Appraisal Environmental and Social Review Summary

Appraisal Stage

(ESRS Appraisal Stage)

Date Prepared/Updated: 02/19/2022 | Report No: ESRSA01619

BASIC INFORMATION

A. Basic Project Data

Country	Region	Project ID	Parent Project ID (if any)
Kenya	AFRICA EAST	P176758	
Project Name	NATIONAL AGRICULTURAL VALUE CHAIN DEVELOPMENT PROJECT (NAVCDP)		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Agriculture and Food	Investment Project Financing	2/9/2022	3/29/2022
Borrower(s)	Implementing Agency(ies)		
The Republic of Kenya	Ministry of Agriculture, Livestock, Fisheries, and Cooperatives		

Proposed Development Objective

To increase market participation and value addition for targeted farmers in select value chains in project areas.

Financing (in USD Million)	Amount
Total Project Cost	250.00

B. Is the project being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?

No

C. Summary Description of Proposed Project [including overview of Country, Sectoral & Institutional Contexts and Relationship to CPF]

1. Kenya has witnessed strong economic growth and declining poverty incidence, but absolute poverty remains high. Since 2011, the economy has experienced robust GDP growth averaging 5.0- percent, catapulting Kenya to a middle-income status and significantly bringing down poverty levels. Kenya's poverty rate is among the lowest in East African countries, at 33.4 percent in 2019. Poverty reduction in Kenya has been accompanied by reduced income inequality, with the Gini index falling from 0.45 in 2005/06 to 0.39 in 2015/16. Kenya's Human Development Index for 2019 is 0.601, which put the country in the medium human development category and it's the World Bank Human Capital Index of 0.55 for 2020 places Kenya third in Sub-Saharan Africa.

2. Recently revised national accounts estimates have altered agriculture's share of nominal GDP down to 21.2 percent in 2019, down from an earlier estimate of 34.1 percent. However, despite the lower GDP contribution, movement of employment from agriculture to other sectors stalled between 2016 and 2019, and then accelerated during the COVID-19 pandemic, when the sector absorbed 1.6 million additional workers, increasing its share of employment from 47 percent to 54 percent.
Sectoral and Institutional Context.

3. The agriculture sector continues to be central to long term economic growth and sustainable poverty reduction in Kenya, with growth of 4.8 percent in 2020, and employing nearly 8.5 million Kenyans, or 70 percent of rural employment. Between 2005-06 to 2015-16, households with agriculture as the primary source of income accounted for 27.6 percent of overall poverty reduction . Agriculture accounted for up to 65 percent of exports in 2017 when its share of value-added peaked at the highest level among Kenya's regional and Sub-Saharan Africa Lower Middle Income Country peers. During the COVID-19 pandemic, strong performance of the agriculture sector significantly cushioned the blow to the Kenyan economy.

4. With predominantly smallholder-based agriculture production and its associated challenges, productivity levels for major crops in Kenya are stagnating. Kenya's agricultural total factor productivity (TFP) had decline by at least ten percentage points between 2006 and 2013 and stabilized thereafter. Kenya's TFP growth in agriculture lags Rwanda, Ethiopia and Tanzania and South Asia and South-East Asian countries . Small-scale production systems (between 0.2 and 3 ha) account for 78 percent of total agricultural production and 70 percent of commercial production. Hampered by poor access to credit and extension services, these production systems use limited improved inputs and modern production practices, such as hybrid seeds, concentrated feeds and fertilizer, pesticides, machinery, and irrigation. This is reflected in the value added per worker which has remained relatively stagnant between 2006-2016 and lags best-in-class countries in Africa by up to seven times.

5. Access to credit is a major constraint driving low adoption of quality inputs and technologies. Lending to the agriculture sector has generally stayed below 5 percent of total lending with annual credit needs across key commodity chains estimated at Ksh 130 billion compared to only Ksh 40 billion available. Having access to a farmer's credit group in the community is associated with high usage rates of inorganic fertilizer to make productivity gains. But while financial inclusion in Kenya has tripled in 13 years with 83 percent of Kenyans having a formal bank account but only 22 percent being financially healthy to invest in economic opportunities . And in 2019, only 5 percent of the 4.2 million local farmers reported having received or made farm related payments digitally.

6. In addition to input and credit challenges, there is need to address inefficient value chains and low levels of value addition. Major value chains in Kenya are riddled by inefficiencies, including limited post-harvest handling infrastructure, inefficient price discovery mechanisms leading to low farmgate prices and high levels of food wastage. In 2017, over 1.9 million tons of food was wasted to post-harvest losses, while Kenya was facing a severe drought . Small farms continue to produce 73.0 percent of total marketed production, most of which goes to the market without any value addition . Only 16 percent of Kenya's agricultural exports are processed, compared with 57 percent for imports. There is potential to significantly ramp up value addition across several agriculture and livestock value chains to boost producer incomes while generating new jobs.

7. Kenya's agriculture growth faces significant climate change risks that are expected to intensify in the coming decades. Kenya's average annual temperatures have increased by 1°C between 1960 and 2003, and by 1.5 °C in the

drier parts of the country. These rising temperatures have led to increasingly erratic climatic patterns and a general decline of rainfall in the main season. With 98 percent of agriculture being rainfed, the sector and especially smallholder farmers are extremely vulnerable to such shocks. The economic cost of floods and droughts is also estimated to create long-term fiscal liabilities of 2 to 2.8 percent of GDP each year . Future climate change is expected to bear heavily on Kenya's food and nutritional security with yield reductions of 40- 45 percent expected for maize, rice, soyabean, coffee and tea by 2100, and increases in food prices of 75 to 90 percent by 2055. The agricultural sector is also the largest source (59 percent) of total GHG emissions in Kenya with livestock-related emissions accounting for more than 96 percent of those emissions. Kenya still lags significantly in climate change mitigation and adaptation, ranked Kenya 148 out of 192 countries for readiness to adapt to climate change. Building climate resilient agriculture value chains requires transition to systems that are more productive, use inputs more efficiently, and have greater stability in outputs.

8. Poverty incidence among agriculture households decreases as they start selling produce in markets yet multiple barriers exist to agriculture commercialization for small-holder farmers in Kenya. Only 26 percent of market-oriented households are poor as compared to 38 percent of subsistence households. Market participating households have higher usage of inorganic fertilizers and irrigation, spend significantly higher on inputs and exhibit higher crop diversity. In Kenya, lack of high-capacity farmer organizations limits small-holder integration into value chains, raising transaction costs and reducing competitiveness. Critical infrastructure gaps include limited availability of processing facilities close to farm gate to reduce post-harvest losses, limited access to cold storage and warehousing facilities that can reduce distress sales and lack of market infrastructure that can reduce the distance from producer to end consumer. Going forward, any sustainable agriculture growth strategy must place a strong focus on aggregation, commercialization and enhancing market participation for farmers esp. subsistence farmers, while boosting productivity through improved access to quality inputs and extension services.

9. Under the Agriculture Sector Transformation and Growth Strategy (ASTGS), the authorities have initiated several forward-looking reforms to improve the enabling environment for market driven interventions and greater private sector participation in Kenyan agriculture. One key policy reform has been transforming its delivery mechanism of subsidized inputs through e-vouchers, that has enabled farmers to purchase ad choose source and type of inputs from private sector dealers with better targeting and electronic verification. GoK has also enacted a new Warehouse Receipt System (WRS) Act paving the way for a large-scale warehouse receipt system which can improve small-holder access to credit, choice to store or sell and shorten supply chains by bringing processors/institutional buyers directly to farmers. The establishment of a complementary Commodities Exchange is expected to reduce supply chain inefficiencies from limited and poor-quality storage capacity and lack of post-harvest services.

