>The county HIV prevalence is 3.9%.</li> </ul>
Trans Nzoia	<ul style="list-style-type: none"> <li>The county has 168 public health facilities</li> <li>The most prevalent diseases in the county are malaria, upper respiratory tract infections, diseases of the skin and diarrhoea.</li> <li>Malaria remains the leading cause of morbidity in the adult population (20%); followed by upper respiratory tract infections (13%), diseases of the skin (6%), urinary tract infections (3%) and diarrhoea (3%).</li> <li>Underweight and stunted children remain the most common nutrition-related incidences in the County.</li> </ul>

Source: Respective County Integrated Development Plans 2018-2022

### 5.3.5 Education

Education provides a foundation for development and is the groundwork on which much of economic and social wellbeing is built thus understanding the project area's education status will go a long way in plan for the KeLCOP. Below is a summary of the Project counties' education status.

Table 5-9 Education Status in the Project Counties

County	Education Status
Bungoma	<ul style="list-style-type: none"> <li>88% of the population in the County aged 15 and above can read and write.</li> <li>The County has a fully-fledged university - Kibabii which was chartered in 2015.</li> <li>14% of the residents have no formal education, 10% of those with primary education and 19% of those with secondary or above.</li> </ul>
Busia	<ul style="list-style-type: none"> <li>75.3% of the population, aged 15 years and above have the ability to read and write which is 4.7 % below the national target.</li> <li>There are 5 public university campuses in the County.</li> </ul>
Embu	<ul style="list-style-type: none"> <li>There are several university campuses including the Embu University itself.</li> <li>County has 186 secondary schools and 15 tertiary education.</li> <li>19.6% of the residents had no formal education, 22% of those with a primary education and 28.4% with a secondary level of education and above</li> </ul>
Kakamega	<ul style="list-style-type: none"> <li>There is one public university, Masinde Muliro University of Science and Technology. Other universities that have campuses within the county include Jomo Kenyatta University of Agriculture and Technology, University of Nairobi, Kenyatta University, Kisii University, Maasai Mara University and Mount Kenya University.</li> <li>There are 315 adult education centres spread out the county with an enrolment of 4,231 composed of 3009 females and 1,222 males.</li> <li>Literacy rate is 71.9%</li> </ul>
Kirinyaga	<ul style="list-style-type: none"> <li>5 accredited colleges and 8 private non-accredited colleges.</li> <li>The literacy level defined as those who can read and write is 78.4 percent.</li> <li>There are 143 secondary schools in the county</li> </ul>
Kisii	<ul style="list-style-type: none"> <li>The County has one public university (Kisii University); three public University campuses (University of Nairobi, Jomo Kenyatta University of Agriculture and Technology, and</li> </ul>

County	Education Status
	Jaramogi Oginga Odinga University of Science and Technology); and other offering Diplomas and Certificates <ul style="list-style-type: none"> <li>• There are 350 Public and 21 Private Secondary Schools</li> <li>• The literacy level in the County is estimated at 90.8% as compared to 84.5% at national level.</li> </ul>
Machakos	<ul style="list-style-type: none"> <li>• There are three fully fledged universities in the County i.e. Machakos University, Daystar University and Scott Christian University located in addition, there are other university colleges and various learning institutions.</li> <li>• There are 434 secondary schools both private and public</li> <li>• 92.4% literacy level of which male and female literacy levels is 95.4% and 89.4%, respectively.</li> </ul>
Meru	<ul style="list-style-type: none"> <li>• There are two universities (one private and one public); four university campuses; two teachers training colleges and various tertiary colleges offering post-secondary education</li> <li>• There are 377 public secondary schools in the county.</li> <li>• In 2012, the county literacy rate was low at 53%.</li> </ul>
Nakuru	<ul style="list-style-type: none"> <li>• The County has 1 public and private University namely; Egerton and Kabarak with 13 university campuses, four teachers training colleges, 15 institute of Technology and two technical training institutes. It also has 121 Adult and continuing Education centres and 2 accredited public TVET institutions.</li> <li>• 336 public schools and 172 private secondary schools</li> </ul>
Nandi	<ul style="list-style-type: none"> <li>• Nandi County has 19 colleges offering tertiary education.</li> <li>• There are ongoing efforts to establish a public university (Koitalel University) by 2022.</li> <li>• County has 240 secondary schools</li> <li>• Adult literacy rate is at 60% which varies across the sub counties</li> </ul>
Nyeri	<ul style="list-style-type: none"> <li>• There are two public universities, one private university campus, three public university campuses, one national polytechnic, one science and technology institute, nine other public colleges, one private accredited college and six private non-accredited colleges.</li> <li>• The county has high literacy levels at 91.8 per cent.</li> </ul>
Siaya	<ul style="list-style-type: none"> <li>• County has 7 tertiary institutions, 12 special education schools, 1 public university</li> <li>• County has 237 secondary schools,</li> <li>• Basic literacy rate stands at 80 per cent</li> </ul>
Tharaka Nithi	<ul style="list-style-type: none"> <li>• The county has two universities, one is Chuka University established by the Government of Kenya while the other one is PCEA Rubate University College. Methodist University also established a satellite campus at Marimanti</li> <li>• The county has 141 secondary schools with total enrolment of 37,988 students (18,677 females and 19,311 males).</li> <li>• The county literacy rate stands at 69.75%</li> </ul>
Trans Nzoia	<ul style="list-style-type: none"> <li>• 4 Private Accredited Colleges, 1 Teacher training College for P1 and 16 ECDE training Centres and 8 affiliate campuses of the major universities.</li> <li>• Additionally, county has 715 ECDE Centres, 261 Secondary Schools, 1 National Polytechnic, 3 Technical Vocational Education and Training Centres, 2 medical Training Colleges, 30 Vocational Training Centres.</li> </ul>

Source: Respective County Integrated Development Plans 2018-2022

### 5.3.6 Access to Services in the Project Counties

Table 5-9 below summarises access to services, namely energy, water, sanitation and telecommunications (access to networks) in the Project counties

Table 5-10 Access to Services in the Project Counties

County	Access to Services			
	Energy	Water	Sanitation	Telecommunications
Bungoma	<ul style="list-style-type: none"> <li>• For lighting, about 95% of institutions and 20% of households use electricity as their main source, and a further 27% use lanterns, 67% use tin lamps, and 1% use wood fuel.</li> <li>• Firewood is the most common cooking fuel,</li> </ul>	<ul style="list-style-type: none"> <li>•The County's water resources are predominantly rivers and underground water sources.</li> <li>•Most rural households depend on individual piped, roof catchment and communal water points</li> </ul>	<ul style="list-style-type: none"> <li>•67% of the population has improved sanitation facilities.</li> </ul>	<ul style="list-style-type: none"> <li>• The County is served by several mobile phone and internet service providers including Safaricom, Airtel-Kenya, Telkom-Kenya, Jamii Telkom and Liquid Telkom.</li> </ul>

County	Access to Services			
	Energy	Water	Sanitation	Telecommunications
	but LPG, paraffin, and charcoal are also used.	such as boreholes, springs and wells.		
Busia	<ul style="list-style-type: none"> <li>The main source of energy is firewood with 95% of the households of rural population relying on it for cooking and heating.</li> <li>About 60% of the population in rural areas rely on kerosene as the main source of lighting</li> <li>49% of the county residents have access to main grid electricity.</li> </ul>	<ul style="list-style-type: none"> <li>Accessibility of water in the county is at 42% with the main water sources being surface water, ground water, and runoff water.</li> <li>Lake Victoria is an important resource for the people of Busia.</li> <li>The main source of drinking water is borehole.</li> </ul>	<ul style="list-style-type: none"> <li>Most households use pit latrines, but there are also water closets.</li> <li>Waste and garbage disposal is offered by public institutions, farm garden, and public garbage heap.</li> <li>Busia has been declared an open defecation free county.</li> </ul>	<ul style="list-style-type: none"> <li>Busia and Malaba Towns are now covered by fibre optic network.</li> <li>The county is mostly covered by cellular phone network provided by Safaricom, Airtel and Telkom.</li> <li>There are over seventy licensed cyber cafes most of which are located in urban centres.</li> </ul>
Embu	<ul style="list-style-type: none"> <li>Embu County is a major stakeholder in the energy sector nationally.</li> <li>However electricity connectivity is low at 21.2% of households in Runyenjes and Manyatta sub-counties and 4.9 % of households in Mbeere North and Mbeere South sub-counties.</li> <li>The main source of energy is still fire wood (80.4%).</li> </ul>	<ul style="list-style-type: none"> <li>The main sources of drinking water include rivers, dams, piped water, boreholes, springs, wells and pans.</li> <li>The County is served by six major rivers; Thuci, Tana, Rupingazi, Thiba and Ena.</li> <li>30 % of the population get water from rivers, 35. % piped water and 21% from dug well.</li> </ul>	<ul style="list-style-type: none"> <li>Majority of the people in the county use pit latrines for human waste disposal.</li> </ul>	<ul style="list-style-type: none"> <li>There are two major post offices based in Embu and Runyenjes town and three other sub-post offices in major trading centres.</li> <li>The county is also covered by the three mobile network providers namely; Safaricom, Airtel and Orange.</li> <li>The county is covered by local connectivity of a fixed national digital network, a fibre optic cable.</li> </ul>
Kakamega	<ul style="list-style-type: none"> <li>79.2% of the county population use wood as their main source of energy and 13.8% use charcoal for cooking as alternative sources.</li> <li>Renewable energy is gaining prominence and is being used by some sectors through solar powered projects.</li> <li>About 18% of the households have electricity (29 % urban and 6 % rural areas</li> </ul>	<ul style="list-style-type: none"> <li>The county relies on both surface and ground water sources for its supply and has its main sources are rivers, streams, springs, boreholes, hand-dug wells, small dams, water pans and rainwater.</li> <li>Rural areas are mainly supplied by community water projects, NGO's, private sector actors as well as self-supply through hand dug wells</li> <li>61% of the residents use improved water sources.</li> </ul>	<ul style="list-style-type: none"> <li>Sanitation facilities include piped sewer (4.0%), septic tank (1.9%), ventilated improved Pit latrine (7.9 %), pit latrine with slab (51.2%), pit latrine without slab/open pit (34.0%) and open defecation (1 %).</li> </ul>	<ul style="list-style-type: none"> <li>There is a fibre optic cable for Internet connectivity.</li> <li>Major ICT companies like Safaricom, KDN, Telkom and Access Kenya are present in Kakamega.</li> <li>Mobile telephony has about 85 percent coverage.</li> </ul>
Kirinyaga	<ul style="list-style-type: none"> <li>All the major towns and urban centres are connected with electricity</li> <li>However the major source of energy in the county is firewood.</li> <li>Overall about 6% of household are connected to electricity grid.</li> </ul>	<ul style="list-style-type: none"> <li>There are six main rivers of Sagana, Nyamindi, Rupingazi, Thiba, Rwamuthambi and Ragati, which are the principal source of water.</li> <li>There are 12 established Water Resource User Associations (WRUA)</li> <li>About 21% of the household have access to piped water.</li> </ul>	<ul style="list-style-type: none"> <li>There is no sewerage system in the entire county and the households with flush system construct their own septic tanks.</li> <li>About 90% of the households use a pit latrine, 6.2% use VIP latrines.</li> </ul>	<ul style="list-style-type: none"> <li>The mobile phone coverage stands at 99 %</li> <li>There are 5 sub- post offices</li> <li>Five (5) private courier services operate in the county</li> </ul>
Kisii	<ul style="list-style-type: none"> <li>The main sources of energy for lighting are paraffin (56.9%), 29.5% are connected to electricity grid and 12.3% use solar energy.</li> <li>76.3% of households use firewood as a source of</li> </ul>	<ul style="list-style-type: none"> <li>Water sources include rivers and wells/boreholes.</li> <li>The main water schemes include Kisii Water Supply, Nyakomisaro, and Biringo</li> </ul>	<ul style="list-style-type: none"> <li>41% of households in the County use improved sanitation facilities (mostly pit latrines and VIP toilets, compared to 65% nationally.</li> </ul>	<ul style="list-style-type: none"> <li>There are three major mobile phone service providers in the County namely Safaricom; Airtel; and Telkom.</li> <li>Over 75% of the population own mobile</li> </ul>

County	Access to Services			
	Energy	Water	Sanitation	Telecommunications
	<ul style="list-style-type: none"> <li>cooking fuel compared to 54.6% nationally</li> </ul>	<ul style="list-style-type: none"> <li>It is estimated that out of 244,866 households in the County, only 9,844 households are connected to piped water.</li> </ul>		<ul style="list-style-type: none"> <li>phones compared to the national figure of 76%</li> <li>County has access to fibre optic cables and internet connectivity stands at 20% compared to the national level of 29%.</li> </ul>
Machakos	<ul style="list-style-type: none"> <li>The main source of energy for cooking and lighting is wood and electricity respectively.</li> <li>Masinga dam is one of the seven Folks dams, which produce hydroelectric power for the national</li> </ul>	<ul style="list-style-type: none"> <li>Machakos county is a water scarce county with its water situation levels below the national natural endowment of 647m<sup>3</sup> per capita per year.</li> <li>Water resources in the county are mainly seasonal rivers, dams and springs.</li> </ul>	<ul style="list-style-type: none"> <li>County has two sewer lines</li> <li>50% use pit latrines</li> <li>Garbage disposal is done by the County Government, private firms and individual households</li> </ul>	<ul style="list-style-type: none"> <li>County mobile network coverage is 85% with good internet connectivity And is supported by both the mobile network and fibre optic cable.</li> <li>67% of households own mobile phones.</li> <li>Mwala, Kibauni, Yathui and Kalama are some of the areas with poor network coverage.</li> </ul>
Meru	<ul style="list-style-type: none"> <li>Meru County boasts of immense green energy generation potential from the main rivers with good site for hydro-power, a wind speed of approximately 7m/s ideal for wind energy and solar radiation of 6.2KWh/m<sup>2</sup>/day.</li> <li>However current main source of energy for cooking is wood fuel and charcoal which accounts for 86% and 6.6% respectively.</li> <li>The number of household connected to electricity grid is 13.6%.</li> </ul>	<ul style="list-style-type: none"> <li>The county has eleven (11) permanent rivers several shallow wells, protected springs, water pans, boreholes as water sources</li> <li>The quality of waters in the county is good hence recommended for both domestic use and irrigation, however land use practices and increase in use of agrochemicals in agriculture sector tend to pollute the water.</li> <li>2% has access to piped water.</li> </ul>	<ul style="list-style-type: none"> <li>Most major towns within the county completely lack functional sewerage systems.</li> <li>The major sanitation facilities are pit latrines which are used by over 69% of the population.</li> <li>Other households using flush toilets and VIP latrines account for 7.9% and 9% respectively.</li> <li>Waste and garbage disposal is mostly managed by the county government mostly in the town centres and market places.</li> </ul>	<ul style="list-style-type: none"> <li>Most of the areas in the county are covered by mobile phone network with the 95% coverage</li> <li>The County has put in place a network backbone infrastructure centralized at the Headquarters connecting all the nine sub counties.</li> </ul>
Nakuru	<ul style="list-style-type: none"> <li>Electricity is the main source of energy for lighting in the County with 55.4% households having access</li> <li>Firewood and charcoal are the major sources of energy for cooking used by 42.6% and 30.7% of households, respectively.</li> <li>The County is home to the single largest geothermal plant in Africa which is situated in Olkaria Naivasha Sub-County.</li> <li>Other renewable sources like wind, solar and biogas account for less than 3% of energy mix.</li> </ul>	<ul style="list-style-type: none"> <li>The main sources of water are surface water from permanent and seasonal rivers, dams, water pans.</li> <li>63% of the population in Nakuru County have access to improved treated water, which is either piped, borehole, protected well or protected spring.</li> </ul>	<ul style="list-style-type: none"> <li>15.3% of households are connected to the main sewer.</li> <li>Human waste disposal is mainly through covered pit latrines.</li> <li>Open defecation that was rampant in the rural areas, however over 326 villages across the county have been declared Open Defecation Free.</li> </ul>	<ul style="list-style-type: none"> <li>82.5% of households in Nakuru County own a mobile phone.</li> <li>The mobile network coverage in the County is at 91%.</li> <li>Access to internet is at 16.3%</li> <li>With the support of the Presidential Digital Communication Unit the County has provided free internet service through WIFI hotspots popularly known as 'Bilawaya'.</li> </ul>
Nandi	<ul style="list-style-type: none"> <li>The main sources of household cooking energy in the county are firewood, charcoal and paraffin.</li> <li>Fuel wood is used by over 90% of households</li> </ul>	<ul style="list-style-type: none"> <li>There are six permanent rivers, permanent springs and shallow well scattered across all the sub-counties.</li> </ul>	<ul style="list-style-type: none"> <li>Sewerage coverage within the county is very low.</li> <li>Most common sanitation facilities are VIP latrine and Pit latrine</li> </ul>	<ul style="list-style-type: none"> <li>The entire County is sufficiently covered by mobile network</li> <li>Presence of fibre optic cable in the county has improved internet</li> </ul>

County	Access to Services			
	Energy	Water	Sanitation	Telecommunications
	<ul style="list-style-type: none"> <li>Paraffin is used for lighting by 92% of households.</li> </ul>	<ul style="list-style-type: none"> <li>About 17% have piped or portable water supply (37,000 households)</li> <li>There are numerous water supply schemes in the County</li> <li>Clean water access is expected to be improved with expected launch of 77 water projects</li> </ul>	<ul style="list-style-type: none"> <li>Waste and garbage disposal is collected by local authority and private firms, but is also at times burned in garbage pits or used in farm gardens</li> </ul>	<ul style="list-style-type: none"> <li>connectivity within the county.</li> <li>Internet access has increased through cyber cafes as well as personal connections via modems and routers.</li> </ul>
Nyeri	<ul style="list-style-type: none"> <li>In 2015 over 86,000 out of 280,000 households were connected to electricity grid</li> </ul>	<ul style="list-style-type: none"> <li>The county has 49 permanent rivers, 77 water dams, 72 boreholes</li> <li>In 2017 most of households had piped or portable water (over 220,000 of out 280,000 households)</li> </ul>	<ul style="list-style-type: none"> <li>The County has three water and sewerage companies.</li> <li>Human waste is well disposed of with 97% of the county population using covered pit latrines.</li> </ul>	<ul style="list-style-type: none"> <li>Mobile phone coverage stands at 91%.</li> <li>There are six Post Offices, 19 sub-post offices and 25 licensed stamp vendors.</li> <li>The county is connected to fibre optic cable.</li> </ul>
Siaya	<ul style="list-style-type: none"> <li>The main energy sources of cooking used in the households include firewood, and paraffin.</li> <li>Approximately 70% county lacks electricity supply especially within the growing market centres.</li> <li>The main sources of lighting in the county are paraffin 69 %, electricity 24% and solar is 6%.</li> </ul>	<ul style="list-style-type: none"> <li>Distribution of water sources, surface and underground is widely spaced and make people walk long distances to fetch water.</li> <li>Streams are the most common type of water points, with other sources being wells, boreholes, roof catchment, rivers, Lake Victoria, water holes, dams, ground catchments and piped supplies.</li> </ul>	<ul style="list-style-type: none"> <li>Access to pit latrines is at 82.4 %</li> <li>Sewer services access is 5% courtesy of the completed Siaya – Bondo Water and Sanitation project.</li> </ul>	<ul style="list-style-type: none"> <li>Siaya County headquarters has a fibre optic cable that has led to increased internet connectivity</li> <li>75.2% of the households in the County own a radio, 13.7% television sets</li> <li>90% of households own mobile phones.</li> </ul>
Tharaka Nithi	<ul style="list-style-type: none"> <li>Main sources of energy in the county are firewood, paraffin, charcoal and solar.</li> <li>However, there is an increase in usage of electricity especially by health and education institutions.</li> <li>2% use paraffin; 89% use firewood and 8% use charcoal.</li> <li>Only 8% of residents in Tharaka Nithi County use electricity</li> </ul>	<ul style="list-style-type: none"> <li>The county is well endowed with both ground water and surface water, which is available through numerous rivers originating from Mt. Kenya Forest.</li> <li>A majority of the county population access water from rivers, wells, springs, dams and boreholes</li> <li>However, over 23% of the county population spend over one hour to access water</li> </ul>	<ul style="list-style-type: none"> <li>Over 87.7% of the county population uses pit latrines.</li> <li>Most farmers, who form majority of the population in the county, use their farms for waste disposal.</li> <li>Those in urban areas make use of garbage pits.</li> <li>Improved sanitation coverage is 76%.</li> </ul>	<ul style="list-style-type: none"> <li>The County generally has good mobile phone coverage with Safaricom, Equitel, Airtel and Telkom networks available.</li> <li>over 70% of the population own mobile phones.</li> <li>Internet connectivity is mainly available in urban centers.</li> <li>Fibre connection is extended from Chuka town to Kathwana (County HQ).</li> </ul>
Trans Nzoia	<ul style="list-style-type: none"> <li>The main sources of energy in the County are electricity, paraffin, liquid petroleum gas, firewood/charcoal, solar, and biogas.</li> <li>Wood fuel and paraffin are the most preferred source by a majority of the rural households for cooking and lighting while electricity and gas are most preferred in the urban centres.</li> <li>Electricity is the main source of lighting fuel at 30.7% for 210,000 households surveyed, which is attributed to the</li> </ul>	<ul style="list-style-type: none"> <li>The potable water sources are by gravity and pumping, boreholes, shallow wells, protected springs and rainwater harvesting.</li> <li>Proportion of household with piped and portable and borehole water access is 9.3%, 15% and 52% respectively</li> <li>However, the average walking distance to the nearest potable water source is about 1.5km.</li> </ul>	<ul style="list-style-type: none"> <li>Sanitation management services are under water service providers.</li> <li>Proportion of households with pit latrines is 69%</li> <li>Proportion of households with access to sewer line is 6.7%</li> <li>County plans to achieve Open Defecation Free zones</li> </ul>	<ul style="list-style-type: none"> <li>Mobile telephone and its coverage for households is 80 percent.</li> <li>The County is fairly covered by the three main mobile service providers namely Safaricom, Airtel and Telkom.</li> <li>14.9% of the county residents have access to the internet and the use of computer is 9 percent.</li> <li>The County is connected to the fibre optic mainly within Kitale town, but access is very limited.</li> </ul>



County	Access to Services			
	Energy	Water	Sanitation	Telecommunications
	scale up in the rural electrification program.			

Source: Respective County Integrated Development Plans 2018-2022

### 5.3.7 Economic Activities in the Project Counties

The main sources of livelihoods in the Project counties are described in the table below.

Table 5-11 Economic Activities in the Project Counties

County	Main Economic Activities
Bungoma	<ul style="list-style-type: none"> <li>Farming especially sugarcane farming is the main economic activity in the county.<sup>88</sup></li> <li>There is a small but important tourist circuit, centering on the biennial circumcision ceremonies.</li> </ul>
Busia	<ul style="list-style-type: none"> <li>The main economic activity is trade with neighbouring Uganda, with Busia town - the county headquarters and largest town - being a cross-border centre.</li> <li>Away from town, the county economy is heavily reliant on fishing and agriculture, with cassava, millet, sweet potatoes, beans, and maize and sugarcane being the principal cash crops.<sup>89</sup></li> </ul>
Embu	<ul style="list-style-type: none"> <li>Majority of the population in the county derive their livelihood from crop farming and livestock keeping, which accounts for approximately 87.9% of the County population.</li> <li>Main crops include maize, sorghum and beans, mangoes, tea and coffee and main livestock breeds include dairy and beef cattle.</li> </ul>
Kakamega	<ul style="list-style-type: none"> <li>The economy of Kakamega County is driven mainly by agriculture; covering crop, livestock and fish production.<sup>90</sup></li> </ul>
Kirinyaga	<ul style="list-style-type: none"> <li>The highest labour force is in agricultural sector, where agriculture is main source of livelihood for 87% of population and 72% of income.</li> <li>Main crops include rice, coffee, banana, tomatoes, mangoes and maize and main livestock breeds include dairy and beef cattle, dairy and beef goats</li> <li>Tourism contribution from Mt Kenya and Mt Kenya Forest</li> <li>Mining from ballast, and sands</li> <li>Industries from tea and coffee production</li> </ul>
Kisii	<ul style="list-style-type: none"> <li>Highest labour sources are engaged in Jua Kali and transport</li> <li>However, 70% of population is still engaged in agriculture sector, with main crops being maize, beans, finger millet, banana, sweet potato and cassava and main livestock breeds being dairy and zebu cattle, goats, sheep and donkeys and poultry</li> <li>Mining activities include soapstone and granite, which employ over 10,000 people</li> </ul>
Machakos	<ul style="list-style-type: none"> <li>Majority are employed in farms, construction, manufacturing, and textile</li> <li>Main economic activities are in agriculture with main crops being coffee, mangoes, citrus, beans, pineapple, maize and cowpeas, and main livestock breeds being dairy and beef cattle, hair sheep and goats</li> <li>Mining activities include limestone, granite and sands</li> <li>County has also some industries such as on agro-chemicals, cement, steel and textile</li> </ul>
Meru	<ul style="list-style-type: none"> <li>The agrarian sector has the highest labour force and agriculture is also main economic activity with main crops being wheat, barley, potatoes, millet, sorghum and maize, high grade tea, coffee, bananas and miraa.</li> <li>Main livestock breeds include dairy and beef cattle, goats, sheep, poultry and bee keeping and aquaculture</li> <li>There are also some mining activities that include building stones and sand.</li> </ul>
Nakuru	<ul style="list-style-type: none"> <li>The main economic activity in Nakuru County is farming. The county's ecological system however supports other economic activities like tourism, and energy production.<sup>91</sup></li> </ul>
Nandi	<ul style="list-style-type: none"> <li>Highest labour force is employed in tea estates and large farms.</li> <li>Agriculture is main economic activity, where the main crops include maize, beans, finger millet, sorghum, , sweet potato and cassava</li> <li>Main livestock breeds include poultry, goats, sheep, pigs, bees, dairy cattle dairy and beef</li> </ul>

<sup>88</sup> <https://bungoma.go.ke/economy/>

<sup>89</sup> [https://en.wikipedia.org/wiki/Busia\\_County](https://en.wikipedia.org/wiki/Busia_County)

<sup>90</sup> <https://kakamega.go.ke/economy/>

<sup>91</sup> <https://nakuru.go.ke/about-us/>; 15<sup>th</sup> May 2020

County	Main Economic Activities
	<ul style="list-style-type: none"> <li>• Tourism also plays some role especially from Bongose National Reserve</li> </ul>
Nyeri	<ul style="list-style-type: none"> <li>• Agriculture is the main economic sector and with highest labour force</li> <li>• Main crops include maize, beans, irish potato, coffee, tea and horticultural crops</li> <li>• Main livestock breeds include dairy cattle, pigs, sheep, goats and poultry</li> <li>• Tourism from Mt. Kenya and Aberdare ranges</li> <li>• Agro-processing from flour milling, tea and coffee</li> <li>• Mining from clay, sand, granite and gravel</li> </ul>
Siaya	<ul style="list-style-type: none"> <li>• The main economic activities include subsistence farming, livestock keeping, fishing, rice farming and small-scale trade.</li> </ul>
Tharaka Nithi	<ul style="list-style-type: none"> <li>• 80% of the population depend on agriculture, which also posses the largest labour force.</li> <li>• Main crops include maize, beans, cowpeas, sorghum, green gram, millet, pigeon peas, tea, coffee and banana</li> <li>• Main livestock include cattle, sheep, goats, pigs, poultry, and bee keeping</li> <li>• Tourism from numerous mountains and water falls</li> <li>• Agro processing on tea and coffee also contribute to economic activities of the county.</li> <li>• Mining from gemstones and building materials.</li> </ul>
Trans Nzoia	<ul style="list-style-type: none"> <li>• Agriculture is the top economic activity, but the County also boasts booming tourism and trade.</li> </ul>

Source: Respective County Integrated Development Plans 2018-2022

### 5.3.8 Household Income and Expenditure

Household income is the aggregate earnings of all household members. It includes all forms of income arising from employment, household enterprises, agricultural produce, rent, pension and financial investment. Household income in Kenya is based on agricultural and livestock production, wages, business, rent and transfers including remittances. Household agricultural income comes from land cultivated on and from livestock. Wage income includes cash and in-kind payments received from farm and non-farm work. In-kind payments include food and other agricultural products, provision of shelter and other benefits received for the work. Non-farm self-employment (business) includes income received net of labour.

In rural areas, it has been proven that high dependency ratio, gender and education attainment of the household head influence household incomes and determine transitions in and out of poverty. The other very important determinants of household welfare transitions are proximity to infrastructural facilities, household landholding sizes, and the quantities of rainfall received and rainfall shocks.<sup>92</sup>

According to the KNBS Budget/Income Survey, female headed households received lower amounts of regular income in all categories except for rental income in rural areas. Nationally, the Survey also indicates that households sought credit, and most (39.3%) of the loans were obtained for subsistence needs and school fees (20.9%). Further, the analysis by sources show that loans from merchants or shops and mobile phone platforms were used for subsistence needs, and a higher proportion of credit from commercial banks (32.5%) and micro finance institutions (36.5%) was used for business or investment. Most (37.4%) of the loans from SACCOs were used on school fees.<sup>93</sup>

### 5.3.9 Physical Cultural Resources

Physical and cultural resources present in the project area are presented in the table below.

*Table 5-12 Physical and Cultural Resources in the Project Counties*

<sup>92</sup> Household Incomes and Poverty Dynamics in Rural Kenya (2014); <https://media.africaportal.org/documents/RP287.pdf>

<sup>93</sup> KNBS (2018); Kenya Integrated Household Budget Survey



County	Cultural Resources
Bungoma	<ul style="list-style-type: none"> <li>Cultural sites in the County include Tulumba Sudi Namachanja's mausoleum, Elija wa Nameme mausoleum, Sikele Sia Mulia footprints in Sanga'lo, County cultural centre at Sang'alo, Webuye Cultural Centre and Lumboka Fort.</li> </ul>
Busia	<ul style="list-style-type: none"> <li>Kakapel National Monument is a UNESCO World Heritage Site found in the county at Teso North. It attracts approximately twenty thousand tourists (Foreign and Domestic) in a year.</li> <li>There are also cultural (heritage) sites across the county, notably, Emakina Shrine, Akitesi Caves and Marachi papyrus reeds which express various cultural traditions.</li> </ul>
Embu	<ul style="list-style-type: none"> <li>Some places of interest include Mwea National Reserve near Makima town, Mount Kenya climbing expeditions and National Reserve and Karue Hill picnic site off Embu-Runyenjes Road and 7 folk hydroelectric power plants near Kiritiri town.</li> </ul>
Kakamega	<ul style="list-style-type: none"> <li>Cultural sites in the County include Nabongo Cultural centre, the Crying stone, Wanga Mukulu and Nabongo shrines.</li> </ul>
Kirinyaga	<ul style="list-style-type: none"> <li>Kirinyaga County has one Museum which is a church based; 'Darasa ya Ngai'(Gods bridge) in Murinduko ward and also caves where Maumau used to hide during the war; Munyu wa Ngungu and Ngungu falls in Kabare ward; Castle Forest lodge in Kabare ward; A remnant cell of Karaba prison and a mass grave site in Wamumu ward and a shrine at Kadongu</li> </ul>
Kisii	<ul style="list-style-type: none"> <li>Various cultural and heritage sites exist but have not been gazetted. These include; Mosochi caves in Chitago Borabu; Sakawa stool in Marani; Manga escarpment and Gusii cultural centre.</li> </ul>
Machakos	<ul style="list-style-type: none"> <li>The County has a museum in Kalama. It also has seven heritage and culture sites namely Wamunyu and Muliluni handcrafts in Mwala Sub- County; Second World War platters, Masaku and Muindi Mbingu grave sites in Machakos; Paul Ngei grave site in Kangundo and African heritage house in Mavoko Sub- County.</li> </ul>
Meru	<ul style="list-style-type: none"> <li>There is one museum in Meru town currently managed by the National Museums of Kenya (NMK). However, there are ongoing plans for NMK to hand over the museum to the county governments. Due to limited space for expansion the CGM in collaboration with the NMK intends to relocate the museum to a more spacious location at Nchiru. This will provide a repository for conservation, preservation and exhibition of Meru Cultural heritage.</li> </ul>
Nakuru	<ul style="list-style-type: none"> <li>There are two gazetted museums in the County, which are the Hyrax Hills Museum and Kariandusi.</li> <li>The County also has six heritage sites namely; Lord Egerton Castle, Lanet Historical Site, Lake Nakuru, Lake Elementaita, Naivasha colonial prison site, and Naivasha Historical caves a non-gazetted site owned by the community.</li> <li>The County also has cultural sites like Nakuru Players Theatre, Bomas of Nakuru, GikuyuTene Cultural Centre, and Bahati Community Cultural centre.</li> </ul>
Nandi	<ul style="list-style-type: none"> <li>There is one major museum in county that is Koitalel Samoei which is ran and managed by the National museums of Kenya.</li> <li>There are also numerous cultural sites, monuments and shrines across the county and are in private hands</li> </ul>
Nyeri	<ul style="list-style-type: none"> <li>Nyeri County has several museums, heritage and cultural sites which are unmapped. The gazetted sites include Kariba caves, Mau Mau flag site, and Dedan Kimathi trench and Maumau mass graves.</li> <li>County government plans to develop and promote these sites as a source of revenue and income and the preservation of the Mau Mau history.</li> </ul>
Siaya	<ul style="list-style-type: none"> <li>Notable geographical features in the County include Lake Victoria, the World's second largest fresh water lake; Lake Kanyaboli, the second largest ox- bow lake in Africa, numerous islands such as Ndeda, Mageta, and mountainous ranges like Got Ramogi and Got Abiero.</li> <li>The Kogelo Cultural Centre and Jaramogi Oginga Odinga Mausoleum are among heritage sites that attract tourists to the region.<sup>94</sup></li> </ul>
Tharaka Nithi	<ul style="list-style-type: none"> <li>There are over 100 (one hundred) active cultural groups and artist in the County.</li> <li>To promote the upcoming artist the department organizes exhibitions in visual and culinary arts events.</li> </ul>
Trans Nzoia	<ul style="list-style-type: none"> <li>The County has three museums i.e. the Kitale National Museum, which is government owned, the treasures of Africa Museums that is private as well as the Masinde Muliro Mausoleum.</li> <li>Heritage sites include community cultural centres, historical sites and community landscapes and sceneries such as caves and escapements.</li> </ul>

Source: Respective County Integrated Development Plans 2018-2022

<sup>94</sup> <https://siaya.go.ke/tourism/>; 16<sup>th</sup> May 2020

### 5.3.10 Indigenous Peoples

Some of the project counties are home to indigenous peoples as shown in the summary below. An Indigenous Peoples Planning Framework (IPPF) will be prepared for this project at start up, key requirements of which are outlined in Annex 4 of this report. The Project interventions and activities in areas that are home to Indigenous Peoples will be required to prepare Indigenous Peoples Plans guided by the IPPF.

