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APPRAISAL STAGE**

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A. Country and Sector Background

1. After independence, Kenya was the most prosperous country in East Africa, with its GDP per capita rising by 38 percent between 1960 and 1980. However, the following two decades recorded a zero increase in per capita GDP. Currently, poverty in Kenya is widespread with about half (46 percent according to the Central Bureau of Statistics (CBS), 2008) of the country's population living below the poverty line. A further concern is a rising income inequity, with exclusion reflecting stratification by class, gender, and region. Kenya's Gini coefficient for household income¹, at 0.43, is much higher than that of its neighbors, Ethiopia and Tanzania, whose coefficients stand at 0.30 and 0.35 respectively.

2. Kenya began its economic liberalization in 1993. Reform picked up speed after a tightening of aid by donors on governance grounds and an attempt to re-establish credibility. But tangible results in the shape of favorable government debt dynamics and an improvement in growth took a decade to materialize. The peaceful presidential election and transfer of power in December 2002 was central to the economic upswing after 2002. Investors noted the decline in political risk as a significant development. The December 2007 elections highlighted other aspects of political risk - ethnic and social tensions with roots in inequality. Challenges still exist for Kenya and the process of economic policy and institutional reform is likely to be difficult and lengthy.

¹The Gini coefficient measures the inequality of income distribution within a country.

3. The greatest challenges facing the country today are attaining and sustaining an economic growth rate of 10% annually amidst rising fuel and food prices, high unemployment rate among the youth, high levels of poverty both in urban and rural areas, governance issues and a global recession. The Kenya Vision 2030, the government's ambitious development blueprint covers the period 2008 to 2030 and aims to "transform Kenya into a newly industrializing middle-income country providing a high quality life to all its citizens by 2030". For this vision to be achieved significant effort needs to be made in all sectors to bring the governance issues under control, address the inequities in society and to provide sound opportunity to the poor to improve their incomes and standards of living.

B. SECTOR SETTING AND ISSUES

4. The coastal area of Kenya is characterized by unique natural resources, which form the economic basis of various activities, especially those based on tourism, fisheries and maritime transport. These activities are vital to growth and development in the nation and in the region. For example, coastal tourism represents 60 percent of total national tourism but contributes only 24% to tourism GDP. However, a weak tourism institutional framework, too many tourist hotels, over use of fragile coral reefs by local residents and tourists, excessive fishing pressure in inshore areas, inappropriate land use in coastal districts, and poor management of development over a long period have severely degraded the value of coastal resources. Also, organic pollution from human and solid waste sourced from the major urban areas and tourist hotels also impact on the natural resources upon which the coastal economy is based. The lack of proper management also means that valuable existing resources are exploited without full benefit accruing to coastal residents or the national economy.

5. As noted in Kenya's State of the Coast (SOC) report, Kenya's coastline extends about 600 km along the seafront, from Somalia's border at Ishakani in the north (Longitude 1° 41' S), to Tanzania's border at Vanga in the south (Longitude 4° 40' S). Kenya coast includes several administrative districts: Kilifi, Kwale, Lamu, Malindi, Mombasa, Taita Taveta and Tana River. The coastal region extends 150 km inland from the seafront, covering an area of 67,500 km² constituting about 11.5% of the total area of the Republic of Kenya. The SOC notes that Kenya's coastal zone is often classified with reference to the city of Mombasa—the North Coast from Mombasa to Kiunga, and the South Coast from Mombasa to Vanga. A fringing coral reef runs parallel to the coastline, from Vanga to Malindi Bay and other unique features include: (a) the Lamu archipelago with its extensive mangrove forests and cultural sites; (b) Mombasa Island; (c) the southern complex of Gazi Bay; (d) Chale Island; (e) Funzi Bay and Wasini Island; (f) Tana and Sabaki rivers that drain into the Indian Ocean.

6. **Forestry.** Forests, including mangrove forests, are a vital part of the coastal ecosystem. They are an important source of economic development, environmental services, and social and cultural values. Increasing populations and unsustainable policies and practices of the past have placed unprecedented pressures on the forests, and impacted water resources, agricultural activities and biodiversity. Clearing of woodlands for agriculture and charcoal production are major causes of the degradation of forests. Since 1968, the country has experienced a major decrease in forest cover, which has resulted in reduced water catchment, biodiversity, supply of forest products and habitats for wildlife. At the same time, the sector has suffered greatly through serious conflict between forest management and communities living adjacent to the reserves over access to forest resources. According to the new draft forest policy (1995-

2020) the goal is to enhance the contribution of the forest sector in the provision of economic, social and environmental goods and services. Specifically it aims to contribute to poverty reduction, employment creation and improved livelihood through sustainable use, conservation and management of forests and trees. Key strategies include promoting farm forestry, engaging private sector and communities in forest management, conservation of mangroves and processing of forest products.

7. Kenya's mangrove forests and coastal wetlands are concentrated on the northern coast around the Lamu archipelago and the Tana/Sabaki River estuaries. There are smaller wetlands on the South Coast, at Shimoni-Vanga, Funzi and Gazi Bays, and Port-Reitz, Tudor, Mtwapa, Kilifi and Mida Creeks. The total area of mangroves in Kenya has been estimated to be between 53,000 and 61,000 ha, with 67% occurring in Lamu District, and 10% each in Kilifi and Kwale Districts. It is estimated that 10,310 ha of mangrove forest cover has been lost either due to conversion, over-exploitation or pollution (Abuodha and Kairo, 2001).

8. **Fisheries.** The governance of fisheries industry involves: (a) the Department of Fisheries as the technical arm; (b) the Kenya Marine and Fisheries Research Institute (KMFRI), a semi autonomous research institution; and (c) the administration department. The Ministry of Fisheries Development is mandated to provide for the exploration, utilization, management, development of fish resources, and to undertake research in marine and fresh water fisheries, and conservation of fisheries. The fishery sub-sector is an important contributor to GDP and provides livelihoods to many Kenyans directly and indirectly. The fisheries resource base covers coastal and marine fisheries, inland fisheries, and aquaculture development. The current average fish production is 156,000 metric tons per year with inland fisheries contributing up to 93 % followed by marine fisheries 6 % and aquaculture 1% (2007). Fish production grew by 4.6 % in 2007 and contributed 0.46 % to the GDP (Economic Survey 2008). The Ministry has developed a strategic plan (Fisheries Ministerial Strategic Plan 2008-2012) and programs that are crucial for the sub-sector's growth and development. They include development options for aquaculture, promotion and utilization of coastal fisheries resources, fish quality assurance and value addition, fisheries research, development and exploitation of Kenya's 200 nautical miles Exclusive Economic Zone (EEZ)², ornamental and sport fishing, fisheries-related infrastructure, and human resources development.

9. The National Oceans and Fisheries Policy highlights the following issues as the key reasons for the low level of productivity from marine fisheries: (i) lack of access by fishers to land the fish due to the spread of hotels and private property; (ii) absence of a domestic fishing fleet in the EEZ to exploit migratory fish species; (iii) absence of a sound licensing system for foreign fishing fleets in the EEZ, thus depriving the nation of revenue; (iv) inadequate physical infrastructure such as roads, ports and landing sites; (v) inadequate credit facilities for artisanal fishers; (vi) high production and distribution costs; (vii) inadequate management leading to waste and loss of biodiversity; (viii) lack of policy, capacity and equipment for monitoring and surveillance; (ix) conflicts of resource use; and (x) stagnating aquaculture development. The KCDP addresses all of the above issues in an integrated and phased response.

² Under the United Nations Convention on the [Law of the Sea](#) (UNCLOS), a seazone over which a [state](#) has special rights over the exploration and use of [marine resources](#). It stretches from the seaward edge of the state's [territorial sea](#) out to 200 [nautical miles](#) from its coast.

10. **Marine Biodiversity.** The Strategic Plan (2008-2012) of the Kenya Wildlife Service (KWS) recognizes the challenge of conserving Kenya's wildlife heritage and habitat across a multiplicity of sectors. KWS manages about 8 percent of the total landmass of the country including 22 national parks, 28 national reserves, 5 national sanctuaries, 4 marine national parks and 6 marine national reserves. Biodiversity is the basis for the growth of tourism which is the second largest productive sector in the country, accounting for 24 per cent of total foreign exchange earnings and 12 per cent of the GDP. The sector is expected to grow between 4.5 and 5 per cent per year.