10. The World Bank-financed National Agricultural and Rural Inclusive Growth Project (NARIGP) and the Kenya Climate Smart Agriculture Project (KCSAP) have laid down a strong foundation for commercialization of agriculture in Kenya. The two projects have mobilized nearly 1.1 million farmers, mostly smallholders into nearly 37,000 Common Interest Groups (CIGs) and nearly 500 farmer producer organizations (FPOs). Over 10,000 community level extension workers are training farmers on 760 Climate Smart Technologies, Innovations and Management Practices (TIMPs) across 21 value chains. These TIMPs have been developed through 51 adaptive research projects with Kenya Agriculture and Livestock Research Organization (KALRO). Over 10,900 micro-project investments have been funded to build farmer capacity for adopting these TIMPs and more than 450 county level investments have been supported to enhance productivity and market linkages. At mid-term stage, these projects have achieved a 15 percent yield increase in the selected priority agricultural value chains. Nearly 60 percent of project-supported farmers have been

linked to 505 FPOs and over 170 FPOs have developed Enterprise Development Plans for leveraging formal finance. Eighty-five (85) public private partnerships have been established to improve service delivery to participating farmers. The twin projects have also laid groundwork for digitally integrated value chains: KALRO has developed a Big Data Platform with a database of nearly 1.1 million farmers with spatial data and producer details being utilized to provide integrated agro-weather and market information to farmers and agricultural institutions. A Disruptive Agriculture Technologies (DAT) platform has seen 26 high potential Ag-tech start-ups signing formal agreements with 26 counties to support digital solutions in the areas of extension, credit, agro-advisory and market linkages.

11. The National Agricultural Value Chain Development Project (NACVDP) will build on the foundations in farmer mobilization, productivity enhancement, climate resilience, water management initiatives and digital technologies laid by NARIGP and KCSAP. NAVCDP will mostly work with a subset of these above farmers that are part of the 9 selected value chains and across 26 counties. The project will deepen investments in existing interventions around productivity enhancement, community led farmer extension, water management investments and data driven value chain services. Additionally, the project will introduce intensified infrastructure investments into selected value chains, scale up value addition and market linkages with agribusiness off-takers and small and medium enterprises (SMEs), support Farmer Led Irrigation Development (FLID), enhance access to credit and financial services and develop the proof of concept around Urban Food Systems and peri-urban agriculture in select clusters. The project will leverage community level institutions comprising farmer CIGs, trained Community Driven Development Committees (CDDCs), FPOs and strong implementation capacity at national and county level. Project investments to enhance access to credit, climate information services, irrigation and market infrastructure are envisaged to be value chain neutral and universally support smallholder transition towards commercial agriculture. Other project interventions will focus on enhancing climate adaptation and mitigation via improved practices in soil and land management, water management, crop production, livestock production, agroforestry, crop livestock integration and efficient energy use. The project will also extensively use data and digital technologies to enable access to integrated climate information services, climate smart TIMPs and market advisories to farmers under the project and thereby enhance their adaptive capacity.

12. A total of 9 value chains (Dairy, Poultry, Fruits (Banana, Mango and Avocado), Vegetables (Tomato & Potato), Coffee, Cotton, Cashew Nut, Apiculture and Pyrethrum) in 26 counties have been selected for project support based on their potential for inclusion and commercialization, ongoing investments in value chains and availability of strong community institutions like CIGs and POs already supported under NARIGP and KCSAP. This project will build on ongoing investments and capacity to deliver multiplier effects while minimizing duplication. The climate vulnerability and the potential of climate smart agriculture (CSA) practices for each value chain has been reviewed and incorporated in the project design. The identification process of the value chains considered the three pillars of CSA of increased productivity and incomes, adaptation to climate change and mitigation of GHG emissions. The selected value chains are also largely aligned with the high potential value chains identified under ASTGS.

Component 1: Building Producer capacity for climate resilient stronger value chains (US$110 million)

13. Component 1 is focused on sustainable productivity enhancement, climate resilient and nutrition sensitive production and increased market participation for project farmers through improved access to credit, inputs and digital extension services and link them to high-capacity Farmer Producer Organizations (FPOs). Inclusion of women smallholders will be a key focus area with at least 50 percent of CIG members supported under the project estimated to be women farmers.

14. Sub-component 1.1: Farmer Capacity Building and e-Voucher support (US$40 million): The sub-component will build small farmer capacity for enhanced climate resilience, improved production and market participation through the following major interventions viz, training on climate smart TIMPs through on farm extension and public facilities to demonstrate CSA technologies, demonstrative micro-project investments to complement TIMPs training, farmer mobilization and technical assistance to support access to e-vouchers, and small scale infrastructure investments for primary aggregation, small duration storage and value addition. Most activities under this sub-component are being scaled up from earlier investments made under NARIGP and the focus will be on strengthening commercial orientation, inclusion of women farmers and enhanced climate resilience and adaptation. New mobilization of small farmers into CIGs as required, will also be undertaken. The project will partner with KALRO to further strengthen and expand the existing inventory of TIMPs with emphasis on climate resilience, nutrition, and safer food production practices.

15. Accompanying the training on climate smart TIMPs will be micro project investments at the CIG level for ensuring demonstration sites for the climate smart TIMPs. The sub-component will also support farmers to access e-vouchers as part of the National Value Chain Support Program (NVSP), launched in 2020. The project will support mobilization and registration of farmers, and provision of technical assistance at the national and county levels for the implementation of the program. Finally, the sub-component will also support provision of small-scale infrastructure investment (through micro project investments) needed for primary aggregation and value addition including weighing, grading, cleaning of produce, small duration storage and quality testing equipment.

16. Sub-component 1.2: FPO level climate smart value chain investments (US$30 million): This sub-component is focused on nurturing strong, market oriented FPOs that can enhance market participation and value realization for member small farmers and CIGs. The project will leverage the existing FPOs (mostly the best performing) mobilized under KCSAP & NARIGP and undertake new mobilization of FPOs, if required. The sub-component will support the development of, and fund, climate-informed Enterprise Development Plans (EDPs) to enable FPOs and their member farmers access to high quality and climate resilient inputs, aggregation and value addition. EDPs will prioritize investments which build resilience to climate vulnerability and will be screened for their emission potential. It will also provide technical assistance to support long term access to formal financing, enable linkages with agribusiness SMEs, e-commerce companies and large ag-tech startups, and build techno-managerial capacity for agribusiness operations.

17. Sub-component 1.3: Improve creditworthiness of CIGs and FPOs (US$40 million): This sub-component will focus on addressing both demand and supply side constraints to improve creditworthiness and bankability of CIGs and FPOs. On the demand side, the project will provide initial small grants to the CIGs through the Savings and Credit Cooperatives (SACCOs) – both existing and new – within the CDDCs. These grants will be repaid back by the members to the SACCOs/CDDCs to build a revolving fund and will be primarily targeted towards increased adoption of climate smart TIMPs, access to climate resilient inputs, access to irrigation and improved soil & water management measures among others. The project will enhance financial management capacity of CIG members farmers, SACCOs/CDDCs and provide technical assistance to FPOs to access finance. Working on the supply side, the project will support development of an FPO rating tool and will engage intensively with commercial banks, SACCOs, micro-finance institutions and digital financial service providers to build county level, regional and national partnerships for sustainable credit linkages and long-term access to capital

Component 2: Climate Smart Value Chain Ecosystem Investments- US$90 million

18. This component will finance the enabling ecosystem investments identified as part of county level, regional level (spanning several counties) and national value chain development plans for each of the nine identified value chains. The following are the sub-components:

19. Sub-component 2.1: Farmer-Led Irrigation Development (US$20 million): This sub-component will support Farmer-led irrigation development with a focus on developing water efficient irrigation systems, water harvesting and efficient water use, building drought adaptive capacity and climate resilience. The geographic focus will be where surface and shallow groundwater are readily available to farmers. In terms of water harvesting, the sub-component will support construction of small-size farm ponds and water pans (both construction of new water pans and rehabilitation of existing ones) and other interventions enabling improved water recharge. The FLID interventions will be demand driven and will leverage CIGs and FPOs to motivate individual farmers to access irrigation and use water efficiently. The CIGs and FPO network will also be leveraged to develop Irrigation-centred multi-stakeholder platforms called FLID forums that will emphasize climate resilience by linking farmers with irrigation suppliers, financial institutions, and other key stakeholders. Lastly, this sub-component will also support deployment of specialized technical resource persons at county level to coordinate with County Irrigation Development Unit (CIDU). The resource persons and the county teams will facilitate technical support to farmers on water harvesting and accessing irrigation including identifying, aggregating and linking individual farmers with tech-suppliers and financing institutions.