The table below shows the indigenous peoples in the Project counties.

Table 5-13 Indigenous Peoples in the Project Counties

County	Indigenous hunter-gatherers, including small fishing and agricultural communities	Indigenous nomadic and semi-nomadic pastoralists and agro-pastoralists
Bungoma	None	Sabaot
Busia	None	None
Embu	None	None
Kakamega	None	None
Kirinyaga	None	None
Kisii	None	None
Machakos	None	None
Meru	None	None
Nakuru	Ogiek	Maasai
Nandi	None	None
Nyeri	None	None
Siaya	None	None
Tharaka Nithi	None	None
Trans Nzoia	Sengwer	Sabaot

### 5.3.11 Gender and Youth

Around 35.7 million Kenyans (75.1%) are below 35 years, and 32.73 million (68.9%) live in rural areas, with unemployment rate at 39% . The Government has put in place various legal, institutional and policy frameworks and institutions to empower the youth. These include the State Department in charge of youth, the Kenya Youth Employment and Opportunities Project, the National Youth Council, National Youth Service, the Youth Enterprise Fund, among others. The Kenya Youth Development Policy (2019) and Kenya Youth Agribusiness Strategy (2017) underscore the importance of positioning the youth at the forefront of agricultural growth and transformation for national development. The Government is keen to support the youth's involvement in agri-businesses through access to innovative agricultural technologies and integrated use of ICT. Currently, over one million young people enter into the labour market annually having either dropped out of school or completed high school and are not enrolled in any institution of higher learning or lack requisite skills. Despite few opportunities in the job market, agriculture is not considered by the youth as a preferred business option largely because majority of farmers practice traditional farming methods or operate poorly remunerated rural enterprises that do not lead to decent livelihoods. As a result, the youth perceive agriculture only as a second best option or a career of last resort.

Kenya scores 81 (out of 100) on the Women, Business and the Law 2020 index and ranks 109 out of the 153 countries in the Global Gender Gap Report 2020 with 0.671. Significant inequalities between males and females in education attainment, health outcomes, representation in parliament, and participation in the labor market remain. Over the past

decade, legislative and policy reform has established a basis for gender equality across all sectors.<sup>95</sup>

Kenya has a Gender Inequality Index (GII) of 0.549. Women are under-represented in decision-making positions, especially in rural areas and are not adequately represented either at the County Government level or at the national level. The percentage of literate women (74%) is considerably lower than that of men (84%), and women account for only one third of total enrolments. According to World Bank modelled estimates (ILO), women account for about 64% participation in the labour force, and the percentage of women salaried workers (23%) are starkly lower than men (53.2%).

The main obstacles to women's full participation in production and value-addition are cultural norms of access to, and control of primary resources, affordable credit, knowledge, information, and agriculture inputs. Women's poverty is exacerbated by gender-based discrimination and violence. Women's empowerment is hindered by cultural and traditional practices, such as early marriage, or forced girl-school-drop out. Inheritance, land acquisition and access to benefits accruing to land produce continue to favour men. Women and girls living in rural areas spend long hours collecting water and firewood. While over 80% of Kenyan women are engaged in smallholder farming, only 1% own land in their own right, access less than 10% of available credit, and less than 1% of agriculture credit.

Youth are 33% less likely to have a savings account than adults and 44% less likely to save in a formal institution. In Kenya, despite the low account uptake rate among female youth, they save as much or more compared to male youth. Younger youth save more than the older, because younger youth withdraw less money from their accounts than older youth. However, working with youth would pose challenges because they would require an adult guarantor to enable them to open a bank account or to borrow money. By the age of 18, almost a third have mobile money accounts. Youths are attracted to financial institutions that reach out to them. Evidence indicates direct outreach programmes by financial institutions in locations where the youth gather facilitate overall account uptake. Challenges affecting youth access to affordable finance include limited financial literacy, limited incomes, lack of a savings culture and lack of access to land and assets for use as collateral, making it difficult for young people to achieve their potential and to access the opportunities available, especially the agriculture value chains, which are dominated by older farmers.

Other constraining factors for the youth include the negative perceptions of financial service providers (FSPs) regarding youth in agriculture, lack of desirable products to attract youth and lack of FSP capacity to service rural youth. Young people have the potential to contribute and benefit from the higher levels of the agricultural value chain through creation of jobs and employment. Therefore, improving access to finance especially using digital platforms can lead to increased participation of young people in off-farm activities as intermediaries, brokers and market-information agents. In particular, young women are increasingly taking part in off-farm opportunities, including operating retail shops and organising transport activities for agricultural produce. Such activities are especially suitable for young women because they provide them with employment opportunities closer to their homes.

Some gender statistics are provided in the table below for RK-FINFA counties.

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<sup>95</sup> <https://www.usaid.gov/documents/1860/support-gender-equality-kenya-fact-sheet>; 16<sup>th</sup> May 2020

Table 5-14 Gender Status in RK-FINFA Project Counties

County	Population	Male	Female	Intersex	Youth	Percentage <sup>96</sup> Rural Population	% Youth to Rural Population
<b>Kenya</b>	<b>47,564,296</b>	<b>23,548,056</b>	<b>24,014,716</b>	<b>1,524</b>		<b>72.0</b>	
Bungoma	1,670,570	812,146	858,389	35	508,873	88.6	34.4
Busia	893,681	426,252	467,401	28	270,310	87.3	34.6
Embu	608,599	304,208	304,367	24	183,966	87.5	34.5
Kakamega	1,867,579	897,133	970,406	40	562,951	90.1	33.5
Kirinyaga	610,411	302,011	308,369	31	154,258	77.7	32.5
Kisii	1,266,860	605,784	661,038	38	385,983	88.0	34.6
Machakos	1,421,932	710,707	711,191	34	341,565	70.9	33.9
Meru	1,545,714	767,698	777,975	41	496,628	91.0	35.3
Nakuru	2,162,202	1,077,272	1,084,835	95	415,829	51.6	37.3
Nandi	885,711	441,259	444,430	22	306,008	93.3	37.0
Nyeri	759,164	374,288	384,845	31	184,772	80.1	30.4
Siaya	993,183	471,669	521,496	18	302,968	91.4	33.4
Tharaka Nithi	393,177	193,764	199,406	7	121,531	91.7	33.7
Trans Nzoia	990,341	489,107	501,206	28	279,758	82.0	34.4

Source: KNBS, 2019 Kenya Population and Housing Census: Volume I

RK-FINFA has a strong focus on gender. The primary target group will comprise:

- The very vulnerable, ultra-poor, mostly women headed households;
- Young women and men involved in production and entrepreneurial activity at critical points in the value chain.

The project also emphasises the inclusion of women and youth, marginalized tribes and persons with disabilities. In addition, the project will engage with value chain drivers such as farmers who have the resources to function as producers, breeders, traders, retailers, wholesalers, private sector companies, transporters, private agro-vets and input suppliers who will also comprise the members of multi-stakeholder forums for the relevant value chain.

To ensure meaningful involvement of women, youth, ultra-poor households and highly vulnerable persons in the project, the Project will:

- i. Develop gender sensitive strategies reflecting the strategic interests of women.
- ii. Apply GALS methodology to address gender issues including distribution of work, control over income and Gender-based violence (GBV).
- iii. Promote women's leadership and collective agency through working with women's groups and representation in decision-making bodies, coordination and steering committees created by the project.

<sup>96</sup> [https://www.citypopulation.de/en/Kenya/admin/eastern/16\\_embu](https://www.citypopulation.de/en/Kenya/admin/eastern/16_embu) ("the county") – 2019

## 6 Stakeholder Consultations

### 6.1 Consultations with PFIs

During the preparation of this ESMF, discussions were held with the following PFIs: Faulu, Agricultural Finance Corporation (AFC), Kenya Women's Finance Trust (KWFT) and SMEP. Prior to the discussions, a guidance questionnaire was sent to each institution to establish whether they had any Environmental, Social and Governance (ESG) requirements or a formal or informal environmental and social management system. However, all the PFIs consulted required NDAs before forwarding any supporting documentation for review by the Consultant, which could not be obtained due to time restrictions; therefore verification of processes and procedures as described below was not possible during this study although the PFIs did indicate that it would be possible to share documents once their participation is confirmed in the initial stages of the project.

During Project start-up, additional discussions will be held with SACCOs and MSMEs to establish their activities and capacity to implement certain ESG requirements.

Key points emanating from discussions with selected PFIs are summarised below:

#### **Faulu**

##### Background:

- They support various types of activities, but have a niche in horticulture, cereals and poultry farming.
- Their focus on rural areas, some of which have marginalised communities
- There are no specific projects for women or youth, but since the main livelihood in rural areas is farming, and women are primary farmers the focus is automatically on women supported activities.
- Margins in farming are very small. Lending costs are high and often not affordable, so they see RK-FINFA as being able to assist in lowering the cost of borrowing.
- Range of loans: Kshs 5,000/- to 50,000,000/-.

##### Project design:

- They indicated that the design was not clear as to whether the project was geared towards providing guarantees or lending.
- They wanted information on when the project is likely to kick off as they would require at least 1-2 years to prepare for participation. They therefore requested timelines for project preparation and start of implementation.
- They were informed there would be two phases. Phase 1 would include technical assistance but were not sure whether TA would be provided prior to receiving funds or during implementation, nor were they clear to what extent and for what exactly TA would be provided.
- They also requested to know how much the funding amount would be.

##### ESMS:

- Faulu currently does not have an ESMS, but it would be of interest for the bank to develop and adopt one.
- They have no E&S or OSH policies in place.
- Governance policies are there in line with requirements required by CBK and the Association of Microfinance Institutions (AMFI). They have a Risk and Compliance Department that looks into governance issues. Monthly training is carried out (where staff are required to sit exams)
- There is no E&S or sustainability unit in the bank, and no ESG officer; but this could be considered.

- No ESC screening is carried out prior to approving loans, apart from ensuring NEMA approvals have been received for those projects where EIAs are required.
- Screening is based on financial liquidity – existing cash flow or Mpesa or bank statements.
- They are required to abide by GOK labour and OHS laws.
- Exclusion list includes activities involved in terrorism, gambling or activity that damages the environment either directly or indirectly.
- They have not developed any safeguard documents for any projects they support.
- They do not determine their carbon footprint.
- No one in the bank monitors ESC compliance, but appear to trust clients not to pose any danger to themselves or the community.
- They have a Business Continuity Plan which includes an emergency response process, accident and incident reporting and security issues.
- The Human Capital Department deals with management of working conditions.
- Stakeholder engagement: the bank has elaborate communication channels and an open door policy. They have no SEP.
- Record keeping and document maintenance is done via an IT platform with CRM software to ensure proper record keeping and to channel complaints and grievances.
- Grievance redress mechanisms: Complaints are channelled through the Customer Experience Desk or emails. The bank has a toll free number as well as anonymous email and space for whistle blowing.
- Cyber security and personnel security is dealt with by the Risk and Compliance Department and the Security Department.
- They have COVID protocols which they follow [but it is not clear if this is documented].
- Monitoring is done at branch level by branch staff but focusses on loan repayment.

### **Agricultural Finance Corporation**

#### **Background:**

- AFC is wholly government owned. Formed in 1930.
- It operates across entire agricultural value chain (production, markets, input suppliers, processing, etc)
- Their mandate is to assist in agricultural development and agro-industries by providing loans and extending credit to targeted clients.
- They have a network of 48 branches across the counties and 6 regions, with regional managers and branch managers.
- Through PROFIT, they moved into financing MFIs to on-lend to smaller players.
- They see their competitive advantage as being: i) they are wholly agriculture-oriented, and understand agricultural risks; ii) their loans are the most affordable in the market; iii) they have expertise in agricultural finance and staff are trained in agricultural finance; iv) work with clients given the risky nature of the agriculture, so have teams to carry out due diligence to assist in appraising loans, v) assist clients in terms of providing advice and linking them with other stakeholders who are doing better; most staff in the branches have agriculture backgrounds.
- Range of loans: minimum KShs 200,000/-. There is no maximum, but to date the highest loan given has been KShs 20,000,000/-.
- Understanding the risks in agriculture, they can provide staggered loan repayments. Repayment cycles vary from project to project (eg. some crops take longer to mature) so have flexible terms where clients can renegotiate to reschedule or request re-financing.
- Requirements for collateral are a barrier especially where small amounts of money are required, and is not economical.
- Women are the most disadvantaged since <3% have title deeds.
- They understand that climate change has impacted on agriculture, for example through floods and drought. This also affects perishable goods in terms of storage and transport.

#### Project design:

- They are interested in participating in RK-FINFA through risk sharing and credit. In regard to credit, they have noticed a demand for wholesale lending
- They have a risk appetite for agriculture and have the motivation for this sort of project.
- AFC is a credit only financial institution. Liquidity is sometimes a challenge and feel that this would be eased through participation in RK-FINFA.
- If they get a credit line through RK-FINFA, they would need more discussion on incentives provided, eg. longer repayment periods.
- Is the interest on RK-FINFA funds negotiable?

#### ESMS:

- AFC currently does not have an ESMS, but could be interested in setting one up as they see the advantage of doing so.
- They have a Health and Safety Policy, but no E&S policy.
- Governance policies are there: the Corporation abides by the Proceeds of Crime and Anti-Money Laundering Act of 2009 (POMAMLA) and anti-corruption policy as well as KYC policy through loan appraisals. A Code of Conduct is in place and is signed by the Managing Director.
- The Corporation has a HR policy in place that stipulates all matters pertaining Staff including working hours, remuneration and allowances, office environment and other factors that affect the employees psychosomatically. Additionally, the Corporation is bound by the Collective Bargaining Agreement it signs with its unionisable staff ascribed to Bank, Insurance and Finance Union (BIFU). Once the demands of the union staff are tabled and an agreement is reached, the agreement is lodged at the Labour courts and Ministry of Labour for enforcement.
- There is no E&S or sustainability unit in the bank, and no ESG officer. Different departments deal with different E&S and OHS aspects, but there is no unit with clearly defined roles and responsibilities to deal with ESC sustainability.
- Screening for loan applications involves applying the 5 C's of credit (Character, Capital, Capacity, Condition and Collateral). All clients, regardless of amount of loan are subjected to this.
- No ESC screening is carried out prior to approving loans, apart from ensuring NEMA approvals have been received for those projects where EIAs are required.
- There is a committee established at the head office to address environmental issues. It also has HR regulation and a policy manual that addresses all labour related issues.
- The Corporation has put up fire exit points, fire alarms, ramp for the disabled people, trainings for sign language;
- It ensures equal employment opportunities and offers 30% procurement opportunities to PWDs category.
- AFC does not subscribe to any international ESC principles.
- The Corporation has an exclusion list, but this does not cover environmental/biodiversity aspects.
- The Corporation requires ESIA's on some projects that clients need funding on. A rice project requires that it obtains certification from the Ministry of Environment before any rice growing is done. Additionally, for water development loans the Corporation will require clients to provide hydrological/hydrogeological reports before deciding to fund. However, it does not carry out RAPs. MALF has a framework for environmental and social management that the Corporation uses for all its projects.
- They do not determine their carbon footprint, but think this will be important to do as agriculture is susceptible to climate risks. But they would need capacity-building in this respect.
- No one in the Corporation monitors for ESC compliance, and therefore there is no review of ESC performance.

- The Corporation has a charter and abide by the Access to Information Act. They disclose their Strategic Plan and agricultural surveys to help boost the development of agriculture and agricultural industries.
- The Corporation has no emergency response plan or procedure.
- Accidents and incidents – they focus on individual employee and car accidents. But not in terms of accidents and incidents on projects that they finance.
- Record keeping: Some records are maintained in physical files while others are maintained electronically. Loan Origination and Appraisal System (LOAS) helps maintain all clients' records electronically. The communications department maintains a customer complaints and access to information register. There is also a complaints hotline as well as complaints/Customer service email. There are also letters from the Commission on Administrative Justice (CAJ) in the office of Ombudsman on how the Corporation is handling complaints.
- Stakeholder engagement: Communication policy and a Corporation's Strategic Plan (2018-2022) are in place. Its objectives include: i) To create and sustain awareness of the new AFC brand identity and profile among all AFC stakeholders; ii) Positively profile AFC amongst its stakeholders; iii) Create a consistent communication platform; iv) Drive consistent communication with targeted messaging to help bridge the gap between AFC and some of its target stakeholders; v) Favourably promote and enhance the credibility of the AFC amongst its employees; vi) Position AFC as an institution with best practice and good reputation. The policy and strategy are implemented by Communications Department.
- Grievance redress: Any member of staff that is aggrieved on a particular issue/aspect? can approach their supervisor in order to resolve the issue. However, it can be escalated to the head of HR either verbally or in writing. If the matter requires the attention of the Managing Director then it is escalated to their office. HR department ensures all grievances are heard and resolved. Clients are encouraged to air their grievances through various channels.
- Security: The Corporation has contracted private security company to offer day and night guards and also offer alarm response services in case of fire or robbery incidences. Additionally, there are designated fire exits and CCTV services. There are also Biometric doors at the headquarters for security purposes. The ICT department has adopted Unified Threat Management (UTM) Firewall with intrusion IPS that is anti-malware and anti-phishing.
- AFC has adopted all the Ministry of Health regulations in the prevention and containment of COVID-19 including sporadic testing for the employees. COVID-19 cases, the staff are advised to stay away from office and seek medical attention until they fully recover. Then they will be required to come back to work with a negative COVID-19 certificate.
- Reporting is done through Employee Satisfaction Surveys and peer feedback.

### **Kenya Women's Finance Trust**

#### Background:

- KWFT was set up in 1981. It has 230 branches in 45 counties.
- Its main aim is to support women in economic activities as women rarely have collateral.
- They follow the Grameen model, where women get together to take out a loan and support each other.
- Their target is low to middle income women. They have approximately 800,000 customers.
- KWFT's anchor product is business loans. Since women's main activity is agriculture oriented, this is one of their main products – dairy farming, greenhouses, aquaculture, apiculture, inputs, agro-dealers, poultry farming. But they have other products to support clean energy (solar, biogas, improved cookstoves), education, housing, water and sanitation.



- The Agribusiness department supports farmers across the value chain. They emphasise value chain approaches depending on regions since different products are suited to different regions in the country.
- The Agribusiness department is supported by 2 staff at head office, who provide capacity building to staff in the field. Some field staff have agricultural backgrounds.
- The Director of Microfinance supports the Agribusiness Department.
- Smallholder farmers make up 80% of their portfolio.
- Range of loans: KShs 60,000/- to 10,000,000/-. For individuals – each customer within a group can get a loan (average KShs 60,000/-). The next level is micro-enterprises Kshs 100,000 to KShs <3,000,000. SMEs can get between KShs 3,000,000 to KShs 10,000,000 (maximum amount)

#### Project design:

- They were not clear about what RK-FINFA is. They indicated that they had one meeting in April 2021, but no feedback since then. They wanted to know how they would be involved, and what the timelines were for project kick-off, so that they can set things up accordingly.

#### ESMS:

- KWFT currently does not have an ESMS, but are very interested in setting one up as they see it as being beneficial to the bank. They wanted to know how they could “plug in” to such a system, and wanted to take senior management through the benefits and process.
- KWFT has occupational health and safety policies but is yet to develop the environmental and social policies.
- The bank has a labour management policy.
- Governance: KYC is upheld in order to mitigate financing businesses or persons conducting unacceptable business activities e.g. Terrorism, Illegal Drugs, environmental degrading activities, money laundering etc.
- Being a regulated microfinance bank, KWFT has in place an elaborate governance policy that includes anti-laundering, anti-corruption/bribery, whistleblowing, KYC etc. KWFT also possess a Code of Conduct that governs both the staff and partners of the bank. The CoC is signed by the Board.
- KWFT has a total of 2321 staff working in different departments with diverse academic qualifications and work experience. So far KWFT does not specifically have an ESG but it has a social performance section, under one staff that looks into the impact of the banks operations and product offering to ensure sustainability.
- Criteria for applying for a loan are that the customer: i) must be 18 years and above; ii) should be economically active ie. have a business or be employed; iii) the business to be financed should be fully compliant with the Kenyan laws and regulations; iv) the Loan Purpose has to be legitimate v) must have the ability of the business to pay the loan; vi) character of the customer in regards to loan repayment (CRB). Additional requirements depend on the project for which the loan is required – especially for large companies and MSMEs. The details are defined in the bank's lending criteria in the credit risk management policy.
- E&S Screening: During loan appraisals, KWFT conduct thorough assessments on the businesses seeking finances in order to ensure that the following Social and environmental guidelines are adhered to. The business being financed must be legal and fully compliant to the national laws eg. NEMA approval for construction projects. The operations of the business to be financed must not undermine statutory social and environmental guidelines.
- Depending on the type of loan requested by the client, the specific sector laws and regulations must be adhered to. For example the borrower should not employ minors, for construction, one should not construct in public land, riparian land, rivers etc. The bank demands proof documents from the borrower to sustain that the project intended to be financed in is in line with Kenyan laws. e.g. for every

construction, they need to have approved plan by relevant authorities including NEMA approval.

- KWFT does not finance: i) Non-Compliant businesses; ii) illegal businesses; iii) Enterprises that go against statutory social and environmental guidelines e.g. unacceptable business activities e.g. Money laundering, terrorism, human /drug trafficking, environmental degrading activities etc.
- They do not develop safeguard documents but need to see that these are developed by the borrower where necessary (eg. ESIA's).
- They do not do carbon footprinting. But would be very interested in this since they finance many projects in renewable energy and energy saving products. They would need capacity building.
- Monitoring: During loan application customers are required to provide copies of compliance documents and KYC information is confirmed during business assessments. This information is key in advising loan approval. Through the branch credit team, each staff is assigned customers in their portfolio therefore customer visits are undertaken as a periodic monitoring mechanism. The Regional Manager oversees activities of branch teams to ensure client visits are conducted. This information is shared and used in subsequent loan approvals.
- KWFT does not disclose any documentation but is working on sharing certain content on its website.
- Emergency Response: Each branch has an EPR procedure that describes actions to be taken in the event of an emergency such as a fire, flooding, bomb etc and includes contacts of the emergency response teams. The bank also has a pandemic response plan, a BCP and ICT response manuals.
- Incidents and accidents are reported via an incident report form by the manager/supervisor of each branch/office where the incident or accident has occurred. The incidents are reported to the Head of Risk and Compliance at Head office and the Head of Business support for necessary action to be taken.
- Record keeping: The bank has a records \and a data classification policies that identify the records that the bank is holding, sets out the levels of classification and access depending on sensitivity of data held both in manual form and the core banking system. The bank also has an Electronic Data Management System through which all manual records are scanned into and access granted depending on user rights. Manual records are on a daily basis sent to the Records Centre headed by a Records Manager.
- KWFT has no stakeholder engagement plan/policy.
- Grievance redress mechanism: KWFT has put up Grievance Redress Mechanism across all reporting structures available to both staff and customers. KWFT has a branch network of 230 spread across 45 out of the 47 counties and are always opened during the designated working hours and a staff in place to address incoming queries. Every customer is assigned a specific staff member to whom they reach out in case of any challenges. KWFT customers have contacts of the respective branch and regional managers in addition to comment boxes in all offices. KWFT also runs a 24hr call centre and hot lines thus are accessible at any time.
- KWFT has security protocols.
- COVID-19 protocols. The bank has a pandemic response plan and detailed operating procedures providing guidance to staff and customers about safety measures to be observed to guard against the spread of covid 19 –eg. masking at all times, hand washing /sanitizing before entry into the bank's offices, temperature scans among others. The bank has arrangements with service providers to ensure fumigation of offices once confirmed covid cases happen and also has arrangements with medical service providers to treat affected staff.

## **SMEP**

### Background:

- SMEP was set up in 1975 as a feeding programme. It was licenced in 2010 and is regulated by the CBK, and secured by the Kenya Deposit Insurance Fund.
- It is owned by the National Christian Council of Kenya.
- They finance all value chains: churches, private sector, groups and MSMEs.
- They provide individual loans to agribusinesses - using for example collateral as farms or cattle, or vehicle logbooks and cash for registered SMEs – depending on individual status and size of SMEs.
- Generally in the agribusiness group lending model there are challenges with collateral. They lend to individuals within groups, and the group gives a guarantee. Smallholders do not need a banking history.
- Agribusiness loans to smallholders usually for obtaining seed or for small irrigation equipment, etc.
- They ensure that clients do not encroach on environmentally sensitive areas.
- They are sensitive about carbon emissions – encourage the use of the right feeds, fertilizers and other products to reduce GHG emissions. They believe that there is a benefit to doing this as it results in healthier farm products.
- The Bank is ready to support clean energy and tailor-made financing for green initiatives. They have an elaborate MIS to support lending which can be used to monitor clean energy initiatives such as biogas, solar.
- They recognise that disposal for waste is a challenge but make efforts to ensure that waste is not disposed of in protected areas.
- Women and youth are targeted through value chain model which focuses on agriculture – crops, livestock, etc. To encourage women to access loans, their field staff approach groups to provide information on SMEP’s financial products and services. Their 52 week challenge focusses on women. The main agribusiness clients are women – they use finances for growing crops such as potatoes and tomatoes.
- There is specific reporting on gender – women and youth.
- SMEP has a lot of experience in rural agriculture. They also carry out training across its branches in agriculture.
- SMEP is well placed to support agribusiness as it works with a lot of partners eg. seed multipliers, liners, seed banks, etc. For example, they are working with the World Bank on a project to promote solar pumping.
- SMEP’s range of loans varies from KShs 2,000/- to KShs 4,000,000/-. The group model range of lending is between KShs 5,000/- to KShs 500,000/- without requiring collateral. For amounts exceeding KShs 500,000/- collateral is required.
- They have set up a mobile apps that allows customers to borrow between KShs 2000/-to KShs 500,000/-

### Project design:

- SMEP requested that they are provided with a timeframe for the project and more information on the project design.
- SMEP would be very interested to support green/climate financing initiatives.
- It will be important to have the ESMS integrated into the existing system instead of a parallel system, as the key departments (Operations, Human Resources and Credit Finance) have specific mandates, and the heads of these departments must be closely involved in the development of the ESMS. This will provide links to all the main stakeholders in the system. As these heads of departments are the risk managers they will then have ownership of the process. The ESMS will also become auditable in their internal audit system.
- There is a need for capacity building in order to set the ESMS up.

### ESMS:

- SMEP currently does not have an ESMS.

- They have a OHS policy in place, but no E&S policy.
- Governance policies are there – need to elaborate.
- Labour management/policy. The institution has a human resource policy framework that provides a guideline on industry human resource requirements. Employees are also allowed to join any labour union.
- Social and governance sustainability is handled by the CEO’s office and Human Resource and Administration department. The bank also has a Human Resource and Governance Board Committee.
- The main criteria for loan application is the impact of the facility to the borrower as well as the economic sustenance of the borrower.
- E&S screening: The bank ensures that borrowers undergo a financial literacy training whereby members for agribusiness credit facilities are taken through biogas production, solar powered irrigation, use of bio slurry, intercropping, afforestation, affordable transport within agribusiness value chain and discourage river stream farming. The bank’s 52 weeks saving challenge also is a social product that encourages a savings culture for all customers as well as the Grameen model which encourages group co-guarantee and holistic approach to development.
- Legal compliance: The institution is regulated by Central Bank of Kenya and also has an in-house risk and compliance unit that ensures all regulatory requirements are met. The institution abides by the Occupation Health and Safety requirements and annually engages OSH audits as per the regulatory requirement whose recommendations are implemented conclusively. It has also fully adopted the International Financial Reporting Standards and also subscribes to the Bessel Committee guidelines on lending and governance.
- Exclusion list: The institution does not lend to persons under the age of 18, persons of unsound mind, persons with negative credit reference bureau rating and does not finance activities categorized as illegal, antisocial and against the environmentalism e.g financing gambling, deforestation, river stream farming, prostitution, terrorism etc.
- Environmental and Social Impact Assessment for lending purposes is already in place. The internal review mechanisms are bespoke to specific credit product by ensuring that the social and environmental norms are adhered to. Periodic visits to the customers also ensure that funds are not diverted.
- No carbon footprinting is done. Monitoring of performance is done through periodic customer visits by the institution’s officers throughout the lifespan of credit facilities. SMEP is interested in promoting green products, as they currently also provide advice to its clients on inputs etc that would have a smaller footprint.
- There are no procedures for disclosure and no policies are publicly disclosed.
- Emergency response: institution has a business continuity plan that ensure business continuity upon any emergency.
- The institution has a Risk and Compliance unit that has an established framework that guides incidents reporting and prompt remedial activities.
- Record keeping: The institution has a fully equipped finance department that enforces accounting as per the International Financial Reporting Standards (IFRS). The instructions also annually prepare and presents audited Financial Reports and Statements as per IFRS. Records are also maintained as per the requirements of the Kenyan Laws.
- Stakeholder engagement: The institution has a marketing communications strategy already in place.
- Grievance redress: Customer grievances are handled by the respective customer service representatives in the various branches with various escalation matrices to ensure the customer issue is handled within the already set out turnaround time.
- SMEP has security protocols.
- COVID protocols: All open offices are setup in adherence to social distancing requirements and all personnel required to always wear face masks. Sharing of office stationery is discouraged. All entry points are also manned by contractual and independent security officers and company personnel who record temperatures

and ensure visitors/customers sanitize/clean their hands in the designated wash points and provided hand sanitizers.

- Reporting: The institution has an established hierarchical reporting mechanism that any officer can report any issue which will be channeled to the Human Resource and Administration department. The institution also has an internal projects committee that ensures acquisition and disposal of assets are done as per the required framework.

## **6.2 Consultations with SASRA**

The SACCO Societies Regulatory Authority (SASRA) was created by the Sacco Societies Act, 2008. SASRA is the government's principal agency responsible for the supervision and regulation of SACCO Societies in Kenya and is a creation of the. The authority is charged with the prime responsibility to license and supervise Deposit Taking Sacco Societies (popularly known as Front Office Service Activity business - FOSA) and specified Non-Deposit Taking business (popularly known as Back Office Service Activity business - BOSA)<sup>97</sup>.

The legal framework for SACCOs does not require the undertaking of due diligence on environmental, climate and social risks in developing products. However, given the complexity of risks and challenges of affecting household lending in the agricultural sector, SASRA believes it would be appropriate to begin developing guidelines to address environmental, social and climate-related risks.

Mortgage lending under Kenya Mortgage Refinance Company (KMRC), has developed an ESMS, and requires environmental and social due diligence to be undertaken. A few of its participating SACCOs have been trained on the same. Based on this, SASRA indicated that SACCOs involved in agriculture are also able to develop ESMSs and/or be trained in ESMS requirements. SASRA is in the process of developing regulations for market conduct, which it is anticipated will incorporate requirements for environmental and social due diligence.

The key elements of an ESMS as presented in Section 9.3.2 below were shared with SASRA to provide input in relation to the level of detail that would be appropriate for the various categories of PFIs, and their recommendations have been incorporated into Table 9-2.

## **6.3 Stakeholder Engagement**

During project implementation, target group engagement will take place at different levels encompassing the PFIs and the target groups. The community engagement will be through sensitisation meetings of the project activities and through meetings and consultations with PFIs that will provide the loan products and financial services. The sensitization meetings will take the form of community level public meetings to convey the project objectives, presenting PFIs and criteria and expectations for participation in the project. These meetings will be conducted in local languages and at times that allow maximum participation of different groups, women, men, youth, indigenous peoples, persons with disabilities and other vulnerable and minority groups. Further engagement will be done through PFI officers and community agents comprising of women and youth to ensure successful outreach.