11. According to the State of the Coast report (SOC), Kenya's coral reefs are part of the northern end of the East African Fringing Reef System. In recognition that these important ecosystems are a critical element of the coastal tourism industry, as well as being the basis of productivity of coastal fisheries, the Government of Kenya established a system of marine parks and reserves which are managed by the Kenya Wildlife Service (KWS). Kenya has four marine parks including (from north to south) Malindi, Watamu, Mombasa and Kisite and 6 marine reserves including Kiunga, Malindi-Watamu, Mombasa, Diani-Chale and Mpunguti marine reserves. All these marine protected areas encompass important marine habitats including coral reefs, seagrass beds and mangrove forests, but their economic and ecological values are generally surpassed by the coral reefs.

12. The challenges in this sub-sector include: (a) decentralization of management to the local level which has inadequate capacity to address the multiple issues; (b) inadequate capacity at all levels to address emerging issues such as climate change; (c) balancing the needs of the ecosystem health and the needs of communities living adjacent to the parks and reserves. Key goals include: (a) enhancing wildlife conservation; (b) attaining financial stability; (c) enhancing partnerships with clients, communities and the private sector, (d) enhancing service delivery; and (e) strengthening and modernizing institutional quality.

13. **Coastal tourism and Cultural Heritage.** Coastal tourism contributes about 24% to the GDP. Locally, about 70% of the per capita economic activity of the coast region relates to tourism, placing tourism at the center of development. However, tourism and cultural heritage linkages to tourism in the coast face many challenges including: a poor regulatory and legal framework, weak institutional framework, inadequate infrastructure, under valuation of the tourism product, poor packaging of products, coordination and marketing, low levels of domestic tourism, turbulent global tourism and circuit development. Further, poor organizational capacity and inadequate local levy retention schemes contribute to widespread poverty across the coast despite the rich tourism base. There is urgent need to diversify the tourism product to spread risks, ensure sustainability and increase product value. There is also need to enhance local tourism through creative product pricing that will ensure all year tourism and enhance coastal people participation in development of tourism infrastructure. The Government's Vision 2030 highlights promoting tourism as the primary engine of growth, job creation, poverty reduction and wealth generation. The promotion of tourism needs to integrate environmental and natural resources as well as social values. The government, communities and the commercial sector all need to work together to ensure a sound future for Kenya's tourism.

C. Coastal Areas, Communities, Resources

14. **Degradation in a Changing Climate.** The coastal province along the Indian Ocean covers an area of 83,603 km² and has a population of 2,487,264 inhabitants according to the 1999 census. About

62% of the coastal population live below the poverty line, making this province the second poorest of Kenya's eight provinces. Key reasons include the inequitable and unfavourable land tenure regimes and weak institutionalisation and lack of proper integration of urban planning into the development agenda.

15. Apart from Mombassa, the capital, other important towns on the coastal strip include Diani in the South, and Kilifi, [Malindi](#), and [Lamu](#) in the North. The restructuring of administrative districts in 2007 added several new districts in the Coastal Province. Currently there are nine districts: Kaloleni, Kilifi, Kilindini, Kinango, Kwale, Lamu, Malindi, and Mombassa,

16. According to Kenya's National Climate Change Response Strategy (NCCRS), variations in climate have had adverse effects on various sectors of coastal economies, thus jeopardizing the livelihoods of dependent communities. Prolonged droughts have caused low agricultural yields thus compromising food security, while intense precipitation causes severe erosion upstream and massive sedimentation downstream leading to the degradation of mangroves. Elevation in sea surface temperatures has caused widespread coral reef bleaching and consequent mortality. Mortality of reefs and mangroves result in reduced fish productivity, and the loss of an array of other ecosystem good and services. Additionally, reef death has negative economic impact on tourism. The strategy recommends: (a) robust adaptation and mitigation measures in order to minimize risks associated with climate change while maximizing opportunities; (ii) enhancing the understanding of climate change and its impact nationally and in local regions; (iii) providing a conducive and enabling policy framework and a concerted program of action to combat impacts of climate change; (iv) enhancing Kenya's participation in the global climate change negotiations; (v) enhancing understanding of international agreements, policies and processes and the positions Kenya needs to take in order to maximize beneficial effects; and (vi) providing a coordinated approach and overall guidance to the implementation of programs. For example, Kenya's annual deforestation rate has been estimated at 12,000 ha, thus releasing 4.3 millions metric tons of carbon. In pursuit of the World Bank's Forest Carbon Partnership Facility (FCPF), the Government of Kenya has already completed the Readiness Plan Idea Note (R-PIN) for REDD.

17. According to the World Development Report 2010, changes in priorities and adaptive management will be needed to maintain biodiversity under a changing climate. In some places, active management will take the form of further improving protection from human interference, while in others conservation may need to include interventions in species and ecosystem processes that are stronger and more hands-on than is the case today. In all cases, biodiversity values must be actively considered in the face of climate change and in the context of competing uses for land or sea.

18. **Legal Framework.** The section above provides the setting in Kenya's coastal area and identifies the main issues and threats. The GoK has, in response, developed a considerable volume of legislation that applies to activities along the coast. They include: the Continental Shelf Act, Merchant Shipping Act, Maritime Zones Act, Territorial Waters Act, Petroleum Act, Oil industry Act, Water Act, Forestry Act, the Lakes and Rivers Act, Mining Act, Agricultural Act, Kenya Ports Authority Act, Coast Development Authority Act, the National Environmental Management Authority Act and Environmental Impact Assessment regulations, Wildlife Conservation and Management Act, Land Planning Act, The Fisheries Protection Act and the Fish Industry Act. The coastal zone of Kenya appears to be well served with legislation. However, implementation of the applicable statutes is hampered by many obstacles including: overlap of mandates, lack of appropriate regulations in support of the legislation, inadequate capacity and governance, conflicting institutional mandates and

jurisdiction, inadequate information and lack of human resources, skills and equipment for monitoring, control and surveillance (MCS).

19. The Coast Development Authority Act provides for the establishment of the Coastal Development Authority to plan and coordinate the implementation of development projects in the whole of Coast Province and the EEZ. The Act gives powers to the Authority to plan, coordinate, gather and disseminate information, and to generally manage and develop coastal resources in a sustainable manner. In an effort to avoid duplication of effort and to ensure the best use of available technical resources, the Authority maintains close links with other Government institutions and the private sector. The National Environmental Management Authority (NEMA) is established under the NEMA Act. The EIA regulations developed under the Act define “environmental impact assessment” which represents a systematic examination to determine whether or not a programme, activity or project will have any adverse impacts on the environment. The regulations specify that no project shall be initiated unless an EIA has been carried out and approved. The regulations outline the process for carrying out EIA studies, for initiating Environmental Audits, and the procedure for dissemination and disclosure.

The Fisheries Act (Cap 378) implemented through the Ministry of Fisheries Development has provisions for the control and management of certain coastal and marine species threatened with depletion through commercial exploitation. The Fish Industry Act has provisions for control of fishing activities and subsequent processing in both inland and coastal waters of Kenya. The Act aims to protect coastal fisheries from over-exploitation and unsustainable fishing practices. Regulations under the Act provide for the establishment and operationalization of Beach Management Units (BMUs) which are resource co-management groups. The issues noted in the above paragraph, as well as illegal fishers from across the borders, pose significant challenges to the achievement of the goals. .

II PROJECT DESCRIPTION

A Lending and Grant instruments

20. The project would be financed through \$35 million IDA and \$5 million GEF. The GEF co-financing portion comes from the Strategic Partnership for a Sustainable Fisheries Investment Fund in Africa, which was approved by the GEF Council in November 2005. The partnership investment fund of the initiative is advised by a Regional Advisory Council (RAC) of stakeholders, which is chaired by the African Union (AU) and supported by the United Nations Food and Agriculture Organization (FAO) and the World Wildlife Fund (WWF), and includes the implementing agencies for the large marine ecosystems programs (LME programs). The Kenya Marine and Fisheries Research Institute (KMFRI) within the Government of Kenya submitted this concept note to the RAC in August, 2006. There is also interest in the Nordic Development Fund (NDF) to support some activities pertaining to adaptation to climate change. Dialogue has been initiated to assess whether there is a convergence of interest between the partners on the activities that will be supported. Depending on the timing of this agreement, the financing will be categorized as Co-financing or parallel financing.