20. Sub-component 2.2: Market Access and Infrastructure Development (US$20 million): This sub-component will support development of enabling climate resilient market infrastructure (warehouses, markets etc.) linked to prioritized value chains and on enhancing market linkages for farmers through enabling linkages with agri-business SMEs and other private sector partners. The market infrastructure will include development and upgradation of both new and existing physical markets, aggregation centers and cold-chain infrastructure to reduce post-harvest losses, food spoilage and improve value addition. Investments will be identified by value chain development plans and focus will be on developing co-financing models including Public Private Partnership (PPP) investments, impact investments and multi-county collaborations. Investments will be informed by climate considerations such as increased resilience and reduced emissions across food value chains. It will also actively support initiatives towards maximizing finance for value chain development and crowding in investments through value chain forums at county, regional and national level aimed at improving coordination among value chain actors, financing institutions and policy makers. The project will work closely with IFC to develop linkages with anchor off-takers and value chain actors while also identifying and creating a pipeline of investable opportunities for development of crucial market infrastructure in partnership with private sector. In addition, the Kenya Markets Information Systems (KAMIS) will be strengthened to bridge market information asymmetry between producers and other value chain actors. This sub-component will also include a dedicated window for financing new and existing SMEs providing crucial services especially market linkages along the value chains.

21. Sub-component 2.3: Data and Digital Investments (US$20 million): This sub-component will support climate adaptation planning by scaling up of partnership with DAT service providers including mobilization, technical assistance, training and capacity building and digital equipment that enables farmers to access climate information services, climate smart TIMPs, climate resilience inputs, market information, digital finance and e-commerce. It will also support the strengthening of the existing Big Data platform at KALRO as the foundational database for insight-

driven, more productive, resource efficient and climate-resilient farming. The Big Data platform will support wider farmer outreach by supporting digitization of more farmers, deepening data around savings, credit, cash flows and access to market at the farmer level and mapping of other key stakeholders to enable access to financial services and market linkages for farmers under the project. Also, under the sub-component, at least 2000 youth (with at least 30 percent women) will be developed as agriculture entrepreneurs (referred to as "agriprenuers") that will double up as both the last mile extension service providers and as the human touch point for "bundling" the services (access to climate resilient inputs, climate information services, financial service, and market linkages) through the partnership with the various DAT providers. Lastly, county staff and lead farmers will be trained on digital services, data driven decision making and partnership management.

Sub-component 2.4: Research Linkages, Technical Assistance, and Institutional Capacity (US$30 million): This sub-component is aimed at providing continued support to KALRO towards further strengthening of climate smart TIMPs, supporting quality technical assistance for value chain development at various levels and placement of and building capacity of county level implementation units to anchor project activities. The subcomponent will support sustained partnership with KALRO and fund the development of TIMPS for the three new value chains-cotton, pyrethrum, and cashew nuts and update inventories of TIMPS for all other value chains developed during the implementation of KSCAP/NARIGP with a focus on further strengthening climate resilience and enhancing value addition. Three to five TIMPS with the highest potential for impact (through enhanced productivity, profitability, climate resilience, greenhouse gas [GHG] mitigation) for each of the supported value chains will be prioritized. The subcomponent will also support the onboarding of technical support agencies (TSA) across several functional areas including but not limited to TSAs for FPO capacity building, value chain development, financial services, and market infrastructure development. Lastly, this sub-component will support deployment of full time dedicated human resources and the procurement of equipment to support their functioning at the county level. A dedicated cell to coordinate closely with private sector players, anchor off takers and public departments will be established. The cell will anchor investment coordination and a reference database of ongoing value chain investments at the county level for prospective new investors.

Component 3: Piloting Safer Urban Food Systems- US$30 million

22. This component will support the rollout of Urban Food System pilots in Nairobi, a major urban cluster in the country, and parts of Kiambu and Machakos bordering the city as the peri-urban areas. The focus will be to demonstrate proof of concept of a resource efficient, climate smart and safe urban food system.

Sub-component 3.1- Urban and Peri-urban agriculture (US$10 million): As part of this subcomponent, urban and peri-urban farmers within certain select production zones will be mobilized and supported with micro project investments to promote contextually conducive climate smart agriculture technologies. Application of DAT in urban and peri-urban areas would lead to more efficient input use matched to climatic trends and reduced GHG emissions. These urban/peri-urban production zones will be linked to midstream value chain stakeholders such as processors and logistics providers (nutrition sensitive preservation and processing technologies) to reduce post-harvest losses. New and existing agri-business SMEs supporting such production and marketing practices will be supported through training and linkage with financial service providers.

23. Subcomponent 3.2: Urban Market Infrastructure (US$15 million): This subcomponent will support linkages between rural/peri-urban producers and urban consumers by a) Developing/upgrading climate proof market infrastructure (physical urban and peri-urban markets) to serve as market hubs for direct farmer-consumer linkages

and make them more resilient to climate change and b) Facilitating direct linkages between the CIGs/FPOs under the project and e-commerce platforms and digital aggregators like Twiga Foods. The sub-component will also support intensive consumer awareness and information campaign to catalyze higher demand and value for safer food produce.

24. Sub-component 3.3- Policy and Institutional Strengthening (US$5 million): This subcomponent will support the implementation of existing policy & regulatory frameworks, beginning with the Nairobi City County Food System Strategy. The activities to be funded will include: (a) operational costs towards strengthening the coordination and convergence among the various line ministries and departments that are involved in urban food systems and food safety both at the national and county level; (b) training and capacity building costs both at the government level, farmer level and consumer level; and (c) support policy analysis and technical assistance (through appropriate technical experts and agencies) to be provided to the line ministries and departments.

Component 4: Project Coordination and Management (US$20 million)

25. This component will finance activities related to national and county-level project coordination, including planning, fiduciary (financial management and procurement), staffing & human resource (HR) management at the national level, environmental and social safeguards implementation, monitoring and compliance, development of management information systems (MIS) and information and communication technologies (ICT), regular monitoring and evaluation (M&E), impact evaluation, communications, knowledge management and citizen engagement.

26. Subcomponent 4.1: Project Coordination (US$15 million): This subcomponent will finance the costs of national level project coordination unit (NPCU), including salaries of contract staff, and O&M costs, such as office space rental, fuel and spare parts of vehicles, office equipment, audits, furniture, and tools, among others. It will also finance the costs of project supervision and oversight provided by the National Project Steering Committee (NPSC). It will also support the oversight and inter-governmental coordination provided by the Joint Agriculture Sector Coordination Mechanism (JASCOM/JAS) and the Council of Governors' (COG) structures for Agriculture (Committee on Agriculture, Caucus of CECMs for Agriculture, and Agriculture Secretariat); support the Agriculture Transformation Office and any other project administration costs.