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<sup>97</sup> Non-deposit taking business in which the total non-withdrawable deposits from members is equal to or exceeds the sum of one hundred million shillings; (b) non-deposit taking business in which the Sacco society mobilises membership and subscription to its share capital through digital or other electronic payment platforms; or (c) non-deposit taking business in which the Sacco society mobilises membership and subscription to its share capital from persons who are ordinarily resident outside the country.

To this end, PFIs will be required to develop and implement Stakeholder Engagement Plans (SEPs), and to ensure that on-lendees also have in place procedures for stakeholder engagement (commensurate with the nature and scale of activities/interventions to be financed through RK-FINFA).

#### **6.4 Free Prior and Informed Consent**

The FPIC process is intrinsic in RK-FINFA's social inclusion as well as targeting strategies. RK-FINFA has a clear strategy for the inclusion of women, youth, smallholder households, PWDs and vulnerable persons. The targeting focus is on low-income, economically active rural households, with specific targets on 50 per cent of women, 30 per cent of youth participation and 5% of persons from vulnerable groups (marginalized groups including persons with disabilities and persons with HIV) in both capacity building and financing activities. To ensure effective social targeting and inclusion – which will deliberately include vulnerable people - the RK-FINFA strategy will apply a combination of targeting mechanisms and measures, as follows:

- i. Poverty and community based targeting Participatory social mapping and wealth-ranking using PRA/PLA tools during start up and in the early stage of implementation will ensure to: (i) disaggregate the communities along the poverty axis and the social axis while also considering local perceptions of these factors; (ii) identify benchmarks against which to determine how the different groups will be targeted in the project activities; and (iii) ensure targeted project interventions on offer in line with the targeted population's interests and livelihoods. Targeting will also be validated through all key stakeholders including ongoing IFAD project teams, community leaders, local administration, County governments, relevant Government Ministries and Directorates of Gender and Youth.
- ii. Direct targeting mechanisms will ensure the identification of key beneficiaries, based on set criteria and validation, participation of women, youth, PWDs, vulnerable groups, including female and youth headed households. RK-FINFA will ensure project interventions are inclusive and seek support to address gender and age constraints by facilitating linkage to access to finance targeting women and youth. In addition, RK-FINFA will promote the economic and social empowerment of female and mixed groups through participatory household focused approaches and the use of Gender Action Learning System (GALS) to reach about 30,000 smallholder households.
- iii. Self-targeting measures will ensure that project interventions respond to the needs and priorities of the target groups and especially women as producers, agro dealers, livestock farmers, fishers and those in food processing and trading. The project interventions will be adapted to women and youth needs by tailoring services and loan products to the priorities and capacities of the poor, such that the amounts available and/or the conditions attached will be considerate of the limitations faced by women and youth.

Other targeting considerations will include the pre-identification of potential beneficiaries from poor communities and social mobilization campaigns using local languages, radio stations and other community media.

Through applying these social inclusion and targeting approaches, RK-FINFA will ensure all rural people are reached and no one is left out.

## 7 Potential Environmental, Social and Climate-Related Impacts of RK-FINFA Interventions and their Mitigation & Management

### 7.1 Benefits of RK-FINFA

The Project has been designed to provide numerous socio-economic benefits for different stakeholders and target groups. These are summarised in Table 7-1 below. The project will benefit 190,000 rural Kenyan households, including both direct and indirect clients, as discussed earlier in Section 2.2. The targeting focus is on low-income, economically active rural households, with specific targets on 50 per cent of women and 30 per cent of youth participation in both capacity building and financing activities.

Table 7-1 RK-FINFA Benefits

Target Group	Expected Benefits
<b>Environmental and Natural Resources</b>	
Smallholder producers	<ul style="list-style-type: none"> <li>• Increased productivity in agriculture value chains</li> <li>• Technical support to climate smart agriculture resulting in improved soil and water conservation and improved handling, storage and application of fertilizers;</li> <li>• Reduction in mortality and morbidity risks in livestock ruminant numbers thereby reducing the pressure on rangelands.</li> <li>• Improved knowledge and skills for natural resources management as a result of the advisory services (GFF)</li> </ul>
<b>Socio-Economic</b>	
Smallholder households and producers	<ul style="list-style-type: none"> <li>• Direct and indirect financial services provided to an estimated 66,000 economically active smallholder households.</li> <li>• 90,000 smallholder households through participation in the VCs strengthened by the supported agribusinesses.</li> <li>• Estimated 32,000 persons will gain employment in the RK-FINFA supported farm and off-farm employment activities.</li> </ul>
Women	<ul style="list-style-type: none"> <li>• 50% of beneficiaries will be women, youth comprise 30% and a minimum of 5% of beneficiaries will be from vulnerable groups (marginalized groups including persons with disabilities and persons with HIV).</li> <li>• Financial support provided to women-owned micro and small and medium enterprises (SMEs) that have growth potential, through participating financial institutions including MFBs/MFIs and SACCOs.</li> <li>• Technical support services provided to women to build their capacity in agribusiness, their groups and associations and to build capacity of MFBs/MFIs, SACCOs to support the development of women owned agribusiness and financial products.</li> <li>• Access to information, knowledge and financial services for women will be through financial literacy, business development services, follow-up and training, and access to digital platforms such as through mobile phones.</li> <li>• Women will receive 50 percent of the training in business skills.</li> <li>• Leadership trainings and mentorship of women in farmer and agribusiness groups, village savings and loan groups, associations and co-operatives.</li> </ul>
Youth	<ul style="list-style-type: none"> <li>• 30% beneficiaries will be youth.</li> </ul>

Target Group	Expected Benefits
	<ul style="list-style-type: none"> <li>Youth-sensitive financing modalities will facilitate access to affordable finance and productive assets.</li> <li>RK-FINFA will leverage on the private sector to pilot and scale-up digital solutions that will positively impact rural young women and men.</li> <li>Capacity building on financial literacy and business development training, business skills provided to equip youth with tools for mindset change and confidence to make sound financial decisions, in turn enabling them to manage financial services.</li> <li>RK-FINFA will encourage the use of youth as financial agents and educators in project activities to empower their leadership skills.</li> </ul>
Vulnerable groups	<ul style="list-style-type: none"> <li>5% of beneficiaries will be from vulnerable groups (marginalized groups including persons with disabilities and persons with HIV).</li> </ul>
Rural MSMEs	<ul style="list-style-type: none"> <li>2,000 rural MSMEs engaged in smallholder-inclusive value chains.</li> </ul>
Financial institutions	<ul style="list-style-type: none"> <li>PFI can expand their targeted area of investments with RK-FINFA resources to any rural county in Kenya.</li> </ul>
<b>Climate Change</b>	
Smallholder households and producers	<ul style="list-style-type: none"> <li>Technical assistance provided to target beneficiaries to support increased resilience and ability to cope with climate risks.</li> <li>Renewable energy use and improved resource use efficiency for climate change mitigation</li> </ul>

It is expected that rangeland interventions will contribute to the protection and conservation of key grazing areas and regulate seasonal access. This will then have a positive effect on livestock production as it will ensure availability of pasture, even during times of climatic stress. Moreover, the climate resilient water infrastructure is meant to ensure that water is available for both human and livestock use throughout the year.

## 7.2 Potential Environmental, Social and Climate Change Risks and Impacts

Table 7-2 below summarises some generic risks and adverse impacts that may result from RK-FINFA supported activities. Please note that risks, impacts and mitigation measures in the table are not exhaustive since the exact types of interventions to be supported by the Project are not yet known.

*Table 7-2 Examples of Environmental, Social and Climate-Related Risks and Impacts*

Environmental, Social and Climate Aspects, Risks and Impacts	Recommended Mitigation/Enhancement measures
<b>Environmental Risks and Impacts</b>	
Abstraction of water for irrigation and aquaculture resulting in depletion of aquifers, particularly in the dry season leading to threats to aquatic ecosystems.	<ul style="list-style-type: none"> <li>Adhere to permitted abstraction volume as stipulated in water user/abstraction permits.</li> </ul>
Excavation activities and/or clearing of vegetation during construction of irrigation	<ul style="list-style-type: none"> <li>Minimise/prevent soil erosion by controlling earthworks, installing and maintaining drainage structures and erosion control measure; use zero-till/reduce till methods of land preparation</li> </ul>



<b>Environmental, Social and Climate Aspects, Risks and Impacts</b>	<b>Recommended Mitigation/Enhancement measures</b>
<p>schemes, buildings/workshops, storage and processing facilities, leading to:</p> <ul style="list-style-type: none"> <li>- Soil erosion,</li> <li>- Dust emissions,</li> <li>- Loss in biodiversity;</li> <li>- Resulting increase in runoff also may lead to deterioration of water quality (sediment load) in water sources and/or sea</li> </ul>	<ul style="list-style-type: none"> <li>• Mitigation through restoration of the sites after works in accordance with contractors environmental and social management plans (CEMPS)</li> <li>• Any existing riparian vegetation should be maintained (not cleared)</li> <li>• Use zero-till/reduced till methods for land preparation</li> <li>• If mechanized clearing and where water is available, keep dust down by watering exposed/ worked surfaces</li> <li>• If possible, schedule clearing activities such that they avoid the height of the dry seasons.</li> <li>• Careful and continuous supervision of clearing activities so that only areas required for plot/fields are cleared.</li> <li>• Monitor water quality</li> </ul>
<p>Use of agrochemicals, leading to pollution due to leaching, seepage or transmission of agrochemicals through the soil into water sources; threats to aquatic ecology, including bio-magnification of toxins in tissues of aquatic fauna, and/or species die off; loss of biodiversity, ecological imbalances, caused by poisoning of non-target species, particularly bees and other beneficial insects; resistance to pesticides and pest resurgence.</p>	<ul style="list-style-type: none"> <li>• Prepare and implement an Agrochemical Management System, and an Integrated Pest Management Plan</li> <li>• Minimise use of agrochemicals through adopting conservation agriculture techniques, explore organic/natural fertilizers, agrochemicals</li> <li>• Manual removal of weeds</li> <li>• Careful supervision of application of agrochemicals</li> <li>• Use agrochemicals registered and approved by MALF, WHO and FAO</li> <li>• Train farmers/aquafarmers in proper use, handling, storage, and disposal of agrochemicals.</li> <li>• Ensure agrochemical containers are disposed of as hazardous waste according to NEMA's waste management regulations</li> <li>• Keep records of agrochemicals used, application amounts.</li> <li>• Monitor water quality in soils and water sources</li> </ul>
<p>Over-watering of fields leading to water logging and salinization</p>	<ul style="list-style-type: none"> <li>• Control water supplied to fields</li> <li>• Fields should have slight gradients so as to allow drainage of excess water</li> <li>• Maintain drainage canals and other drainage structures</li> </ul>
<p>Discharge of contaminated water from aquaculture ponds entering surface water bodies or contaminating soil.</p>	<ul style="list-style-type: none"> <li>• Monitor water quality discharged from fish ponds and irrigation canals</li> <li>• Treat effluent to conform with NEMA's Water Quality Regulations</li> </ul>
<p>Oil pollution from spills or leaks fuel, oils and lubricants from farm machinery,</p>	<ul style="list-style-type: none"> <li>• Where fuel is stored in bulk, the fuel tank should be contained in a bund of 110% tank capacity</li> <li>• Where fuel drums are used these should be stored on sump pallets.</li> <li>• Establish procedures for fuel delivery; decanting/draining; use, storage; spill response; disposal of waste oil; handling of oil products</li> </ul>
<p>Excessive noise from working machinery, drilling boreholes, etc.</p>	<ul style="list-style-type: none"> <li>• Adhere to standards as prescribed in NEMA's Noise and Excessive Vibration Pollution (Control)Regulations</li> <li>• Install noise reduction technologies in machinery, generators, etc.</li> </ul>
<p>Generation of waste such as food waste, packaging, scrap metal leading to health risks from proliferation of vermin, obstruction of access</p>	<ul style="list-style-type: none"> <li>• Dispose of solid waste as per best practice guidelines: recycle, reuse, recover and reduce waste, and in line with NEMA's Waste Management Regulations</li> <li>• Sensitise construction workers, farmers, fishers, processors, on waste management practices</li> </ul>
<p>Risk of fire destroying structures and surrounding vegetation, and causing air pollution, and solid waste pollution from fire debris</p>	<ul style="list-style-type: none"> <li>• Prepare emergency preparedness and response plan</li> <li>• Training in emergency response as per plan</li> </ul>

<b>Environmental, Social and Climate Aspects, Risks and Impacts</b>	<b>Recommended Mitigation/Enhancement measures</b>
<b>Social/Socio-Economic Risks and Impacts</b>	
<p>Irrigation, aquaculture resulting in reduced availability of water for other ongoing and planned developments, causing conflict between communities and project-supported interventions</p> <p>Competition for water sources with community sources</p>	<ul style="list-style-type: none"> <li>• Ensure community water sources are not compromised</li> <li>• Establish grievance redress mechanism to deal with conflicts</li> </ul>
<p>Poor application and handling of agrochemicals: touching, inhaling or ingesting toxic chemicals leading to dermatological or gastric ailments, or poisoning.</p>	<ul style="list-style-type: none"> <li>• Develop agrochemical management system and IPMP describing handling, storage, use and disposal of all agrochemicals used on the schemes.</li> <li>• Train farmers in the handling, safe storage, application and disposal of all agrochemicals.</li> </ul>
<p>Poor treatment application methods and improper storage leading to proliferation of aflatoxins and resulting health effects on community</p>	<ul style="list-style-type: none"> <li>• Remove sources of contamination, promoting better agricultural and storage techniques (control moisture, temperature, and aeration)</li> <li>• Ensure adequate resources are available for testing and early diagnosis, and enforcing strict food safety standards,</li> <li>• Sensitisation of farmers and consumers about risks of aflatoxins</li> <li>• Create general awareness about personal protection</li> <li>• Chemical decontamination or use of enterosorbents for contaminated grains</li> </ul>
<p>Accidents and injuries to workers due to movement of materials into construction sites, as well as construction activities, for processing plants, treatment and storage facilities, workshops, laboratories, etc.</p> <p>Accidents and incidents, electrocution, from handling machinery and working with electrical systems, during operation/implementation in buildings/warehouses</p>	<ul style="list-style-type: none"> <li>• Provide adequate and appropriate PPE such as safety boots, helmets, gloves, overalls and this should be in keeping with the task and exposure a worker is subjected to</li> <li>• Comply with OSHA requirements and best practice</li> <li>• Provide training to all relevant personnel in necessary OHS requirements to ensure their safety</li> <li>• First Aid Kit must be kept on the site and modestly stocked with necessities for any emergencies.</li> <li>• Prepare an Emergency Preparedness and Response and Evacuation Plan</li> <li>• Train all personnel in emergency response</li> </ul>
<p>Women may be marginalised from participating in cultivation if access to training is limited and if technologies make it difficult for women</p>	<ul style="list-style-type: none"> <li>• Continuous consultations and dialogue between project implementors and potential women participants/ beneficiaries to establish how to overcome some of these difficulties.</li> </ul>
<p>Gender based violence (GBV) i.e. transactional sex (food crops/fish for sex) and Intimate Partner Violence, child labour</p>	<ul style="list-style-type: none"> <li>• Create awareness on prevention, handling and referral for all forms of GBV and child labour – integrated in the project activities</li> </ul>
<p>Retrogressive social norms prevent women and youth from participating and benefitting from project-supported activities</p>	<ul style="list-style-type: none"> <li>• Use of GALS methodology and/or other gender participatory methodologies to empower women and make women’s roles, needs and aspirations visible; and sensitizing smallholder farmers, women, men and youth to increase their participation</li> <li>• Increasing women’s access to knowledge, skills, inputs and finance through training, matching grants, exposure visits and GALS fairs</li> <li>• Increasing women and youth’s visibility as actors in the value chains through representation quotas</li> </ul>
<p>Inequitable labour and working conditions.</p>	<ul style="list-style-type: none"> <li>• Ensure labour and working conditions are in line with national labour laws and ILO core conventions: equal pay, non-discrimination</li> </ul>
<p>Inadequate consultation of various stakeholders, particularly with vulnerable and disadvantaged members of the communities may result in reduced uptake of linkages, promoted varieties, attendance at field schools, enhanced marketing, value chain interventions</p>	<ul style="list-style-type: none"> <li>• Carry out continuous, extensive and inclusive consultations with stakeholders, particularly vulnerable and disadvantaged groups, during entire project period</li> <li>• Set up and disseminate Grievance Redress Mechanism which should be accessible to all stakeholders</li> </ul>

<b>Environmental, Social and Climate Aspects, Risks and Impacts</b>	<b>Recommended Mitigation/Enhancement measures</b>
Risk of fire on spreading to neighbouring premises, and causing injury/fatalities to workforce and neighbours.	<ul style="list-style-type: none"> <li>• Prepare and train in emergency preparedness and response plan</li> </ul>
Impacts of COVID-19 may affect output, or cause lockdowns which disrupt transportation modes resulting in spoilt goods.	<ul style="list-style-type: none"> <li>• Ensure guaranteed markets</li> <li>• Encourage smallholder farmers to develop alternative livelihood means through safety nets</li> </ul>
<b>Climate Risks and Impacts</b>	
Pests and disease outbreaks, including locusts, fall army worm, fish diseases	<ul style="list-style-type: none"> <li>• Establish early warning systems</li> <li>• Farmers to be trained in accessing climate early warning systems</li> <li>• Encourage farmers to develop alternative livelihood means through safety nets</li> <li>• Develop and implement IPMP</li> </ul>
Excessive rain, wind or floods may damage buildings (warehouses, milling posts), roads (disrupting transport of produce) and water infrastructure.	<ul style="list-style-type: none"> <li>• Install and maintain drainage structures to regulate stormwater and runoff/run on</li> <li>• Provide guidance on siting, design and construction of robust infrastructure</li> </ul>
Excessive rain, wind or floods may cause severe soil erosion	<ul style="list-style-type: none"> <li>• Install and maintain drainage structures to regulate stormwater and runoff/run on</li> <li>• Use zero-till/reduced till methods for land preparation</li> <li>• Provide guidance on siting, design and construction of robust infrastructure</li> </ul>
Droughts / prolonged dry periods leading to water unavailability /scarcity	<ul style="list-style-type: none"> <li>• Establish early warning systems</li> <li>• smallholder farmers to be trained in accessing climate early warning systems</li> <li>• Encourage smallholder farmers to develop alternative livelihood means through safety nets</li> <li>• Establish alternative water supplies, eg. rainwater harvesting, storage facilities for times of spate</li> </ul>
Disillusion/distrust as a result of delayed implementation	<ul style="list-style-type: none"> <li>• Continuous communication with stakeholders at all levels.</li> </ul>
Poor safeguards measures in procurement	<ul style="list-style-type: none"> <li>• Ensure procurement of safeguards related studies is done in accordance with IFAD's procurement guidelines</li> </ul>

## **8 Climate Risk Assessment**

### **8.1 Background**

Kenya has been negatively affected by climate change in most sectors of its economy including crop and livestock production, tourism, transport among others. Climate variability and climate change is increasingly felt across the country and the duration between climate hazards such as droughts and floods has become shorter, with wide reaching impacts and losses. Kenya's mean annual temperature is expected to increase by 1.00C to 2.80C by 2060, while rainfall is expected to increase by up to 49mm per month. More hotter days are being experienced in Kenya, particularly during the long rainy seasons, when most farmers are planting.

Partly due to El Niño and La Niña episodes, Kenya is prone to cyclical prolonged droughts and serious floods, with climate change increasing the intensity and frequency of these events. Northern Kenya's arid and semiarid lands (ASALs) are food- and water-insecure regions dependent on limited and highly variable rainfall. Rising temperatures, heat waves, changes in seasonal rainfall and extreme rainfall events intensify risks to livestock and crop production, and to human health through heat and water stress, disease, damage to crop and grazing lands and diminished water quality. Drought frequencies have increased to every 1-3 years which has in some instances resulted in losses of up to 60% of livestock in recent years in Marsabit County. During drought, livestock become emaciated and their value drops drastically. Prolonged drought has also resulted in long-term environmental changes such as deforestation, drying up of rivers and shallow wells, increased incidences of new pests, weeds and diseases, land degradation and amplified wildlife-human conflicts. Such climate related events could lead to emergence or re-emergence of climate related diseases, such as the Rift Valley Fever or anthrax, which re-emerges, periodically in ASAL areas after occasional heavy rains and flooding.

The western counties (Trans Nzoia, Kakamega, Bungoma, Siaya and Busia) are relatively cooler, wetter and the mean annual temperatures are lower. In various climate projection scenarios, western regions will more likely experience extreme events related to floods and landslides (caused by a combination of deforestation, intensive rainfall, soil erosion and agricultural activities on hilltops). Farmers in this region have also noted changing seasonality, i.e., delayed onset of rains, unreliability and variability of rains, reduced or increased amounts of rainfall, and higher temperatures during the dry season. All these present major risks to crop production and livelihoods.

### **8.2 Risk Classification**

The purpose of climate risk screening is to determine the exposure of the Project to climate-related risks (High, Moderate or Low) based on available information about historic climate hazard occurrences, current climate trends and future climate change scenarios, as well as to assess the likelihood of the Project increasing the vulnerability of the expected target populations to climate hazards. It provides an opportunity to integrate climate issues into Project design and therefore increase Project resilience and hence sustainability.

IFAD's climate risk screening criteria are presented in Table 8-1 below.

Table 8-1 Climate Risk Screening

Climate Categorisation	Types of Projects
High Risk	Projects that promote agricultural activity on areas subject to extreme climatic events, such as flooding, drought, tropical storms or heat waves
	Projects where climate scenarios for the area foresee changes in temperature, rainfall or extreme weather that will adversely affect project impact, sustainability or cost over its lifetime;
	Projects that promote agricultural activity on marginal and/or highly degraded areas (such as on hillsides, deforested slopes or floodplains).
	Projects in areas in which rural development projects have experienced weather-related losses and damages in the past.
	Projects that establish infrastructure in areas with a track record of extreme weather events (e.g. water points in drought-prone areas)
Medium Risk	Projects that target groups entirely dependent on natural resources (such as seasonal crops, rainfed agricultural plots, that have been affected by in the last decade by climate trends or specific climatic events;
	Projects where climate variability is likely to affect agricultural productivity (crops, livestock and fisheries) access to markets and/or the associated incidence of pests and diseases for the project target groups;
	Projects investing in climate-sensitive livelihoods that are diversified;
	Projects investing in infrastructure that is exposed to infrequent extreme weather events;
	Projects investing in institutional development and capacity-building for rural institutions (such as farmer groups, cooperatives) in climatically heterogeneous areas;
	Projects that have the potential to become more resilient through the adoption of green technologies at a reasonable cost;
	Projects with opportunities to strengthen indigenous climate risk management capabilities;
	Projects with opportunities to integrate climate resilience aspects through policy dialogue to improve agricultural sector strategies and policies;
	Projects with potential to integrate climate resilience measures without extensive additional costs (e.g. Improved building codes, capacity-building, or including climate risk issues in policy processes);
Projects that would benefit from a more thorough climate risk and vulnerability analysis to identify the most vulnerable rural populations, improve targeting, and identify additional complementary investment actions to manage climate risks.	
Low Risk	Projects that are not likely to be vulnerable to climate risks and thus voluntary measures could be incorporated into the detailed design and implementation phases based on the SECAP project assessment recommendations. These projects generally focus on investments which do not have a direct physical or geographical interface with climate hazards (such as the development of a micro-finance institution).

Source: IFAD (2017), SECAP

According to SECAP's climate risk classification guidelines as described in Table 8-1 above, RK-FINFA is classified "moderate" given that the target end beneficiaries, their livelihoods and the economic activities are exposed to climate-related risks such as floods, droughts and incidence of pests and diseases. These climatic events have already adversely impacted agricultural productivity for smallholders and profitability of agribusinesses, and thus climate change projections should be taken into account in the due diligence for medium and long-term investments. Some Project counties are exposed to extreme

weather events, mainly frequent and prolonged dry spells as well as drought. Droughts in Project counties that are ASAL counties, namely: Nakuru, Tharaka Nithi, Meru, Embu, Machakos and Nyeri have continued to affect agriculture and livestock productivity. Therefore, as per SECAP requirements, a basic Climate Risk Analysis (CRA) will be required.

## **8.3 Climate Risk Analysis**

### **8.3.1 Overview**

Kenya's geography is dominated by arid and semi-arid plains, with a temperate highland plateau (reaching over 5,000 m) in the center, and a hotter, wetter climate along the coast and the shores of Lake Victoria. Two-thirds of the country receive less than 500 mm of rainfall per year; coastal and highland areas receive annual averages upwards of 1,100 mm and 2,000 mm, respectively. Kenya has two rainy seasons: "long rains" from March to June (about 70 percent of total annual rainfall); and "short rains" from October to December. In the west and along the coast, additional significant rainfall occurs outside of these two rainy seasons. Temperatures range from an average of 18°C in high elevation areas like Nairobi to 26°C in coastal areas such as Mombasa. Located on the equator, Kenya experiences little seasonal temperature variation.

Kenya is highly exposed to many natural hazards, the most common being floods and droughts. It is estimated that over 70% of natural disasters in Kenya are attributable to extreme climatic events. Typically, major droughts occur approximately every ten years, and moderate droughts or floods every three to four years. Repeating patterns of floods and droughts in the country have had large socio-economic impacts and high economic costs. For example, the 1998 to 2000 drought cost an estimated \$2.8 billion, principally due to crops and livestock loss, as well as forest fires, damage to fisheries, reduced hydropower generation, reduced industrial production and reduced water supplies. Droughts have affected more people and had the greatest economic impact (8% of GDP every five years). As many as 28 droughts have been recorded in the past 100 years, and these appear to be increasing in frequency. Droughts are often nation-wide, but normally have the most severe impacts in the country's highly arid zones. Drought also remains a significant concern to Kenya's agricultural sector. Arid and semi-arid areas comprise 18 or the 20 poorest counties and are particularly at risk from increased aridity and periods of drought. While drought affect the most people, floods have caused the greatest losses in terms of human lives. Baringo, West Pokot, Kisumu and Laikipia are some of the country's most disaster-prone areas and have required significant disaster risk investment. Vulnerability from these hazards poses major challenges for economic stability and fiscal sustainability and have had adverse social and fiscal consequences. Indeed, lower-income populations reside in more hazard prone locations, with high potential for significantly increased exposure of already vulnerable populations.

The Climate Risk and Vulnerability Analysis undertaken for IFAD's Kenya Livestock Commercialisation Project (KeLCoP) provides projections for some of the RK-FINFA counties<sup>98</sup>. The ASAL counties (parts of Tharaka Nithi, Embu, Meru and Machakos) are highly vulnerable to extreme weather events, particularly drought, which continue to affect livestock productivity and pastoralists livelihoods. Records indicate that temperatures have since 1981 increased moderately (0.25-0.5°C), whereas rainfall has decreased over the same period (CCAFS 2015). The combination of the moderate increase in temperature and rainfall decrease has resulted into reduced length of the rainy seasons and increase in heat stress days and drought occurrence. Drought frequencies have increased from every 10 years to every 1-3 years. Prolonged droughts are understood to have contributed to the long-term environmental changes such as deforestation, drying

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<sup>98</sup> Kachulu, Mutisungilire and Florent Baarsch (May 2020); Climate Risk and Vulnerability Analysis Report: Study undertaken in support of the Kenya Livestock Commercialisation Project (KeLCoP).

up of rivers and shallow wells, land degradation and amplified wildlife-human conflicts. The climatic changes have also led to emergence or re-emergence of pestilence (locust swarms and fall army worm) as well as climate-related diseases, in particular, the vector borne diseases such as the Rift Valley Fever or anthrax, which re-emerges, periodically in ASAL areas after occasional heavy rains and flooding. The western counties of Trans Nzoia, Kakamega, Bungoma, Siaya and Busia are relatively cooler, wetter and the mean annual temperatures are lower compared to the ASALs. In these counties, over the years, farmers have also noted changing seasonality, i.e. delayed onset of rains, unreliability and variability of rains, reduced or increased amounts of rainfall and higher temperatures during the dry season. For instance, in Siaya, the temperature has increased by 0.5°C since 1981 while precipitation has increased by 15-25% during the same period<sup>99</sup> (CCAFS 2015). In Busia, historical data shows that drought frequency has increased from every 10 years to every 2-5 years and the flood prone areas of Budalangi have increased in floods and moist stress (CCAFS 2015). In Kakamega, temperature increase has resulted into heat stress and droughts. In Nakuru high moisture stress averaging 50 days per year of intense rains resulting into floods and livelihood losses have been recorded over the last decade. For instance, in 2013, floods in Nakuru destroyed over 200 homes and hundreds of crop hectareage.

### **8.3.2 Changes in Temperature**

While temperatures vary across Kenya, a distinct warming trend is evident, particularly since the 1960s, with inland areas registering larger increases in minimum and maximum temperatures. During this time the annual mean increase has risen by approximately 1.0°C, at an estimated average rate of 0.21°C per decade. The most significant rise in temperature was observed for the start to the primary rainy and humid, spring season (March to May), in the arid and semi-arid regions of the country.

Temperatures in Kenya are projected to continue rising by 1.7°C by the 2050s and by approximately 3.5°C at the end of the century. Additionally, the number of hot days and nights will increase, with 'hot days' projected to occur on 19%–45% of days by mid-century. Hot nights are expected to increase more quickly, projected to occur on 45%–75% of nights by mid-century and on 64%–93% of nights by end of century. Cold days and nights are expected to become increasingly rare. Across all emissions scenarios, temperatures in Kenya will continue to rise. The figures below illustrate that under a high-emission scenario (RCP 8.5<sup>100</sup>), average temperatures are expected to increase rapidly by mid-century. Increased heat and extreme heat conditions will result in significant implications for human and animal health, agriculture, and ecosystems<sup>101</sup>.

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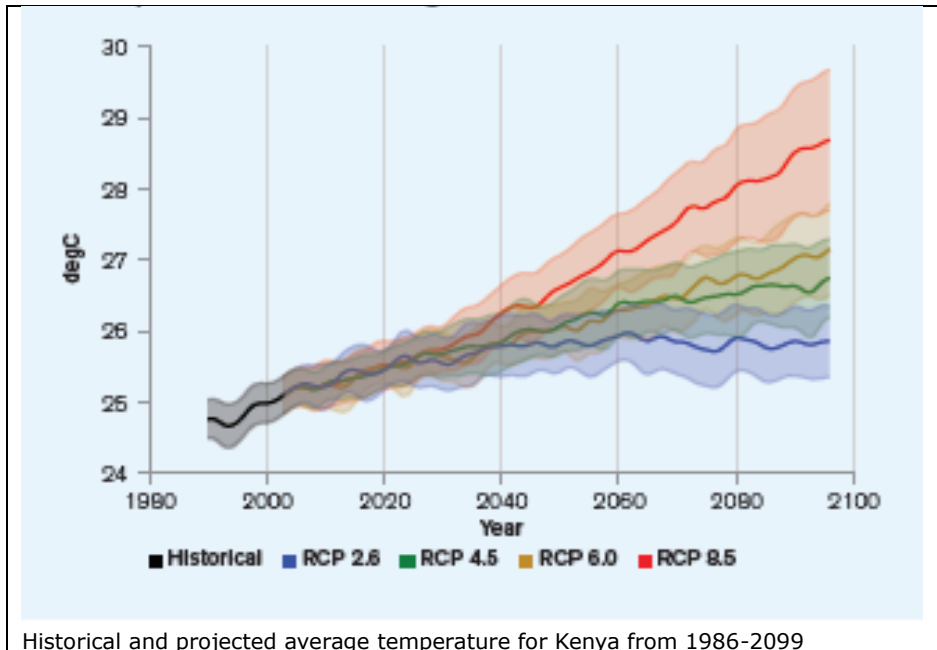
<sup>99</sup> CCAFS (2015). Kenya county climate risk profiles. Climate Change, Agriculture and Food Security. URL: <https://ccafs.cgiar.org/publications/kenya-county-climate-risk-profiles>

<sup>100</sup> Representative Concentration Pathway (RCP). RCP 8.5 is considered the worst case climate change scenario if GHG emissions continue as they are doing currently.

<sup>101</sup> Climate Risk Profile: Kenya (2021): The World Bank Group.