21. The project will be implemented through the following components requiring US\$40 million (including contingencies of US\$3.21 million) as follows:

- **Component 1. Sustainable Management of Fisheries Resources** with the objective of increasing revenue earning potential of GoK through sound monitoring, control and surveillance and a transparent process of licensing of foreign vessels. Other goals are to promote research for value addition, market chain enhancement, alternatives beyond reef fishing and overall improvement of fisheries governance. (US\$7.96m)
- **Component 2. Sound Management of Natural Resources.** This component aims to improve the sound management and regeneration of natural resources and biodiversity in the coastal and marine environment. A related goal is to identify biodiversity products and markets that will assist in promoting eco-tourism and spin-off industry. The value and future role of natural resources in Kenya's future development is articulated in Vision 2030. (US\$8.01m)
- **Component 3. Support for Alternative Livelihoods.** This component aims to promote sustainable livelihoods within a sound governance framework that includes spatial planning and land capability mapping to identify sensitive areas, Integrated Coastal Management (ICM), and compliance with environmental regulations and safeguards. Within this institutional framework, the component aims to support community investments and MSMEs. (\$18.47m)
- **Component 4. Component 4: Capacity building, Monitoring & Evaluation System, Project Management and Communication.** This component aims to promote capacity in the project coordination and implementation teams, promote dialogue amongst national partners and regional stakeholders and develop a communication strategy for development outreach. (US\$2.35m)

B. Basis for Selection of Components.

22. The large percentage of target beneficiaries is the population living on the coastal margin, some of the poorest in Kenya. Sound management of the EEZ fishery resources however, will benefit all citizens of Kenya since the revenue will accrue to the National Treasury. Managing natural resources particularly along the coast and in wildlife areas has received attention in the Vision 2030 as a critical element for promoting tourism as an engine of growth in Kenya.

23. Given the lack of employment opportunities, particularly for coastal youth and women, there is a critical need to identify and invest in micro, small and medium scale enterprises, in skills development, and promote public/private partnerships. At the same time there is a significant need to promote value addition to the products of fishermen and farmers, identify markets including niche markets and facilitate access to credit. The different specialized assessments that will be carried out will identify new biodiversity products, new economic opportunities and tourism circuits. Improved cooperation with regional neighbors (Tanzania), in line with the East African Cooperation initiative, will reduce costs of surveillance and promote new and larger tourism circuits. On the Northern border, a serious threat exists relating to piracy which requires a coordinated response by a number of several institutions in Kenya, to protect marine resources and also the security of Kenyans living adjacent to the border. Improved governance of coastal resources including enforcement and compliance of environmental and other legislation pertaining to marine and coastal resources will lead to sustainability and the achievement of Millennium Development Goals (MDGs).

Program objective and Phases.

24. The Project will focus investment in a phased manner, in all areas in all coastal districts. This includes both the coastal strip and the interior areas of each coastal district. However, the implementation will be tranching with a pilot area being implemented first before rolling the Project out to the other coastal districts.

C. Project development objective (PDO) and Key Indicators

The PDO is to promote environmentally sustainable management of Kenya's coastal and marine resources by strengthening the capacity of existing relevant government agencies and by enhancing the capacity of rural micro, small and medium sized enterprises in selected coastal communities. The general outcome of achieving the PDO would be that the Coast Province is better able to assimilate and effectively use future, more aggressive, development assistance.

25. **The Global Environment Objective** is to strengthen conservation and sustainable use of marine and coastal biodiversity.

26. The Project would target the following three geographic areas of the coastal and marine environment:

- Offshore and coastal areas of the 200 nautical miles EEZ
- Inshore areas including coral reefs, beaches, mangroves and adjacent zones
- Land of the coastal districts, particularly where the use of terrestrial resources impact on near and offshore marine resources.

27. **The Key Performance Indicators (KPIs)** for the PDO are: a) 15 pilot villages will have increased incomes rising 10% from baseline; b) 10 pilot villages benefit from aquaculture and mariculture; c) 10% increase in households participating in a community savings scheme by EOP; d) private sector investment in value addition increases number of business in the fisheries sector by 15% from baseline; e) Spatial planning successfully initiated in all districts by EOP; f) Cost-effective Monitoring Control and Surveillance (MCS) Program operational in the EEZ of Kenya; and g) Number of households in targeted areas with increased availability and use of basic services

28. **Key Indicators for the Global Environment Objective** are: a) Own-revenue generation from Marine Protected Areas (MPAs) and Marine Managed Areas (MMAs) as percentage of recurrent costs increase by 15% from baseline; b) Over 10% of existing conservation areas are brought under active management by EOP; c) number of stock assessments increased by 50% from baseline providing input for improved management

29. The country assistance strategy for Kenya (CAS Progress Report 2007) enumerates key accomplishments, including improved macroeconomic management and growth recovery. It documents challenges such as continuing inequities in income and access to services, and mixed progress on corruption and some structural reforms. In an environment where governance challenges are paramount, it also strives to maintain the balance between dealing effectively with governance and corruption and

continuing to provide vital assistance to the poor. The report continues the Bank Group's strategic emphasis on growth and poverty reduction but gives enhanced attention to equity and governance. The report notes that the four themes of the original CAS remain relevant: (a) strengthening public sector management and accountability; (b) reducing the cost of doing business and improving the investment climate; (c) reducing vulnerability and strengthening communities; and (d) investing in people.

30. The CAS for 2004-2007 emphasizes three interlinked pillars for economic recovery: (a) *Strengthening economic growth*; (b) *Enhancing equity and reducing poverty*; and (c) *improving governance*. The KCDP aims to (i) promote economic growth in the coastal areas through improved governance of coastal and marine resources (ii) better revenue generation through sound monitoring, control and surveillance; (iii) enhance equity and reduce poverty through the promotion of alternative income generating activities, value addition and MSMEs, and through provision of access to credit, technology and services. During its first phase, the KCDP will put in place the enabling environment, build capacity and physical infrastructure to achieve the key goals. Reducing poverty is a long term goal and it is hoped that during the second phase of the project small successes will be scaled up to cover all of the coastal districts.

31. The KCDP is also in keeping with the government's Vision 2030 which aims to transform Kenya into a middle income country within two decades. The Vision is based on three pillars: the economic, the social and the political. The economic pillar aims to improve economic development to achieve a GDP growth rate of 10% per annum. The social pillar seeks to build a just and cohesive society with social equity. The political pillar aims to realize a democratic political system founded on issue-based politics that respects the rule of law and protect the rights and freedoms of every individual. The KCDP focuses on a specific region of the country which is one of the poorest, supports institutional strengthening in key sectors which are all active in the coast, and promotes MSMEs and a business environment. Hence, the KCDP is consistent with the broad goals of the Vision 2030.

Rationale for Bank Involvement

D. Rationale for Bank involvement

32. The following are the key development issues and the rationale for Bank involvement.

- ⌚ ***The people living in the coastal area are amongst the poorest in the country, are culturally unique, and largely of the Islamic faith. Conflicts within the community and tensions between the coast and the rest of Kenya impact on development in the area.*** Of a population of about 2.5 million, about 34 percent resides in urban areas along the coastline. Immigration from rural to urban areas of the coast and from across the border is increasing. New immigrants compete for coastal livelihoods and this competition leads to unsustainable and illegal use of natural resources and the environment. The resulting deterioration of the natural resource base further aggravates the vicious cycle of poverty and decline in environmental quality. Unsustainable, conflicting, and competing use of natural resources also leads to social impacts in the coastal community.