27. Subcomponent 4.2: Communication, Monitoring & Evaluation, and ICT (US$5 million): This subcomponent will finance activities related to communication with all stakeholders includes project beneficiaries, all government officials that are part of the project implementation, key policy makers and the citizens at large. As part of citizen engagement, the project will engage with the communities intensively and ensure their participation and complete ownership in the planning, preparation and implementation of the value chain development plans, the micro project proposals at the CIG level and the Enterprise Development Plans at the FPO level drawing from similar experiences in other successful community-driven development (CDD) type operations. It will also finance activities related to routine M&E functions (e.g., data collection, analysis, and reporting) and development of an ICT-based Agricultural Information Platform for sharing information (e.g., technical or extension and business advisory services, market data, agro-weather, and others); it will also facilitate networking across all components. It will finance baseline, mid-point, and end-of-project impact evaluations.

Component 5: Contingency Emergency Response (USD $0 million)

28. This zero-budget subcomponent will finance immediate response activities following natural disasters (e.g., droughts, floods and or any sudden surge of a crop and/or livestock pest or disease) impacting the agricultural sector. The emergency response financing would be triggered upon formal request from the National Treasury (NT) on behalf of GoK. In such cases, funds from project components would be reallocated to finance immediate response activities in the agricultural sector as needed. Procedures for implementing the contingency emergency response will be detailed in the Immediate Response Mechanism Operations Manual (IRM-OM) to be prepared and adopted by GoK within six months of project effectiveness.

D. Environmental and Social Overview

D.1. Detailed project location(s) and salient physical characteristics relevant to the E&S assessment [geographic, environmental, social]

The Project will be implemented in 26 counties in the country that include Meru, Muranga, Kiambu, Kirinyaga, Embu, Nyeri, Machakos, Makueni, Kitui, Trans-Nzoia, Nandi, Uasin Gishu, Nakuru, Narok, Bomet, Kericho, Nyandarua, Kisii, Migori, Homa Bay, Kakamega, Busia, Kilifi, Taita Taveta, Kwale and Tana River. Vulnerable and Marginalised Groups meeting the criteria of ESS7 are present in 11 of the 26 counties. The Project will finance selected nine (9) value chains that are namely: Dairy, Coffee, Chicken, Fruits (Avocado, Banana, Mango), Vegetables (Irish potatoes, Tomato), Apiculture, Pyrethrum, Cashewnut and Cotton. The Project will finance activities to support up to 500,000 existing farmers with a majority being small scale farmers. The project is expected to benefit several value chain actors at various levels including extension workers, aggregators, logistics support providers and SMEs operating within the value chains. About 8.5percent of children are engaged in child labour as per Kenya child labour baseline survey report dated October 22, 2021 by the Kenya national Bureau of Statistics. Arid and semi-arid counties reported the highest child employment rates in the country. Agriculture being one of the main activity involving child labor, the project requires to manage this risk during implementation.

The ESMF includes an environmental and social screening form that will guide the screening and selection of sub-projects to ensure that no sub-project is implemented in an ecologically fragile and or protected area. It is expected that all micro-projects and multi-community investments under components 2 and 3 will be sited on either privately-owned land (i.e. land owned by a PO) or communal land set aside for that purpose. As such, physical displacement / relocation of community members is not envisaged. The project include counties with insecurity and conflict issues given a history of inter/intra community conflicts which are acute in the arid and semi-arid lands (ASALs) areas given resources and water scarcity.

The activities under Component 1 are largely soft activities including building capacity of farmer groups through micro-investments aimed at TIMPs for enhanced productivity and resilience; supporting CIGs with micro project investments through the established structures of the CDDCs; building aggregation and market participation capacity of farmers through stronger FPOs; and facilitating FPOs to access to high quality inputs through institutional linkages

with suppliers, extension services. All community micro-projects will be screened for environmental and social risks and impacts and the borrower will develop relevant environmental and social assessment that include ESIAs or/and ESMPs to guide management of identified environmental and social risks and impacts.

Component 2 and 3 activities will include micro-projects and multi-community investments, these will broadly include investments in hard and soft natural resource management (NRM) activities, developing water harvesting and water storage facilities (e.g. water pans), improving existing water storage facilities and FLID in localities where surface and shallow-groundwater is readily available to farmers, installation of bulking and processing plants (e.g. milk cooling and processing plants, etc.); development of market infrastructure including value addition facilities, grading and sorting units and logistics support linked to supported value chains (Component 2.1), and investments in produce testing facilities (Component 3). For each of these investments, detailed engineering designs will be developed along with relevant ESF instruments.
Under the component 3, 2 to3 urban clusters will be identified to be linked with a) the FPOs and the peri urban agricultural chains. Key activities will include training of farmers groups and FPOs on safe food production practices and traceability; training of FPOs and SMEs on post-harvest management practices, cold chain logistics and hygiene maintenance; linking farmers with consumers through establishment of farmer markets etc. Apart from establishment of testing facilities and construction of farmer markets, none of the activities will result in any significant environmental and social impacts.
Component 5, is the contingency emergency response component (CERC), this component will finance the immediate response activities following natural disasters impacting the agriculture sector that may include drought, flooding and pest infestation.

D. 2. Borrower's Institutional Capacity

The Project will be implemented by the Ministry of Agriculture, Livestock, Fisheries and Cooperatives (MoALFC) through the existing National Agriculture Rural Inclusive Growth Project (NARIGP) National Project Coordinating Unit (NPCU). MoALFC has experience in implementing World Bank financed Projects under the safeguards policies that include the NARIG, the Kenya Climate Smart Agriculture Project (KCSAP) and Regional Pastoral Livelihood Resilience Project (PRLRP).Kenya Emergency Locust Response Program (ELRP) which is under implementation was prepared under the ESF. The NARIG NPCU has qualified and experienced environmental and social safeguards staff and who will be supported by environmental and social focal points at the respective County Project Coordination Unit (CPCU) that are supporting both NARIGP and KCSAP. Also, both the national and county teams have the knowledge and experience in undertaking environmental and social assessments for various typology of Projects and in developing and implementing safeguards instruments specially ESIA/ESMPs and PMPs. However, the NARIGP and KCSAP staff that would be retained for this project specifically have no prior experience for preparing and implementing Projects based on Environmental and Social Framework (ESF). During project implementation the Bank will conduct targeted ESF trainings for the NPCU and the 26 CPCUs that will participate on the Project to enhance environmental and social risks management and to meet ESF requirements. In addition, the NPCU and the participating CPCUs will be required to engage the services of an experienced consultancy firms and individual experts to support preparation of required ESF instruments for the project in the implementation phase. The project will maintain a environment specialist and a social specialist at national as well as county level during the entire duration of the project implementation. The project shall hire a GBV expert to support implementation of Sexual Exploitation , Abuse and Harassment (SEAH) prevention and Response Plan that will work closely with the communication specialist and social specialist in NPCU. The project shall also engage consultancy services for audit, training and monitoring and evaluation of E&S actions as outlined in the ESMF, VMGF, RPF, LMP and SEP.