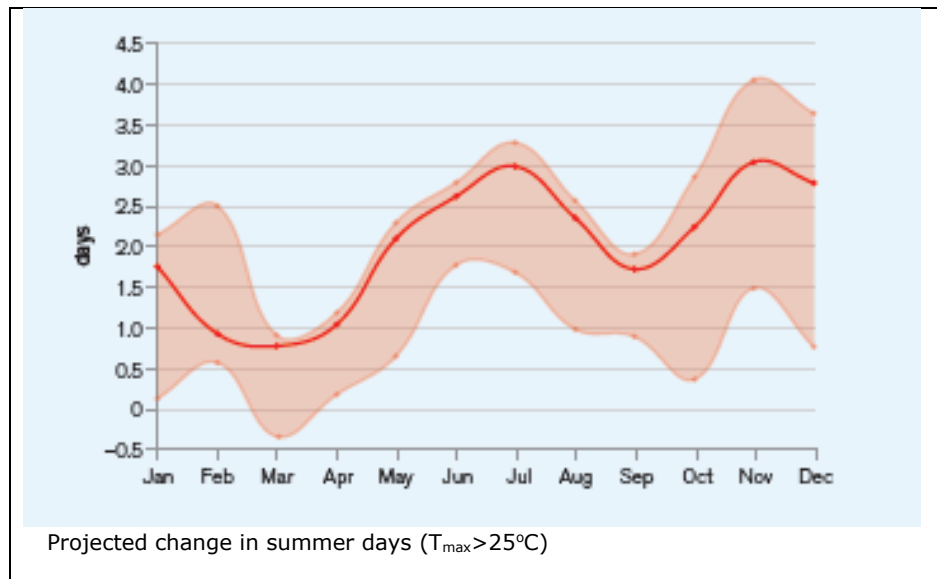


Figure 8-1 Historical and Projected Temperatures



Historical and projected average temperature for Kenya from 1986-2099  
 Source: Climate Risk Profile: Kenya (2021): The World Bank Group.

Figure 8-2 Projected days with Temperature >25°C

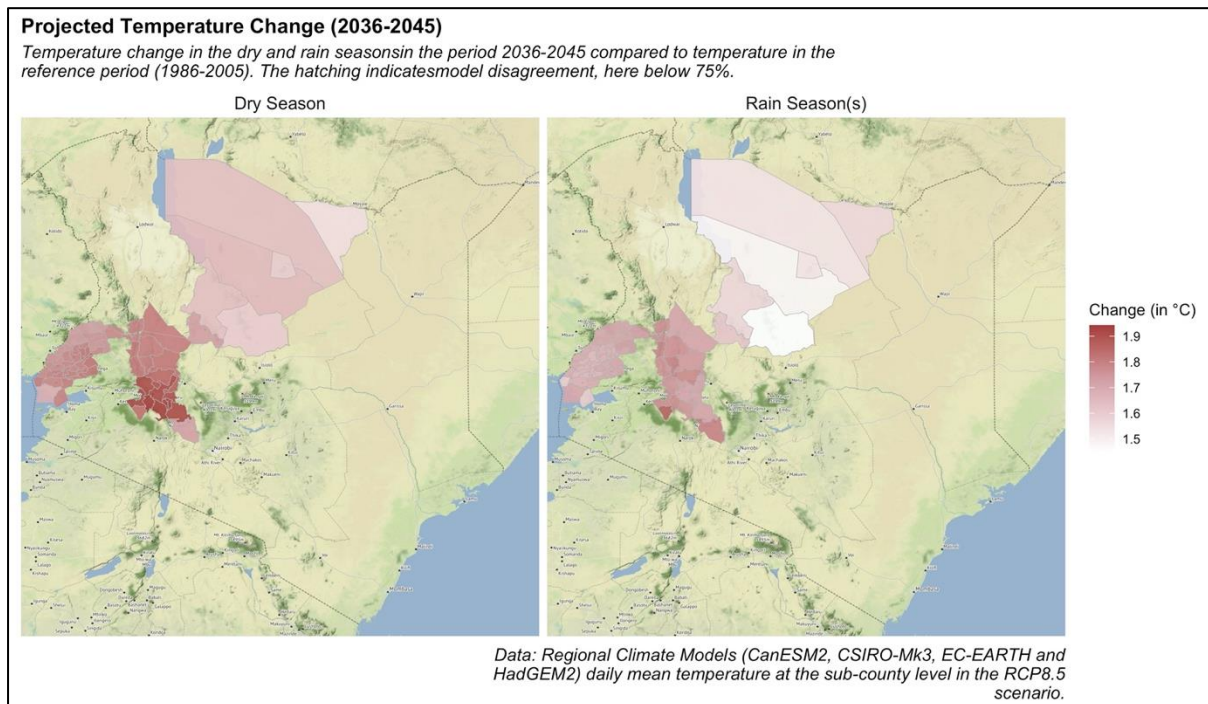


Projected change in summer days ( $T_{max} > 25^{\circ}\text{C}$ )  
 Source: Climate Risk Profile: Kenya (2021): The World Bank Group

According to the KeLCoP CRA, future projections for 2036-2045 show that sub-county temperatures will on average increase by 1.5°C to 1.9°C compared to the mean temperature in the reference period (1986-2005). On average and across most of the sub-countries, the dry season is projected to experience a faster warming than the wet season. The sub-counties of Nakuru could be exposed to the fastest warming. (See Figure 8-3 below).



Figure 8-3 Projected Temperature Change (2036-2045) in RK-FINFA Counties

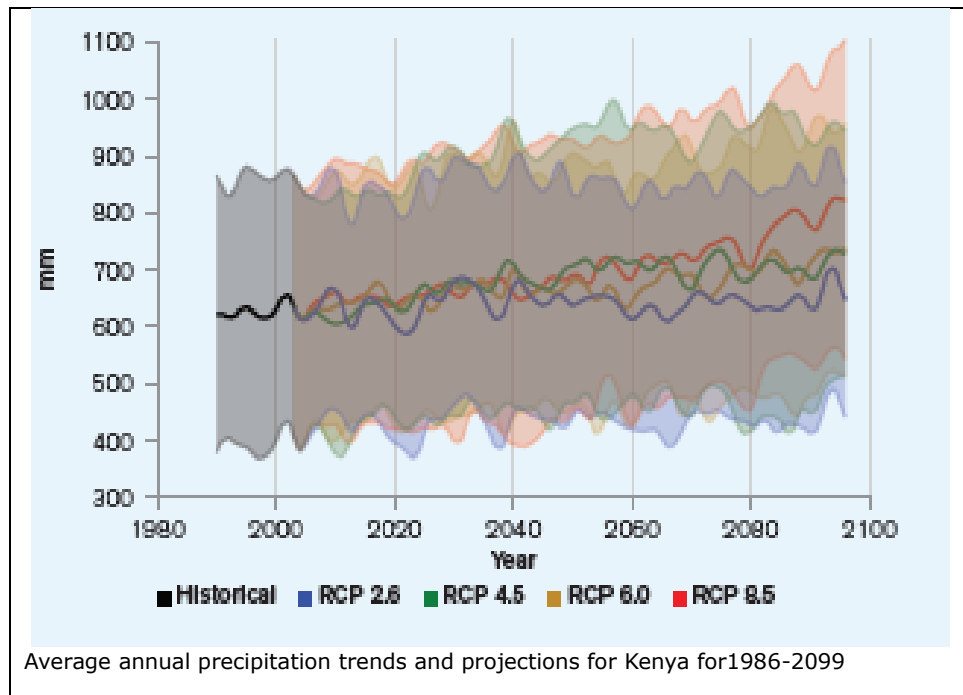


Source: KeLCoP CRA (May 2020)

### 8.3.3 Changes in Precipitation

Precipitation trends for Kenya are highly variable, however there is significant geographical diversity in observed rainfall trends. Northern areas have become wetter, and southern areas have become drier since the 1960s, although this has had a high degree of variability. Extreme rainfall events are occurring with greater frequency and intensity. Increased aridity and droughts have also been observed, with moderate drought events recorded on average every three to four years and major droughts every ten years. Since 2000, prolonged droughts have become more common. Precipitation in Kenya is projected to remain highly variable and uncertain, however average rainfall is expected to increase by mid-century, particularly during the 'short rains', which occur between October and December. Extreme rainfall events are also expected to increase in frequency, duration and intensity and the proportion of heavy rainfall that occurs in heavy events will increase. However, the period between heavy rainfall events may increase. Importantly, rainfall in the arid zones are generally projected to decrease. As seen in Figure 8-4 below, annual average precipitation is expected to increase slightly by the end of the century under a high emissions scenario (RCP8.5).

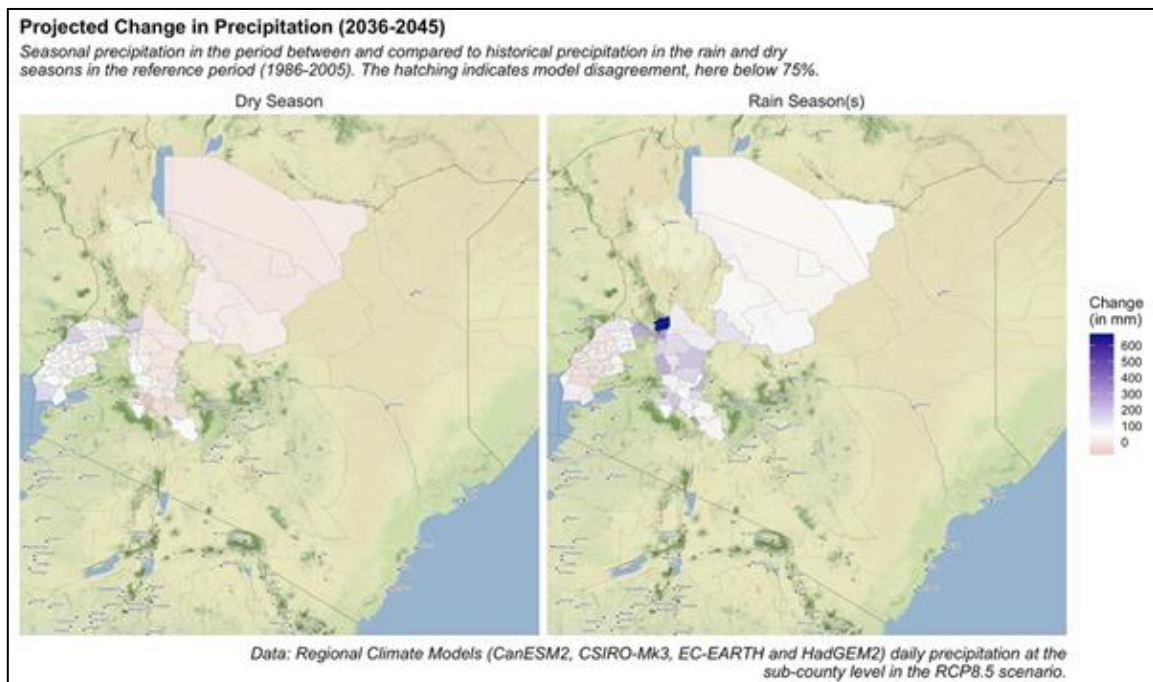
Figure 8-4 Annual Average Precipitation Trends and Projections 1986-2099



Source: Climate Risk Profile: Kenya (2021): The World Bank Group

For the majority of the KeLCoP sub-counties, including some targeted by IFAD RK-FINFA, predictions for mean change in precipitation for the period 2036-2045 in the dry and wet season have medium to low confidence, with the exception of subcounties in Kakamega, Busia and Siaya Counties where a slight increase in precipitation during the dry season is projected.

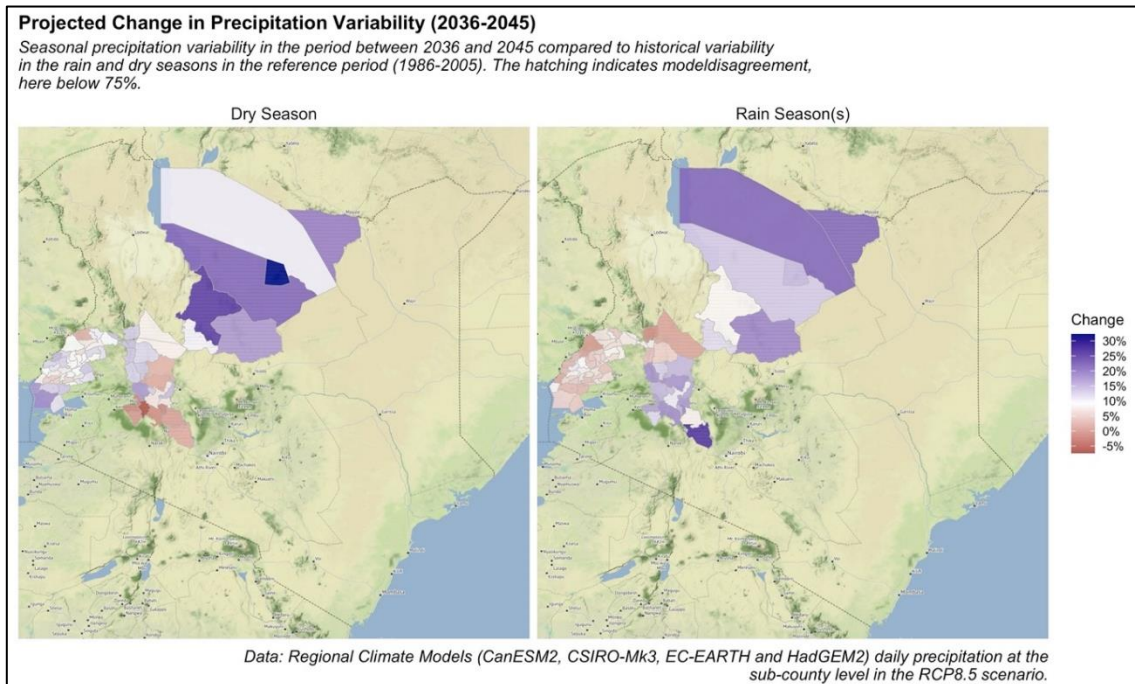
Figure 8-5 Projected Change in Precipitation (2036-2045) in RK-FINFA Counties



Source: KeLCoP CRA (May 2020)

Precipitation variability can be predicted with high confidence. In the rainy season, the western and central counties are likely to see a slight decrease in variability (max. -5%) while the counties in the southern central part and the northern half of Kenya would be exposed to a potentially high increase in precipitation variability, indicating more irregular and less predictable rainfall. For example, Naivasha (Nakuru County) and could face an increase in variability by 27%.

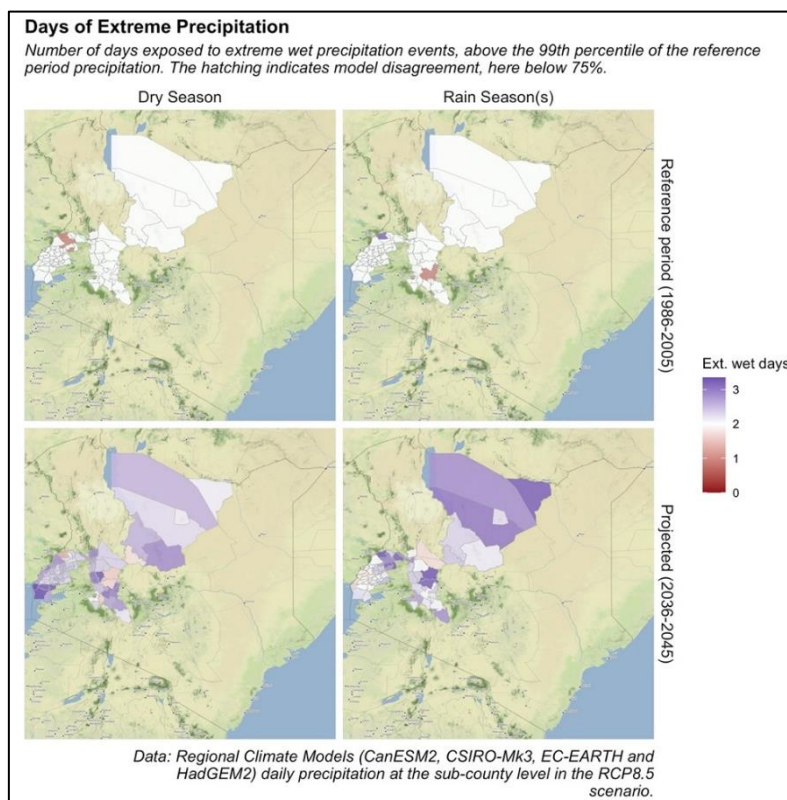
Figure 8-6 Projected Change in Precipitation Variability (2036-2045) in RK-FINFA Counties



Source: KelCoP CRA (May 2020)

Extreme wet events are particularly relevant hazards to monitor and analyse for agricultural productivity as the destructive consequences of flooding events and landslides can detrimentally affect yields, as well as the value chains by disrupting cooling and transportation equipment leading to production losses. According to the analysis proposed here, most of the sub-country could face an increase in one or two days of extreme precipitation in the future (2036-2045) compared to historical conditions. For extreme weather events occurring in the rain season, the sub-counties in the northern part of Kenya could face the most increase with more than three days of extreme wet events in the projected period.

Figure 8-7 Projected Days of Extreme Precipitation Variability (2036-2045)



Source: KelCoP CRA (May 2020)

### 8.3.4 Value Chain related Vulnerabilities and Risks

The table below summarises the trends and likely changes that would occur up to mid-century in some of the RK-FINFA counties.

Figure 8-8 Likely Changes in Temperature and Precipitation in Selected RK-FINFA Counties

RK-FINFA County	Likely Changes
Meru	Increase in temperature and rainfall variability altering the slope and bedrock stability in some areas
Nakuru	Mean temperatures are projected to increase by 0.3°C, with the first agricultural season projected to experience even greater changes. Precipitation is projected to increase by 0.3% and 6% in the first and second wet season respectively
Nandi	Dry spells and mean temperatures have been increasing gradually. These trends will continue in the future and therefore affect agricultural productivity
Nyeri	Increase in temperature and rainfall variability. The wildfires are expected to increase and be more severe
Siaya	Increase in intense precipitation with flooding more likely to occur. Wildfires are also expected to increase both in frequency and intensity due to increase in temperature and rainfall variability
Tharaka Nithi	Mean temperatures have increased by approximately 0.6°C and resulted in a moderate increase in heat stress days in the first and second agricultural seasons. Severe and mild droughts have been experienced leading to poor crop yields and low livestock production
Trans Nzoia	The county has experienced changes in rainfall patterns, which are expected to be more intense in the future. These changes result in reduced soil fertility and poor soil structure while higher temperatures and atmospheric humidity favours development of crop pests and diseases

Source: IFAD RK-FINFA SECAP Review Note (May 2021)

Climate change over the next 20 years is not expected to dramatically affect the current geographical distribution of temperature and humidity stress in the RK-FINFA sub-counties. However, the duration of the exposure to stress is projected to increase for crops and livestock.

#### **8.4 Climate Change Mitigation**

RK-FINFA has a focus on climate change adaptation, particularly through its Green Financing Fund (GFF). Climate change risk management will be incorporated into the ESMSs of the PFIs. Training and advisory services will be provided for the target beneficiaries to enhance their resilience and financial resources provided for green investments. The products under the green financing will promote climate smart agriculture, climate resilience and building back better after climate shocks.



## **9 Environmental, Social and Climate Change Management for RK-FINFA**

The Environmental, Social and Climate Change (ESC) management for RK-FINFA will follow the national guidelines and processes, as well as IFAD's safeguard requirements as elaborated in SECAP. This section provides guidance for the development of environmental and social management systems for RK-FINFA PFIs.

### **9.1 RK-FINFA Implementation and Coordination for ESC Management**

The institutional arrangements for RK-FINFA implementation as presented in the PDR have been described in Sections 2.5 and 2.6, which give an overview of the roles of the PSC, PMU. The PMU will have a Social Inclusion Officer (SIO), while at the county level, PMUs of ongoing IFAD value chain projects and County Project Facilitation Teams (CPFTs) will be composed of subject matter specialists which it is expected will include County Environment Officers (CEnvOs), County Natural Resource Management Officers (CNRMOs) and County Social Services Officers (CSSOs) to support ESC management.

However, in order to ensure that environmental and climate change safeguarding is mainstreamed into Project activities, it is recommended that:

- The PMU be staffed with an Environmental and Climate Change Officer (ECCO) who will be directly responsible for overseeing both the environmental and climate related aspects, and for supporting the development and implementation of the PFI ESMSs. (Terms of Reference for the ECCO and SIO are provided in Annex 5).

In addition, each PFI will need to appoint a dedicated person (or team) to address environmental, social and climate-related issues. For the purposes of this document, this person is referred to as the ESMS Responsible Officer (ERO).

### **9.2 Screening**

The purpose of screening is to provide an initial indication of the nature and complexities of a potential investment, after which it can be categorised to determine the level of investigation necessary to ensure that the project causes no harm to the environment or the project communities, and to ensure that the project is acceptable and sustainable in terms of environmental, social and climate change risks and impacts.

#### **9.2.1 SECAP Screening Categorisation**

According to the SECAP Review Note, RK-FINFA has been categorised as Category B (medium risk). In other words, activities supported through RK-FINFA may have some adverse environmental and/or social impacts on human populations or environmentally significant areas, but the impacts are site specific and few are irreversible in nature, and/or can be readily remedied by appropriate preventive actions and/or mitigation measures. High risk interventions will not be supported through RK-FINFA support.

The Second Schedule of the Environmental Management and Coordination Act 1999 has also been amended by Legal Notice 31 dated 30<sup>th</sup> April 2019. According to this, RK-FINFA interventions will fall into the low risk or medium risk categories as shown in Table 9-1 below.

Table 9-1 Risk Categorisation of RK-FINFA Projects

Low Risk Projects	Medium Risk Projects
Community water projects including boreholes, water pans, sand dams and sub-surface dams	Water resources and infrastructure, including drilling for purposes of utilizing ground water resources and related infrastructure
Livestock holding grounds and cattle dips	Medium-scale agriculture not exceeding one hundred hectares
Expansion or rehabilitation of markets	Medium size grain storage
Local roads and facility access roads	Medium size agricultural and livestock produce storage facilities
Business premises including shops, stores, urban market sheds	Medium scale irrigation projects
Cottage industry, jua kali sector and garages	Medium scale abattoirs and meat-processing plants
Small scale rehabilitation, maintenance and modernization of projects	Any other medium-scale food-processing plants or agro-based processing plants
Standard warehouses not exceeding one thousand four hundred square meters	Go-downs for storage and warehouses

Source: EMCA Amendment to the Second Schedule 2019 (LN 31)

### 9.2.2 Activities not supported by IFAD

There are a number of activities that IFAD will not support or implement, for which SECAP (2017) refers to the IFC exclusion list<sup>102</sup>. In the context of RK-FINFA, these are:

- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB's, wildlife or products regulated under CITES. RK-FINFA will have to ensure beneficiary farmers use approved pesticides and herbicides. An indirect impact of RK-FINFA may result in an increase in poaching or killing of threatened or endangered species when wild animals disperse into improved rangelands, since some of the project activities may be proximate to national parks, conservancies and forests. RK-FINFA must therefore ensure that sufficient provision is made for the protection and conservation of wildlife, flora and their habitats;
- Production or activities involving harmful or exploitative forms of forced labour<sup>103</sup> and/or harmful child labour<sup>104</sup>. As such forced labour may not be an issue for RK-FINFA subprojects, but it should be noted that IFAD requires that farm hands/casual workers are paid decent living wages, and that labour and working conditions and well-being of workers and local communities are fully considered and in line with ILO conventions. In rural societies, children often skip school in order to assist their families on the farms. Children working on agricultural projects are especially susceptible to harm from poor use and management of agrochemicals. RK-FINFA supported subprojects will therefore have to ensure that animal husbandry activities do not interfere with children's education, and that children do not handle agrochemicals and are not otherwise exposed to these substances.

<sup>102</sup> International Finance Corporation Exclusion List: [www.ifc.org/exclusionlist](http://www.ifc.org/exclusionlist)

<sup>103</sup> Forced labour means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty.

<sup>104</sup> Harmful child labour means the employment of children that is economically exploitive, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, spiritual, moral, or social development.

SECAP (2017) also states that IFAD will not support “*projects in areas of critical habitats or which result in conversion or degradation of such habitats*”. Emphasis will be to identify alternatives and ensure that any potential degradation or conversion is firstly avoided, and if not avoided, appropriately mitigated.

**In addition, in order to retain Category B status, RK-FINFA will NOT support subprojects or interventions that have the following implications:**

Activities/interventions having ***locational implications*** which:

- Would develop wetlands;
- Cause significant adverse impacts to habitats and/or ecosystems and their services, such as conversion of natural forest or wildlands, loss of habitat, erosion or other form of land degradation, or fragmentation of habitats;
- Result in major hydrological changes;
- Are located in or within 5km of ecologically sensitive areas, areas of global/national significance for biodiversity conservation), and/or biodiversity-rich areas and habitats depended on by endangered species. These include protected areas such as national parks, wildlife conservancies and forests, world heritage sites (WHS) and water towers<sup>105</sup>.
- Are located in areas subjected to major destruction as a result of geophysical hazards eg. landslides, earthquakes or volcanic eruptions.

Activities/interventions having ***natural resource implications*** that would:

- Lead to unsustainable natural resource management practices (fisheries, forestry, livestock) and/or result in exceeding carrying capacity;
- Would result in significant increase in the use of agrochemicals which may lead to life-threatening illness and long-term public health and safety concerns;
- Rely on water-based (groundwater and/or surface water) development where there is reason to believe that significant depletion and/or reduced flow has occurred from the effects of climate change or from overutilization;
- Pose a risk of introducing potentially invasive species or genetically modified organisms which might alter genetic traits of indigenous species or have an adverse effect on local biodiversity
- Is located in an area of socio-environmental conflict about water resources.
- Is located or has an impact on ecological sensitive areas.
- Project's location is significantly struck by the effects of climate change or natural hazards.

Activities/interventions involving ***infrastructure development*** that would:

- Require the need to rehabilitate or develop large scale irrigation schemes of more than 100 hectares per scheme;
- Involve significant extraction/diversion/containment of surface water, leaving the river flow below 20 per cent environmental flow plus downstream user requirement;
- Include drainage or permanent correction of natural waterbodies (eg. river training, wetland reclamation).

Activities/interventions having ***social implications*** that would result in:

- Any economic displacement or physical resettlement;

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<sup>105</sup> Kenya has five major water towers, namely Mt Kenya, the Aberdare Mountain Range, the Mau Forest Complex, the Cherangani Hills and Mt Elgon – all of which are located within RK-FINFA’s Project counties. In 2018, additional water towers were gazetted, namely: Mt Kulal, Hurii Hills and Mt Marsabit in Marsabit County; Karisia Hills and Mt Nyiro in Samburu County; Tugen Hills in Baringo County; and Subukia Escarpment in Nakuru County (a RK-FINFA project county); Kaptagat Hills in Elgeyo Marakwet County. Ref. <https://watertowers.go.ke/wtowers/>



- Significant social adverse impacts on disadvantaged, vulnerable, indigenous and underserved groups;
- Conversion and/or loss of physical cultural and traditional resources, including graves, indigenous tree/plant species that have traditional value.

All applications for loans made to RCGS PFIs and the GFF host institutions will undergo screening to ensure that they are not high risk projects and that they not are listed in the Exclusion List.

### **9.2.3 Activities Encouraged for Support through GFF**

RK-FINFA through the GFF will intentionally encourage activities/interventions with a climate-smart slant. These could include, for example:

- Water efficient technologies eg. through drip irrigation/sprinkler or micro-jet systems);
- Flood protection measures (physical and biophysical);
- Climate resilient infrastructure;
- Climate smart agriculture, eg. employing no-tilling, terracing, drought or flood tolerant inputs, etc);
- Soil and water conservation measures;
- Renewable energy, eg solar pumps for farms, solar lighting for warehouses;
- Water harvesting/water storage systems eg. road, roof and rock runoff harvesting, spate harvesting;
- Agro-forestry and afforestation/reforestation;
- Post harvest handling technologies to reduce post-harvest food losses (eg. cooling facilities, warehouses)
- Cleaner transport solutions eg pooled transport modes for transporting agricultural produce, increased use of bicycles)
- Production of energy-saving stoves and biogas technologies to reduce firewood and fuel consumption.

Further additions for the taxonomy will be developed during the initial phases of project implementation.

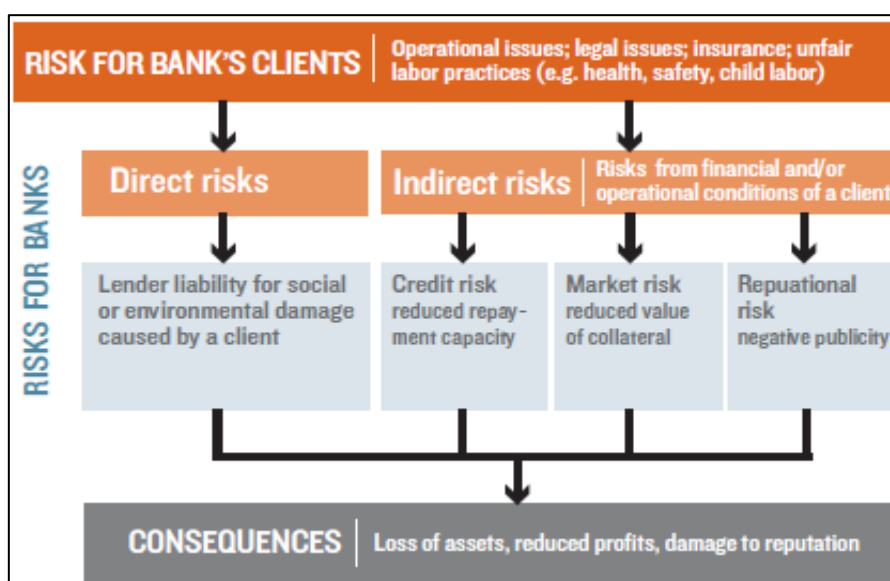
## **9.3 Environmental and Social Management System**

### **9.3.1 Introduction**

Effective management of environmental risks, impacts and opportunities contributes to financial institutions creating long-term value for their businesses. In order to manage both risks, impacts and opportunities strategically and comprehensively, it is necessary to establish an environmental and social management system (ESMS) which is a systematic approach to applying processes and procedures. The key to implementing an ESMS is continual improvement.

Typical risks experienced in the financial sector, and their consequences are illustrated in the figure below.

Figure 9-1 Typical Risks experienced by Banks and Clients



Source: IFC (2007); Banking on Sustainability – Financing Environmental and Social Opportunities in Emerging Markets

Key environmental and social risk for financial institutions (commercial banks, MFBs and MSMEs) are reported as being<sup>106</sup>:

- ▶ Reputational risk/negative publicity with customers, shareholders and the general public;
- ▶ Credit risk (defaults, payments, rescheduling);
- ▶ Security (devalued collateral);
- ▶ Nonperforming loans, investments or leases;
- ▶ Loss of financing from international financial institutions;
- ▶ Liability for clean up of contaminated property or collateral;
- ▶ Reduced access to capital from private financial institutions/international bond markets;
- ▶ Potential civil or criminal liability for negligence;
- ▶ Loss of depositors or retail clients.

On the other hand, financial institutions' clients report that the main E&S issues they face are<sup>107</sup>:

- ▶ Disruption of operations, such loss in productivity due to climatic events (water stress, drought, floods, landslides), higher labour costs or high labour turnover;
- ▶ Environmental legal issues – noncompliance with environmental regulations and buyer requirements (for example for export-oriented crops);
- ▶ Health and safety of workers (eg. accidents on farms);
- ▶ Loss of market share because of environmental regulations (due to for example licencing and permitting requirements and associated costs);
- ▶ Market devaluation because of environmental or social liability;
- ▶ Loss of liability insurance coverage.

Environmental and social risk management improves the quality of a bank's portfolio and lowers insurance liabilities and compensation claims. Significant benefits from establishing and implementing an ESMS include:

<sup>106</sup> IFC (2007); Banking on Sustainability – Financing Environmental and Social Opportunities in Emerging Markets

<sup>107</sup> IFC (2007)

- ▶ Systematic and consistent approach to environmental and social issues;
- ▶ Easy integration into existing organization and management systems, leading to improved risk control;
- ▶ Better communications, resulting in improved public relations, greater stakeholder dialogue, and credible commitment toward staff and external stakeholders;
- ▶ Increased value to shareholders;
- ▶ Improved access to international capital markets and funding from multilateral institutions and development banks;
- ▶ Enhanced reputation and better brand value;
- ▶ Greater and higher long-term returns by financing more sustainable projects and businesses.

### 9.3.2 Elements of an ESMS

As noted in Chapter 6, the various PFIs that were consulted have different levels of ESG requirements in place and had some elements of an ESMS. But none had a fully fledged ESMS. Table 9-2 below provides guidance in regard to the key elements necessary to develop and implement an ESMS. However, it must be noted that while the banks and guarantor PFIs would be able to develop all these elements to produce a comprehensive ESMS, it is unlikely that smaller MFBs, rural Agri MSMEs and SACCOs would have the human and financial resources to do so, nor would it necessarily be appropriate for them to have such a detailed ESMS. The table therefore attempts to indicate the level of detail that would be appropriate for the various categories of PFIs.

For ease of reference to environmental, social and climate-related management, the various RK-FINFA PFIs have been assigned the following categories:

- Tier 1 PFIs: Commercial banks, larger MFBs/guarantors (eg. AFC, KWFT)
- Tier 2 PFIs: Mid-sized MFBs (eg. FAULU, SMEP, Rafiki) and larger SACCOs
- Tier 3 PFIs: Agri MSMEs, small rural agriculture-based SACCOs

Smallholder individuals are not expected to develop any elements of an ESMS, but will be required to adhere by the national laws of the country in terms of environmental protection, labour, GBV/SEA, non-discrimination, etc.