- ⌚ ***The success of this project is dependent on the ability of the coastal people to have security on land.*** One reason for the poverty in the coast is the marginalization discrimination under previous administrations where land was given to the privileged with many absentee landlords, leading to increasing number in squatters and landlessness for the people of the coast. The physical planning department is engaged in squatter settlement planning where landlessness is being reduced. The Department of lands is engaging in a registration process of the landowners of the 10 mile coastal strip. The lack of a land policy, land tenure and a land-use policy further aggravates the situation.
- ⌚ ***Long term neglect, resource overuse, and poor management and planning have an inevitable impact on the coastal environment.*** Over use of fragile coral reefs by local residents and tourists, too much fishing pressure in the inshore areas, inappropriate land use in coastal districts, and poor management of development over a long period have severely degraded the value of coastal resources. Also, organic pollution from human waste and solid waste sourced from the major urban areas and tourist hotels also impact on the natural resources upon which the coastal economy is based. Lack of capacity and resources for monitoring and enforcement of the environmental framework exacerbates the problems.
- ⌚ ***The lack of proper management also means that valuable existing resources are exploited without full benefit accruing to coastal residents or the national economy.*** Little domestic fishing occurs beyond territorial waters – most fishing occurs within or in areas close to the fringing coral reefs. The area extending from the territorial waters out to the 200 nautical mile Exclusive Economic Zone limit is not fished by Kenyans. Kenya does however license foreign vessels to fish in these offshore waters. These fishers mostly seek tuna and other commercially valuable species. There is a high prevalence of illegal fishing due to inadequate Government capacity to monitoring and control fishing effort. The offshore fleets do not operate from Kenya's ports and do not generate local revenues apart from licenses fees.
- ⌚ ***To reverse the degradation of natural resources and to shift resource use to a more sustainable pattern will require re-development of the coastal areas.*** This re-development will require that issues in the three areas described above be addressed through a consolidated approach that takes into account both the terrestrial and aquatic development agendas and the interactions between them. For example, unless significant increases in capture fisheries can be realized, particularly in the deeper near shore areas currently unexploited by artisanal fishermen, and/or increase in mariculture production occurs, fish supply per capita could decline by approximately 50% and export potential will not be realized. The Government recognizes that the EEZ's offshore waters are inadequately managed with illegal fishing presumed to be extensive. A better understanding of land capability in coastal districts and how land use impacts on near shore aquatic resources is also needed. The above, combined with robust infrastructure improvements, capacity building and assessment of markets for agricultural and fish products, technology for value addition and facilitation of affordable credit will help link preservation of soil fertility and appropriate land use with minimization of erosion and runoff impacts on near shore mangroves and coral reefs.
- ⌚ ***To promote adaptive management to maintain biodiversity, restoration of habitats and sustain coastal livelihoods under a changing climate.*** As noted in the World Development Report of

2010, proactive management of land and the seas under a changing climate is a fairly new and poorly defined process. Relatively little knowledge has been developed on identifying realistic management responses. Sharing of learning, best practices, and capacity building is critical. Spatial planning and other tools do exist for selecting the optimal allocation of lands to achieve particular conservation goals that could balance competing demands. However, the report notes that protected areas alone are not the solution to climate change. The current reserve network has increased rapidly over the past decade to cover about 12 percent of the Earth's surface, but it is still inadequate to conserve biodiversity. Given demographic pressures discussed earlier in this document, and competing land uses, protected areas are not likely to grow significantly. This means that the coastal margin becomes ever more significant in an environmental/marine priority matrix, and the people who manage or depend on these lands will be of increasing importance for species conservation and management in a changing climate. There will be a greater need for more flexible biodiversity conservation strategies that take the interests of different social groups into account in biodiversity management. There will also be the need for infrastructure investments such as the construction or rehabilitation of coastal roads to provide access to resources, ports and landing sites, energy production, water catchment and harvesting, and flood defenses.

So far the principal actors in creating protected areas have been nongovernmental organizations and central governments. A wider variety of actors including managers, owners, and users of these resources will need to work together to increase the resilience and reduce the vulnerability of people to climate change. Conservation, restoration, and management of ecosystems need to be integrated into an overall climate adaptation strategy, to deliver a cost-effective contribution to the conservation of species and habitats while generating societal benefits. Such a holistic approach is in keeping with the key elements of the Vision 2030 of GoK, the World Bank's CAS Progress Report and GoK's NCCRS. In particular, the project aims to strengthen public sector management in all of the participating sectors; promote growth and value addition in key sectors through enhanced productivity and good governance; reduce poverty through better distribution of the benefits of value addition, the provision of services, technical assistance, improved access to markets, promotion of public private partnerships, improving resilience and reducing vulnerability in a changing climate.

D. Description

33. A brief outline is provided below, of the project components and sub-components.

Component 1: Sustainable management of fisheries resources

34. The Project will support the reform of the governance of fisheries in the Kenyan 200 nautical miles EEZ. The support will include legislation and regulatory review, capacity building and the strengthening of monitoring, control and surveillance (MCS) of fishing activities including a vessel monitoring system (VMS). The project will support the establishment of regional linkages with support from the South West Indian Ocean Fisheries Project (SWIOFP) and other regional initiatives. The support will also include negotiations support relating to rights of access for distant water fishing nations (DWFN) to the Kenyan EEZ.

35. This component will also address the need for promoting value addition, access to markets and credit for more sustainable and profitable fishing practices, mariculture, and for promoting non-consumptive activities in support of the tourist sector. Activities under this component would support development of pilot public-private partnerships in mariculture ventures such as crab fattening, seaweed farming, crustacean culture, village owned Fish Aggregating Devices (FAD), etc. Technical extension services and business service advice will be provided to promote micro and small enterprises for new uses of marine and coastal resources. The sub-components are briefly outlined below and expanded in Annex 4.

36. **Sub-component 1.1. Sustainable management of offshore and coastal fisheries resources.** The outcomes of this sub-component are: (a) *Quality Control and Value addition System* designed and effectively operated; and (b) Cost-effective Monitoring Control and Surveillance (MCS) Program for Kenya Exclusive Economic Zone (EEZ) and for Kenyan flagged vessels strengthened and supported. Activities include (i) demand driven research for value addition; (ii) implementation of the value chain strategy (infrastructure construction); (iii) strengthen the Fisheries Department and KMFRI; (iv) conduct a value and market chain analysis including eco-labelling benefits and value enhancement strategy; (v) review and recommend changes to the MCS capability; and (vi) implement the MCS strategy.

37. **Sub- Component 1.2. Fisheries Administration and Research in Kenya.** Three outcomes are expected from this component. They are: (a) *Efficient Fisheries Management System* designed, developed and functional; (b) Research and Development established; and (c) Fisheries Governance improved. Activities include: (i) establishing a Fisheries Implementation Unit responsible for the administration of the project/fisheries?, logistics, project support, supervision and monitoring and evaluation; (ii) Increasing awareness, capacity building for coastal communities; (iii) developing three fishery specific co-management plans; (iv) research to support stock assessments for 10 priority species (in coordination with SWIOFP); (v) promoting FADs; (vi) promoting artisanal fishing alternatives beyond reef; (vii) by-catch mitigation (turtles); (viii) aquaculture technology baseline surveys; (ix) developing technology for Spatial Mapping of Fisheries; (x) review and strengthening of the legislative framework for fisheries; (xi) reform of the existing management, licensing and licensing price structure of industrial vessels.

38. **Sub- Component 1.3. Fish production through sustainable aquaculture development** Expected outcome is: Sustainable aquaculture development promoted. Activities include: (i) demand driven research for aquaculture; (ii) rehabilitating and constructing hatcheries, artemia processing and quality assurance, (iii) establishing shrimp and finfish culture demonstration/pilot farms in Ngomeni and Gazi and (iv) establishing seaweed farming.

Component 2: Sound Management of Natural Resources

39. **Kenya's** Vision 2030 highlights adding value to products and services. Also according to the vision, tourism will be a leading sector in achieving the goals. Specific strategies mentioned for realizing the goals emphasize an aggressive strategy to develop Kenya's coast (north and south), .increasing the country's premium safari parks, creating new high value niche products (e.g. cultural, eco-sports and water-based tourism) (Vision 2030). In keeping with the government's goals, the objective of this component is to improve sustainable management and regeneration of natural resources and biodiversity in the inshore coastal and marine environment. The vision of this component is to understand and

conserve the unique coastal biodiversity and its natural resources as the basis for sustainable development. Activities under the component will promote sustainable tourism and new and alternative types of livelihoods. Technical advice will be provided to coastal communities to improve current livelihoods to be more sustainable.