II. SUMMARY OF ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS

A. Environmental and Social Risk Classification (ESRC)

Substantial

Environmental Risk Rating Substantial

The environmental risk rating is assessed as substantial. The typology of sub-projects to be financed are likely to result to environmental risks and impacts that are medium in magnitude, the geographical area and size of the population likely to be affected is medium to large, temporary, site specific, predictable and reversible and can be easily be mitigated. The Project will cover significant geographical area of 26 counties. Component 1, will support activities that include micro-projects, small scale infrastructure, provision of inputs , access to irrigation and improved water management practices. The implementation of these activities will likely result to potential negative environmental risks and impacts that include soil erosion, water pollution, dust emissions, community/ occupational, health and safety (OHS) risks, generation of hazardous and non-hazardous wastes and potential use of pesticides. These impacts are expected to be temporary , site specific , reversible and easy to mitigate. Component 2, will support water efficient irrigation systems, water harvesting and and efficient water use, construction of small size farm ponds and water pans, development and upgrading of new and existing markets, aggregation centers and cold chain infrastructure. These activities is likely to result to potential negative environmental risks and impacts that include, increased soil erosion, pollution of both surface and ground water , eutrophication, salinization and water logging of soils, increased incidents of water borne and water related diseases, community/ occupational health and safety impacts. These impacts are expected to be temporary, site specific, medium to low probability for serious adverse effects on human health and environment with known and reliable mechanism available to prevent the impacts. Component 3, this will support roll out of Urban Food System pilots in select urban clusters, and the development and upgrading of urban and peri-urban markets. The potential negative environmental risks and impacts are related with the solid waste generation, air and noise pollution, soil contamination from oil spills, community/occupational, health and safety (OHS) risks, generation of hazardous and non-hazardous wastes . These impacts are expected to be temporary , site specific , reversible and easy to mitigate. The Project will provide technical assistance (TA) . This will include: (i) training and capacity building government, farmer and consumer levels, and deployment of full time human resources and equipment at the county level, this is type 3 TA with minimal E&S impacts; and (ii) implementation of existing policy and policy analytics . This is type 2 TA. The proposed activities may result in development of new regulations and policies or revisions of existing ones and this could have potential direct or indirect E&S risks and impacts. For new or revision of existing regulations, the MoALFC should ensure broad stakeholder engagement and consultations. The development of new or revision of existing policy (ies), MoALFC will be expected subject the policy (ies) to Strategic Environmental and Social Assessments (SESA). CERC Component, this will finance the immediate response activities following natural disasters impacting the agricultural sector that may include drought, flooding and pest infestation. When the CERC is triggered, the ESMF will guide the preparation of the environmental and social management plans (ESMPs). Given that the sub-projects have not been identified at this stage, the Project will prepare the Environmental and Social Management Framework (ESMF), to provide guidelines and procedures for assessing environmental and social risks and impacts during implementation. The ESMF will be consulted upon, approved and disclosed prior to Project effectiveness. During implementation the Borrower will develop ESIAs or/and ESMPs.

Social Risk Rating Substantial

The social risk rating is assessed as Substantial. This is mainly due to the vastness of the target area across 26 counties, low capacity of project implementation teams, agricultural activities being vulnerable to child labor and forced labor, existing tensions between communities regarding resources (water, community lands); presence of VMGs; evidence that some sub-projects will require agreement and consent from the communities to use community lands (and if VMGs are present on those lands, free prior and informed consent might likely be required); some sub project investments may lead to income loss/economic displacement. The project team has broader understanding of managing social risks and impacts on WB funded projects and experience of implementing NARIGP and KSCAP, still the NPCU, County teams and community institutions (CIG/VMG/CDDCs/FPO) will require intensive training and technical support for NAVCDP. Specially during preparation of County development Plans, applying exclusion criteria and incorporation of social issues such as labor management, meaningful stakeholder engagement in culturally appropriate manner, ascertaining land ownership, management of economic loss, ensuring VMGs are consulted upon and benefit from the project. There are several social risks associated with the proposed activities under the project including: (i) elite capture – there is a likelihood that more connected people may get involved and push the poor and vulnerable farmers (including VMGs) to the periphery; (ii) discrimination of women from accessing the services given their low literacy levels and limited access to land, which is traditionally owned by men in most communities; (iii) inadequate consultations given the fact that most of the activities will be channeled through the FPOs and CIGs; it is possible that disadvantaged and vulnerable farmers (those from marginalized communities) may not fully benefit from the project investments. (iv) insecure land tenure constraining investments on land for better production or commercial farming. (vii) Children resorting to work in project supported activities owing to economic hardship in the project area and week implementation of labor legislations. (viii) There is risk of Sexual Exploitation and Harassment (SEAH) on the project. Although support to farmers will be channeled through FPOs and CIGs, there is a possibility of women being asked for favors by leaders of these organizations to access services. The positive social impacts include improved food and nutrition for households, increased involvement of women in the agricultural sector. The negative social impacts that could arise from these activities are: (i) conflict between and among communities due to site selection and investments;; (ii) inadequate input into the selection of value chains and sites for infrastructure investment; (iii) Potential economic loss to occupants of land due to construction of micro-projects and multi-community investments; (iv) interruptions in production and livelihoods – some farmers may shift production towards the commodities being supported by the value chain development; and (v) community health and safety (as outlined above under the Environmental section). The social risks associated with component 3 include: (i) Exclusion of vulnerable and disadvantaged from participating and accessing project benefits; (ii) elite capture of the investments; (iii) potential economic loss to occupants of land to be used for market infrastructure. These risks will be mitigated through implementation of the Stakeholder Engagement Plan (SEP) to be prepared for this project. The Project will prepare an ESMF that will provide guidelines and procedures for assessing environmental and social risks and impacts during implementation following the identification of the subprojects. The project will also prepare VMGF and RPF.

B. Environment and Social Standards (ESSs) that Apply to the Activities Being Considered

B.1. General Assessment

ESS1 Assessment and Management of Environmental and Social Risks and Impacts

Overview of the relevance of the Standard for the Project:

The project is financing activities that will have positive impacts and benefits to the areas and local communities that will participate in the Project. These will include: (i) creation of employment opportunities; (ii) increased agricultural incomes and competitiveness through crop diversification, value addition and remunerative marketing; (iii) improved skill base of farmers; (iv) improved natural resource management; and (vi) reduced GHG emission. It is also anticipated that the Project will result to positive environmental impacts that include enhanced soil and water conservation practices.

The component 1 will support selected value chain upgrading investments targeted at addressing any gaps identified along all the segments of the value chain for the selected commodities. The activities will include demonstrative micro-projects, small scale infrastructure for primary aggregation, small duration storage and value addition, provision of high quality climate resilient inputs, access to irrigation and improved water management practices. The implementation of this activities is likely to result to potential negative environmental risks and impacts that include soil erosion, soil and water pollution, dust emissions, community health and safety risks and occupational, health and safety (OHS) risks, generation of hazardous and non-hazardous wastes, disease outbreak, eutrophication, salinization as well as potential use of pesticides. These impacts are expected to be temporary , site specific , reversible and easy to mitigate.
Component 2, will support farmer led irrigation development with focus on water efficient irrigation systems, rehabilitation of irrigation infrastructure, water harvesting and and efficient water use, construction of small size farm ponds and water pans, development and upgrading of new and existing physical markets , aggregation centers (ware houses, pack houses, cold chain storage facilities and sale yards) and cold chain infrastructure. The implementation of these activities is likely to result to potential negative environmental risks and impacts that include, increased soil erosion, pollution of both surface and sub-surface ground water , eutrophication, salinization and water logging of soils, increased incidents of water borne and water related diseases, noise and water pollution, community health and safety and occupational health and safety impacts. These impacts are expected to be temporary, site specific, medium to low probability of serious adverse effects on human health and environment and there are known and reliable mechanism available to prevent the impacts.