In the table below, requirements are indicated as follows:

- ✓ Required as described
- Required to extent possible
- ✗ Not required

Table 9-2 Key Elements of an Environmental and Social Management System

Elements of an ESMS	Guideline for Requirements	Tier 1 PFIs	Tier 2 PFIs	Tier 3 PFIs
<b>1. POLICIES</b>				
E&S Policy	Indicate types of activities financed by PFI (incl those financed through RK-FINFA)	✓	✓	✗
	Identify officer who has the specific responsibility to manage E&S and climate-related risks and to who s/he will report	✓	✓	✗
	Indicate compliance with national laws and international best practice.	✓	✓	✗

Elements of an ESMS	Guideline for Requirements	Tier 1 PFIs	Tier 2 PFIs	Tier 3 PFIs
	Key items for E&S policy should be reflected in policy: <ul style="list-style-type: none"> <li>◦ Management of E&amp;S and climate-related risks</li> <li>◦ Resource efficiency and pollution prevention</li> <li>◦ Community health safety and security</li> <li>◦ Gender based violence and sexual exploitation and abuse</li> <li>◦ Land acquisition</li> <li>◦ Biodiversity</li> <li>◦ Indigenous and vulnerable people</li> <li>◦ Cultural heritage</li> <li>◦ Climate change</li> </ul>	✓	✓	✗
	Stipulate commitment to continual improvement (endorsed by top management)	✓	✓	✗
	Policy should be a public document and easily available upon request	✓	✓	✗
	One page policy, signed by CEO, to be prepared and displayed in all branches	✓	✓	✗
OHS Policy	Indicate types of activities financed by PFI (incl those financed through RK-FINFA)	✓	✓	✗
	Indicate who has the specific responsibility to manage OHS risk and to who s/he will report	✓	✓	✗
	Indicate compliance with national laws and international best practice	✓	✓	✗
	Key items for OHS policy should be reflected in policy: <ul style="list-style-type: none"> <li>◦ Management of OHS risks</li> <li>◦ Labour and Working Conditions</li> <li>◦ Community Health and Safety</li> </ul>	✓	✓	✗
	Stipulate commitment to continual improvement (endorsed by top management)	✓	✓	✗
	Policy should be a public document and easily available upon request	✓	✓	✗
	One page policy, signed by CEO, to be prepared and displayed in all branches	✓	✓	✗
Governance Policy	Indicate types of activities financed by PFI's (incl those financed through RK-FINFA)	✓	✓	✗
	Indicate who has the specific responsibility to manage governance risk and to who s/he will report	✓	✓	✗
	Indicate compliance with national laws and international best practice	✓	✓	✗

Elements of an ESMS	Guideline for Requirements	Tier 1 PFIs	Tier 2 PFIs	Tier 3 PFIs
	Key items for Governance policy should be reflected in policy: <ul style="list-style-type: none"> <li>◦ Business Integrity</li> <li>◦ Know Your Customer</li> <li>◦ Anti-bribery &amp; corruption</li> <li>◦ Whistle blowing</li> <li>◦ Zero tolerance for GBV/SEA</li> <li>◦ Code of Conduct</li> </ul>	✓	✓	○
	Stipulate commitment to continual improvement (endorsed by top management)	✓	✓	✗
	Policy should be a public document and easily available upon request	✓	✓	✗
	One page policy, signed by CEO, to be prepared and displayed in all branches	✓	✓	✗
<b>2. ORGANISATIONAL CAPACITY AND COMPETENCY</b>				
ESMS Focal Point	Assign one person to oversee ESMS development and implementation, and E&S and climate related performance	✓	✓	✓
Organisation Chart	Develop an organization chart indicating linkages and reporting lines between different departments within the PFI, eg. Board, Management, E&S Unit, Social performance unit, agricultural unit, Procurement Officer	✓	✓	○
	Include linkages with MFBs, SACCOs and MSMEs to be supported through RK-FINFA	✓	✓	✗
Capacity to implement ESMS	Carry out needs assessment to identify type of training and capacity building needed for each department in order to effectively implement the ESMS.	✓	✓	○
	Carry out training as identified	✓	✓	○
<b>3. LEGAL FRAMEWORK</b>				
Compliance with the Kenyan ESHS laws and regulations, IFAD's SECAP, other development partner standards (eg IFC) as well as with international conventions and treaties.	Prepare legal register indicating relevant national laws and regulations, international conventions / treaties, ESG requirements (incl. IFAD, development partner, international conventions such as ILO), as relevant to RK-FINCA supported operations	✓	✓	○
	Include licensing and permitting requirements	✓	✓	○
Compliance with the Exceptions list	Prepare Exclusion List listing types of interventions that will not be funded by the PFI	✓	✓	○
	Exclusion List to be aligned with IFAD's Exclusion List	✓	✓	✓

Elements of an ESMS	Guideline for Requirements	Tier 1 PFIs	Tier 2 PFIs	Tier 3 PFIs
	Exclusion list to include high and substantial risk activities/projects as these cannot be considered by RK-FINFA to maintain IFAD category B, or that would necessitate expensive additional studies and mitigation actions such as RAPs, biodiversity assessments	✓	✓	✓
<b>4. IDENTIFICATION OF RISKS AND IMPACTS</b>				
ESC Screening	ESMS to identify generic risks and impacts associated with all types of potential interventions that may be financed by the PFI	✓	○	○
	Based on generic list of risks and impacts, develop screening checklist to identify E&S and climate-related risks and impacts of specific investments at PFI, SACCO and MSME levels	✓	✓	○
	Screening checklist to align with EP, IFC PS and IFAD SECAP standards. Risks to be assessed against key E&S criteria, namely: <ul style="list-style-type: none"> <li>◦ Labour and working conditions</li> <li>◦ Resource efficiency and pollution prevention</li> <li>◦ Community health safety and security</li> <li>◦ Land acquisition</li> <li>◦ Biodiversity</li> <li>◦ Indigenous peoples</li> <li>◦ Cultural heritage</li> <li>◦ Climate change</li> <li>◦ Legal compliance</li> </ul>	✓	○	✗
	PFIs to develop checklists to assess capacity of on lende MFBs, MSMEs and SACCOs to implement activities/investments and manage risks and impacts	✓	✓	✓
Categorisation of risk	ESMS to include guidance on categorization of activities/interventions to be financed (high, medium, low risk categories)  (NB: Interventions that have high E&S and climate-related risks will not be supported under RK-FINFA)	✓	✓	✗
E&S and climate-related risks and impact assessment	ESIAs to be conducted/prepared by clients prior to lending, depending on nature and scale of activity/project to be funded, and in line with NEMA and IFAD guidelines	✓	✓	○
E&S and climate-related risk and impact management plans	Prepare generic risk and impact management plans to provide guidance on types of impacts and potential mitigation measures	✓	✓	○
	ESMPs to be prepared as part of ESIA	✓	✓	○
<b>5. SPECIFIC MANAGEMENT PLANS OR PROCEDURES</b>				

Elements of an ESMS	Guideline for Requirements	Tier 1 PFIs	Tier 2 PFIs	Tier 3 PFIs
Integrated Pest Management Plan	Prepare procedures for transport, storage, handling and application of agrochemicals	✓	✓	✓
Emergency Preparedness and Response	Procedures for responding to accidents and emergencies, including accident/incident reporting	✓	✓	✓
	Requirements for on-lendee PFIs and SACCOs to have EPR plans in place	✓	✓	x
Labour Management	Develop Labour Management Procedure (LMP) specifying adherence to core ILO conventions (mainly to prohibit forced labour and child labour, freedom of association and fair wages)	✓	✓	○
	PFIs to ensure labour management procedures are implemented at on-lendee MFB, SACCOs and MSME level	✓	✓	○
Gender Based Violence and Sexual Exploitation and Abuse	Develop GBV/SEA prevention and mitigation procedures emphasising zero tolerance on all forms of GBV/SEA in line with national laws and IFAD GBV/SEA policy.	✓	✓	✓
	PFIs to ensure GBV/SEA prevention and mitigation procedures are applied at on-lendee MFB, SACCOs and MSME level	✓	✓	✓
<b>6. STAKEHOLDER ENGAGEMENT</b>				
Stakeholder Engagement Plan (SEP)	Prepare SEP which will identify key stakeholders, relevance to the PFI, prioritisation for engagement, establish frequency and channels of engagement and feedback	✓	✓	○
Communication Strategy	Elaborate on SEP to develop means of communication with and between PFIs, MFBs, SACCOs and MSMEs as relevant	✓	✓	○
<b>7. FREE PRIOR AND INFORMED CONSENT</b>				
FPIC	Prepare specific procedures describing approach to include vulnerable people (eg minority groups, indigenous groups, persons with disabilities) to benefit from RK-FINFA support to ensure equitable access by all to PFI's products	✓	✓	○
	Stipulate percentage of target beneficiaries falling within this category	✓	✓	✓
	Monitor inclusion of vulnerable groups in on-lending activities	✓	✓	✓
<b>8. GRIEVANCE MECHANISMS</b>				
Grievance Redress Mechanisms	Grievance redress mechanisms to be set up at all levels: PFIs, MFBs SACCOs	✓	✓	✓
	PFIs to ensure that SACCOs/MFBs that they on lend to also have a GRM in place	✓	✓	x

Elements of an ESMS	Guideline for Requirements	Tier 1 PFIs	Tier 2 PFIs	Tier 3 PFIs
	GRM to indicate grievance registration procedures (incl. where and how to register grievance), responsibilities for action, timelines for communication and resolution, and avenues for escalation to higher levels if necessary	✓	✓	✓
Registration of Complaints/Grievances	PFIs to establish platform on their websites to enable lodging of complaints.	✓	✓	○
<b>9. SECURITY</b>				
Security Procedures	Procedures for security, including cyber security, personnel security	✓	✓	○
<b>10. COVID-19 PANDEMIC</b>				
COVID-19 Response	Develop procedures to prevent the spread of COVID and response to any positive cases	✓	✓	✓
	PFIs to ensure on-lendee MFBs, SACCOs and MSMEs follow COVID-19 protocols	✓	✓	✓
<b>11. RECORD KEEPING</b>				
Maintenance of Documentation	Ensure all records are maintained for the development of the ESMS, procedures and plans, consultations/ engagement, complaints/ grievances, etc	✓	✓	○
<b>12. REPORTING</b>				
Internal Reporting	Establish internal reporting system	✓	✓	○
	Submit quarterly reports on ESMS progress and E&S and climate-related performance to top management	✓	✓	○
	Inform all organisation's staff of ESMS requirements and E&S and climate-related performance (incl. actions required by staff where necessary)	✓	✓	✓
External Reporting	Reporting on E&S and climate-related performance to shareholders and clients	✓	○	○
<b>13. DISCLOSURE</b>				
Disclosure of Policies, Sustainability or E&S Reports, ESIA reports	Policies to be displayed at all offices and made available to public upon request	✓	✓	○
	Determine which other E&S and climate-related documentation can be made public, and whether at all times or only upon request	✓	✓	○
	Where ESIA's are required, SPR and CPR reports (as applicable) to be disclosed in accordance with NEMA EIA Regulations	✓	✓	✓
<b>14. MONITORING AND REVIEW</b>				



Elements of an ESMS	Guideline for Requirements	Tier 1 PFIs	Tier 2 PFIs	Tier 3 PFIs
Monitoring	E&S and climate-related performance to be monitored based on indicators developed for specific types of activities, their nature and size.	✓	✓	✘
	Establish procedures for monitoring on lending performance to assess in regard to E&S and climate-related performance	✓	✓	✓
	Where ESMPs have been prepared, also use these as a basis monitoring	✓	✓	○
	For on-lendees, specify who will monitor E&S and climate related performance (eg a consultant or by branch personnel) and how monitoring will be done (visits to clients, feedback online, etc)	✓	✓	○
	Set up feedback mechanism geared to improve processes/procedures (continual improvement)	✓	✓	✘
	Monitoring reports to be provided to top management quarterly	✓	✓	○
Review	Review of ESMS, procedures, etc, to include improvements from feedback, lessons learned	✓	✓	○
	ESMS document to be updated every 2 years at least.	✓	○	✘

## 9.4 Safeguard Documents

During the course of the implementation of the ESMS, it may be necessary for clients to develop certain safeguard documents depending on the nature and scale of the activity for which the loan is intended. These are described hereunder.

### 9.4.1 Environmental and Social Impact Assessment Studies

The National Environment Management Authority prepared the Environment Impact Assessment Guidelines and Administrative Procedures in November 2002 (referred to as the EIA Guidelines). The Guidelines describe procedural steps in EIA studies and Environmental Audits as well as the contents and format of the study reports to be submitted to NEMA, the EIA study review and decision-making process.

The revised Environmental (Impact Assessment and Audit) (Amendment) Regulations, 2019 (Legal Notice 32 dated 30<sup>th</sup> April 2019), now require that every proponent undertaking a project specified in the Second Schedule of the Act as being a low risk project or a medium risk project, shall submit to the Authority a Summary Project Report (SPR) of the likely environmental and social effects of the project. After review, where the Authority considers that the proposed project may have a significant adverse environmental impact, it shall recommend that the proponent should prepare and submit a Comprehensive Project Report (CPR); or where the Authority considers that the proposed project is not likely to have any significant adverse environmental impact, it shall exempt the proponent from submitting a Comprehensive Project Report and issue the proponent with an approval to proceed with the project.

Based on the screening process described in Section 9.2, all activities/interventions funded through RK-FINFA will fall under SECAP Category B, which, according to SECAP, would require ESMPs to be prepared. In terms of NEMA categorisation, the possible interventions will require either Summary Project Reports (SPRs) or Comprehensive Project Reports (CPRs). Where proposed activities or interventions may have some environmental and/or social impacts of concern which would require full ESIA's, these would be screened out during the screening process. In addition, if they involve activities listed in the exclusion list, then those interventions will also not be supported through RK-FINFA.

A Summary Project Report must specify:

- (a) The nature of the project;
- (b) The location of the project including:
  - Proof of land ownership, where applicable;
  - Any environmentally sensitive area to be affected;
  - Availability of supportive environmental management infrastructure; and
  - Conformity to land use plan or zonation plan;
- (c) Potential environmental impacts of the project and the mitigation measures to be taken during and after implementation of the project, in the form of an environmental and social management plan.

A Comprehensive Project Report must specify:

- (a) The nature of the project;
- (b) The location of the project including:
  - Proof of land ownership;
  - The global positioning system coordinates; and
  - The physical area that may be affected by the project's activities;
- (c) The activities that shall be undertaken during the project construction, operation and decommissioning phases;
- (d) Description of the international, national and county environmental legislative and regulatory frameworks on the environment and socio-economic matters;
- (e) The preliminary design of the project;
- (f) The materials to be used, products and byproducts, including waste to be generated by the project and the methods of their disposal;
- (g) The potential environmental impacts of the project and the mitigation measures to be taken during and after implementation of the project;
- (h) An analysis of available alternatives including alternatives for the project site, design, technologies, and processes, and the reasons for preferring the proposed site, design, technologies and processes;
- (i) An action plan for the prevention and management of possible accidents during the project cycle;
- (j) A plan to ensure the health and safety of the workers and neighbouring communities;
- (k) The economic and socio-cultural impacts to the local community and the nation in general; a plan to ensure the relocation or resettlement of persons affected by the project;
- (l) A strategic communication plan to ensure inclusive participation during the study and provide a summary of issues discussed at the public participation forum;
- (m) An environmental and social management plan;
- (n) Integration of climate change vulnerability assessment, relevant adaptation and mitigation actions;
- (o) The project cost; and
- (p) Any other information the authority may require.

These reports will be prepared by a NEMA-registered practitioner.

#### **9.4.2 Environmental and Social Management Plans (ESMPs)**

ESMPs are to be prepared as part of the PRs and CPRs (see above). Stakeholder concerns must be addressed in the ESMPs, and the project design should be presented to the communities.

While the actual implementation of ESMPs will be done by contractors, the communities or individual beneficiaries (depending on the type of project and the mitigation measures to be implemented), the PFIs in conjunction with CEnVOs or CNMROs will be responsible for ensuring that these are implemented and will carry out regular monitoring. However, supervision and monitoring of ESMP implementation will be done by the Environmental Representative at the PFIs, who will report performance to the ECCO at the PMU.

#### **9.4.3 Climate Risk Analysis**

The purpose of climate risk screening is to determine the exposure of a project intervention to climate-related risks (High, Moderate or Low) based on available information about historic climate hazard occurrences, current climate trends and future climate change scenarios, as well as to assess the likelihood of the Project increasing the vulnerability of the expected target populations to climate hazards. It provides an opportunity to integrate climate issues into project design and therefore increase project resilience and hence sustainability. The risk classification indicates that the Project has climate medium risk, and therefore a basic Climate Risk Analysis (CRA) for RK-FINFA is required, as presented in Chapter 8.

Climate adaptation interventions will be promoted through the GFF, and will be supervised and monitored by the ECCO, with support from the NEMA Regional Officers.

#### **9.4.4 Carbon Footprint**

The total amount of greenhouse gases (GHGs) in terms of carbon equivalent (C-eq) emitted by the processes in the agricultural sector is regarded as the carbon footprint of agriculture. Various activities related to agriculture such as plowing, tilling, manuring, irrigation, cultivation of a variety of crops, rearing livestock emit a significant amount of GHGs that are categorized in three tiers of carbon footprinting. The energy input through machinery, electricity, livestock management, and fossil fuel constitutes a major proportion of carbon emissions through agriculture. Crop cultivation systems (mainly cereals) produces higher GHGs than other farming systems like vegetables and fruits. In addition, land use changes including conversion of natural ecosystems to agricultural fields, deforestation and crop residue burning after harvest contribute significantly to higher carbon emissions<sup>108</sup>.

There are a number of tools that can be used to measure GHG emissions of agricultural practices. FAO has developed a manual that provides guidance for estimating carbon footprints from agricultural activities.<sup>109</sup>

#### **9.4.5 Integrated Pest Management Plan (IPMP)**

RK-FINFA will stimulate increased livestock productivity, and could therefore necessitate the increased use of agrochemicals. Agrochemicals (mainly pesticides) may be necessary to achieve higher production, but they must be carefully applied as they have various adverse environmental and social impacts related to contamination of water bodies and soil and thereby threatening biodiversity, risks to farmers and community health from exposure to agrochemicals, and releases of GHGs. In order to properly manage the use of pesticides, Integrated Pest Management Plans (IPMPs) must be prepared by the Project

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<sup>108</sup> Jaiswal, B and M Agrawal (2020); Carbon Footprints of Agriculture Sector. In *Carbon Footprints: Case Studies from Building, Households and Agricultural Sectors* pp81-99 ed. Subramanian Senthilkannan Muthu

<sup>109</sup> FAO (2015); Estimating Greenhouse Gas Emissions in Agriculture: A Manual to Address Data Requirements for Developing Countries

PMU for application by the PFIs. Guidelines for the preparation of an IPMP are presented in Annex 3.

The following main steps can be considered as typical for an IPM approach<sup>110</sup>:

- Prevention and/or suppression of harmful organisms. This is often best achieved by a combination of the following options:
  - where appropriate, use of pest resistant/tolerant cultivars and standard/certified seed and planting material;
  - balanced soil fertility and water management, making optimum use of organic matter;
  - prevent spreading of harmful organisms by field sanitation and hygiene measures (e.g., by removal of affected plants or plant parts, regular cleansing of machinery and equipment);
  - protection and enhancement of important beneficial organisms, e.g. by the utilisation of ecological infrastructures inside and outside production sites.
- Harmful organisms must be monitored with adequate methods and tools, where available. Such adequate tools should include observations in the field and where feasible warning, forecasting and early diagnosis systems (eg. traps).
- Based on the results of the monitoring it is decided whether and when to use what pest management inputs. Sustainable biological, physical and other non-chemical methods must be given priority over chemical methods if they provide satisfactory pest control.
- Pesticides should only be applied as a last resort when there are no adequate non-chemical alternatives and use of pesticides is economically justified.
- The pesticides applied shall be as specific as possible for the target and shall have the least side effects on human health, non-target organisms and the environment, while their use should be kept at minimum levels, e.g. by partial applications.
- Monitor the success of the applied pest management measures.

The IPMP should evaluate the impact of potential pests prior to Project implementation, identify the type of pests and assess the magnitude of impacts likely to be caused by those pests. In assessing the hazards of pesticide use, the toxicity of the pesticide and exposure to it are key elements. Therefore, as a minimum, the IPMP should:

- Screen the types of pesticides for toxicity by ensuring: they are effective against the target species, have negligible adverse impacts on human health and non-target species, will not precipitate resistance in pests, and do not fall into WHO class 1A or 1B;
- Aim to reduce exposure time or degree of exposure.
- Propose alternative non-pesticide management options (physical, mechanical and biochemical), as well as any available less toxic varieties of the pesticides.

The ECCO will prepare the IPMP as appropriate for RK-FINFA which will then be distributed to all the PFIs, who in turn will ensure that all activities involving the use of agrochemicals receive, understand and implement the IPMP. The IPMP must also stipulate national requirements, as well as approved and appropriate agrochemicals to be used in specific agricultural activities. In developing the IPMP, reference should be made to SECAP's Guidance Statement #2 on Agrochemicals, and relevant IFC's EHS Guidelines on crop and livestock production and agro-processing.

#### **9.4.6 Standard Operating Procedures**

Depending on the scale and complexity of the some of the interventions and subprojects supported through RK-FINFA, other operating procedures or plans may need to be developed, particularly if contractors are hired for specific construction works, to ensure

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<sup>110</sup> <http://www.fao.org/agriculture/crops/thematic-sitemap/theme/pests/ipm/more-ipm/en/>

environmental protection, community and occupational health and safety and other risks and hazards. If necessary, these may include:

- Traffic Management Plan;
- Waste Management Plan;
- Health and Safety Management Plan;
- Pollution Contingency Plan;
- Erosion Management Plan;
- Cultural Heritage Management Plan.

These plans would be developed by the PFIs financing those interventions, consultants or contractors undertaking the works.

## **9.5 Stakeholder Engagement Plan**

The following steps to develop a Stakeholder Engagement Plan (SEP) have been adapted from CDC's ESG Toolkit<sup>111</sup>, and IFC's Stakeholder Engagement Handbook<sup>112</sup>.

Development of SEPs will be the responsibility of the PFI EROs.

Key components of a SEP are described in the subsections below:

### **9.5.1 Purpose and objectives of engagement**

Stakeholder consultation is seen as a proactive approach to identify development pathways with local communities and build ownership on project initiatives. The overall purpose may include achieving and maintaining the social licence to operate and facilitating the successful setting and establishment of the activity/intervention. Specific objectives of an SEP may include ensuring inclusivity, prior and informed consultation with interested parties, timely disclosure of relevant information, and proactive engagement to anticipate and manage stakeholders' concerns and expectations.

### **9.5.2 Legal and regulatory framework**

The regulatory framework should include national legal requirements as well as good international industry practice and guidance such as IFAD's requirements for engagement and IFC Performance Standards.

IFAD-funded projects are people-centred and therefore the organisation stresses the need for stakeholder engagement, as is reflected in its various policy documents, including those on Improving Access to Land and Tenure Security (2008); Engagement with Indigenous Peoples (2009), Environment and Natural Resource Management (2011), and SECAP (2017).

In Kenya, citizens' right to full consultation, participation and expression of views with respect to policies and projects affecting their community are clearly stipulated in the Constitution of Kenya (2010). These are further amplified by the County Governments Act (2012) and the EIA Guidelines and Regulations which require consultations with key stakeholders at National, county and local level, as well as with the affected communities, and their participation, during the entire EIA process. The interested and affected groups should participate through consultations, and also provide inputs and comments throughout the ESIA process.

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<sup>111</sup> <https://toolkit.cdcgroup.com/esg-topics/external-stakeholder-engagement/>

<sup>112</sup> IFC (2007); Stakeholder Engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets

### **9.5.3 Description of PFI-financed Activities**

Understanding the potential E&S and climate-related impacts that may be triggered by the activities/interventions to be financed is the first step towards identifying relevant stakeholders. Often this process can be originated by an ESIA, or may be determined through a less formal analysis early in the investment decision. The sooner impacts and influential stakeholders are identified and start to be engaged, the better placed the PFI is to manage stakeholder expectations.

### **9.5.4 Stakeholder Identification and Mapping**

Priorities for engagement can be determined by understanding each stakeholder's influence and the impact of the PFI's operations on that individual/group. This is termed as 'stakeholder mapping'. Stakeholder impact is defined as the extent to which the interests of a stakeholder are affected by the company or project. Influence refers to the power that a stakeholder has over the PFI's operations (including its social licence to operate). Analysing stakeholders' influence and impact will allow prioritisation and strategic decisions about the engagement approach.

Steps for stakeholder identification and analysis are:

- Identify those stakeholders directly and indirectly affected by the project: how they will be affected and to what degree, and what influence they could have on the PFI or activities/interventions it will fund;
- Identify those whose "interests" determine them as stakeholders;
- Prioritize identified stakeholders. These are usually individuals and groups in the who are directly and adversely affected. Also consider engagement mandated by law or PFI's governing principles. Prioritize vulnerable groups and persons.
- Refer to past stakeholder information and consultation. Referring to historical stakeholder information related to an intervention or locality can save time and flag up risks, liabilities, or unresolved issues that can then be prioritized and managed);
- Verify stakeholder representatives (eg. elders, local leaders, women leaders, youth leaders, etc);
- Engage with stakeholders in their own communities to promote transparency and accountability;
- Include relevant government agencies as key stakeholders;
- Where necessary, work with representative and accountable NGOs and community-based organizations, particularly those who represent communities directly affected by PFI financed activities/interventions;
- Recognize employees as a good channel of communication.

### **9.5.5 Implementation of the SEP**

The SEP should establish the objectives of engagement with different stakeholder groups (depending on the priority assigned) and which forms of engagement are most appropriate, and should define the tools, resources, effort and materials to be used. The approach to engagement will vary from information disclosure (what information will be disclosed, in what formats, and the types of methods that will be used to communicate this information to each of the stakeholder groups identified<sup>113</sup>) to in-depth engagement (one-to-one meetings, letters or calls which are two-way, relatively frequent and may seek approvals, deal with specific issues or concerns, or seek collaboration opportunities). The views of women, elderly, youth, PWDs and other vulnerable groups will be taken into account during this process.

A schedule should be prepared outlining dates and locations when various stakeholder engagement activities, including consultation, disclosure, and partnerships will take place and the date by which such activities will take place.

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<sup>113</sup> Communication methods typically include mass media, national and local press or radio communications that are unidirectional and capable of reaching wider audiences

It should be noted that all other activities, from consultation and informed participation to negotiation and resolution of grievances, will be more constructive if stakeholders, including affected communities, have accurate and timely information about the project, its impacts, and any other aspects that may have an effect on them.

#### **9.5.6 Roles and Responsibilities**

An SEP should clearly define who in the institution will lead the engagement activities, who will record and keep track of activities, as well as grievances, and how feedback, concerns or issues raised will be dealt with or escalated. It also needs to describe governance and oversight mechanisms and indicate who from senior management/board has ultimate responsibility for delivering effective stakeholder engagement.

#### **9.5.7 Grievance Management**

Having a good overall stakeholder engagement process in place and providing access to information on a regular basis can help to prevent grievances from arising in the first place, or from escalating to a level that can potentially undermine the PFI's reputation and performance. From a risk-management perspective, PFIs can benefit from understanding stakeholder grievances and addressing them in a timely manner. During stakeholder consultations, stakeholders should be informed of process available to them for grievance reporting, consideration and redress.

#### **9.5.8 Monitoring and Reporting**

Engagement activities, concerns and stakeholder perceptions should be monitored and acted on. Outcomes of engagement activities and grievance management should be part of annual monitoring reports prepared by the PFI. PFIs should seek continuous improvement in stakeholder perceptions of the PFI and on how grievances are managed, for example, by aiming at reducing the time taken to address grievances. Information and feedback received from engagement activities can be a useful source of information for identifying community investment opportunities or opportunities for shared value.

### **9.6 Grievance Redress Mechanisms**

#### **9.6.1 Purpose of the GRM**

In order to receive and facilitate the resolution of affected peoples' concerns, complaints, and grievances about the project's social and environmental performance a Grievance Redress Mechanism (GRM) will be developed for RK-FINFA as well as at the PFI level.

The GRM will record and address any complaints that may arise during the implementation phase of the project and/or any future operational issues that have the potential to be designed out during the implementation phase. The GRM will be designed to address concerns and complaints promptly and transparently with no impacts (cost, discrimination) for any reports made by project affected people. The GRM works within existing legal and cultural frameworks, providing an additional opportunity to resolve grievances at the local and project level. In the interest of all parties concerned, the grievance redress mechanisms will be designed with the objective of solving disputes at the earliest possible time. The mechanism should implicitly discourage referring matters to the court system for resolution.

Complaints will be recorded on the Grievances Register that will be maintained by the relevant PFI, while the PMU will maintain a register of project-wide complaints. Ensuring the implementation of grievance mechanisms at PMU and PFI levels and recording all grievances will be the responsibility of the SIO in the PMU. A Grievance Redress Committee, comprising the SIO and ECCO in the PMU, a County level representative and



a representative from the PFIs will investigate to check the validity and severity of the grievance and resolve it.

Complaints can also be submitted through IFAD's Complaints Procedure that allows individuals and communities to contact IFAD directly and file a complaint if they believe they are or might be adversely affected by an IFAD-funded project/programme not complying with IFAD's Social and Environmental Policies and mandatory aspects of SECAP.

### **9.6.2 Guiding Principles for RK-FINFA Grievance Mechanism**

The GRM process is guided by the following principles:

- Fairness and equity – all the grievances shall be received, recorded and investigated equally and with fairness. There will be no bias, favours or special treatment accorded to anyone during the process;
- Functionality, Promptness and Speed – the process will be functional to address any issues raised, prompt and speedy to ensure that issues are resolved within the specified timelines;
- Definite and clear – the process will be clear and easily understood by all involved. The communities and project beneficiaries should be well informed and sensitized in the process so that they are at ease with it;
- Simplicity – the process will be simple and well understood by everyone, at each stage of grievance handling;
- Confidence in the process – the communities and project beneficiaries will be encouraged to develop confidence in the process, and to trust that their issues will be listened to and acted upon accordingly;
- Considerations on the effects of the decisions – those handling the grievances will give due considerations on the effects (either short or long term) of their decisions on the lives of the complainants and their families.

The Project GRM process will involve four main stages:

- i. Receiving and recording the grievance;
- ii. Investigation and site inspection;
- iii. Response; and
- iv. Monitoring and evaluation.

Each bank, MFB, SACCO and Agri MSME will be expected to develop, publicise and implement its GRM.

### **9.6.3 Grievance Monitoring and Reporting**

The PMU Social Inclusion Officer will ensure that grievances are logged and reviewed on a regular basis (at least quarterly) to determine if the same or similar grievances are being recorded for one or more PFIs. Multiple grievances related to the same or similar issues is an indicator of a more systemic problem within the Project which needs to be mitigated through the development of Project controls or measures.

At the PFI level, the PFI EROs will be responsible for monitoring grievances and reporting status to their CEOs and to the PMU.

### **9.6.4 IFAD Complaints Procedure**

A complaint relating to non-compliance with IFAD's Social and Environmental Policies and mandatory aspects of its SECAP can be submitted in any of the following ways:

- Download the complaints form (Word)
- Send an email to [SECAPcomplaints@ifad.org](mailto:SECAPcomplaints@ifad.org)

However, this is only encouraged if the complainant has already brought the matter to the attention of the PMU or the NT&P, or if the complainants feel they might be subject to retaliation if they went to NT&P directly.



## **9.7 Gender Based Violence and Sexual Exploitation and Abuse**

### **9.7.1 GBV/SEA Risk Factors**

Gender-based violence (GBV) and sexual exploitation and abuse (SEA) cuts across multiple spheres including individual, relationship, community, institutional and policy levels. While sexual violence can impact anyone, sexual violence is largely considered a gender-based violence, with women and girls made as primary targets. IFAD has no tolerance towards acts of sexual harassment or SEA and takes action to prevent sexual harassment and SEA from occurring in the first place and ensures a prompt and effective response to allegations<sup>114</sup>.

RK-FINFA component interventions, depending on their scope, can exacerbate existing risks or can create new ones. Risk factors may include:

- Unequitable sharing of income between men and women after sale of agricultural produce, livestock, poultry or bees related products;
- Low employment rates of women;
- Limited land for agriculture and livestock rearing which may require hiring of land especially by the youth and women, often based on informal agreements.

All these can exacerbate already existing inequities between women, men, and youth.

### **9.7.2 GBV/SEA Risk Mitigation Measures**

The prevention and mitigation of GBV/SEA requires interaction and collaboration between major actors within RK-FINFA. These may include:

- i. Women and their children, as well as other vulnerable populations, in communities where RK-FINFA will be implemented;
- ii. The communities including cultural, religious and informal structures who may play a protection role;
- iii. PMU and PFIs who are responsible for following contractually mandated social and labour practices that prevent abuse and violence;
- iv. Workers including extension officers who will need to abide by codes of work ethics or codes of conduct.