40. Optimal use of natural resources requires careful planning based on good information on the distribution of various resources and their condition. Fundamentally, this requires knowledge of the underlying land capability, the baseline state of these resources, the rate at which they change and the associated infrastructure. The existing understanding of the resource base is limited, posing a challenge to decision-making and sustainable resource exploitation. The existing information is fragmented, inaccessible or stored in incompatible media. The sub-component aims to collect and collate the relevant data in a GIS information management system for decision support and wise use of the coastal and marine resources. There are closely linked four sub-components under this component.

41. **Sub- Component 2.1. Biodiversity & natural resources assessed and an integrated information system developed. Outcomes include:** (a) Outcome: GIS template developed & populated to establish baseline information on the status of natural resources at the coast. (b) improved information on the status of natural resources, their ecological threats, economic valuation and resource use patterns collected and interpreted; Activities include: (i) the creation of a coastal biodiversity information management system; (ii) coastal biodiversity data collation, biodiversity information gap analysis, specialized surveys on flora and fauna in Arabuko-Sokoke, Boni-Dodori and Kiunga forests; biodiversity assessments in Kisite-Mpunguti, Shimba Hills and Mombasa Marine National Park, (iii) biodiversity assessment in all proposed community conservation areas Shimoni, Marereni, Assakone, (iv) develop a uniform biodiversity monitoring protocol and implement the biodiversity monitoring protocols in all key biodiversity hotspots, (v) conduct a strategic impact assessment in all protected areas and develop mitigation strategy for identified threats and (vi) conduct economic valuation for Shimba Hills and Malindi - Watamu Marine Protected Areas (MPA).

42. **Sub-Component 2.2. Management plans, guidelines and strategies for sound management of biodiversity & natural resources developed.** Outcomes include: (a) management plans for Coastal Mangrove ecosystems, Boni Dondori N.R., Witu, Assakone and Marereni terrestrial and community conservancies developed; (b) development of new conservation areas promoted by formulating new management approaches and facilitating their implementation; (c) guidelines for management of critical habitats in Tana Delta implemented; (d) key transboundary initiatives at Kisite Mpunguti and Shimba Hills, and between South Coast in Kenya and Tanga, Pangani, Zanzibar and Pemba in Tanzania promoted and facilitated; (e) conservation strategies of endangered species and habitats (i.e. sea turtles, coral reefs and Dugong) supported; and (f) Elephant corridor linking A???. Sokoke to Tsavo East National Park? identified and secured.

43. **Sub- Component 2.3. Capacity building & institutional Support,** Main outcomes include: (a) institutional staff and local community members enhanced, (b) best practices on resource utilization and management learnt by community & institutional exchange visits; (c) capacity of community groups and CBOs across the coast built; (d) capacity of tourism stakeholders in industry governance strengthened; (e) state of the art aquarium, laboratory, visitors information center in a Mombasa MPA supported.

44. **Sub- Component 2.4. Research & Technology for Extension Services & Development of Cottage Industries.** Main outcomes include: (a) existing natural resources reviewed and new biodiversity identified; (b) technical and extension services for GoK agencies in place; (c) 10 appropriate technologies and products packaged and rolled out.

45. **Sub- Component 2.5. Tourism and Cultural Heritage Enhanced.** Key outcomes expected include: (a) information on existing tourism infrastructure, assets and activities collected and tourism opportunities for the coast identified; (b) new biodiversity products identified; (c) tourism circuits in Kiunga/Lamu, Mombasa, Malindi/Watamu/Arabuko-Sokoke and south coast Kenya, Tanga, Pangani and Zanzibar and Pemba developed; (d) package tourism products to strengthen tourist circuit developed and marketed.

Component 3: Support for Alternative Livelihoods

This component has 5 interlinked sub-components:

46. **Sub-Component 3.1.: Spatial Planning.** Key outcomes include: (a) institutional capacity reinforced and community awareness on planning issues developed; and (b) a land use framework developed and implemented to guide the sustainable use and development of the Kenyan Coast. Activities include: (i) rehabilitate and refurbish provincial and district offices; (ii) train and build capacity of the spatial planning team and sensitize the community on land use planning; (iii) prepare Land Use Plans (Coast Province Land Use Plan at a scale of 1:100,000; 4 District/Regional Land Use Plans at a scale of 1: 50,000 ; 16 Area Action Land Use Plans at Ward Level at a scale of 1:5,000); (iv) Prepare Land Capability Plans (Coast Province land Capability Plan at a scale of 1:100, 000; 4 District/Regional Land Capability Plans at a scale of 1: 50,000; 16 Area Action Land Capability Plans at Ward Level at a scale of 1:5,000)

47. **Sub-Component 3.2. Environmental Governance.** Key outcomes include: (a) National Environment Management Authority (NEMA) reinforced to implement the Coastal Governance Sub-component; (b) Integrated coastal zone management (ICZM) framework implemented; (c) Legislative and regulatory framework harmonized ; (d) Compliance and enforcement enhanced. Activities include: (i) develop and implement ICZM awareness strategy; (ii) develop and implement incentives on environmental awards schemes to recognize good practice in environmental conservation; (iii) develop resource use conflict resolution mechanism; (iv) training of ICZM Steering Committee on ICZM Policy Formulation, Action Planning, Implementation and Monitoring; (v) strengthen EA regulations and guidelines to address environmental degradation from mining activities along the Coast; (vi) harmonization of relevant legislation (EMCA, Wildlife, Fisheries, physical planning Act, Survey Act); (vii) sensitize (targeting PEC, DECs & CBOs) on existing Environmental legal and regulatory frameworks; (viii) capacity building for lead agencies on EIA/EA review process; (ix) promote best practice identified on effluent discharge in two hotels; (x) implement the Environment Management Framework (EMF) on community based projects; and (xi) undertake joint enforcement operations with relevant lead agencies

48. **Sub- Component 3.3. : Microenterprise Development.** This component aims to promote MSMEs through research, technological support, extension services, training for business development and public private partnerships. Most coastal communities comprise artisanal fishermen and subsistence farmers. Due to inefficient, rudimentary production techniques and equipment, and inadequate

alternative livelihood opportunities, there is considerable inefficiency and wastage in production systems. The situation is further exacerbated by the lack of, and access to markets for products and technologies for value addition and product development. Additionally, the implementing agencies are also not well facilitated to deliver the needed extension services to promote technology adoption and best practice promotion. Key outcomes expected from the sub-component include: (a) Coastal Development Agency's physical operation and personnel enhanced; (b) Program implementation arrangements and subcontracting in place; (c) Business Development Services (BDS) services facilitated; (d) flow of private public equity/financing to viable SME's in promising sectors (Mango, Cashew, Jatropha and Fishing) increased. Activities include: (i) purchase of equipment and physical improvements; (ii) training of staff; (iii) undertake focused micro studies on value chains in selected subsectors in the programme areas; (iv) provide BDS for small enterprises; (v) establish Business Resource Centers for capacity building; (vi) establish viable cottage level value addition activities in 5 subsectors; (vii) establish a Private Public Partnership (PPP) Fund

49. **Subcomponent 3.4: Making Finance available to MSMEs at Affordable rates.** The Project will work with existing, or help start new, financial self help groups to find opportunities to increase membership to the point where a group can afford to hire permanent staff. Once a group reaches this size, the project will provide assistance to establish simple financial management processes, a simple credit assessment, a governance process and a grant for an office and basic equipment. The project will also provide oversight and regular supervision and advice to the self-help group for at least one year. The project will also assist interested individuals to form production cooperatives that may or may not be linked to the financial self-help groups described above. This support would target small holders, small mariculturists or fishermen that would not be able to afford the inputs or produce the volume of products needed to take full advantage of alternative livelihoods in the coastal zone. Assistance would include establishing a partnership agreement, a simple business plan, technical extension advice, and hand-holding through the business licensing process.