Component 3, this will support roll out of Urban Food System pilots in select urban clusters, this will include development and upgrading of physical urban and peri-urban markets. The potential negative environmental risks and impacts are associated with the solid waste generation from the spoilt farm produce delivered to the urban centers through the value chains as well as during processing, air and noise pollution, soil erosion, oils spills and soil contamination, community health and safety risks and occupational, health and safety (OHS) risks, generation of hazardous and non-hazardous wastes . These impacts are expected to be temporary , site specific , reversible and easy to mitigate.
The Project will provide technical assistance (TA) . This will include: (i) training and capacity building government, farmer and consumer levels, and deployment of full time human resources and equipment at the county level, this is type 3 TA with minimal E&S impacts; and (ii) implementation of existing policy and policy analytics . This is type 2 TA. The proposed activities may result in development of new regulations and policies or revisions of existing ones and this could have potential direct or indirect E&S risks and impacts. For new or revision of existing regulations, the MoALFC should ensure broad stakeholder engagement and consultations. The development of new or revision of existing policy (ies), MoALFC will be expected subject the policy (ies) to Strategic Environmental and Social Assessments (SESA).

CERC Component, this will finance the immediate response activities following natural disasters impacting the agricultural sector that may include drought, flooding and pest infestation. When the CERC is triggered, the ESMF will guide the preparation of the environmental and social management plans (ESMPs).
The roll out of project benefits under the project may result in exclusion of some farmers from vulnerable and disadvantaged category (orphans, and child headed households, the sick, elderly, and female headed households, people with disabilities) as per ESS1 as well as vulnerable and marginalized communities as per ESS7. The risk of exclusion and inadequate consultation with VMGs is rated as substantial. The project shall need to make deliberate actions to target farmers from vulnerable and disadvantaged category and from VMGs are able to participate in the project and access to project benefits in a culturally appropriate manner. This would be ensured through the Community Development Plans and VMGPs based on selected value chains and intensive training and sensitization of the community institutions in particular CDDCs and CPCU lead by County Coordinators . Vulnerable and Marginalized Groups as per the definition of ESS7 are present in 11 project counties.
The project shall use all categories of project workers (Direct, Contracted, Community labor and Primary Supply Workers) and may involve issues related to Sexual Exploitation, Abuse and Harassment, child labor and forced labor. Although the use of labor in a specific small scale investment activity will be in small numbers , however the risk is assessed as substantial given the geographic spread of project and multiple investments activity happening simultaneously the tracking and monitoring would be challenging. The labor issued shall be managed as per the procedures outlined in the LMP that outlines measures to prevent child labor and forced labor. SEAH prevention and Response Plan is also prepared as part of ESMF.

The Project will be implemented in counties that often witness inter/intracommunity conflicts based on competition for natural resources. However overall security risks is medium to Low across 26 project counties. The conflict and security risks during implementation will be managed through a Security Management Plan (SMP) as part of the ESMF .

The project shall require very small parcels of land for farm level and community level investments under private, public and community ownership. This includes includes acquisition of land that is traditionally owned or occupied by communities and is yet to be legally registered as per country laws.. The procedures to acquire land for the project will be outlined in the RPF. The project shall not involve compulsory land acquisition and physical displacement. However, there would be economic loss involved in few situations but not exceeding 200 PAPs in a individual investment. The site selection for specific investments shall be managed through the exclusion criteria and community agreements to avoid adverse impacts and community level conflict.

Targeting a high number of women farmers will have a positive impact on their incomes and on the food and nutrition status of households. The key challenge for the project would be to ensure that the women are meaningfully engaged in the project and that they accrue the project benefits. In addition, women may be challenged with low literacy levels and limited access to land which is a key resource for the project.
In addition, a Stakeholder Engagement Plan (SEP) is prepared that outlines the key stakeholders to be consulted (including VMGs, female headed households, and people with disabilities), the communication and information flow, grievance management, and monitoring and reporting.

The draft Environmental and Social Management Framework (ESMF) with an annex of the Integrated Pest Management Framework (IPMF), Sexual Exploitation , Abuse and Harassment (SEAH) prevention and Response Plan

and Security Management Plan (SMP) will be fianlised, consulted upon and disclosed prior to project effectiveness. In addition , the Labour Management Procedures (LMP), Resettlement Policy Framework (RPF) and the Vulnerable Marginalized Groups Framework (VMGF) are under preparation and will be submitted to the World Bank approval. These instruments once approved will subsequently be disclosed to public prior to Project effectiveness. The ESMF will set out the principles, rules, guidelines and procedures for assessing the environmental and social risks and impacts associated with the Project. During implementation the Borrower will prepare sub-project site specific Environmental and Social Impact Assessments (ESIA)/or Environmental and Social Management Plans (ESMPs), Integrated Pest Management Plans (PMPs) and Income Restoration Plans (LRPs) as required in the event of any economic displacement .
During project implementation the borrower shall prepare 11 VMGPs specific to counties Development Plan for selected value chains where VMGs are present. Social assessment will be part of VMGPs.

ESS10 Stakeholder Engagement and Information Disclosure

The MoALFC has prepared and disclosed the Stakeholder Engagement Plan (SEP) on February 18, 2022. The SEP has identified the key project stakeholders (building on the current partnerships on NARIGP and KSCAP while taking on board all new partners for this project (including FPOs, CIGs, among others). A structured approach has been established to engage with stakeholders throughout the project life cycle that is based on meaningful consultations and disclosure of appropriate information, considering the specific challenges associated with a vast geographic coverage (26 counties). A detailed plan will be rolled out for hard-to-reach areas and vulnerable and marginalized Groups as part of the Project's communication and outreach strategy under the sub component 4.2 of the project. .
The project specific outreach and Communication strategy to be developed would also require to focus on challenges in women farmer participation and gender norms in the community from the perspective of behavior change .
The SEP provides for approaches to reach out and engage the Vulnerable and Marginalized Groups (VMGs) and other disadvantaged populations (PWDs, female and child-headed households) with information on the project and consult with them in a culturally appropriate manner. It is anticipated that during the process of identifying FPOs and CIGs, efforts will be made to ensure that farmers who might be left out of the project are prioritized and supported to join groups to access project support. The allocation of e-vouchers will also ensure that the outlets are accessible to all farmers.
Stakeholders have been engaged during the preparation of the project, including the consultations to receive feedback on the broad project description and potential environmental and social risks and impacts of the project. All E&S instruments have been consulted will be disclosed at location and language accessible to public.
The NARIGP and KCSAP have put in place GM with multiple channels of communication (phone line, SMS, WhatsApp, and in-person reporting), the same will be adopted for this project. The grievance mechanism will include a specific pathway for the GBV/SEA/SH should those arise during the project. The GM system will also be linked to the County GRM system that has been supported by the World Bank under the KADP process. All staff and partners involved in the project will be sensitized on the GM. The SEAH prevention and Response Plan is prepared which provides information on how SEAH related complaints will be handled in the GM.

B.2. Specific Risks and Impacts

A brief description of the potential environmental and social risks and impacts relevant to the Project.

ESS2 Labor and Working Conditions

The draft labor managemnt procedures (LMP) is prepared and provide procedures to manage the risks related to all categories of project workers under the project. This project will have the following types of workers: (i) direct workers, (ii) contracted workers, (iii) primary supply workers, and (iv) community workers. The project shall involve use of civil servants in the management and supervision of project activities. The MoALFC, the beneficiary 26 county governments and other government agencies will assign officials and will be subject to the terms and conditions of their existing public sector employment agreement or arrangement. . The direct workers will include Consultants who would be brought to support the Project on specific deliverables.
The Project will involve the use of contracted workers in the construction of construction works. The project will also use community workers engaged by the FPOs and CIGs for farm level community-based activities.
The project anticipates the use of community labor only for specific sub projects e.g. water related, NRM related or cottage industry. The use of community labor will be undertaken through two mechanisms: (i) when the community voluntarily contributes labor as their part of the beneficiary (counter-part) contribution; (ii) when the local youth will provide unskilled labour for off-season employment programs and will be paid for the work done.