In the RK-FINFA context, SEA/GBV assumes a medium risk level, and therefore the project will deploy the following strategies:

- Social and economic inclusion of women and young women in the project to improve their livelihoods and reduce poverty which is a risk factor for GBV;
- Use of the GALS methodology to handle GBV/SEA and other gender and youth related inequalities at the household, livestock farmer group and community level;
- Sensitize communities especially the vulnerable populations on the laws and services that can protect them and provide redress in case of an incident;
- Require every RK-FINFA PFI to sensitise their workforce on GBV/SEA and sign a code of conduct;
- Awareness creation among PMU and implementing partners;
- Training the PMU team and PFIs on conflict sensitivity and the 'Do No Harm' Principle.

The PMU's Social Inclusion Officer will be responsible for ensuring that all RK-FINFA PMU personnel as well as those in PFIs abide by IFAD's requirements on GBV/SEA. SIO will work with CSSOs and/or County Gender Officers as well as service providers for survivors of SEA/GBV to offer a minimum basic package of services, ideally including case

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<sup>114</sup> IFAD (2018); IFAD Policy to Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse.

management support, health services, psychosocial support, shelter—if needed— security and access to legal services.

### **9.8 Disclosure of Safeguard Documents**

Where CPRs and PRs are to be prepared, consultations must be held with all levels: at community, village, county and national levels. During these consultations, the processes for disclosure of the documents should be communicated. IFAD's SECAP procedures also require that sufficient consultations have been carried out with key stakeholders in order to satisfy its requirements for Free Prior and Informed Consent (FPIC).

Prior to approval of the activities/interventions to be funded, the CPRs /PRs will be disclosed nationally in line with NEMA's EIA Regulations, and in the Project counties at a location accessible to the general public, and in a form and language that the communities are able to understand, so that they may comment on any aspects/issues contained in the reports prior to their approval. PFIs financing the interventions and their clients will be responsible for disclosure.

### **9.9 Review and Approval of ESIA, Project Reports and IPMP**

CPRs and PRs will be reviewed by the PFI's officer responsible for the ESMS. The PMU ECCO and SIO may also be required to review these documents prior to submission to NEMA, depending on the nature and scale of the intervention.

The RK-FINFA IPMP will be reviewed by IFAD and approved by MALF.

### **9.10 Monitoring**

Monitoring requires that:

- ESMSs have been developed as stipulated;
- The various safeguards instruments (CPRs and PRs which will include ESMPs) have been prepared to the required standard, within the required timelines;
- The safeguards instruments have been reviewed and approved by the responsible entities;
- Environmental, social and climate mitigation measures, have been/are being implemented and that mitigation measures are effective. This includes monitoring the implementation of the ESMPs and IPMP, and also the grievance redress mechanism(s);
- The community is participating in all stages of the environmental and social management and monitoring processes;
- PMU and PFI staff have been trained in accordance with the capacity building proposals;
- Reports are prepared and delivered as required.

Monitoring at RK-FINFA level will be done primarily by the ECCO, supported by the SIO, CEnvOs, CNRMOs, CSSOs and where necessary other technical officers. At the PFI level, monitoring will be done by the PFI EROs.

Examples of typical monitoring parameters and indicators are shown in Table 9-3 below:

Table 9-3 Examples of Monitoring Indicators

Monitoring Parameter	Monitoring Activity/Indicators	Target	Responsibility for Monitoring
ESMS	# of PFIs that have developed and are implementing ESMS	100% Tier 1 PFIs are implementing ESMSs	ECCO, supported by SIO
Screening	% of proposed interventions screened	100% proposed interventions screened	ECCO, PFI ERO
Licences and permits	% of required permits obtained	100% of required permits obtained	ECCO, PFI ERO
NEMA Approvals received for ESIA's	% of CPRs, PRs approved	100% ESIA's, Project Reports approved	ECCO, PFI ERO
Stakeholder engagement plan	No. of SEPs prepared	100% Tier 1 and 2 PFIs have developed and are implementing SEPs	SIO, PFI ERO
Grievance Redress	No. of PFIs having functioning grievance redress committees	All PFIs have functioning grievance redress committees	SIO, ECCO, PFI ERO
	No. of grievances received	100% of grievances resolved	
Reporting	No. of quarterly reports submitted to PMU per year by each PFI	4 reports received	ECCO

### 9.11 Quarterly and Annual Reviews

Quarterly and annual reviews will be undertaken by the PMU ECCO and SIO. These reviews are necessary to:

- Ensure that PFIs are complying with the processes established in the ESMF;
- Identify challenges and opportunities in order to learn lessons and thereby improve Project performance; and
- Be able to determine the cumulative impacts of the Project to establish attainment of the Project Development Objectives.

The reviews will produce Quarterly and Annual Review Reports.

Each year, workshops will be held where environmental, climate change and social performance of the Project will be reviewed and discussed, and recommendations made for improved Project performance. These workshops will be attended by the ECCO, SIO, County officers, NEMA Regional Officers and PFI officers responsible for the implementation of the ESMSs.

The Quarterly and Annual Review reports will be presented to the PSC in order to ensure that the Project is achieving its overall development objectives. IFAD will participate in these presentations.

### 9.12 Reporting

The PFIs will submit quarterly reports on environmental, social and climate-related issues to the PMU (ECCO).

The ECCO will produce quarterly and annual environmental, social and climate performance reports, which the PMU Project Coordinator will review and then submit to the PSC and IFAD.

### **9.13 Environmental and Social Auditing**

Where ESIA's have been prepared for given activities/interventions financed by PFIs, annual environmental and social auditing will be carried out to establish the level of compliance with national policy objectives and regulatory requirements and whether NEMA's conditions of approval attached to the CPRs and PRs are being implemented satisfactorily. The PFIs will be responsible for ensuring that these audits are carried out. The audits will be carried out by independent NEMA-registered practitioners. ECCOs will also ensure that PFIs carry out audits for specified projects.

Auditing of the ESMS is to be done internally every year as part of the ESMS review process, and may involve the PFI internal auditors where present. This will be done by the PFI EROs, with support from the ECCO. Audit reports will be sent to the PSC and IFAD.

## 10 Capacity Building

### 10.1 Existing Capacity

Based on discussions held during the consultations with selected PFIs, it was established that for the most part these PFIs (Tier 1 and some Tier 2) have in place several ESG requirements that could feed into specific elements of an ESMS. Understandably, different aspects of ESG requirements are handled by different departments within the institutions, but none of the institutions had a dedicated person or team to deal with ESG requirements and ESC issues in a consolidated manner. However, not all PFIs will have formal (or informal) policies, procedures and processes or institutional set-ups that could support the development of an ESMS. Certainly, at the rural level, agri-MSMEs and SACCOs will have only a few, if any, of the prescribed policies and procedures.

During this preliminary ESMF, it was not possible to assess the capacity of county officers, particularly the CEnvOs, CNRMOs and CSSOs, to monitor ESC issues or support the development of ESMSs for rural MFIs. While knowledge on ESC issues no doubt exists within the project county offices, the county officers are unlikely to be familiar with ESG requirements for implementing and monitoring ESMSs. It is also possible that they would not have the (financial and logistical) resources to carry out regular monitoring. During the initial stages of Project implementation, consultations will be held at the counties to ascertain their capacities.

Clearly, therefore there is need to build capacity in ESG as well as to deal with ESC issues and challenges that the agricultural sector experiences.

### 10.2 Training Needs

#### 10.2.1 Project Implementation

RK-FINFA Subcomponent 1.1 of the Technical Support and Innovation Services Component is focused on strengthening capacity of PFIs, MFIs, MSMEs and SACCOs, including implementing and monitoring of green investment portfolios and developing and implementing ESMSs for the 41 PFIs.

At the start of the Project, a capacity needs assessment will be carried out in order to:

- Identify the existing knowledge, skills and gaps in the area related to environmental and social compliance among the PSC, PMU staff, key PFI staff and other key Project implementation actors;
- Make recommendations for detailed capacity development required in order to ensure environmental and social compliance of RK-FINFA at all stages of its development and implementation;
- Make recommendations for detailed capacity building required by specific PFIs in order to ensure climate risk mitigation and emission reductions at all stages of the Project development and implementation;
- Prepare a detailed capacity building plan, training manuals (modules, visual aids, leaflets), training schedule and provide costs for these activities based on the identified capacity needs.
- Carry out the training programme by using the manuals developed.

In addition, Technical Assistance (in the form of a consultancy) will be hired to carry out training (particularly for the ECCO, SIO and CPFTs) and to support the PMU and PFIs to mainstream environmental, social and climate issues. The ECCO and SIO will then roll out training to the Tier 3 MFIs, SACCOs and project beneficiaries.

### 10.2.2 Specific Capacity Building for Vulnerable Groups

Vulnerable groups, including marginalized groups and persons with disabilities, will be invited to participate in training and capacity building sessions, cognizant that these groups may have specific capacity building needs.

### 10.3 Preliminary Proposals for Training

Table 10-2 below summarises the types of training that could be included for capacity building covering topics and issues relevant to the ESMF, the development and implementation of the ESMF and SECAP requirements.

Table 10-1 Anticipated Training Topics

Capacity Building Topics	Target Audience	Training Methods
National environmental, social and climate policies, legislation and administrative frameworks, and requirements (including permitting and licencing)	RK-FINFA PMU, PFIs, CPFTs	Training workshops
IFAD's SECAP, Gender, Indigenous Peoples, FPIC, Climate, Land and Disclosure Policies	RK-FINFA PMU, PFIs, CPFTs	Training workshops
RK-FINFA environmental and social management system, incl. ESG policies, ESC management procedures and plans; institutional and organizational arrangements to implement the ESMS; legal compliance; safeguards requirements; ERP; reporting and monitoring and ESMS review.	RK-FINFA PMU, PFIs, CPFTs	Training workshops
RK-FINFA SEP, Grievance Redress Mechanism, GBV/SEA	RK-FINFA PMU, PFIs, CPFTs	Training workshops for PMU, Tier 1 & 2 PFIs
	Project beneficiaries	Roll out training to Tier 3 PFIs and project beneficiaries
GALs Training	RK-FINFA PMU, PFIs, CPFTs	Training workshops for PMU, Tier 1 & 2 PFIs
	Project beneficiaries	Roll out training to Tier 3 PFIs and project beneficiaries

## 11 ESMF Implementation Budget

The PDR provides details of costs for some activities that can be considered to be environmental, social and climate related activities, such as the socio-economic baseline to be undertaken in Year 1. With regard to training, the PDR includes a budget line for GALS and GALS training and training in nutrition, education, and climate change adaptation.

The cost of implementing this ESMF includes the following:

- i. Salary for the Environment and Climate Change Officer;
- ii. TA Consultancy fees to carry out a needs assessment, capacity building in ESC awareness targeted at the PMU, PFIs, MFBs, SACCOs, Agri MSMEs;
- iii. TA consultancy fees to support ESMS development (initial training);
- iv. TA consultancy fees to support ESMS development (refresher training);
- v. Training materials for ESMS for first and refresher courses;
- vi. Annual review workshops where lessons learned across the project are incorporated to improve ESMSs and overall ESC management;
- vii. Project ESC management and monitoring to cover logistics, communications, per diems, stationery, etc (estimate).

*Table 11-1 Estimated ESMF Implementation Budget*

	<b>Budget Item</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Year 6</b>	<b>Total Budget USD</b>
1	ECC Officer Salary	36,000	36,000	36,000	36,000	36,000	36,000	216,000
2	Capacity needs assessment, capacity building and awareness training (Consultancy)	30,000	30,000		30,000			90,000
3	Support to developing ESMSs 41 PFIs (consultancy)	45,000			25,000			70,000
4	Annual ESC Review Workshops	10,000	10,000	10,000	10,000	10,000	10,000	60,000
5	Project ESC management and monitoring	5,000	5,000	5,000	5,000	5,000	5,000	30,000
	<b>TOTAL ESTIMATED BUDGET</b>	<b>126,000</b>	<b>81,000</b>	<b>51,000</b>	<b>106,000</b>	<b>51,000</b>	<b>51,000</b>	<b>466,000</b>

Thus, the costs for environmental, climate and social mitigation, management and monitoring costs, including capacity building and training and support to the development and implementation of the PFI ESMSs is estimated to be in the region of USD 466,000. The above budget lines will be refined further as the design progresses.



## 12 Summary of Key Issues & Recommendations for Design

### 12.1 Project Implementation Arrangements

The institutional arrangements for RK-FINFA implementation as presented in the PDR provide for a Social Inclusion Officer (SIO). However, while there are at least two rural finance specialists (or three if the Project Coordinator is also a rural finance specialist), there is no Environment and Climate Change Officer on the PMU. One of the outputs of Component 1 is: *“(iii) Environmental, Social and Governance (ESG) systems operationalized/ strengthened by 41 PFIs”*. Under Sub Component 2.2, the PDR states *“The GFF will contribute to the sustainable rural transformation, growth, and income generation through two fully interlinked methods: (a).....and (b) encouraging small-scale farmers including women, youth and microenterprises to invest in climate-smart, labour saving and environmentally friendly activities”*. Given that there is significant emphasis throughout the project design on the need for ESG and climate resilience to be mainstreamed throughout the lending process, it is imperative that the PMU will also have an Environment and Climate Change Officer on its team. This ESMF has therefore assumed that this will be the case.

At County level, County Project Facilitation Teams (CPFTs), which are composed of subject matter specialists, will support beneficiaries in regard to sensitisation for access to loans. The PDR is not clear on who these subject matter specialists are, so this ESMF has assumed that County Environment Officers (CEnvOs), County Natural Resource Management Officers (CNRMOs) and County Social Services Officers (CSSOs) will also be part of the CPFTs.

### 12.2 Environmental and Social Management Systems for PFIs

Many of the Tier 1 and some Tier 2 PFIs already have a number of ESG requirements in place that could feed into specific elements of an ESMS. But not all PFIs will have formal policies, procedures and processes or institutional set-ups that could be incorporated into an ESMS. At the rural level, agri-MSMEs and SACCOs it is expected that only a few, if any, have ESG policies and procedures in place. The ESMSs that will be developed for the various levels of PFIs will therefore have to be appropriate to the size of the PFIs and the nature and level of risk of the activities they finance.

Understandably, different aspects of ESG requirements are handled by different departments within the larger PFIs, but of the institutions consulted, none had a dedicated person or team to deal with ESG requirements and ESC issues in a consolidated manner. It is imperative that the ESMSs developed for the PFIs are integrated into their existing systems, rather than developing a stand-alone or parallel system. Involvement of the top management and the heads of those departments that deal with risk management will be critical, as this will impart a sense of ownership of the ESMSs within the institutions. Should some of the PFIs so wish, the ESMSs could also be audited as part of their internal audit system (a requirement of all ESMS certification bodies).

### 12.3 Capacity Building

Discussions held during the consultations with selected PFIs revealed that for the most part these PFIs (Tier 1 and some Tier 2) have in place several ESG requirements that could feed into specific elements of an ESMS. Different aspects of ESG requirements are handled by different departments within the institutions, but none of the institutions had a dedicated person or team to deal with ESG requirements and ESC issues in a consolidated

manner. All the PFIs consulted were keen to establish ESMSs for their institutions and saw the benefits of doing so. There is therefore need to build capacity in ESG as well as to deal with ESC issues and challenges that the agricultural sector experiences.

#### **12.4 Project Categorisation**

RK-FINFA has been categorised as a Category B project. RK-FINFA-supported agricultural initiatives will be small in scale and generally have minimal impact, anticipated to be site specific and reversible in nature, and easily remedied by applying appropriate and simple preventive actions and/or mitigation measures. In order to ensure that RK-FINFA remains within SECAP's Category B classification, each activity/intervention supported through RK-FINFA will be screened. Thus, any activities/interventions that are likely to have high or substantial risk will be screened out at this early stage, prior to any approval for financing.

#### **12.5 Climate Risk Analysis and Carbon Footprint**

Climate change over the next 20 years is not expected to dramatically affect the current geographical distribution of temperature and humidity stress in the RK-FINFA sub-counties. However, the duration of the exposure to stress is projected to increase for crops and livestock.

RK-FINFA has a focus on climate change adaptation, particularly through its Green Financing Fund (GFF). Climate change risk management will be incorporated into the ESMSs of the PFIs. Training and advisory services will be provided for the target beneficiaries to enhance their resilience and financial resources provided for green investments. The products under the green financing will promote climate smart agriculture, climate resilience and building back better after climate shocks.

The PFIs recognise that agricultural risks are intrinsically related to climatic events. During discussions, the PFIs expressed a definite interest in green finance initiatives, particularly those which would promote climate adaptation and resilience.

Through the GFF, PFIs can also act as agents of change and provide finance for their clients to introduce technological innovations that result in GHG emission reductions, and thus potentially generate carbon credits. Emission reduction payments to the projects can be channelled directly from the buyer to the PFI that provided up-front financing for a project eligible for carbon credits. This will reduce pricing of the loans and enable PFIs to provide larger and longer-term loans on favourable terms, making their credit more attractive for the borrowers. As an additional product, PFIs could offer financing for conducting emission reduction evaluations.

It is therefore recommended that during the initial stages of project implementation, a taxonomy of different green financing initiatives and products that can be supported by the PFIs be developed.

#### **12.6 Free Prior and Informed Consent**

The FPIC process is intrinsic in RK-FINFA's social inclusion as well as targeting strategies. RK-FINFA has a clear strategy for the inclusion of women, youth, smallholder households, indigenous peoples, PWDs and vulnerable persons. The targeting focus is on low-income, economically active rural households, with specific targets on 50 per cent of women, 30 per cent of youth participation and 5% of persons from vulnerable groups (marginalized groups including persons with disabilities and persons with HIV) in both capacity building and financing activities. Three of the Project counties (Bungoma, Nakuru and Trans Nzoia)

also have communities of indigenous peoples. To ensure effective social targeting and inclusion – which will deliberately include vulnerable people - the RK-FINFA strategy will apply a combination of targeting mechanisms and measures, namely i) poverty and community-based targeting; ii) direct targeting, and iii) self-targeting. Through the application of these social inclusion and targeting approaches, RK-FINFA will ensure all rural people are reached and no one is left out.

### **12.7 Physical and Economic Displacement**

RK-FINFA will not support activities or interventions that would result in any involuntary physical or economic displacement. Given the scale of financing, most activities will be undertaken on farms or premises already owned by borrowers. Any land or property to be acquired or leased would be done on a willing buyer-willing seller/lessor basis, and at the community level between members of the communities.

### **12.8 Grievance Redress Mechanisms**

A grievance redress mechanism will be set up at PMU level. Each PFI to be supported through RK-FINFA will be expected to develop grievance redress mechanism of their own, specific to the types of borrowers, adopting local and institution-based mechanisms.

### **12.9 GBV/SEA Management**

The ESMS for all PFIs will include prevention and mitigation measures for GBV/SEA and PFIs will be bound to ensure that these are applied across their client base.

### **12.10 Costs for Implementation of the ESMF**

The costs for environmental, climate and social mitigation, management and monitoring costs, including capacity building and training and support to the development and implementation of the PFI ESMSs is estimated to be in the region of USD 466,000. The above budget lines will be refined further as the design progresses.

## **Annexes**

Annex 1: References

Annex 2: List of Persons Consulted

Annex 3: Guidelines for the Preparation of an Integrated Pest Management Plan

Annex 4: Guidelines for the Preparation of an Indigenous Peoples Planning Framework

Annex 5: Terms of Reference for the RK-FINFA Environment and Climate Change Officer and Social Inclusion Officer

## **Annex 1: References**

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**Annex 2: List of Persons Consulted**

<b>Name</b>	<b>Designation and Organisation</b>	<b>Contact</b>
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### Annex 3: Guidelines for the Preparation of an Integrated Pest Management Plan

This guideline is adapted IFAD’s Social Environmental and Climate Assessment Procedures (SECAP 2017) Guidance Statement #2 on Agrochemicals.

#### 1. Introduction

The use of agrochemicals has been critical to agriculture. Agrochemicals include pesticides and chemicals used in animal husbandry such as antibiotics and hormones. “Pesticides” are chemicals that are used to kill or control pests. By their nature, pesticides are potentially toxic to other organisms, including humans, and need to be used safely and disposed of properly. Absence of safety precautions can result in accidents, sometimes with serious consequences. Those at greatest risk are those who experience the greatest exposure — these typically being smallholder farmers and livestock keepers, farm workers and their families. These groups are also often poor since bigger farms are more likely to provide training on pesticide risk avoidance to their workers. The unsafe use of agrochemicals also poses serious negative risk on the environment (soil, water, plant, wildlife, microorganisms, etc). In the Kenyan context, the proximity of agricultural activities using agrochemicals to sensitive ecological receptors such as protected areas, conservancies and other wildlife habitats raises concern in regard to the impacts these chemicals may have on those receptors.

Where there is a significant increase in the use of agrochemicals, IFAD requires a pest management or mitigation plan to be prepared. RK-FINFA will promote the use of agrochemicals as the Project will increase the availability of short-term credit for purchase of agrochemicals, which result increased use of agrochemicals. IFAD emphasises the need for careful selection of the type of agrochemicals and management and use (timing, dosage, mode of application, etc.) to reduce to acceptable levels the environmental risks they pose while providing the needed benefits for increased production with lower financial and health risk costs.

#### 2. Policy and Regulatory Frameworks in Kenya Related to Pest Management

##### *Institutional Framework*

The main government organ responsible agriculture is the Ministry of Agriculture, Livestock, Fisheries and Irrigation. Other institutions and stakeholders involved in pest management and influence adoption of IPM programs include:

- Kenya Agriculture and Livestock Research Organisation (KALRO)
- Kenya Seed Company (KSC) Agricultural Development Corporation (ADC)
- Agricultural Finance Corporation (AFC)
- National Cereals and Produce Board (NCPB)
- New Kenya Cooperative Creameries (NKCC)
- Kenya Plant Health Inspectorate Service (KEPHIS)
- Pest Control Products Board (PCPB)
- National Environment Management Authority (NEMA)
- Agro Chemical Association of Kenya (AAK).

##### *National Policies and Legislation*

Policies and legislation related to the agriculture sector and implementation of the IPMP are presented below.

*Table A2-1 Policies and Legislation related to IPM in the Agriculture Sector*

Thematic Area	Policies/Legislations/Guidelines/Strategies/ Action Plans
<b>Agriculture</b>	Agriculture Sector Transformation and Growth Strategy (ASTGS 2019-2029); Agriculture Act (rev 2012); Crops Act (2013); Irrigation Act (2019); Crops (Nuts and Oil Crops) Regulations (2020);

Thematic Area	Policies/Legislations/Guidelines/Strategies/ Action Plans
	Crops (Food Crops) Regulations (2019); Pest Control Products Act Cap 346; Plant Protection Act Cap 324; Fertilizers and Animal Foodstuffs Act, Cap 345 (2012)
<b>Livestock</b>	Draft (reviewed) National Livestock Policy (2019); Kenya Veterinary policy (2015); Draft Livestock Breeding Bill (2015); Livestock identification and traceability system regulations (2019); Pest Control Products Act Cap 346; Kenya Meat Commission Act; Fertilizers and Animal Foodstuffs Act, Cap 345 (2012); Animal Health Bill (2019)
<b>Fisheries</b>	Fisheries Act 2016; Fisheries Management and Development Bill (2019); National Aquaculture Policy (2011); National Aquaculture Development Plan (2010-2015)
<b>Environment and Natural Resources Management</b>	The Environmental Management and Coordination Act 1999; Environmental Management and Coordination (Water Quality) Regulations (2006); Environmental Management and Coordination (Wetlands, River Banks, Lake Shores and Sea Shore Management) Regulations (2009); Irrigation Policy (2011); Water Act (CAP 372) No. 8 (2002) (Revised 2012, 2016)

### ***International Conventions and Regional Agreements with implications on the Use of Agrochemicals***

- Basel Convention, 2006. The Basel Convention on the Control of Trans-Boundary Movements of Hazardous Wastes and Their Disposal was concluded in Basel, Switzerland, on March 22, 1989, and entered into force in May 1992. Now ratified by 149 countries including 32 of the 53 African countries, the focus of this convention is to control the movement of hazardous wastes, ensure their environmentally sound management and disposal, and prevent illegal waste trafficking (UNEP, 2006).
- Rotterdam Convention, 1999, aims to promote shared responsibility and cooperative efforts among Parties in the international trade of certain hazardous chemicals in order to protect human health and the environment from potential harm and to contribute to their environmentally sound use. Governments began to address the problem of toxic pesticides and other hazardous chemicals in the 1980s by establishing a voluntary Prior Informed Consent procedure (PIC). PIC required exporters trading in a list of hazardous substances to obtain the prior informed consent of importers before proceeding with the trade.
- The FAO International Code of Conduct on the Distribution and Use of Pesticides (2002). It establishes voluntary standards for public and private institutions involved in the distribution and use of pesticides. The Code sets out a vision of shared responsibility between the public and private sectors, especially the pesticide industry and government, to ensure that pesticides are used responsibly, delivering benefits through adequate pest management without significant adverse effects on human health or the environment.
- FAO Guidelines on Good Practice for Ground Application of Pesticides, 2001. FAO produced a new, revised and expanded series of pesticide application equipment related guidelines to cover the application of pesticides.
- The Safety and Health in Agriculture Convention (ILO 184). This was adopted by the conference of the International Labour Organization (ILO) addresses the protection of workers in the agricultural sector. More people work in agriculture than in any other sector, more workers are injured in agriculture than in any other sector, and pesticides are a major cause of injury and death. In addition, more children work in agriculture than in any other sector and they are differently and particularly vulnerable to the toxic effects of chemicals such as pesticides. A specific section of the convention deals with the sound management of chemicals and advises governments to adopt good management practices for chemicals, to inform users adequately about the chemicals they use and to ensure that adequate mechanisms are in place to safely dispose of empty containers and waste chemicals.
- Strategic Approach to International Chemicals Management (SAICM). The Kenya-UNEP partnership for SAICM aims to serve as a catalyst for the implementation of activities that will facilitate the meeting of Kenya's Vision 2030 goals on chemicals and waste management. These activities will promote the meeting of Kenya's obligations as they relate to the Basel, Stockholm and Rotterdam Conventions, to which Kenya is Party. Special emphasis will be placed on engaging with industry and the private sector in manufacturing, use and disposal of chemicals.

### 3. Impacts of Agrochemicals

Several potential environmental and social consequences are associated with the use of agrochemicals:

- *Air pollution*: Pesticides can contribute to air pollution as pesticide drift occurs when pesticides suspended in the air as particles are carried by wind to other areas, potentially contaminating them. Ground spraying produces less pesticide drift.
- *Water pollution* from the use of agrochemicals may affect both groundwater and surface water through leaching and run-off. High concentrations of nitrates and phosphates can lead to eutrophication in rivers, lakes and coastal waters. High levels of nitrogen and phosphorus cause the depletion of oxygen in lakes and reservoirs by excessive algal and bacterial growth (eutrophication), eventually reducing aquatic life. The problem is aggravated by organic effluents, especially human sewage, and eutrophication in drinking water reservoirs is a public health concern. In addition, the toxic compounds contained in some pesticides may pollute groundwater and surface water, posing threats to both human and animal health, including marine and freshwater fish.
- *Hazards to humans and animals*: Improper application of pesticides, overuse and neglect of safety periods during and after application may result in unnecessary exposure of farmers and their families to toxic material. Contact can be direct (skin or eye) or through inhalation or ingestion. Agrochemical residues are also known to persist in contaminated clothing. Pesticides may move off target and poison fish, cattle, beneficial insects, pollinators, soil organisms and nearby communities. Pesticides may have acute or chronic toxic effects. While people are aware of their acute effects, which vary from mild irritation to death, their chronic toxicity results from the accumulation of small amounts of residue in consumed food – of both plant and animal origin – in the human body over a long period, leading to various toxicity symptoms and diseases.
- *Bioaccumulation* implies that toxic levels increase over time and along the food chain (e.g. in carnivorous mammals or predatory fish). The bioaccumulation of toxins resulting from agrochemical use is a very serious issue, causing biodiversity loss and disease in both animals and humans, especially in poor rural communities that rely on wild food. Bioaccumulation is also very serious for the marine and freshwater life that is critical to a large proportion of the poor.
- *Pest resurgence*: Misuse of pesticides can cause elimination or suppression of the natural enemies that keep insect pest populations under control and at economically acceptable levels. This suppression leads to outbreaks of secondary pests previously not considered important. This can affect livestock and community health.
- *Pest resistance*: The misuse of pesticides can lead to the build-up of resistance in insect pests, pathogens and weeds. This resistance has great economic and ecological consequences because increasing amounts of more expensive and toxic pesticide formulations are required to achieve pest control. In some areas of the world, pesticide overuse has created a population of resistant pests, which threaten subsistence, livestock and human health.
- *Loss of bees and other beneficial insects*: Pesticides can kill bees and other beneficial insects that are essential for the pollination of indigenous plants, honey production, etc., thus causing negative impacts on the food production, livelihoods and incomes of poor rural communities.
- *Greenhouse Gases*: Agrochemicals are among the most important secondary sources of greenhouse gas (GHG) emissions in the agriculture sector.
- *Climate change* is expected to affect the population and life cycles of several pests and diseases, mainly through the influence on their distribution and expansion ranges. More invasions by introduced or migrated alien species of pests and diseases are expected, with higher intensities of infection. However, the impact of climate change will be most clear through its effect on crops, as crops growing under various types of climate stress will be more susceptible and vulnerable to pests and diseases. Anticipated effects include reduced tolerance and resistance levels in livestock, and losses in biodiversity. Because of higher pest and disease pressure, more pesticides will be applied, which might lead to increased misuse and overuse if not well managed. Environmental instability and increased incidence of extreme weather may also reduce the effectiveness of pesticides on target pests, or result in more injury to non-target organisms. However, climate change may affect biological control negatively or positively.

#### **4. Potential Mitigation Measures**

The use of agrochemicals can also be reduced or eliminated by promoting the use of locally available natural biopesticides; the use of natural on-farm animal and green manure; and organic farming techniques.

Some measures for management of pesticides are described here:

Pesticide management:

- The project should be explicit about the pesticides it proposes, including those that farmers are expected to use when credit for input purchases is made available. For projects that entail significant pesticide use or have the potential to result in increased pesticide use, a pesticide management plan is prepared, either as a stand-alone document or as part of the Environmental and Social Impact Assessment (ESIA) or ESMP. The most important criteria for assessing the environmental impact of a pesticide are its toxicity level and the degree of biodegradability. Consideration should also be given to residue-level guidance for countries that intend to export crops. Unregistered, restricted-use or experimental-use pesticides should be avoided, unless their use in the project has been reviewed and approved by the Food and Agriculture Organization of the United Nations (FAO)/World Health Organization (WHO) Joint Meeting on Pesticide Residues.
- Pesticides in WHO Class Ia and Class Ib5 should generally be avoided.
- For general use, the formulated product should be at a low enough concentration to be in at most a WHO Class II. Low-toxicity formulations should be favoured: from least toxic to most toxic, the options are granule, dust, wettable powder, flowable, emulsifiable concentrate, ultra-low volume and fumigant.
- Low-concentration granulars, seed dressings, bait formulations and pheromone traps generally present the least hazard to users and are especially suitable for small-scale farmers unfamiliar with pesticide use; they cause minimal environmental contamination and minimal adverse effects on non-target organisms.
- Safe application equipment and servicing facilities should be promoted, along with correct calibration of equipment. Training should be provided for personnel and farmers applying the pesticides.
- Protective clothing, including masks, gloves and boots, should be provided or promoted, especially for pesticides that are absorbed through the skin. However, improper use of protective clothing may be even more hazardous than doing without protection: unless it is washed, protective clothing can become saturated with pesticides – such as in the lining of boots and gloves – and can greatly increase pesticide absorption. Training should be provided.
- Training is crucial to the safety, use and cost-effectiveness of pesticides, and is recommended for inclusion in any project that increases the availability or accessibility of pesticides. A range of actors will require education: users, operators, extension officers, retailers, health workers treating cases of poisoning, and legislators in pesticides law.
- Application guidelines for pesticide use should be made clear, and a legal document should be drawn up providing assurance that the guidelines will be followed.
- All the pesticides used in the project should be properly labelled, and all labels and application guidelines should be provided in the local language.
- Monitor water courses, soil and community health on a regular basis to ensure that pesticide concentrations are within legal environmental and health limits.

#### **5. Integrated Pest Management Approach**

An Integrated Pest Management Plan (IPMP) is a tool to prevent, evaluate and mitigate the occurrences of pesticides or pesticide breakdown products. The IPMP includes components promoting prevention and developing appropriate responses to the detection of pesticides or pesticide breakdown products, and provides responses to reduce or eliminate continued pesticide movement to groundwater and surface water. It encourages the use of a combination of pest management techniques, such as integrated pest management to suppress pest populations in an effective, economical and environmentally sound way, and minimize adverse effects on beneficial organisms, humans and the environment.

