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RESTRUCTURING PAPER

ON A

PROPOSED PROJECT RESTRUCTURING  
OF THE

NATURAL RESOURCE MANAGEMENT PROJECT

APPROVED ON MARCH 27, 2007

TO THE

REPUBLIC OF KENYA

JUNE 10, 2011

Environment and Sustainable Management Unit  
Sustainable Development Department  
Africa Region

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## ABBREVIATIONS AND ACRONYMS

CDD	Community Driven Development	NGOs	Non-governmental Organizations
CFAs	Community Forest Associations	NIB	National Irrigation Board
EMP	Environmental Management Plan	NRM	Natural Resource Management
ESMF	Environmental & Social Management Framework	NRMP	Natural Resource Management Project
ESMP	Ecosystem Management Plan	O&M	Operation and Maintenance
FRA	Forest Resource Assessment	PAD	Project Appraisal Document
GEF	Global Environment Fund	PCO	Project Coordination Office
GIS	Geographical Information System	PDO	Project Development Objective
GOK	Government of Kenya	PF	Process Framework
ha	Hectare	PFM	Public Financial Management
IA	Implementation Agency	PFMP	Participatory Forest Management Plan
IDA	International Development Association	PIP	Project Implementation Plan
IP	Indigenous Peoples	PSC	Project Steering Committee
IPP	Indigenous Peoples Plan	RAP	Resettlement Action Plan
		REDD	Reducing Emissions from Deforestation and Forest Degradation
IPPF	Indigenous Peoples Planning Framework	RP	Restructuring Paper
ISDS	Integrated Safeguards Datasheet	RPF	Resettlement Policy Framework
IWUA	Irrigation Water User Association	SA	Social Assessment
KFS	Kenya Forest Service	SLM	Sustainable Land Management
M&E	Monitoring and Evaluation	TA	Technical Assistance
MoF	Ministry of Finance	VMGs	Vulnerable and Marginalized Groups
MoFW	Ministry of Forestry and Wildlife	VMGPs	Vulnerable and Marginalized Groups Plans
MOU	Memorandum of Understanding	WRM	Water Resource Management
MoWI	Ministry of Water and Irrigation	WRMA	Water Resources Management Authority
MTR	Mid Term Review	WRUA	Water Resources Users Association

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**KENYA**  
**NATURAL RESOURCE MANAGEMENT PROJECT**

**CONTENTS**

	Page
<b>A. SUMMARY .....</b>	<b>1</b>
<b>B. PROJECT STATUS .....</b>	<b>1</b>
<b>C. PROPOSED CHANGES .....</b>	<b>5</b>
<b>ANNEX 1: RESULTS FRAMEWORK AND MONITORING.....</b>	<b>16</b>
<b>ANNEX 2: PROPOSED OUTLINE OF A VULNERABLE AND MARGINALIZED GROUPS PLAN (VMGP) .....</b>	<b>21</b>



## DATA SHEET

<b>Restructuring</b>		<b>Status:</b>
<b>Restructuring Type:</b> Level I (Board Approval)		
<b>1. Basic Information</b>		
Project ID & Name:	P095050 – Natural Resource Management Project (IDA Cr. 42770 KE)	
Country:	Republic of Kenya	
Task Team Leader:	Christian Peter	
Sector Manager / Director:	Idah Pswarayi-Riddihough / Jamal Saghir	
Country Director:*	Johannes Zutt	
Original Board Approval Date:	03/27/2007	
Original Closing Date:	06/30/2013	
Current Closing Date:	06/30/2013	
Proposed Closing Date:	06/30/2013	
EA Category:	B-Partial Assessment	
Revised EA Category:	B-Partial Assessment	
EA Completion Date:	11/22/2006	
EA Completion Date, Revised:	11/22/2006	
<b>2. Revised Financing Plan (US\$ million)</b>		
<b>Source</b>	<b>Original</b>	<b>Revised</b>
Borrower	7.40	7.40
IDA (original)	68.50	68.50
Local Communities:	2.10	2.10
<b>Total</b>	<b>78.00</b>	<b>78.00</b>
<b>3. Borrower</b>		
<b>Organization</b>	<b>Department</b>	<b>Location</b>
Ministry of Finance, The Treasury, Nairobi, Kenya		Nairobi, Kenya
<b>4. Implementing Agency</b>		
<b>Organization</b>	<b>Department</b>	<b>Location</b>
Ministry of Water and Irrigation		Nairobi, Kenya
Water Resources Management Authority		Nairobi, Kenya
National Irrigation Board		Nairobi, Kenya
Ministry of Forestry and Wildlife		Nairobi, Kenya
Kenya Forest Service		Nairobi, Kenya
<b>5. Disbursement Estimates (US\$m)</b>		
<b>Actual amount disbursed as of June 7, 2011</b>		
<i>Total to date: 30.89</i>		
<b>Fiscal Year</b>	<b>Annual</b>	<b>Cumulative</b>
2011	8.40	35.00
2012	17.50	52.5
2013	16.00	68.5
<b>Total</b>		
<b>6. Policy Exceptions and Safeguard Policies</b>		
<b>Does the restructured project require any exceptions to Bank policies?</b>		NO
<b>Does the restructured project trigger any new safeguard policies?</b>		NO
<b>7a. Project Development Objectives and Outcomes</b>		
<b>Original/Current Project Development Objectives/Outcomes:</b>		
To enhance the institutional capacity to manage water and forest resources, reduce the incidence and severity of water shocks, such as drought, floods and water shortage in river catchments and improve the livelihoods of communities in the co-management of water and forest resources		
<b>7b. Revised Project Development Objectives/Outcomes:</b>		
To improve the management of water and forest resources in selected districts		



## **KENYA - NATURAL RESOURCE MANAGEMENT PROJECT RESTRUCTURING PAPER**

### **A. SUMMARY**

1. This Restructuring Paper (RP) seeks the approval of the Board to make the following changes to the Kenya Natural Resource Management Project: (i) revision and simplification of the Project Development Objective (PDO); (ii) a revision of the results framework (which includes changes to outcome indicators); (iii) reallocation of about 21% of credit proceeds; (iv) increase in the disbursement percentages by category in line with the new Bank rules that allow up to 100%; and (v) elimination of two outdated covenants. The reallocation of project funds among existing categories will cover cost overruns on some components, in particular, Component 2: Management of Forest Resources, where implementation progress has been affected by safeguards issues that became apparent after the project began implementation.