For the first mechanism, the project will have a standardized and comprehensive guideline (agreement/ memorandum of understanding) to ensure that there is no risk of any negative impacts to the community providing labour as contribution for NAVCDP sub-projects/activities. For unremunerated community workers, LMP and ESMF will address 1) process to document voluntary participation; 2) working conditions particularly OHS; and 3) no disadvantage to those who are not able to participate (elderly, disabled, women, etc.)
Similarly, for the second mechanism, there will be standardized terms of engagement for the targeted youth and the Government Department of labour will provide guidance to ensure that remuneration and other working conditions comply with the national legal/regulatory framework for labour that includes domesticated ILO conventions. In the Labour Management Plan will include all the potential negative risks for both mechanisms and the corresponding measures towards their avoidance/minimization including the prevention of child/forced labor. In addition, the LMP will specify the institutional framework the corresponding roles/responsibilities for monitoring of community workers, and the grievance mechanism. The potential sub-projects and number of community workers have not been identified at this stage of project preparation, however, the number of labourers engaged in a particular sub project is expected to be small in numbers .
The project will involve nine value chains and a number of activities which will involve the sourcing of primary suppliers, and the participation of primary supply workers. The LMP will require that contractors shall identify the risk of child labor/forced labor and serious safety risks when involving primary supply workers.
The risk of child labour and forced labour can not be ruled out as the agriculture value chains such as coffee and cotton have faced similar allegations in the past. The NPCU/CPCUs will review and approve the purchase of primary supplies from the suppliers following such risk identification/assessment. The bidding and contract documents shall include clauses forbidding child and forced labour as well as maintaining workers health and safety. During Implementation of project activities, the respective Contractors will prepare Occupational Health and Safety (OHS) plans as part of their Contractor-specific Environmental and Social Management Plans to manage related risks. Moreover, all government staff, Consultants and Contracted workers will be required to sign a code of conduct (CoC) in relevant languages, acceptable to the World Bank, to mitigate the risk of GBV/SEA or misconduct in the workplace and in contact with community members. The CoC shall include zero tolerance policy on GBV/SEA and SH. They will also ensure that national labor-related laws are upheld, such as public service act, employment act, , occupational

health and safety act, workers injury benefits act, public health provisions, and public service human resource policy et al and institutional roles related to enforcement of the laws, and recruitment, discipline, appraisals and dismissals. A redress mechanism for work-related grievances will be provided to project staff and consultants, with necessary considerations for confidentiality and whistle-blower protection.
The potential negative risks of child/forced labour in the course of NAVCDP sub-project/activity implementation will be avoided/minimal because there will strict adherence to the Employment Act Cap 226 of 2007 (Revised 2012), part VII sections 52 to 65. Nevertheless, the communities, project management committees and contractors including local administrators will be sensitized on the same before commencement of all sub-project activities to ensure that community labour is voluntary and all the persons engaged under the project are above 18 years (should possess the National Identification card). As well, the LMP will indicate in detail the mechanisms including grievance management that will be used to monitor/report occurrences of child/forced labour incidents and the preventive measures to be taken
The LMP will have provisions on the prevention of spread and management of COVID-19 at the work sites and during interactions with the communities during consultation sessions based on the guidance and protocols provided by the Ministry of Health (MoH) and the World Health Organization (WHO).

The IPMF has been prepared for this project as part of the ESMF and will guide the project on the management of the OHS risks from use of pesticides by farmers and pastoralist as stipulated on the Kenya law (OSH Act) and the World Bank Group General and Annual Crop Production EHS guidelines as well as OHS risks associated with vaccinations and cold chain management.

ESS3 Resource Efficiency and Pollution Prevention and Management

The project will finance procurement of agricultural inputs that will include pesticides. The pesticides may include both synthetic chemical pesticides and biopesticides and equipment to support the application of the pesticides and livestock vaccinations. Thus, as part of the ESMF the Project has prepared the IPMF to provide guidance and procedures on the selection and use of pesticides during implementation. During implementation the borrower will prepare sub-project specific integrated pest management plan (IPMP). The project will finance water resource management activities that will comprise farmer led irrigation development (FLID) that will include water harvesting and promoting efficient water use at both individual farmer and community level, this is expected to result to positive benefits to the communities. The typology of the subprojects envisaged under the project are the CDD type and the water withdrawals or abstractions of water in quantity or quality is expected to be not significant at the sub-project level and will not warrant water balance assessment. In addition, the project will finance the utilization of energy efficient driers and cooling chambers. The results of environmental and social risk screening of proposed sub-project activities will advise on whether there are anticipated risks related to water use (e.g. potential for high water demand), raw materials and energy use; and how risks of air pollution and waste generation will be handled. During implementation cumulative impacts of water use will be assessed to determine if there is a risk of exacerbating social tensions between communities specially on the arid and semi arid areas, this will be captured in the environmental and social impact assessments (ESIAs) and environmental and social management plans (ESMPs) which will provide the relevant mitigation measures at the sub-project level.

ESS4 Community Health and Safety

The implementation of Components 1, 2 and 3 may lead to various risks that will have negative impacts on the health and safety of communities. These include (as outlined in the Environment section above): soil and water pollution, dust emissions, generation of hazardous and non-hazardous waste, improper storage of hazardous materials and pesticides that may result to fires and release of toxic substances to the environment and potential use of pesticides for farming. The project will ensure that mitigation measures are put in place and implemented through the IPMF which is part of the ESMF. There is potential for outbreak of diseases among farm animals, livestock and crops that may lead to infections to human. Communities will be consulted during the project implementation to ensure that they understand the impacts and are well informed about the prevention measures including vaccination for livestock.

In line with safety provisions in ESS4, it is important to ensure the safety of communities from exposure to COVID-19 and other infectious diseases including HIV/AIDS. There is high possibility of exposure of beneficiary communities and sub-projects workers to risks of Covid-19. Thus, efforts will be made to sensitize communities on Covid-19 and control measures. The specific safeguards instruments (ESIA/ ESMPs, PMPs) will provide the exact actions and measures to be implemented during community consultations and project construction and operational phases to limit risk of exposure to Covid-19. Similarly, contractors hired to undertake various works under component 1, 2 and 3 will be required to sensitize communities and workers on HIV/AIDs, among other control measures.
As per the GBV Risk Assessment Tool the GBV/SEAH risk is substantial considering the widespread and rural nature of the program. Although support to farmers will be channeled through FPOs and CIGs, there is a possibility of women being asked for favours by leaders of these organizations to access services. Indirectly, the project might lead to SEAH at the household level depending on who has access to the project benefits such as voucher and utilization of the inputs once purchased at the household level. Similarly, participation of women in decision making process and project activities that may not align with gender norms in certain communities.