Whenever an IFAD project includes the purchase, promotion or use of agrochemicals, the following should be addressed:

- Identification of specific crops and livestock breeds and their existing or potential pests requiring pest management:
- Investigate the options for using available safe pesticides and non-pesticide alternatives such as natural deterrents.
- Identification of nationally approved and available pesticides, and management and application techniques for their judicious and effective use to protect human and environment health.
- Assessment of local and national capacity for the safe handling, use, storage, disposal and monitoring of agrochemicals: Identify training needs for regulatory institutions, agro-dealers, extension agents and farmers, and assess the needs for building community environmental awareness.
- Development of an IPM programme for minimizing/optimizing pesticide application, including – if possible – provisions for monitoring residues in crops, livestock and in the environment. The programme should include IPM strategies for enhancing the resilience of vulnerable agroecosystems to climate variability and changes, and the adaptation of IPM practices to deal with pests in different climatic conditions (World Bank, 2009).

Thus the key steps in developing an integrated pest management plan are:

- Evaluate pests' impact before control programs are implemented, to identify pests, size of problems and possible natural controls. This includes describing:
  - Common pest problems and estimated economic impact, current and proposed practices, including non-chemical preventative techniques, biological and chemical control. Is optimum use being made of agro-ecosystem management techniques to reduce pest pressure and of available non-chemical methods to control pests? Do farmers and extension staffs get sufficient information about IPM approaches that reduce reliance on chemical control?
  - Relevant IPM experience within the project area, county or country, existing IPM practices, projects/programs, research
  - Discrepancies where the current or proposed practices are not consistent with the principles of an IPM
  - approach, to be able to propose a strategy to bring pest management activities into line with IPM.
- Evaluate non-pesticide management options, including a range of preventive measures and alternative pest control methods (physical, mechanical, and biochemical)
- Evaluate whether synthetic pesticides are necessary or not, whether less toxic varieties are available for the purpose, and how to minimize exposure for users and the environment

Note that risk is a function of both toxicity and exposure. Reducing risk means (1) selecting less toxic pesticides and (2) selecting pesticides that will lead to the least human exposure before, during and after use.

## **Pesticide Management**

### **1. Screening Pesticides**

The use of any pesticide should be based on an assessment of the nature and degree of associated risks, taking into account the intended users. With respect to the classification of pesticides and their specific formulations, reference is made to the World Health Organization's *Recommended Classification of Pesticides by Hazard and Guidelines to Classification*. The following criteria apply to the selection and use of pesticides:

- They must have negligible adverse human health effects.
- They must be shown to be effective against the target species.
- They must have minimal effect on non-target species and the natural environment. The methods, timing, and frequency of pesticide application are aimed at minimizing damage to natural enemies. Pesticides used in public health programs must be demonstrably safe for inhabitants and domestic animals in the treated areas, as well as for personnel applying them.
- Their use must take into account the need to prevent the development of resistance in pests.
- They do not fall in WHO classes IA and IB, or formulations of products in Class II if (a) country lacks restrictions on their distribution and use; or (b) they are likely to be used by, or be accessible to, lay personnel, farmers, or others without training, equipment, and facilities to handle, store, and apply these products properly.

## **2. Reduce exposure time or the degree of exposure**

### **Before use**

#### *Transporting*

- Separate pesticides from other materials being transported
- Avoid private distribution
- Never transport leaking or badly deteriorated containers
- Do not transport food, beverages or animal feed together with pesticides.
- Load and unload pesticides very carefully to minimize the chance of dropping containers.

#### *Packaging*

- Follow international and national norms and guidelines
- Use packaging adapted to needs eliminate re-use of packaging materials (even when cleaned, pesticide containers are too dangerous to re-use)
- The container for the product shall be of sufficient strength and shall provide all the necessary
- Protection against compaction, atmospheric moisture, oxidation, loss by evaporation and
- Contamination to ensure that the product suffers no deterioration under normal conditions of transit and storage, etc.

#### *Storing*

- Develop strict guidelines for farm level storage
- Ensure permanent, well-marked labeling
- Follow and respect national norms
- Use appropriate language and approved pictograms
- Use and respect appropriate toxicology colour codes
- Should be located far from human dwellings, and personal use items
- Should be sited far from rivers and bodies of water, to prevent chemical contamination from entering and poisoning the water
- Should not be sited in an area subject to flooding, especially during seasonal rains
- Be secured from public access
- Have a warning sign affixed to the exterior door, entrance or gate of the storage facility
- Have a floor or base that is protected from pesticide absorption

#### *Labeling*

The purpose of a labeling is to convey a message about what the product is, who makes it and how it may be used safely and effectively. Label should specifically indicate:

- Hazard symbol
- Trade and chemical name
- Ingredient statement
- Type of formulation
- Net content of the package
- Purpose for which it is to be used
- Name and address of manufacturer, distributor
- Registration or license number
- Directions for use
- Safety precautions
- Warnings and statements of good practice
- Hazards to humans and domestic animals
- Environmental hazards
- Physical and chemical hazards
- First-aid instructions and advice to health personnel
- Storage and disposal directions
- Warranty statement

#### *During use*

- Continuous training for farmers on transportation, storage, application, protective equipment and clothing, mixing of chemicals, disposal of containers, disposal of expired agrochemicals, etc

#### *Pre-application*

- Read and understand labeled instructions and any other information provided with either the agrochemical, the application equipment or the protective clothing.
- Assess the risks of application to people, animals and the environment and decide what action is necessary to reduce or eliminate them.
- Ensure that the user is competent and that he or she has received effective training in application techniques and the precautions to be observed.
- Arrange health monitoring as may be necessary for certain hazardous agrochemicals based on their frequency of use.
- Check application equipment to ensure that it operates satisfactorily without leaking or spilling and is calibrated for the necessary application rates.
- Check that protective clothing and other safety equipment including breathing apparatus, if required, is complete, is of the correct quality and is in good condition. Replace any items that are worn or missing.
- Decide how the work is going to be done and set up an action plan to cover its implementation, together with any emergencies that may arise.
- Check that weather conditions are satisfactory, particularly to avoid excessive wind speeds and consequent spray drift.
- Ensure the safe disposal of empty containers, tank washings and surplus pesticides.

#### *During application*

- Do not apply agrochemicals without adequate training.
- Wear appropriate protective clothing as prescribed on the label or information sheet for handling concentrated products.
- Avoid blow-back from granule or powdered materials when transferring container contents into the application unit. A slow, steady release causes least disturbance of air and reduces the risk of particles becoming airborne and being inhaled.
- Mix only the correct amount of agrochemical required for a particular task so as to avoid the need to dispose of any surplus.
- Handle containers carefully to prevent gurgling or spillage during pouring into an applicator.
- Pour correctly from large containers with the spout uppermost so as to allow air to flow into the container at the same rate as the contents flow out.
- If two or more agrochemicals have to be mixed, ensure that they are compatible and without risk of a chemical reaction that would cause a "tank mix" operator hazard.
- Do not eat, drink or smoke while applying agrochemicals.
- Ensure that dangerous practices such as putting a blocked nozzle to the mouth to blow it clear are prohibited. Clean the nozzle with water or a soft probe, such as a grass stem.
- Do not allow other workers in the field, particularly when pesticides are being applied.
- Take particular care to observe that children are neither allowed to spray nor are exposed to pesticides.
- Take notice of changing weather conditions, such as an increase in wind speed. This would cause drift and could blow the spray towards sensitive areas such as a drinking water supply, resulting in health hazards. It may also blow the spray towards the operator, causing an inhalation hazard.

#### *After use*

Know, respect and enforce any exclusion period after application during which humans, livestock, pets and wildlife must be kept away from the treated area; assure proper cleaning and rinsing off; and develop a workable monitoring and evaluation system). The following precautions have to be followed after applying the pesticide:

- Thoroughly wash hands, face and neck as well as other parts of the body which may have become contaminated. If gloves have been worn, wash them before removal
- Return unused pesticide to safe storage and safely dispose of empty containers and any surplus in the application equipment



- Decontaminate application equipment by washing it thoroughly. The washings should be drained into a soak-away or similar chamber to be safely confined and without risk to the environment.
- Decontaminate protective clothing by thoroughly washing items such as apron, boots and face shield. Launder the work clothing each day after spraying. Gloves should be washed inside and out and allowed to dry. Respiratory protection equipment should be wiped clean
- Bathe or wash thoroughly again after completing the above four actions.

### 3. Disposal of unused and obsolete pesticide, and empty pesticide containers

The safe management and disposal of pesticide-related waste (*unused and obsolete pesticide, and empty pesticide container*) should be provided and coordinated by regulatory authorities, pesticide distributors and suppliers. Other organizations that support and advise pesticide users, such as extension and health promotion services, non-governmental organizations (NGOs), agricultural colleges and schools, also have important roles to play.

The Pesticide Control Products Board is responsible for regulating the manufacture, import, distribution and use of pesticides. These responsibilities should be extended to include the management of pesticide related waste products, including empty containers, which are often overlooked.

A mechanism has to be designed to collect all empty pesticide containers from farmers and safely disposed and never reused. It is extremely dangerous to use them for anything else. Consult the pesticide label, the manufacturer, or the manufacturer's representative for specific recommendations regarding container clean-up and disposal.

The management plan has to be prepared when there is the plan to use pesticide to mitigate all the impacts associated with the pesticide using the above-mentioned measures. The implementation of the plan has to be supervised, monitored and audited, and a monitoring plan has to be prepared.

### 4. In Summary

The IPMP should include:

- A description of present, proposed and/or envisaged pesticide use and assess whether such use is in line with IPM principles. Provide purpose of pesticide use, type of products used, frequency of applications, and application methods. Is pesticide use part of an IPM approach and is it justified? Justification of pesticide use under the project should (a) explain the IPM approach and the reason why pesticide use is considered, (b) provide an economic assessment demonstrating that the proposed pesticide use would increase farmers' net profits, or for public health projects, provide evidence that the proposed pesticide use is justified from the best available (probably WHO supported evidence) public health evidence.
- An indication of type and quantity of pesticides envisaged to be financed by the project (in volume and monetary value) and/or assessment of increase in pesticide use resulting from the project.
- Circumstances of pesticide use and the capability and competence of end-users to handle products within acceptable risk margins (e.g. user access to, and use of, protective gears and appropriate application equipment; users' product knowledge and understanding of hazards and risks; appropriateness of on-farm storage facilities for pesticide).
- An assessment of environmental, occupational and public health risks associated with the transport, storage, handling and use of the proposed products under local circumstances, and the disposal of empty containers.
- Pre-requisites and/or measures required to reduce specific risks associated with envisaged pesticide use under the project (e.g.: protective gear, training, upgrading of storage facilities, etc.).
- A selection of pesticides authorized for use, taking into consideration: (a) criteria set at national (if there is any) or international, (b) the hazards and risks and; (c) the availability of newer or less hazardous products and techniques (e.g. bio-pesticides, traps).
- A description of activities that require local monitoring during implementation.

- viii. A description of activities that require monitoring during supervision visits (e.g. regarding effectiveness of measures to mitigate risks; progress in strengthening regulatory framework and institutional capacity; identification of new issues or risks arising during implementation).
- ix. Monitoring and supervision plan, implementation responsibilities, required expertise and budget.

## Annex 4: Guidelines for the Preparation of an Indigenous Peoples Planning Framework

This Indigenous Peoples Plan Framework (IPPF) has been adapted from the IPPF prepared for IFAD's Kenya Livestock Commercialization Project (RK-FINFA). It complies with IFAD's Policy on Engagement with Indigenous Peoples<sup>115</sup> and the Green Climate Fund's Operational Guidelines for Indigenous Peoples Policy<sup>116</sup>.

### 1. Overview

Kenya is home to Indigenous Peoples (IP) who are either hunter-gatherers or pastoralists. Some of the hunter-gatherers are transitioning to agro-pastoralism, others are nomadic or seminomadic pastoralists and other artisanal blacksmiths and fishing communities. It is estimated that pastoralists comprise 25% of the national population, while the largest individual hunter-gatherer community amounts to approximately 79,000. The pastoralists mainly occupy the arid and semi-arid lands of northern Kenya and towards the border between Kenya and Tanzania in the south. The hunter-gatherers include the Ogiek, Sengwer, Yiaku, Waata and Aweer (Boni), while the pastoralists include the Turkana, Rendille, Borana, Maasai, Samburu, Ilchamus, Somali, Gabra, Pokot, Endorois and others.<sup>117</sup>

Initial screening of the 14 Project counties indicates the presence of indigenous peoples. While detailed information on the extent of IP in the project's counties, as well as detailed information about their beliefs, traditions, benefits, involvement in the project activities, and impacts of the project on IP, among others, are limited at this stage, some general information is available about these groups. Nonetheless, it is highly likely that indigenous people will be present at some project sites and may be affected, or potentially benefit, from the project. Table A4-1 presents areas where Indigenous Peoples are present in the Project Counties.

Table A4-1 RK-FINFA Counties that host Indigenous Peoples

County	Indigenous hunter-gatherers, including small fishing and agricultural communities	Indigenous nomadic and semi-nomadic pastoralists and agro-pastoralists
Bungoma	None	Sabaot
Busia	None	None
Embu	None	None
Kakamega	None	None
Kirinyaga	None	None
Kisii	None	None
Machakos	None	None
Meru	None	None
Nakuru	Ogiek	Maasai
Nandi	None	None
Nyeri	None	None
Siaya	None	None
Tharaka Nithi	None	None
Trans Nzoia	Sengwer	Sabaot

Source: Respective County Integrated Development Plans 2018-2022

This IPPF has been developed to guide development of Indigenous Peoples Plans which will mitigate adverse impacts on Indigenous Peoples.

<sup>115</sup> IFAD (2009); Engagement with Indigenous Peoples: Policy

<sup>116</sup> Green Climate Fund (undated); Operational Guidelines: Indigenous Peoples Policy

<sup>117</sup> <https://www.iwgia.org/en/kenya>

## 2. Objective of the Indigenous Peoples Planning Framework

IFAD's Policy on Engagement with Indigenous Peoples aims to enhance IFAD's development effectiveness in its engagement with indigenous peoples' communities in rural areas. It sets out the principles of engagement to work with indigenous peoples, and the instruments, procedures and resources to be deployed to implement them.

Essentially, the framework will provide guidance on how the FPIC and the IPAPs will be developed and mainstreamed into Project activities. The IPPF will seek to provide guidance/processes and procedures to:

- Screen project components to assess their impacts on Indigenous Peoples;
- Ensure meaningful participation and consultation with affected persons in the process of preparation, implementation, and monitoring of project activities;
- Prepare an IPP to mitigate any adverse impacts found;
- Ensure that Indigenous Peoples receive culturally appropriate social and economic benefits;
- Define the institutional arrangement for screening, planning and implementation of Indigenous Peoples plans for projects; and,
- Outline the monitoring and evaluation process, including budgetary requirements.

## 3. Free Prior and Informed Consent

Given that indigenous peoples could potentially be present at Project sites, IFAD requires that the Project undertakes a process of Free Prior and Informed Consent (FPIC) leading to broad based community support and consent for the project as well as the development of Indigenous Peoples Action Plans.

The key elements of FPIC can be summarized as follows<sup>118</sup>:

- **Free** should imply no coercion, intimidation or manipulation;
- **Prior** should imply consent has been sought sufficiently in advance of any authorization or commencement of activities and respects time requirements of indigenous consultation/consensus processes;
- **Informed** should imply that information is provided that covers (at least) the following aspects:
  - a) The nature, size, pace, reversibility and scope of any proposed project or activity;
  - b) The reason/s or purpose of the project and/or activity;
  - c) The duration of the above;
  - d) The locality of areas that will be affected;
  - e) A preliminary assessment of the likely economic, social, cultural and environmental impact, including potential risks and fair and equitable benefit sharing in a context that respects the precautionary principle;
  - f) Personnel likely to be involved in the execution of the proposed project (including indigenous peoples, private sector staff, research institutions, government employees and others);
  - g) Procedures that the project may entail.
- **Consent**: Consultation and participation are crucial components of a consent process. Consultation should be undertaken in good faith. The parties should establish a dialogue allowing them to find appropriate solutions in an atmosphere of mutual respect in good faith, and full and equitable participation. Consultation requires time and an effective system for communicating among interest holders. Indigenous peoples should be able to participate through their own freely chosen representatives and customary or other institutions. The inclusion of a gender perspective and the participation of indigenous women are essential, as well as participation of children and youth as appropriate. This process may include the option of withholding consent. Consent to any agreement should be interpreted as indigenous peoples have reasonably understood it.

Free, prior and informed consent should be sought sufficiently in advance of commencement or authorization of activities, taking into account indigenous peoples' own decision-making processes, in phases of assessment, planning, implementation, monitoring, evaluation and closure of a project.

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<sup>118</sup> UNDG Guidelines (excerpt from the Report of the International Workshop on Methodologies Regarding Free, Prior and Informed Consent E/C.19/2005/3, endorsed by UNPFII at its fourth session in 2005).

Indigenous peoples should specify which representative institutions are entitled to express consent on behalf of the affected peoples or communities. In free, prior and informed consent processes, indigenous peoples, United Nations agencies and governments should ensure a gender balance and take into account the views of children and youth as relevant.

Information should be accurate and provided in a form that is accessible and understandable, including in a language that the indigenous peoples will fully understand. The format in which information is distributed should take into account the oral traditions of indigenous peoples and their languages.

Reference should be made to IFAD's How to Do Note on FPIC<sup>119</sup> and IFAD's How To Do Note on Engaging with Pastoralists<sup>120</sup>.

#### **4. Policy And Legislative Framework on Indigenous Peoples**

Indigenous Peoples have an inherent right to self-determination enshrined in different international jurisprudence. Indigenous Peoples also enjoy the right to maintain and develop their cultures, as well as the right over their lands, territories and resources.

##### ***Constitution of Kenya, 2010***

Kenya's 2010 The Constitution of Kenya 2010 (CoK) provides a rich and complex array of civil and political rights, socio- economic rights and collective rights that are of relevance to indigenous communities. CoK does not specifically use the term IP, it is nevertheless robust in articles that define vulnerability and marginalization, including issues that IP cite as the reasons for their self-identification. It also addresses social exclusion in general.

Article 260 of the Constitution defines a "marginalized community" as:

- A community that, because of its relatively small population or for any other reason, has been unable to fully participate in the integrated social and economic life of Kenya as a whole;
- A traditional community that, out of a need or desire to preserve its unique culture and identity from assimilation, has remained outside the integrated social and economic life of Kenya as a whole;
- An indigenous community that has retained and maintained a traditional lifestyle and livelihood based on a hunter or gatherer economy; or (d) pastoral persons and communities, whether they are (i) nomadic; or (ii) a settled community that, because of its relative geographic isolation, has experienced only marginal participation in the integrated social and economic life of Kenya as a whole.

Similarly, the COK (2010), defines 'marginalized group' as: a group of people who, because of laws or practices, on, or after the effective date, were or are disadvantaged by discrimination on one or more of the grounds in Article 27 (4) which prohibits discrimination on the basis of ethnic or social origin, religion, conscience, belief, culture, dress or language. In addition, article 27(6) calls on the state to undertake, 'legislative and other measures, including affirmative action programmes and policies designed to redress any disadvantage suffered by individuals or groups because of past discrimination'. This article prohibits both direct and indirect discrimination.

Articles 56 and 260 of the Constitution are a clear demonstration of the intentions of the country to deal with the concerns of minority and marginalized groups: The definition of marginalized communities and groups by the COK (2010), and the provisions for affirmative action programmes for minority and marginalized groups are efforts to provide a legal framework for the inclusion of minority and marginalized groups/ Indigenous Peoples into mainstream development of the country. These articles present the minority and marginalized groups including Indigenous Peoples.

The Constitution of Kenya requires the State to address the needs of vulnerable groups, including "minority or marginalized" and "particular ethnic, religious or cultural communities" (Article 21.3): The Specific provisions of the Constitution include: affirmative action programs and policies for minorities and marginalized groups (Articles 27.6 and 56); rights of "cultural or linguistic" communities to maintain their culture and language (Articles 7, 44.2 and 56); protection of community land, including land that is "lawfully held, managed or used by specific communities as community forests, grazing areas or shrines," and "ancestral lands and lands traditionally occupied

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<sup>119</sup> IFAD (2015); How to do: Seeking free, prior and informed consent in IFAD investment projects.

<sup>120</sup> IFAD (2018); How to do: Engaging with pastoralists – a holistic development approach

by hunter-gatherer communities" (Article 63); promotion of representation in Parliament of "... (d) ethnic and other minorities; and (e) marginalized communities" (Article 100); and an equalization fund to provide basic services to marginalized areas (Article 204).

While important, constitutional provisions alone are not enough. They require a body of enabling laws, regulations and policies to guide and facilitate their effective implementation. In 2011, Kenya's parliament enacted 22 laws. In the main, these laws are of general application and will have a bearing on the way in which the state exercises power in various sectors, some of them of fundamental importance to indigenous communities.

### **Other National Policies and Laws**

Kenya's legal and regulatory framework has inclusion of several provisions, policies and instruments that if well developed and implemented hold promise for addressing marginalization and inclusion of IP. These include:

*The National Land Policy (NLP)*: The NLP was endorsed in 2009 while the Land Act, Land Registration Act and National Land Commission Act were adopted in May 2012. According to the policy, a Community Land Act has been enacted. The NLP includes a key policy principle for restitution of land rights of minority communities as a way of restoration and protection of land rights which were violated by colonial and post-colonial governments (articles 3.6.1.2 and 3.6.6 on restitution and land rights of minority communities respectively). The policy calls on the GoK to secure community land and to "document and map existing forms of communal tenure, whether customary or non-customary, in consultation with the affected groups, and incorporate them into broad principles that will facilitate the orderly evolution of community land law" (Article 3.3.1.2, paragraph 66).

*The Forest Act of 2005 and Forest Policy of 2007* both provide some provisions for the customary rights of forest communities and community forestry: The Forest Act states, that "nothing in this Act shall be deemed to prevent any member of a forest community from using, subject to such conditions as may be prescribed, such forest produce as it has been the custom of that community to take from such forest otherwise than for the purpose of sale" (Article 22), and "...may include activities such as 'collection of forest produce for community based industries'" (Article 47.2.e) under a license or management agreement. The Act defines a "forest community" as "a group of persons who: (a) have a traditional association with a forest for purposes of livelihood, culture or religion (Article 3). The Forest Policy recognizes the "traditional interests of local communities customarily resident within or around a forest" (paragraph 4.3).

*The National Policy on Culture and Heritage (2009)* aims to promote and protect the cultures and cultural diversity among Kenya's ethnic communities. This includes the protection of indigenous languages, the expression of cultural traditions, knowledge, and practices, traditional medicines, and community rights.

*National Policy for the Sustainable Development of Northern Kenya and other Arid Lands*. The policy states that the Government will put in place an institutional and legal framework for the development of Northern Kenya and other arid lands. The policy thus calls on the government to establish a range of institutions that will provide long-term continuity in Arid and Semi-Arid Land (ASAL) development, including a National Drought Management Authority and National Drought and Disaster Contingency Fund to increase responsiveness to drought, National Council on Nomadic Education, a Northern Kenya Education Trust, a Livestock Marketing Board, and a Northern Kenya Investment Fund.

*Environment and Land Court Act, No. 19 of 2011* "hears and determines disputes relating to environment and land, including disputes: (a) relating to environmental planning and protection, trade, climate issues, land use planning, title, tenure, boundaries, rates, valuations, mining, minerals and other natural resources; (b) relating to compulsory acquisition of land; (c) relating to land administration and management; (d) relating to public, private and community land and contracts, chooses in action or other instruments granting any enforceable interests in land; and (e) any other dispute relating to environment and land.

### **International /UN Declarations/Treaties/Agreements**

*African Commission on Human and Peoples Rights (ACHPR)*. The Africa region has also taken important steps to recognize and apply the concept of Indigenous Peoples: The ACHPR, a sub-body of the African Union, adopted in 2005 the "Report of the African Commission's Working Group of Experts on Indigenous Populations/Communities<sup>11</sup>." The report recognizes the existence of

populations who self-define as Indigenous Peoples, who are distinctly different from other groups within a state, have a special attachment to and use of their traditional land, and who experience subjugation, marginalization, dispossession, exclusion or discrimination because of their cultures, ways of life or modes of production different from those of the dominant society. The ACHPR report concludes that these types of discrimination and marginalization threaten the continuation of Indigenous Peoples' cultures and ways of life and prevents them from being able to genuinely participate in decisions regarding their own future and forms of development. The report is the ACHPR's official conceptualization of, and framework for, addressing issues pertaining to IP, and as such it is an important instrument for recognizing Indigenous Peoples in Africa, improving their social, cultural, economic and political situation, and for protecting their human rights. The report outlines the following key characteristics, which identify certain social groups as IP in Africa:

- Their cultures and ways of life differ considerably from the dominant society;
- Their cultures are under threat, in some cases to the point of extinction;
- The survival of their particular way of life depends on access and rights to their lands and the natural resources thereon;
- They suffer from discrimination as they are regarded as less developed and less advanced than other more dominant sectors of society;
- They often live in inaccessible regions, often geographically isolated; and  
They suffer from various forms of marginalization, both politically and socially.

The ACHPR report concludes that these types of discrimination and marginalization threaten the continuation of Indigenous Peoples' cultures and ways of life and prevents them from being able to genuinely participate in decisions regarding their own future and forms of development. The report is the ACHPR's official conceptualization of, and framework for, addressing issues pertaining to Indigenous Peoples, and as such it is an important instrument for recognizing Indigenous Peoples in Africa, improving their social, cultural, economic and political situation, and for protecting their human rights. In line with the approach of the United Nations<sup>5</sup>, the ACHPR emphasizes the principle of self-identification, and stresses that the criteria for identifying Indigenous Peoples in Africa is not mainly a question of aboriginality but of the above factors of structural discrimination and marginalization. The concept should be understood as an avenue for the most marginalized to advocate their cause and not as an attempt to deny any African his/her rights to their African identity.

IFAD's Policy on Engagement with Indigenous Peoples. The Policy on Engagement with Indigenous Peoples aims to enhance IFAD's development effectiveness in its engagement with indigenous peoples' communities in rural areas. In its engagement with indigenous peoples, IFAD will be guided by nine fundamental principles:

- i. Cultural heritage and identity as assets;
- ii. Free, prior and informed consent;
- iii. Community-driven development;
- iv. Land, territories and resources;
- v. Indigenous peoples' knowledge;
- vi. Environmental issues and climate change;
- vii. Access to markets;
- viii. Empowerment; and
- ix. Gender equality.

The preparation, implementation, and monitoring of this IPPF follows this policy.

## **5. Project Component Screening**

The screening of Project components will be a mandatory requirement prior to implementation to determine if Indigenous Peoples are present in the specific subproject area, at which point it will be determined whether IP are present in, or have collective attachment to, the project area. In conducting this screening, the technical judgment of qualified social scientists with expertise on the social and cultural groups in the project area will be sought. Consultations with the IP concerned, and the executing agency will be undertaken.

The existing administrative structures of the County up to the village level will be used to inform the IP about the proposed project components and arrange for consultative meetings. Village Committee members, IP leaders will also be involved in dissemination of information about the meetings. Local radio stations may be used to communicate the meeting dates, venues, and purpose.

To ensure inclusive participation:



- Meetings may be conducted in indigenous languages or the national language;
- Representatives of the Indigenous Peoples in collaboration with the local administration in the sub project area will select a venue that is considered by way of mutual consensus as appropriate;
- Provide adequate notice for the meetings and allow time for consensus building, and the articulation by IPs of their views and preferences; and  
Ensure the time chosen for the meetings is appropriate for majority of the IPs to attend.

### **Screening Methodology**

Screening will be done using a screening check list in a collaborative and consultative approach. RK-FINFA Environmental and Climate Change Officer (ECCO) and Social Inclusion Officer (SIO) will prepare the screening forms in collaboration with the implementing Counties for the specific project component.

The screening will use both IFAD's IP policy and the GOK definition. If the results show that there are IP in the zone of influence of the proposed component, a Social Assessment (SA) will be undertaken.

The impacts (positive or negative) on Indigenous Peoples are considered significant if the project:

- i. Affects their customary rights of use and access to land and natural resources;
- ii. Changes their socio-economic status and livelihoods;
- iii. Affects their cultural and communal integrity;
- iv. Affects their health, education, sources of income and social security status; and/or
- v. Alters or undermines the recognition of indigenous knowledge.

### **Screening Criteria**

The RK-FINFA Social Inclusion Officer will visit all IP settlements near the selected subproject areas, which may be affected and influenced by the project components. Public meetings will be arranged in selected communities by the RK-FINFA teams with the IP and their leaders to provide them information about the project and take their views. The consultant will be a social scientist with knowledge of IP in project areas.

During this visit, the screening team will undertake screening of the IP with the help of the community leaders and local authorities. The screening will cover the following aspects:

- Name(s) of IP in the area;
- Total number of IP in the area;
- Percentage of IP to that of total area/locality population;
- Number and percentage of IP households along the zone of influence of the proposed subproject;
- Livelihood activities that the IP are engaging in and their locations in the project area
- Potential impacts (positive or negative) of the project on the IP and vice versa
- Will an IPP be required if a project component affects an IP zone?
- Are the IP willing to be engaged in project activities and to give consent to the project in their regions?
- If no, why?

## **6. Social Assessment**

Based on screening, should IP be present in, or have collective attachment to, the project area, a social assessment will be undertaken to evaluate the project's potential positive and adverse effects on the IP, and to examine project alternatives where adverse effects may be significant. The breadth, depth, and type of analysis required for the social assessment will be proportional to the nature and scale of the proposed project activities' potential effects on the Indigenous Peoples present.

The social assessment will also identify if the proposed component will involve change in use or management of commonly held properties in the community as well as involving the commercial development of natural and cultural resources on lands or territories that IP traditionally owned, or customarily used or occupied.

The information to be gathered for the SA should include (i) a baseline demographic, socio-economic, cultural, and political profile of the affected indigenous groups in the project area and

project impact zone; (ii) assessment of land and territories that Indigenous Peoples have traditionally owned or occupied; (iii) assessment of natural resources on which Indigenous Peoples depend; (iv) assessment on their access to and opportunities they can avail of the basic and socio-economic services; (v) assessment of the short and long term, direct and indirect, positive and negative impacts of the project on each group's social, cultural and economic status; (vi) assessing and validating which indigenous groups will trigger the Indigenous peoples policy principles; and (vii) assessing the subsequent approaches and resource requirements for addressing the various concerns and issues of projects that affect them. The information can be gathered through meaningful consultation process.

The PMU's SIO will then prepare detailed Terms of Reference (ToR) for the social assessment study once it is determined that IP are present in the project area.

Further to this, the social assessment will ensure free, prior and informed consent/consultation with the IP during project planning and implementation. It will ensure that mitigation of potential adverse impacts, deriving from project activities, will be based on a participatory and consultative process acceptable to IFAD and the IP themselves.

Subproject investments will comply with the following other than social screening, namely:

- Conserve and sustainably use land and other natural resources that impact on IP and other communities;
- Mitigate any possible adverse impacts;
- Be socially and culturally acceptable to the IP and economically feasible Be institutionally feasible: Local institutionally capacity should be adequate to take up activities;
- Be environmentally sustainable and avoid detrimental impacts from those activities that cannot be mitigated;
- Be supported by the IP and other communities through participatory consultation; and Be supported by training and capacity building if necessary, to enhance IP and community development.

## **7. Stakeholder Engagement**

### Stakeholder Identification

All the interested and affected stakeholders will be identified with specific focus on Indigenous Peoples and will include an elaboration of a culturally appropriate process for consulting with the IP at each stage of project preparation and implementation. A stakeholder mapping exercise will be conducted for each of the proposed project component where there is a likelihood of IP being affected.

### Stakeholder Consultation

Once screening has been conducted and a project component is found to be located in an area where IP are present, the existing administrative structures –county and sub county leaders and chiefs and assistant chiefs will be used to inform the IP communities about the proposed project. County leaders in collaboration with RK-FINFA will facilitate and arrange for consultative meetings with members of the IP and in these meetings, there will be free and prior information about the proposed sub project, the proposed location, and potential adverse impacts of the project on the IP.

Such consultation will include use of indigenous languages, allowing time for consensus building, and selecting appropriate venues to facilitate the articulation by IP of their views and preferences. Representatives of the IP in collaboration with the local administration in the sub project area will select a venue that is considered by way of mutual consensus as appropriate.

Engagement will be based on honest and open provision of information, and in a form that is accessible to IP. Engagement will begin at the earliest possible stage, prior to substantive on-the-ground activity implementation. Engagement, wherever possible, will be undertaken through traditional authorities and structures within communities and with respect for traditional decision-making structures and processes. However, recognition of the limitation these structures sometimes pose for some groups, such as women and young people will be taken into account.