50. **Sub-component 3.5. Coastal Village Fund (CVF).** The purpose of the CVF is to leverage construction of village infrastructure and changes from damaging to more sustainable and profitable alternative livelihoods supported under the KCDP. Although the exact number of sub-projects supported under this subcomponent will depend on demand estimated during preparation, up to 300 of these small grants at an average value of \$20,000 each is likely to be required. Groups receiving grants will be expected to contribute cash or "in-kind" to the objective of the grant.

51. Identification of an efficient and transparent delivery mechanism for such a large part of the KCDP is critical. Management of the CVF will be through the district structures already in place to service coastal CDD under the Arid Lands project. The Arid Lands project will establish a "window" within the project for funds from KCDP to ensure easier accountability and greater transparency. The two projects will agree on the type of projects (a "negative list" will be established) that are eligible for funding through this window, but selection, disbursement and subproject monitoring will follow the process set up by the Arid Lands project. The selection of the Arid Lands to facilitate service delivery is due to the project's success. Another lesson learned is a similar process established within the Tanzania Marine and Environmental Management Project in partnership with the Tanzania social Action Fund 2. Other frameworks for micro-finance initiatives in Kenya include: (a) GoK, Youth Enterprise Fund, GOK Women Enterprise Fund, GoK Constituency Development Fund as well as the CDA's community programs.

52. **Component 4: Capacity Building, Monitoring & Evaluation System, Project Management And Communication.** The outcomes include: (a) Project Coordination Unit strengthened to manage and coordinate KCDP supported activities; (b) institutional capacity increased; (c) an Information & Communication Strategy developed and implemented to increase public awareness at local and regional levels of project goals and activities; (d) an effective Monitoring and Evaluation System (M&E) developed; and (e) skills of project leaders enhanced to handle project implementation. Activities include: (i) Policy & Technical Steering Committee Consultations; (ii) meetings of the Project Implementation Committee; (iii) meetings of the Coast Area Committee; (iv) Parliamentary outreach for policy purposes; (v) strengthen regional cooperation by visits to strategic partners in the region; (vi) develop a Memorandum of Understanding with all partners; (vii) develop and equip office space for project management staff; (viii) enhance mobility of the project management staff; (ix) strengthen the procurement and financial capacity; (x) engage communication specialist to develop Information & Communication Strategy ; (xi) develop an effective M&E System; (xii) short and long term training for project leaders and other staff.

E. Financing

Source:	(\$m.)
BORROWER/RECIPIENT	2
International Development Association (IDA)	35
Global Environment Facility (GEF)	5
Global Environment Facility/PHRD - Cofinancing Trust Funds	1
Total	43

F. Implementation

53. The KCDP has been developed in close collaboration and partnership with all the government agencies active in the coast. They include: KMFRI, KEFRI, KWS, Fisheries department, CDA, Planning, NEMA, coastal districts, NGOs, private sector and communities. At the international level, the KCDP is supported by IDA, the GEF and possibly also the Nordic Development Fund (NDF). The IDA funding will be US\$35million and GEF will provide co-financing of US\$5million. The GEF funds will be a grant from the Africa Strategic Partnership for Fisheries, a strategic grant for the Africa Region. Dialogue is underway with NDF which is likely to support adaptive management strategies to reduce vulnerability and improve ability for resilience of coastal communities and biodiversity to climate change.

54. Other partners include:

- a. The three interlinked regional projects: South-West Indian Ocean fisheries project (SWIOFP), the Agulhas and Somali Current Large Marine Ecosystems (ASCLME) project and the Land Based Activities in the Western Indian Ocean (WIO-LaB) are directly linked to the KCDP and will contribute to its implementation. In the case of SWIOFP the activities of which will focus on scientific knowledge management and related policy in deep sea fisheries will assist in high value commercial fisheries management in Kenya's EEZ. Research from the other two projects will also benefit KCDP in managing both the nearshore and coastal marine and land resources and in regional ecosystem monitoring. Since Kenya is a member of the South West Indian Ocean

Commission (SWIOFC), it will benefit from knowledge sharing among regional partners which will in turn support sound governance and build capacity.

- b. The Global Coral Reef Targeted Research and Capacity Building for Management Project, a global project which focuses on research on coral reef ecosystem health that can inform policy and management decisions. Capacity building for science-based management of coral reefs in developing countries is supported.
- c. The Arid Lands Resources Management Project (ALRMP II). Supported by the World Bank and other partners, the ALRMP II builds on the successes of ALRMP I and aims to enhance food security and reduce livelihood vulnerability in drought-prone and marginalized communities in 21 districts. The project supports natural resources and drought management, community driven development (CDD) and fostering an enabling environment for development in the arid lands through policy, advocacy and research. The KCDP will form an alliance with ALRMP II and provide funds to ALRMP II to deliver resources and services to coastal communities using the same mechanisms and approaches that ALRMP II uses.
- d. Other partners/projects include: (i) the Western Indian Ocean Marine Science Association; The Trust fund for Coral and climate change; (iii) World Bank supported Seychelles project for Technical assistance on tuna industry management; (iv) European Commission (EC) supported Indian Ocean Commission MCS project; and (v) EC supported Indian Ocean Commission regional fisheries project covering all the West Indian Ocean

55. **Background, Role of KCDP and Linkages to Other projects.** This project will be implemented in a highly decentralized manner with the participating agencies, all of whom have a role in the use and management of resources in the marine and coastal areas of Kenya, implementing their mandates according to their policies and strategies. The role of the KCDP however, is to: (a) promote harmonization of these sectoral laws and policies and enhance capacity towards minimizing negative impacts that the use or mis-use of resources in one sector may have on another; (b) promote good governance of coastal and marine resources, improved transparency in decision making and improved participation of the end users in the decisions regarding the resources upon which their livelihoods depend; (c) promote integrated planning, whether ICZM or Integrated Forestry where decisions on resources will be shared between user communities and those governing the resources; (d) promote spatial planning and land capability mapping to identify sensitive areas and share these findings widely to influence the type of use or conservation of the resource or area; (e) promote and facilitate MSMEs with access to technology, affordable credit, markets and private sector linkages; and (f) invest directly in the community through ALRMP II using a participatory and demand driven approach that ALRMP II has piloted and successfully implemented over two phases of a programmatic approach. The project will also have close linkages to regional projects: (a) SWIOFP; (b) ASLME; and (c) WIO-LaB with regard to fisheries in the EEZ; transboundary resources management; and land-based sources of pollution in the marine environment.

56. KMFRI has coordinated project preparation, ensuring funds flow for preparation activities and managing the special accounts and project accounts to receive funds from GEF and PHRD. KMFRI also prepared an annual budget and submitted this to the Ministry of Finance for expenditures for the fiscal year. KMFRI has also been successful in mobilizing the partners to work together in a collegial manner in all preparation activities. The team now works very well together and all partners agree on the fundamentals and procedures by which the KCDP will be implemented. While it is expected that a final

assessment will be conducted of the agency which will ultimately oversee the implementation of the KCDP, it is the view of the bank team that advantages are to be gained in continuity of the current system.

57. The Ministry of Finance has assigned the Ministry of Fisheries Development, through the Kenya Marine and Fisheries Research Institute (KMFRI), to coordinate overall preparation of the proposed project.

58. **Arid Lands** will be involved in implementing the CDD element whereby, it will use the existing structures for Arid Resource Management Phase II.

59. The project financial management is *weakened* by the following salient feature:- Arid lands internal controls issues raised especially on unauthenticated expenditure. Since Arid lands will be involved in the CDD element of the project, proper accountability is required and hence the need to address the internal control issues raised in the audit of their accounts for 30.6.2009 by KENAO.