To mitigate this, a simple SEAH Prevention and Response plan as part of the ESMF is being prepared that include actions such as the community will be sensitized on the grievance mechanism and encouraged to raise complaints via the multiple channels availed by the project. Communication activities under the project would require focusing on behavior change communication around harmful gender norms and increased participation of women and existing referral pathways. The project monitoring activities will also focus on the community health and safety issues and address any emerging challenges during the implementation. Given the Project will be implemented in counties that often witness inter/intracommunity conflicts based on competition for natural resources, the project is preparing Security Management Plan (SMP) as part of the ESMF to guide on the management of conflict and security risks during implementation. The project will not be implemented in counties that border Somalia or South Sudan with potential attacks from the Al Shabab militants or encountering unexploded ordinance (UXO), thus the security risk is assessed to be medium to low for the participating 26 counties. The project will not use the armed public security forces for its activities. However, the project may use unarmed private security personnel to guard infrastructure under the project during construction and operation phase.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

The project provide support for the establishment of small and micro level infrastructure under component 1, 2 and 3. Although it is anticipated that some of the support will require land (e.g. for market infrastructure and water structures), the project team does not anticipate heavy investments in large parcels of land. The selection and implementation of the micro projects and sub projects under NAVCDP will be subject to a screening process. This would be to exclude any activity whose implementation may lead to involuntary resettlement and or physical displacement. Also any activity that may involve income loss/economic displacement of more than 200 PAPs would be excluded under the project to keep the impact low and manageable.

Land: Land needed for the project would be in small parcels typically for markets, local produce aggregation/processing centers, farm demonstrations, Farm based water infrastructure such as water pans, etc.. The needed land would be identified by the beneficiary groups themselves through a community-based decision-making process. Most of the land under community use/collective ownership is not yet registered in Kenya. Also in absence of clear records establishing private or public ownership of land requires time and involvement of National Land Commission. This will be done through documented Community agreement process and land ownership shall be established prior to initiation of civil works as per procedures outlined in RPF. The sub project will be excluded if the procedure can not be completed. The community interest groups/Farmer Producer Organizations are expected to follow the procedure under Land Act 2012 for getting the land allocated for the intended purpose. This procedure under the law requires consent of landowners (private/community), official search of ownership, specifying the duration and conditions of agreement, Gazettement through the Land adjudication/Registrar office etc.. The process would be voluntary and based on consent of the PAP. If VMGs are present on those lands, requirement of free prior and informed consent would be screened and excluded as per the screening checklist in RPF. This requirement will be observed and land ownership confirmed before approval of any of the subprojects.

Loss of Land, Assets and Income: Since the project require small portions of farming land and will affect less than 10% of the land (fencing, crops and trees), hence the loss would be economic. Similarly there is possible disruption of income of vendors until the market is rehabilitated/improved on the land already allocated for market. The income loss owing to utilization of this land in both situations would be temporary and linked to construction phase. The entire process would be voluntary and agreement with PAPs. This economic loss to PAPs would be mitigated/restored through income restoration plan in ESMPs to be prepared for the specific activity. In case of community land, the plan shall be based on community level agreement on the potential scale of impact and mitigation measure agreed specific to the sub project. Any sub project proposal that can potentially lead to economic loss to more than 200 PAPs would be excluded from the project. Most of the PAHs will also be beneficiaries of the NAVCDP sub-projects/activities and will be expected to recover from the temporary economic displacement within one season. Any sub project that may involve involuntary resettlement or physical displacement shall be excluded under the project.

The RPF is being prepared in conformity with the World Bank ESS5 to guide implementation of the NAVCDP by providing mitigation measures to manage adverse impacts of land acquisition. The RPF shall provide 1) screening process and exclusion criteria; 2) ensure that farmers and entities participating in the project have tenure of the land to be used and are not displacing other users of the land; 3) if land is to be donated or voluntary sold, the process and transaction fulfill the requirements of ESS5 VLD and are well documented.
As most lands in the counties of the sub-project are under a community lands regime, it is possible that community lands be given by the communities in order to benefit from the sub-project infrastructures. Should the granting of

these community lands cause relocation/economic loss of VMG, the RPF shall include guidance to exclude physical relocation and ensure that these voluntary land donations are made willingly in accordance to ESS5 criteria and that principles underlying FPIC are respected.

A RPF shall also outline potential situations of economic loss, eligibility criteria, compensation for economic loss/disturbance allowance, procedures of compensation linked to construction schedule, funding arrangement, implementation arrangement and monitoring arrangement.

ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

This standard is relevant. It is expected that the project will not support sub-projects that are in either sensitive ecological or protected areas. Some of the sub-projects infrastructure can have an impact on biodiversity namely investments aiming at improving irrigation infrastructure (aquatic and riparian fauna), presence of heavy machinery during works on water pans and other water structures and pollution to water bodies by pesticides which can affect aquatic fauna. The ESMF has an environmental and social screening tool that will be used screening the proposed sub-projects and will ensure that no sub-project is sited in an ecologically fragile and or protected area. In addition, for the proposed livestock value chains (dairy and poultry) geared towards improving productivity the borrower will adopt the IFC Good Practice Note: Animal Welfare in Livestock Operations.

ESS7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities

People meeting the criteria of ESS7 are present in 11 counties (referred to as VMGs in Kenya). A VMGF is being developed, consulted and will be disclosed. . “Free prior and informed consent might be required should any of the sub-project components 1) lead to adverse impacts on land and natural resources subject to traditional ownership or under customary use or occupation; 2) or cause relocation of VMG from land and natural resources subject to traditional ownership or under customary use or occupation; or 3) have significant impacts cultural heritage that is material to the identity and/or cultural, ceremonial, or spiritual aspects”. “The screening checklist in the ESMF and RPF will screen out any sub-projects that could lead to situation 1&3.” The project would also give consideration to VMG specific modules using adaptive approaches that rely on their practices, traditional knowledge and practices. Special attention would need to be given to developing digital and innovative modules for pastoralists, and/or supporting VGM led organizations that may want to develop niche products under the selected value chains. VMGF will outline the process for the preparation of 11 VMGPs at county level. The VMGPs will then ensure that the county Development Plans (DPs) for selected value chains and Community Development Plans are meaningfully consulted, that VMG have equitable access to benefits of these plans and that VGMs concerns on the plans are addressed. The DPs will be prepared within 18 months of project effectiveness.
The social specialists in the NPMU will work closely with the project communication team to ensure that the communication and outreach activities outlined in VMGF and SEP are rolled out and they reach all the targeted populations. As required, separate meetings with the minority groups and ensure engagement with VMG women and youth as well as with the “leaders” should be organized that is considerate of their language and cultural norms. The project will ensure that VMG communities are informed and consulted about the project impacts and benefits in the language and communication channels as appropriate; and that they share in the benefits in an inclusive and culturally appropriate manner. The GM details will be shared with the VMG communities and appropriate measures

put in place to ensure that the members are able to channel their complaints and receive feedback in a culturally appropriate and timely manner.

The SEP, ESMF and VMGF shall provide additional provisions on ESS7.

ESS8 Cultural Heritage

Minor construction works have been proposed under Component 1, 2,3 there is the potential for chance find of cultural or archeological significance during construction. The ESMF covers risks associated with intangible cultural heritage (such as disruption to religious/cultural festivity in the community by civil work), during implementation adequate measures will be carried out including meaningful consultations with the relevant stakeholders and documentation and protection of the identified intangible cultural heritage. Subproject specific ESMPs will address these issues through the inclusion of chance find procedures and site-specific mitigation measures.

ESS9 Financial Intermediaries

The Project will not involve FI, thus the ESS is not relevant.

C. Legal Operational Policies that Apply

OP 7.50 Projects on International Waterways	No
OP 7.60 Projects in Disputed Areas	No

B.3. Reliance on Borrower's policy, legal and institutional framework, relevant to the Project risks and impacts

Is this project being prepared for use of Borrower Framework? No

Areas where "Use of Borrower Framework" is being considered:

Borrower framework will not be used.

IV. CONTACT POINTS

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Borrower/Client/Recipient

Borrower: The Republic of Kenya

Implementing Agency(ies)

Implementing Agency: Ministry of Agriculture, Livestock, Fisheries, and Cooperatives

V. FOR MORE INFORMATION CONTACT

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VI. APPROVAL

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