Good practice community engagement, in the context of IP and projects, will aim to ensure that:

- Indigenous Peoples understand their rights;

- Indigenous Peoples are informed about, and comprehend the full range (short, medium and long-term) of social and environmental impacts – positive and negative – that can result from the proposed investment;
- Any concerns that Indigenous Peoples have about potentially negative impacts are understood and addressed by the RK-FINFA;
- Traditional knowledge informs the design and implementation of mitigation strategies and is treated respectfully;
- There is mutual understanding and respect between the RK-FINFA and the Indigenous Peoples as well as other stakeholders;
- Indigenous Peoples aspirations are considered in project planning so that people have ownership of, and participate fully in decisions about, community development programs and initiatives;
- The project has the broad, on-going support of the Indigenous Peoples and;
- The voices of Indigenous Peoples are heard; that is, engagement processes are inclusive.

## **8. Impact Identification**

The assessment of each project component's beneficial and adverse impacts will be conducted based on free, prior, and informed consultation, with the affected IP.

In a participatory process the determination of potential adverse impacts will entail an analysis of the relative vulnerability of, and risks to, the affected IP given their distinct circumstances and close ties to land and natural resources, as well as their lack of access to opportunities relative to other social groups in the communities, regions, or national societies in which they live.

Another concern is that while projects may consider short-term positive or negative impacts, they usually fail to consider the long-term impacts that project interventions could have on the livelihood, social organization and cultural integrity of IP, such as dams/water point improvement projects that may open up remote areas and increase pressure on indigenous lands and resources. Therefore, the identification of impacts should consider the long-term impacts as well.

## **9. Determination of Mitigation Measures**

The identification and evaluation, based on free, prior, and informed consultation with the affected IP, of measures necessary to avoid adverse effects, or if such measures are not feasible, the identification of measures to minimize, mitigate, or compensate for such effects, and to ensure that the IP receive culturally appropriate benefits under the project will be conducted in a participatory manner. The above-mentioned methods in the SA process will be used in determining mitigation measures. Mitigation measures may involve compensation as well and typical mitigation actions or compensations.

## **10. Development of strategies for participation of Indigenous Peoples**

Participation will be through meetings with the different groups of Indigenous Peoples primarily to ensure that:

- The IP are aware of the project and its impacts;
- Aware of any restrictions and negative impacts;
- Provide support to IP participation arrangements in the project;
- Are aware of the GRM; and
- Provide broad community support.

Project component activities selected should ensure that the IP do not: Face further physical and economic displacements from land and other natural resources traditionally utilized by them as source of livelihood and basis for their cultural and social system.

### ***Strategies for inclusion of Indigenous women and youth***

While it is important to acknowledge the role of elders and other traditional community leaders, it should not automatically be assumed that those who occupy formal leadership positions, whether they be traditional or government appointed, represent all interests in the community. In particular,

the RK-FINFA will need to be sensitive to those sections of the community who are frequently excluded from the decision-making process, such as women and youth.

During the Social Assessment, where it is determined that traditional decision-making structures exclude women and younger people, it may be necessary to obtain input from these groups by less direct means (for example, and where possible, via community needs surveys and baseline studies, or through informal discussions with small groups).

Also, in instances where Indigenous women and or youth are unable to contribute meaningfully in consultation meetings due to cultural requirements, FGDs with women only or youth only to be applied.

Overall RK-FINFA and the implementing partners will have to:

- Confer with the IP at the outset on how they wish to be engaged;
- Understand and respect local entry protocols as they relate to permission to enter a community and access traditional lands;
- Commit to open and transparent communication and engagement from the beginning and have a considered approach in place;
- Ensure that all representatives of the RK-FINFA staff carrying out the specific sub project investment including third party subcontractors and agents are well briefed on local customs, history and legal status, and understand the need for cultural sensitivity;
- Regularly monitor performance in engagement and;  
Enlist the services of reputable advisers with good local knowledge.

## **11. Combined qualitative and quantitative analysis methods**

Usually social assessment (SA) is comprehensive and involves complex social issues. quantitative analysis is preferred, such as for population structure, educational level and socioeconomic indicators. These indicators are analyzed arithmetically and evaluated objectively. Qualitative indicators that cannot be quantified should be analyzed and evaluated through a combination of qualitative and quantitative analysis, but primarily qualitative analysis. However, in this case the impacts are expected to be minimal and the social assessment/analysis will be in line with the scope of impacts identified and indeed will focus more on how to enhance coverage to more IP.

### ***Comparative analysis method***

The comparative analysis method is designed to find out the social profile of a project area in the absence of the project, and the impacts of the project on the area after its completion, thereby identifying the nature and degrees of different benefits and impacts.

### ***Stakeholder analysis method***

Stakeholders refer to all parties directly or indirectly affected by or interested in the Project and affecting the success of the Project directly or indirectly. The stakeholder analysis method identifies different stakeholders involved in the Project and prepares a stakeholder table, detailing stakeholder expectations, influences, roles and responsibilities for successful project implementation.

### ***Participatory assessment***

Participatory assessment is a method that involves all stakeholders in SA. The key points include listening to all stakeholders' opinions respecting all participants, showing interests in their knowledge, speeches and behaviours, and encouraging them to share their knowledge and ideas.

Through a semi-structured survey and whole-process participation, this method will make measures for mitigating social risks, and other programs concerning the affected persons' immediate interests more operable and acceptable.

### ***Other methods***

A number of data analysis tools and methods may be used in undertaking SA, including a) socioeconomic survey; b) institutional analysis; c) social gender analysis; d) social impact analysis; e) poverty analysis; and f) social risk assessment.

## **12. Conduct of the SA**

The process of gathering baseline information on demographic social, cultural, and political characteristics of the affected IP, the land and territories that they have traditionally owned or customarily used or occupied, and the natural resources on which they depend will be through a participatory rural appraisal mapping exercise involving the IP in the proposed project area.

Mapping the community resources where the project investments are targeted will determine the sphere of influence, how the vulnerable and marginalized communities utilize the said resources so as to identify how the project can enhance utilization of these resources.

Regarding customary rights of IP to use of common resources, the mapping will provide information on (i) location and size of the area and condition of resource, (ii) primary users, including those that belong to IP that currently use or depend on these common resources, (iii) secondary users and the types of uses they make, (iv) the effects of these uses on the IP, and (vi) mitigation measures of adverse impacts if any.

The social assessment (SA) will be undertaken by the social consultants who will be recruited by the RK-FINFA as part of developing the Indigenous Peoples Plan. The ToR for the work will be shared with IFAD for clearance. The SA consultants will gather relevant information from separate group meetings: Discussions will focus on project component impacts, positive and negative; and recommendations for design of the project components. The social consultants will be responsible for carrying out the SA, analyzing the SA, and for leading the development of the IPP.

### **13. Indigenous Peoples Plan (IPP)**

An Indigenous Peoples Plan (IPP) is required for all projects with impacts on IP. Its level of detail and comprehensiveness is commensurate with the significance of potential impacts on IP. An IPP contains specific measures to ensure that the IP receive social and economic benefits that are culturally appropriate, including measures to enhance the capacity of the project implementing agencies and other stakeholders. The IPP will be prepared through a consultative process to achieve FPIC.

The outline below will guide preparation of an Indigenous Peoples Plans (IPP) for RK-FINFA, although not necessarily in the order shown.

Executive Summary: This section concisely describes the critical facts, significant findings, and recommended actions.

Description of the Project: This section provides a general description of the project; discusses project components and activities that may bring impacts on IP; and identify project area.

Social Impact Assessment: This section:

- Reviews the legal and institutional framework applicable to IP in project context.
- Provides baseline information on the demographic, social, cultural, and political characteristics of the affected IP communities; the land and territories that they have traditionally owned or customarily used or occupied; and the natural resources on which they depend.
- Identifies key project stakeholders and elaborate a culturally appropriate and gender-sensitive process for meaningful consultation with IP at each stage of project preparation and implementation, taking the review and baseline information into account.
- Assesses, based on meaningful consultation with the affected IP communities, and the potential adverse and positive effects of the project. Critical to the determination of potential adverse impacts is a gender-sensitive analysis of the relative vulnerability of, and risks to, the affected IP communities given their particular circumstances and close ties to land and natural resources, as well as their lack of access to opportunities relative to those available to other social groups in the communities, regions, or national societies in which they live.
- Includes a gender-sensitive assessment of the affected IP's perceptions about the project and its impact on their social, economic, and cultural status.
- Identifies and recommends, based on meaningful consultation with the affected IP communities, the measures necessary to avoid adverse effects or, if such measures are not possible, identifies measures to minimize, mitigate, and/or compensate for such effects and to ensure that IP receive culturally appropriate benefits under the project.

Information Disclosure, Consultation and Participation: This section:

- Describes the information disclosure, consultation and participation process with the affected IP communities that can be carried out during project preparation;

- Summarizes their comments on the results of the social impact assessment and identifies concerns raised during consultation and how these have been addressed in project design;
- In the case of project activities requiring broad community support, documents the process and outcome of consultations with affected IP communities and any agreement resulting from such consultations for the project activities and safeguard measures addressing the impacts of such activities;
- Describes consultation and participation mechanisms to be used during implementation to ensure IP participation during implementation; and
- Confirms disclosure of the draft and final to the affected IP communities.

**Beneficial Measures:** This section specifies the measures to ensure that IP receive social and economic benefits that are culturally appropriate, and gender responsive.

**Mitigative Measures:** This section specifies the measures to avoid adverse impacts on IP; and where the avoidance is impossible, specifies the measures to minimize, mitigate and compensate for identified unavoidable adverse impacts for each affected IP group.

**Capacity Building:** This section provides measures to strengthen the social, legal, and technical capabilities of (a) government institutions to address IP issues in the project area; and (b) IP organizations in the project area to enable them to represent the affected IP more effectively.

**Grievance Redress Mechanism:** This section describes the procedures to redress grievances by affected IP communities. It also explains how the procedures are accessible to IP and culturally appropriate and gender sensitive.

**Monitoring, Reporting and Evaluation:** This section describes the mechanisms and benchmarks appropriate to the project for monitoring and evaluating the implementation of the IPP. It also specifies arrangements for participation of affected IP in the preparation and validation of monitoring, and evaluation reports.

**Institutional Arrangements:** This section describes institutional arrangement responsibilities and mechanisms for carrying out the various measures of the IPP. It also describes the process of including relevant local organizations and/or NGOs in carrying out the measures of the IPP.

**Budget and Financing:** This section provides an itemized budget for all activities described in the IPP.

## **14. Grievance Redress Mechanism for IP**

### **Overview**

RK-FINFA will establish a mechanism to receive and facilitate resolution of affected IP concerns, complaints, and grievances about the project's safeguards performance at each project component having IP impacts.

The Grievance Redress Mechanism (GRM) will be specific to addressing the concerns of the IP. The grievance redress mechanism should be designed with the objective of solving disputes at the earliest possible time and at the lowest levels where the IP reside for quick resolution. The traditional dispute resolution structures used by IP will be used as the first step in resolving grievances.

The IP will be provided with a variety of options for communicating issues and concerns, including in writing, orally, by telephone, over the internet or through more informal methods as part of the grievance redress mechanism.

In the case of marginalized groups (such as women and young people), a more proactive approach may be needed to ensure that their concerns have been identified and articulated. This will be done, for example, by providing for an independent person to meet periodically with such groups and to act as an intermediary. Where a third-party mechanism is part of the procedural approach to handling complaints, one option will be to include women or youth as representatives on the body that deals with grievances. It should be made clear that access to the mechanism is without prejudice to the complainant's right to legal recourse.

Prior to the approval of individual IPPs, the affected IP will have been informed of the process for expressing dissatisfaction and seeking redress. The grievance procedure will be simple and

administered as far as possible at the local levels to facilitate access, flexibility and ensure transparency.

Many of the factors that may give rise to conflict between IP and proposed project investments can be a source of conflict with non-IP as well. These include, for example:

- Establishing a project component in the absence of broad community support;
- Inadequate engagement or decision-making processes;
- Inadequate or inequitable compensation for land (if applicable);
- Inequitable distribution of benefits;
- Broken promises and unmet expectations of benefits;
- Failing to generate opportunities for employment, training, supply or community development;
- Environmental degradation
- Disruption to amenities and lifestyle;
- Loss of livelihood;
- Violation of human rights and;
- Social dislocation.

In addition, however, there are some contextual factors that have salience for Indigenous Peoples and their relations with project components. For example, a lack of respect (perceived or actual) for indigenous customary rights or culture, history and spirituality, is likely to trigger a strong reaction.

Similarly, issues around access to and control of land and the recognition of sovereignty are very important for many IP and can lead to serious conflict if they are not handled sensitively and with due respect for the rights of affected groups.

Grievances will be actively managed and tracked to ensure that appropriate resolution and actions are taken. A clear time schedule will be defined for resolving grievances, ensuring that they are addressed in an appropriate and timely manner, with corrective actions being implemented if appropriate and the complainant being informed of the outcome. The grievance procedure will be simple and will be administered as far as possible, at the subproject level by the relevant institutions and partners.

The grievance procedure does not replace existing legal processes. Based on consensus, the procedures will seek to resolve issues quickly in order to expedite the receipt of entitlements, without resorting to expensive and time-consuming legal actions. If the grievance procedure fails to provide a result, complainants can still seek legal redress.

### **Grievance Redress Process for the IPP**

The IPP will establish a mechanism to receive and facilitate resolution of affected IP' concerns, complaints, and grievances about the project's safeguards performance at each component level having IP impacts, with assistance from the RK-FINFA.

All sections of the community where a project component is identified, including those with low levels of literacy, should be able to access the grievances mechanism easily. The RK-FINFA should facilitate access by maintaining and publicizing multiple access points to complaint mechanisms, such as at the project site and in key locations within communities, including remote communities.

The procedure for grievance redress will be incorporated in the project information pamphlet to be distributed prior to implementation, and FPIC on it acquired. Participatory consultation with affected households will be undertaken during project planning and implementation stages.

#### *Establishment of Grievance Redress Committee*

A Grievance Redress Committee (GRC) will be established at the project area once it has been determined that IP are present in an area and that an IPP is needed. The composition of the Committees will include representatives of the IP, women, youth, PWDs, local NGOs/CBOs, and local administration. The GRCs are to be formed and activated during the IPPs implementation process to allow IP enough time to lodge complaints and safeguard their recognized interests. Assistance to IP will be given to document and record the complaint, and if necessary, provide advocate services to address the grievances. As is normal practice under customary law, attempts will be made to ensure

that the traditional leaders via the GRC solve all disputes in communities after a thorough investigation of the facts. The traditional dispute resolution structures existing for each of the IP will be used as the first step in resolving grievances.

#### Grievance Log Documentation and Recording

Documentation of complaints and grievances is important, including those that are communicated informally and orally. These should be logged, assessed, assigned to an individual for management, tracked and closed out or "signed off" when resolved, ideally with the complainant(s) being consulted, where appropriate, and informed of the resolution. Records provide a way of understanding patterns and trends in complaints, disputes and grievances over time. While transparency should be maintained – for example, through regular reports on issues raised and rates of resolution – provision should also be made for confidentiality of information or anonymity of the complainant(s) whenever necessary.

A grievance log will be established by the RK-FINFA and executing partner agencies and copies of the records kept with all the relevant authorities at the County, Sub County and Village level and will be used in monitoring of complaints and grievances.

In each sub project investment, the RK-FINFA Community Liaison Officer, will ensure that each complaint has an individual reference number, and is appropriately tracked and recorded actions are completed. The log also contains a record of the person responsible for an individual complaint, and records dates for the following events:

- Date the complaint was reported;
- Date the grievance log was uploaded onto the project database;
- Date information on proposed corrective action sent to complainant (if appropriate);
- The date the complaint was closed out; and
- Date response was sent to complainant.

#### Responding to Complaints

Once parties agree on a path forward – such as an apology, or an adjustment to operations – an action plan should be formalized and implemented. Depending on the issue, responses may vary from a single task to a program of work that involves different parts of the operation. Effective responses will also include engagement with parties involved to ensure that the response continues to be appropriate and understood. Communities should also be advised of the closeout of the issue and what has been done to achieve it. This feedback provides an opportunity for the PIU to demonstrate that it has addressed the issue as well as confirming that the community considers the response satisfactory and the matter closed.

#### Monitoring Complaints

It is important to collect data on community interactions – from low-level concerns and complaints to ongoing disputes and higher-order grievances – so that patterns can be identified, and project management alerted to high-risk issues. Effective monitoring may also help to prevent the escalation of lower-level disputes into more serious conflicts.

Information related to monitoring of the IPPs will be gathered through various channels, such as formal review, evaluation and analysis or through day-to-day interaction with IP. Monitoring will help determine the effectiveness of processes for responding to community concerns; for example, by tracking complaint resolution rates over time. This information can then be used to refine the system and improve the outcomes being achieved. The outcomes of monitoring should be reported formally to the community on a regular basis, in addition to being used for internal management purposes.

The IP/Project Community Liaison Officer for each project component will be responsible for:

- Providing reports detailing the number and status of complaints;
- Any outstanding issues to be addressed; and
- Monthly reports, including analysis of the type of complaints, levels of complaints, and actions to reduce complaints.



## ***Use of Alternative Dispute Resettlement Mechanisms***

The Environment and Land Court Act provides for dispute resolution through the Land and Environment Court. However, as is normal practice under customary law, traditional leaders play a leading role in solving disputes in communities through investigation of the facts using the services of local officials. The traditional dispute resolution structures existing for each of the IP will be used as the first step in resolving grievances. Those seeking redress and wishing to state grievances would do so by notifying their traditional leader of the IP or the appropriate administrative authority, who will in turn inform and consult with the RK-FINFA.

Further Redress-Kenya Courts of Law. All the grievances that will not be resolved by the GRC or which the IP are dissatisfied with in terms of resolution will be channeled to the existing structures in Kenya for handling grievances which is the Kenyan Courts of Law as the last resort.

### ***IFAD Complaints Procedure***

A complaint relating to non-compliance with IFAD's Social and Environmental Policies and mandatory aspects of its SECAP can be submitted in any of the following ways:

- i. Download the complaints form (Word)  
Send an email to [SECAPcomplaints@ifad.org](mailto:SECAPcomplaints@ifad.org)

However, this is only encouraged if the complainant has already brought the matter to the attention of the government or non-governmental organisation responsible for planning or executing the project or programme (the Lead Agency), or to any governmental body with the responsibility for overseeing the Lead Agency without adequate resolution, or if the complainants feel they might be subject to retaliation if they went to the Lead Agency directly.

## **15. Implementation of the IPPF**

### ***Implementation Phases***

The IPPF will be implemented in three phases:

- **County and IP sites disclosure of the IPPF:** This will entail sharing the IPPF details through county forums and specific IP sites. During this disclosure forums and meetings additional comments and views will be gathered and included in the design process as well as ensuring broad support of the RK-FINFA by the county government and IP.
- **Development of standardized Capacity Development Manuals.** The manuals will be developed to include the consultation process; Participatory Impact Monitoring, conflict redress process and grievance redress mechanism.
- **Capacity Development and Coaching of Relevant Stakeholders:** Capacity development and coaching activities will entail training session for various stakeholders such as RK-FINFA, County officials, IP NGOs, CBOs etc. In addition, during the IPPF implementation coaching sessions will be mounted on the project activities to ensure any negative impact on the IP are mitigated and/or avoided and that they share benefits that accrue from the RK-FINFA.

## **16. Disclosure Arrangements**

This IPPF and project component IPPs will be made available to the affected IP in an appropriate form, manner, and language.

Once IFAD accepts the documents as providing an adequate basis for project appraisal, it will make them available to the public in accordance with its policy on disclosure of information, and the GOK will also make the documents available to the affected communities in the same manner.

Each project component IPP will be disclosed to the affected IP. This will be done through public consultation and made available as brochures, leaflets, or booklets, using local languages. Summary of the IPP will be made available in hard copies and in local language at: Offices of the NT&P; Sub County or County Office; and any other local level public offices. Electronic versions of the framework as well as the IPPs will be placed on the official website of the NT&P.

## **17. Specific Capacity-Building for IP**

As the target groups are consulted and awareness of the social and economic inclusion principle of the project is widely shared, IP will be invited to participate in training and capacity building sessions. The IP may have specific capacity building needs, and dedicated skills training funded through potentially dedicated funding. Youth from the IP like in other communities may need separate training programs, tailored to their needs and lifestyle. Such trainings may be proposed during the FPIC. RK-FINFA will develop a training program targeting relevant project actors at the national, county, sub-county and community levels with each target with relevant training module and knowledge, skills and practice areas. The targeted audience will include the IP, the Grievance Redress Committees, CSOs, IPOs, NGOs, FBOs among others.

Terms of Reference and the selection process for facilitators and trainers will ensure that candidates who can deliver training modules in an inclusive way to be hired. Also, language and tools to be used in documents and training should factor in potential barriers these media can pose to the participation of certain excluded groups in capacity building measures. The county government should explore the possibility and ensure the language and modality of training provision would not exclude certain groups of members.

## **18. Roles and Responsibilities**

### ***RK-FINFA***

The ECCO and SIO will remain responsible for:

- Screening for project components affecting Indigenous Peoples
- Review project proposals, ensuring that they adequately apply IFAD's Indigenous Peoples Policy;
- Assess the adequacy of the assessment of project impacts and the proposed measures to address issues pertaining to affected indigenous communities. When doing so project activities, impacts and social risks, circumstances of the affected indigenous communities, and the capacity of the applicant to implement the measures should be assessed.
- Assess the adequacy of the consultation/FPIC process and the affected indigenous communities' broad support to the project—Monitor project implementation, and include constraints and lessons learned concerning IP and the application of this IPPF in its progress and monitoring reports; it should be assured that affected IP are included in monitoring and evaluation exercises.

### ***Non-Governmental Organizations***

The NGOs present and active in the area will be used during the social assessment studies as well as during the monitoring and evaluation of each project component. The formation of Grievance Redress Committees for each project component will also include representation by NGOs.

### ***IFAD***

IFAD will receive all the IPPs prepared and review and provide a No Objection or otherwise prior to project component implementation. During implementation, IFAD will also conduct field monitoring and evaluation.

## **19. Budget**

Implementation costs for IPPs will be financed by RK-FINFA. At this stage, it is not possible to estimate the exact number of IP who may be affected under RK-FINFA. It is therefore not possible to provide a budget for the total cost of IPP that may be associated with RK-FINFA implementation. However, after the conclusion of the site-specific socio-economic study, a detailed and accurate budget for each IPP will be prepared.

The following is a list of items to budget for in an IPP:

- Preparation of IPP
- Sensitization/Awareness creation for stakeholders at National, County and investment /community levels
- Capacity building (technical staff, GRCs, and IP)

- Disclosure costs for IPPs
- Mitigation measures: Targeted support to the IP
- Stakeholders trainings/ consultation forums on IPPF
- Monitoring and evaluation of the implementation of IPP
- Annual IPPs audit
- Establish/Operationalize GRM Committees.

## 20. Monitoring and Evaluation

### ***Mechanisms for monitoring, evaluation and reporting***

All project results indicators will be disaggregated by gender to monitor women’s participation in the project interventions. The project will also enhance inclusion of vulnerable female-headed households and child-headed households living in the targeted counties or those from marginalized communities of Kenya.

The implementation of IPPs will be monitored. The PMU will establish a monitoring system involving the project staff at national and county level, as well as community groups of IP to ensure effective implementation of IPP. A set of monitoring indicators will be determined during IPP implementation and will be guided by the indicators contained in this IPPF document. The project support consultants will carry out monitoring, as will the IFAD social staff. Appropriate monitoring formats will be prepared for monitoring and reporting requirements.

For any project component found to have significant adverse impacts on IP, external experts or NGOs will be engaged to verify monitoring information.

*Table A4-2 Monitoring and Evaluation Indicators for IPPF*

<b>Issues</b>	<b>Indicator</b>	<b>Responsibility</b>	<b>Data Sources</b>
Accessibility of project benefits to IP	Number of IP households benefitting from project interventions	RK-FINFA	Reports
Capacity Building for implementation of IPPF	Number of individuals & institutions trained	RK-FINFA	Training reports
IP Orientation and Mobilization	Number of IP meetings; Number of IP sensitized	RK-FINFA, IP Organizations/Elders	Reconnaissance survey reports Community meeting reports
Consultations with IP	Number/Attendance reports of IP	RK-FINFA, IP Organizations/Elders	Reports
Mapping of community resources critical to IP	Level of IP participation Reports verified and accepted by IP	RK-FINFA, IP Organizations/Elders	Baseline survey reports Community transect reports
Development of strategies for participation of IP and mitigation measures	Number of projects passed by social screening	RK-FINFA, IP Organizations/Elders	KEMP/PIU Reports
	Number of sub projects implemented		Implementing agencies reports
Capacity Building	Types of training Number of Trainings Attendance by IP	RK-FINFA, IP Organizations/Elders	Training reports
Equitable representation of IPS in decision making organs	Number of meetings attended by IP representatives Number and types of IP issues articulated	RK-FINFA, IP Organizations/Elders	IPSO reports
Participatory M&E with IPS	Internal M&E External M&E	RK-FINFA, IP Organizations/Elders	

### ***Monitoring and Evaluation Benchmarks***

Typical key indicators and topics for monitoring and evaluation of IPPs are:

- Process of consultation/FPIC activities;
- Economic/Nutrition status of IPPs in comparison with pre-project condition
- Status of IP as identified in the SA;
- Any disadvantaged condition to IP that was not anticipated during the preparation of IPPs, that required corrective actions; and
- Grievance redress issues.

### **21. Reporting**

Annual progress reports will be prepared by the PMU, where the ECCO and SIO provide input, supported by the environmental and social officers in the project counties and community levels. These reports will be submitted to IFAD.

## **Annex 5: Terms of Reference for ESC Officers**

### **Draft Terms of reference for the RK-FINFA Environment & Climate Change Officer**

#### **Background: The Project**

Rural Kenya Financial Inclusion Facility (RK-FINFA) is a six-year development project financed jointly by the International Fund for Agricultural Development (IFAD) and the Government of Kenya. RK-FINFA supports the transformation of rural and smallholder agriculture sector through private sector-led development by improving the access of the smallholder farmers and rural micro, small and enterprises to appropriate financial services. The Project operates nationwide in Kenya. It consists of three interlinked components: (a) Component 1: Technical Support and Innovation Services (TSIS); (b) Component 2: Rural Investment Instruments; and Component 3: Enabling Rural Finance Environment and Project Coordination.

RK-FINFA is in the process of recruiting officers for its Project Management Unit (PMU) in Nairobi. While the lead agency of the project is the National Treasury, all RK-FINFA activities include pro-active co-operations with the private sector, including financial institutions, the farming community as well as small and medium enterprises and larger processing and marketing companies in key agricultural value chains.

#### **Scope of Work**

The Environment and Climate Change Officer (ECCO) will work closely with all PMU staff, in particular the Social Inclusion Office, and implementing partners (host institutions, PFIs, and county governments) to cover the entire project's environmental and climate change oversight. The position will provide support to the project to comply with environmental and climate requirements through: -(i) technical backstopping and advising the PMU, implementing partners and counties in addressing a variety of environmental and climate issues, (ii) provide/coordinate environment and climate related training/awareness raising particularly in regard to setting up environmental and social management systems iii) provide support to PFIs to develop and implement ESMSs, iv) provide support to MFBs, SACCOs and MSMEs to develop ESMSs appropriate to the nature and scale of activities they fund (v) ensure that environment and climate issues are mainstreamed into project interventions and in the application of project documents eg. PIM, AWPBs etc .

The ECCO will report to the Project Coordinator.

#### **Specific Roles and Responsibilities**

Under the direct supervision of RK-FINFA Project Coordinator, the ECCO will be responsible for, but not limited to, the following duties:

- Guide the project in mainstreaming environment, climate and NRM considerations in all interventions and implementation processes.
- Prepare guidelines, tools and notes for use in the project based on relevant environmental policies, acts and regulations/ directives of the Government of Kenya and relevant safeguard policies of IFAD
- Ensure that national and IFAD's SECAP guidelines and procedures are complied with at all times and at all stages of project implementation.
- Oversee and provide technical support towards the development of the ESMS, indicators, tools, guidelines on environment and climate aspects of the project's baselines, and that the progress is also monitored at mid-term and end line.
- Develop relevant training and capacity building materials for environment and climate awareness, and for setting up ESMSs;
- Ensure that PFIs develop ESMSs appropriate to the activities they fund, and that they implement to the necessary environmental, climate and social processes and procedures as required by their ESMSs.
- Ensure that MFBs, SACCOs and Agri MSMEs develop ESMSs appropriate to the activities they fund and they implement the necessary environmental, climate and social processes and procedures as required by their ESMSs

- Develop implementation strategies of AWPB activities related to environment, climate and NRM activities and ensure AWPB targets are met in a timely manner.
- Review activity plans, ESMSs and other safeguard requirements for PFIs, and implementing partners and contractors, to ensure environmental, climate issues are mainstreamed and mitigation measures are incorporated, and ensure all project documents and environmental documents are in harmony.
- Liaise with relevant officers at the county level as well as at national level to monitor E&S performance of RK-FINFA onlending activities.
- Support Programme M&E through data collection and writing of required reports.
- Perform other related duties as may be requested by the Programme Coordinator.
- Represent the PMU in all relevant meetings and workshops, as well as in the preparation of any documents required to mobilise climate finances.
- Any other duty as assigned by the project coordinator.

#### **Qualification and Experience**

- Master's Degree or equivalent in Environmental Sciences; Natural Resource management and NRM or any related field.
- At least 8 years of relevant and progressive experience at community, national or international level in providing environmental management advisory services, hands-on experience in design, monitoring and evaluation of development projects and establishing interrelationships among international organizations and national governments.
- Sound knowledge of policy and regulatory frameworks for environmental, climate assessments and natural resource management in the agricultural/livestock context of Kenya.
- Demonstrated capacity to develop environmental and social management systems, execute safeguards, prescribe solutions to environment and natural resource management problems, manage budgets and programs, as well as prepare reports;
- Excellent skills in written and spoken English and Kiswahili, and good computer skills; knowledge of other local languages will be an added advantage;
- Creative, innovative system thinker, with ability to catalyse change.
- Affiliation to a local environmental body.

#### **Duration**

Three years' contract with possibility of extension based on performance.

## **Draft Terms of Reference for the RK-FINFA Social Inclusion Officer**

### **Background: The Project**

Rural Kenya Financial Inclusion Facility (RK-FINFA) is a six-year development project financed jointly by the International Fund for Agricultural Development (IFAD) and the Government of Kenya. RK-FINFA supports the transformation of rural and smallholder agriculture sector through private sector-led development by improving the access of the smallholder farmers and rural micro, small and enterprises to appropriate financial services. The Project operates nationwide in Kenya. It consists of three interlinked components: (a) Component 1: Technical Support and Innovation Services (TSIS); (b) Component 2: Rural Investment Instruments; and Component 3: Enabling Rural Finance Environment and Project Coordination.

RK-FINFA is in the process of recruiting officers for its Project Management Unit (PMU) in Nairobi. While the lead agency of the project is the National Treasury, all RK-FINFA activities include pro-active co-operations with the private sector, including financial institutions, the farming community as well as small and medium enterprises and larger processing and marketing companies in key agricultural value chains.

### **Scope of Work**

Reporting to the Project Coordinator, the Social Inclusion Officer will be responsible for the successful implementation of the social inclusion strategies of RK-FINFA.

The Social Inclusion Officer (SIO) will report to the Project Coordinator.

### **Main tasks and Responsibilities**

The Social Inclusion Officer (SIO) will:

- a) Be responsible for the implementation of the RK-FINFA Gender equality and women empowerment, youth, and social inclusion strategies in project interventions to ensure results for gender transformation and youth sensitive programming are achieved and on track.
- b) Liaise with the PMU to work with the other project officers and County Gender and Youth Officers, keeping them informed about the projects targeting strategy and progress and identifying any opportunities for complementary support for the project's beneficiaries from other government or donor initiatives.
- d) Review and monitor the Service Providers' plans for community mobilization including the socio-economic, youth and gender assessments, community entry, situation analysis, social and institutional mapping, wealth ranking, and assessment of individuals, community groups and beneficiary selection processes to ensure inclusion of the project's key target groups.
- e) Oversee and monitor the implementation of the youth empowerment, gender transformative approaches, women empowerment and GALS approach including contracting consultants or service providers for technical assistance, reviewing the TORs, and coordinating between the project and the required technical assistance.
- f) Track the project's effectiveness in targeting strategy, gender equality and women empowerment, youth and vulnerable groups in collaboration with the Monitoring and Evaluation Specialist, to ensure that gender and age disaggregated data is collated.
- h) Document best practices and emerging issues for course correction highlighting challenges, achievements and lessons learnt in the gender, youth and social inclusion aspects in progress reports.
- j) Carry out any other relevant duties as may be assigned by the Project Coordinator.

### **Qualifications and Competences**

- A Master's degree in social science or a field related to rural community development /gender/nutrition/youth/social inclusion.
- Experience with poverty, gender and youth targeting in agriculture-based rural development programmes.
- Experience in rural development project management and implementation.
- Knowledge of participatory and Household Methodologies, especially GALS.
- Good communications and IT skills as required for the SIO position.

- A minimum of 10 years of experience in community development and applied gender mainstreaming at project or institutional level.

**Duration of Contract**

Three years' contract with possibility of extension based on performance.