60. The range of partners is outlined in table 6.1 along with their roles in KCDP. Component 1 will be implemented by the Ministry of Fisheries Development, with the participation of the Department of Fisheries and KMFRI, while the component 2 will be implemented by KWS, Forestry Department, KEFRI, Tourism Departments and NEMA. The Component 3 would be implemented by the concerned districts (under the guidance of the DSG and ministry of Local Government) through direct interaction with the community development committees, CDA and ALRMP. The spatial planning and land capability activities in Component 3 will be carried out by the Department of Lands, the Coastal Governance activities will be led by NEMA and carried out in partnership with other stakeholders. The ICZM activities will also be led by NEMA and implemented with other partners. The DSG has gained significant capacity for implementing diverse multi-sectoral projects through the years and is now operating in 38 districts¹. The CVF will be implemented through ALRMP II, following the same procedures as the ALRMP II with regard to community grants.

61. At the national level, a Policy Steering Committee (PSC) composed of Permanent Secretaries responsible for fisheries, natural resources, finance and local administration will guide policy, institutional and regulatory reform as well as strategies for implementation. The role of the PSC will be to facilitate coordination and linkages between the various different ministries to ensure consistency with sector policies and adherence to established norms and standards. The PSC will also adopt the annual work plan and corresponding budget keeping in line with the project's objectives. The PSC will also provide guidance on dispute or political issues that may impact KCDP. The PSC will meet on an annual basis.

62. A **Technical Committee (TC)** composed of Directors of key ministries and institutions as well as private sector representatives will monitor and guide project operations, advise on research needs and review annual work plan and budgets as well as annual progress and performance reports prior to submission to the PSC. The Technical Committee may meet on a quarterly basis.

63. **Coastal Area Community Development Committee** will operate under the District Administrative structure connecting also with the provincial administration. It will promote Community sub-projects and ensure economic benefits to the communities from these activities so as to encourage sustainable utilization of natural resources.

64. The **Project Coordinator (PC)** will report to the Director of KMFRI and be responsible for the day-to-day implementation, administration of project funds, financial management, procurement processing, and the preparation of annual work plans and budgets. The PC is also responsible for the consolidation of work plans and budgets of the partners, managing consultants and processing their contracts, preparation of requests for replenishment of the Special Accounts to the World Bank through the Ministry of Finance and liaise with all participating agencies and the World Bank on a regular basis. The PC will coordinate and ensure the effective implementation of all activities of the **PMU** which has the responsibility for implementing Component 4 including oversight of the M&E, Communication and Outreach and capacity building of the teams. Further detail is provided in Annex 6, Table 6.2. A summary of roles and responsibilities of implementing partners are outlined in Annex 6, Table 6.3 and Table The PIM will contain the final roles and responsibilities and MOUs will be drawn up to outline duties and obligations of the specific agencies. Annex 6, Figure 6.1 depicts the reporting, feedback and coordination mechanisms among the participating agencies.

65. **Linkage with ALRMP.** The Arid Lands Resources Management Project (ALRMP II) supported by the World Bank and other partners, the ALRMP II builds on the successes of ALRMP I and aims to enhance food security and reduce livelihood vulnerability in drought-prone and marginalized communities in 21 districts. The project supports natural resources and drought management, community driven development (CDD) and fostering an enabling environment for development in the arid lands through policy, advocacy and research. The KCDP will liaise with ALRMP II to provide resources and services to coastal communities.

Resources for implementation of the CVF will be transferred by KMFRI to ALRMP II which will set up a special ring fenced window to receive and disburse these funds. This arrangement will facilitate sound records, greater transparency and accountability. Sub-projects eligible for funding under the CVF will be financed according to the ALRMP procedures and rules. ALRMP and KMFRI will enter into a MOU detailing implementation, reporting and feedback processes. .

66. There are a number of ministries engaged in the KCDP implementation. The following table outlines the key stakeholders in KCDP and the main role they will play in implementation.

Table 6.1. KCDP: Key Stakeholders and their roles in project Implementation		
Ministry	Department/s	Role in KCDP
Ministry of Fisheries Development	Fisheries Department and KMFRI	Fisheries, Fisheries Research and hosting the PCU and supervising staff
Ministry Environment and Mineral Resources	NEMA	Not a component implementation leader but has a major role in environmental and natural resources governance
Ministry of Wildlife and Forests	KWS, KEFRI	Sound management of natural resources, including forests and biodiversity
Ministry for the Development of Northern Kenya and other	ALRMP which will implement the Coastal Village	Not a component implementation leader but responsible for

Arid Lands	Fund in partnership with KCDP sectoral agencies at DSG level	disbursement of CVF under Component 3. The ALRMP will report to the Project Coordinating Unit which reports to the Ministry of Fisheries
Ministry of Lands	Department of Physical Planning	Spatial planning and land capability sub-components
Ministry of Local Development Authorities	Coast Development Authority	Active role in mainstreaming project activities

G. Sustainability

67. **Critical factors for sustainability of the project are outlined below:**
- a. **Borrower's commitment to and ownership of the project and the relevant policies.** The KCDP is well in keeping with the main pillars of the Government's Vision 2030 and emphasizes the key themes in the sectoral policies and legislation. As such, the project is well regarded at high levels in government. The Vision 2030 has three pillars: economic, social and political. The KCDP supports all of these pillars in promoting growth in the coastal areas through MSME development, providing access to markets, technology and finance, training and capacity building. There is a strong legislative and institutional framework which may need some strengthening, but the existence of the framework is an indication of the commitment and interest and engagement of stakeholders in managing the resource base in a sound manner.
 - b. **Focal Points appointed to prepare the project as an integrated team.** A project preparation team comprising focal points from each government department with a mandate for sound coastal and marine resource management has been established. Several consultative workshops have been conducted to discuss priorities, issues and recommendations. It is expected that this same team will transition into the Project Implementation Team with direct responsibility for sub-component or activity implementation.
 - c. **Commitment to decentralization and community empowerment.** GoK is also committed to decentralization as a means of empowering local communities. The KCDP also supports capacity building at all levels of government and within communities in line with the goals of the GoK. It aims to undertake a multi-pronged strategy of building capacity at all levels and engaging partners based on their skills and experience to deliver some services.
 - d. **Consistency with the MDGs, Policies of GoK and Regional and International Obligations.** The project provides explicit capacity building to develop and implement the policies that promote poverty reduction and environmental sustainability, financial sustainability for marine protected areas and cooperation in the marine and coastal environmental with mainland Tanzania and Zanzibar in keeping with the East African cooperation. This type of cooperation is actively promoted by the environmental NGO community and other development partners. GoK and the Government of Tanzania have already initiated dialogue on the subject. The aim is to identify and agree on a process to promote conservation of migratory and other marine species, promote sustainable livelihoods, access to markets and trade, tourism, regional security, and knowledge sharing.
 - e. **The project design is sustainable** since it highlights and supports key priorities of the government, both at the macro level and within sectors. It also supports the priorities of the people of Kenya who live in the coast, have been marginalized and some who live in abject poverty. Again, a multi-pronged strategy of direct investment in the community, provision of services and enhancing capacity, promoting MSMEs and facilitating affordable credit, technology and access to markets is expected to show some positive results by the end of the project. The project is also in line with international best practice in promoting environmentally sustainable and socially inclusive development, in

supporting the emphases in the MDGs and in international and regional conventions. The commitment of the different implementing agencies to the project preparation and implementation is visible in the contributions to this document and to the consultations on key issues.

- f. Lastly, the **implementation of the community sub-projects** through a successful project (ALRMP II) ensures the success of component 3 of the KCDP. The ALRMP II in its second phase aims to empower the arid lands communities to manage their own development sustainably in a socially inclusive manner. The ALRMP II will build on the participatory methodologies used in its first phase, the Participatory Rural Appraisal approach. The DSG will evaluate community microprojects using a list of criteria. The ALRMP has procedures for working with partner agencies and local government agencies. The KCDP will use the same systems for funding its micro projects. A similar project in Tanzania, the Tanzania Marine and Coastal Environmental Management Project (MACEMP) also used a similar alliance with the Tanzania Social Action Fund (TASAF II) to enable a quick disbursement mechanism to get resources to the coastal communities. They also received training to identify, procure and manage investments that they needed to improve their livelihoods.

Lessons Learned from Past Operations in the Country/Sector

68. Lessons from sound management of fisheries are:
 - a) Effective MCS can lead to an increase in revenue generation and resource sustainability while also reducing illegal fishing;
 - b) Prevention of stock collapses with long-term sustainable harvesting of resources
 - c) Reduction of ecosystem impacts and improved tourism potential through optimal resource management
 - d) Enhanced quality management of fish harvested with improved economic benefits.
 - e) Partnerships at all levels (including local communities and neighboring countries) can enhance the effectiveness of fisheries

69. Some lessons from sound management of natural resources in the nearshore marine are:
 - a. **Spatial planning and identification of sensitive areas** within the context of an integrated coastal management strategy can reduce negative impacts of resource exploitation
 - b. **A network or system of protected and managed areas** is generally more sustainable and able to withstand external shocks such as reduced tourism. A comprehensive and representative system is ecologically more resilient and will contribute to poverty reduction in near-shore areas while also providing ecosystem support for deep sea fisheries.
 - c. **Adaptive management models of management** that reflects local needs and capacity have proved to be more viable
 - d. **Co-management.** Co-management models will improve cost-effectiveness and implementation efficiency. Private sector involvement and public/private partnerships are particularly cost-efficient.

- e. **Inshore and Offshore MPAs and Transboundary Conservation Areas.** Marine Protected Areas are being increasingly used globally as not only a biodiversity and conservation tool but also as a fisheries management tool. MPAs have been predominantly focused on inshore areas where they are relatively easy to manage and control. By comparison, Offshore Marine Protected Areas present a somewhat different challenge. In the southern Indian Ocean, the declaration of a closed area to trawling as a fishing industry-based initiative to manage a fishery is noteworthy. In collaboration, high seas operators targeting deepwater stocks (Orange Roughy, Alfonsino and other deepwater species) have formed the Southern Indian Ocean Deepwater Fishers Association (SIODFA), effectively creating a deepwater offshore protected area. In contrast, established inshore MPAs can be either no-take zones or can permit controlled fishing through collaborative co-management arrangements with fishers. On the east coast of South Africa for example, the World Heritage site, Isimangaliso was declared an MPA and is contiguous with the Maputaland MPA that extends to Mozambique, effectively forming a transboundary protected area. These MPAs have two types of zones, either Sanctuary Areas (core area) or Restricted Areas (buffer zone). The seaward extent of both the Isimangaliso and Maputaland MPAs is three nautical miles with both limited fishing and sanctuary areas. These two MPAs have a successful balance between no-take and controlled exploitation and are useful examples of how MPAs on the East African Coast can add value from both a fisheries management and conservation perspective (From Japp D., 2010).

70. **Lessons regarding provision of resources and service delivery to communities are:**
- a. Alternative livelihoods schemes that promote sustainable resource use are consistent with decreasing income poverty and improving local empowerment.
 - b. The identification of micro-projects needs to be carried out in a highly participatory manner, ensuring that social inclusiveness
 - c. The micro-projects need to be identified, designed and implemented within an environmental framework that internalizes or mitigates localized and/or cumulative environmental impacts
 - d. Partnership with an ongoing project that already has a successful record in providing resources and service delivery to communities is an efficient model. The ALRMP II has this experience and the Tanzania Marine and Coastal Environmental Management Project (MACEMP) has also successfully disbursed resources to the communities through a partner project, the Tanzania Social Action Fund (TASAF) set up to provide direct support to communities.

H. Safeguard Policies (including public consultation)

Safeguard Policies Triggered (<i>please explain why</i>)	Yes	No	OP/BP 4.00
Environmental Assessment (OP/BP 4.01)	X		
Natural Habitats (OP/BP 4.04)	X		
Forests (OP/BP 4.36)	X		
Pest Management (OP 4.09)		X	
Physical Cultural Resources (OP/BP 4.11)	X		
Indigenous Peoples (OP/BP 4.10).	X		
Involuntary Resettlement (OP/BP 4.12)	X		
Safety of Dams (OP/BP 4.37)		X	
Projects on International Waterways (OP/BP 7.50)		X	
Projects in Disputed Areas (OP/BP 7.60)		X	

Environmental Category B – Partial Assessment.

71. **Environmental Assessment (OP/BP 4.01):** A full EA would not be required as the Project will be designed to institute a participatory policy and planning framework at the local government level to develop and oversee local development planning. KCDP will support spatial planning, sensitivity mapping and land capability mapping to include use and non-use associated with environmental, social and cultural values. Larger investments such as coastal infrastructure which may be supported by the project will be carried out after a full EA. The CVF will be handled through environmental screening processes of the ALRMP. **Natural Habitats (OP/BP 4.04)** is triggered given that there are national parks, mangroves, forests, fringing reefs and sandy beaches within the targeted areas. The Project will facilitate a sustainable and participatory approach to improve the management of the protected areas with community participation. Given that tourism is expected to be the engine of growth in Kenya over the next 20 years, the preservation of unique natural habitat is a priority. **Pest Management (OP 4.09)** is not triggered since the project would not support agricultural development that leverages widespread use of pesticides and herbicides. **Forestry (OP/BP 4.36)** is triggered. The Project will have positive impacts on existing primary or mature secondary forest areas through improved land use planning, enhanced monitoring and enforcement including community co-management of forested areas. There is the potential for negative impacts through the expansion of agriculture, livestock projects and charcoal making. Careful monitoring will be needed to ensure that localized and site specific impacts do not lead to significant cumulative impacts. The District level will be sensitized to the KCDP tools of spatial planning, land capability mapping and ICM planning in order to manage the type, scope, coverage, land use.

72. Given that the project encompasses the possibility of restriction of access to parks and protected areas, **OP 4.12 (Involuntary Resettlement) is triggered and a Process Framework has been prepared.** Land acquisition is not expected to be an issue in the project. Indeed, the project will not support activities that involve land acquisition nor will it seek to restrict access or regulate occupancy and use in protected areas on either land or in marine areas. Rather, it would enlist cooperation by residents to assist in managing all environmentally sensitive areas, included protected areas. In addition, a draft, rapid, social assessment was prepared that will

inform the project on ways of managing the social dynamics and opportunities that exist for enhancement of livelihoods in coastal communities; completion of the social assessment and establishment of a grievance mechanism for the project will be a condition of project effectiveness.

73. **Cultural Resources (OP/BP 4.11)** will be triggered given that the Kenya coast is rich in historical and archaeological sites. The ruins of mosques and other buildings reflect different ensembles of Islamic architecture. The Project will be implemented within a framework of spatial planning and land capability and this information will be used to identify and prioritize sites that are urgently in need of rehabilitation. **Indigenous Peoples (OP/BP 4.01) may be triggered depending on the project sites.** An IPPF has been prepared by the Government of Kenya and provides information about these communities, their livelihoods and guidance in the event of impacts by project activities. **Projects on International Waterways (OP/BP 7.50) are not triggered** as the types of activities are not considered to meet the definition of projects on international waterways. Nevertheless, it is important to note that there are some issues related to management of migratory and transboundary fish stocks between Kenya and Tanzania, which is mainly related to the migration patterns of large pelagic fish such as tuna, bill-fish and shark. Also there may be opportunities for transfrontier terrestrial conservation areas between Tanzania and Kenya. A formal Memorandum of Understanding between the two governments is planned to cover the scope and areas of cooperation regarding assessment, monitoring and management of transboundary issues.

74. **BORROWER'S CAPACITY TO IMPLEMENT THE SAFEGUARD POLICIES.** The ESMF and IPPF have been disclosed according to the standard procedures in Kenya. The documents have also been disclosed in the Info Shop. A summary of the main findings of the ESMF are contained in Annex 10: Safeguard Policy Issues.

75. Participating agencies have a mandate to ensure sound management of natural resources and the environment. Most of the agencies have environmental impact assessment units and EIA officers. However, their capacities for monitoring safeguard policies will need to be enhanced through training. Environmental assessments, Environmental audits and Environmental Management Plans will be overseen by NEMA, also an implementing agency in KCDP. Safeguard policies will be addressed as part of the planning processes in the ESMF and IPPF. The spatial development planning framework, sensitive mapping and land capability assessments as well as the social assessment will provide broad guidance for all KCDP activities.

I. List of Factual Technical Documents

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