2. Project restructuring is expected to adjust project outcomes so that they: (i) are within the control of, and can be delivered by, the Implementing Agencies; and (ii) can be achieved during the life of the project, which is expected to close on June 30, 2013. It takes into account the following shifts in the government's forest policies: (i) recalibration from a focus solely on forest protection to more joint forest and community management initiatives, as part of government's decentralization programs; and (ii) twinning forest control measures with rural development schemes, including support to livelihoods and social services in adjacent communities, while allowing sustainable access to forest resources. The original PDO has been reformulated in order to make it more attainable.

3. The restructuring includes a focus on updating the safeguards instruments and improving their implementation to respond to the needs of Indigenous Peoples (IPs) in the project areas. An expressed concern of communities around the forests relates to land use and access issues. The project will make targeted contributions to these issues through the preparation of an updated Process Framework (PF) and its implementation under the World Bank's Operational Policy (OP) 4.12 (Involuntary Resettlement), and the preparation of Indigenous Peoples Plans (IPPs) under OP 4.10 (Indigenous Peoples). However, resolving more comprehensive resolution of land issues is beyond the remit and time-horizon of the project and will need to be addressed as part of the broader Government of Kenya (GoK)-World Bank (Bank) dialogue. In this context, the restructured project does not propose to address all vulnerability issues associated with IPs' land and forest resource access issues. Instead, the restructuring will support preparation of IPPs for communities in project areas, focusing on livelihoods and community driven development (CDD)-type activities. These will include assistance to the GoK in testing tools and instruments which would help to strengthen its capacity towards developing country systems to address these important issues, and which are only likely to become more prominent in the future. Discussions on restructuring and appraisal took place during the March 2010 Mid Term Review (MTR), and were later confirmed in a Technical Restructuring Mission in January 2011, and subsequently discussed with the GoK delegation during the Spring Meetings in April 2011.

### **B. PROJECT STATUS**

4. **Background.** The project became effective on December 10, 2007, almost six months after Board approval and was subsequently affected by the post election violence in early 2008 which caused implementation delay until April 2008. The Project has four components: (i) Water Resources Management and Irrigation (US\$38.1 million); (ii) Management of Forest Resources

(US\$21.1 million); (iii) Livelihood Investments in the Upper Tana Catchment (US\$4.5 million); and (iv) Management and Monitoring and Evaluation (US\$4.8 million). The first two components support the legal and institutional reforms contained in Kenyan legislation, as well as investments in catchment areas. The third component provides assistance to communities participating in management of forest resources in areas critical for Nairobi's water and power supply. The fourth component provides managerial oversight and the project's monitoring and evaluation.

5. **Implementation Progress.** Due to initial delays in procurement and financial management, and overall slow implementation progress, the project was rated *Moderately Unsatisfactory* (MU) in December 2009. While project performance has gradually improved following the March 2010 MTR in particular under the technical components, given the issues related to the implementation of the safeguard instruments, overall project implementation progress is rated *Moderately Satisfactory* (MS) in the last ISR dated May 30, 2011.

6. Achievements under the different components include: Component 1: Water Resources Management and Irrigation Component: (i) strengthening of the operating capacity of the Water Resources Management Authority (WRMA) (through procurement and installation of groundwater and river flow monitoring equipment, improving sub-regional office infrastructure, and procurement of vehicles, and computers, etc.); (ii) carrying out of critical knowledge products (e.g. survey aimed at documenting and establishing baseline conditions for the physiographical status of the Upper Tana catchment, studies on recharge of important groundwater sources for Nairobi, prioritizing of micro-investments, harmonization of laws and regulations with respect to water resource management); (iii) Development and implementation of 14 sub-catchment management plans in close coordination with Water Resources User Associations (WRUAs); (iv) finalization of design consultancies for the rehabilitation of the Mwea Scheme and construction of the Lower Nzoia scheme; and (v) the facilitation of dialogue with Kreditanstalt für Wiederaufbau (KfW) to obtain additional (US\$22 million) for the Lower Nzoia Scheme. Component 2: Management of Forest Resources Component: (i) completing inventory of 140,000 hectares of forest plantations; (ii) digitizing of available forest maps; (iii) mapping and realigning of 512 km of forest boundaries; (iv) finalizing of Ecosystem Management Plans (ESMPs) and Participatory Forest Management (PFM) Plans for critical forest blocks (including Kagamega, Aberdare range and Mt. Elgon); and (v) finalizing works contracts for important infrastructure improvements (e.g. construction of Forest Investment Center, rehabilitation of offices at district level, etc.) at different stages of implementation. Component 3: Livelihood Investments in the Upper Tana Catchment Component: Following the completion of a Community Driven Development (CDD) Manual, a first call for proposals has resulted in the approval of 69 sub-projects under the livelihood component with the evaluation of proposals received under a second call for proposals underway.

7. With approximately SDR20.3 million (US\$32.4 million, 44.2%) disbursed by May 20, 2011 and works contracts for two major irrigation investments in advanced stages (with a combined estimated value of US\$19 million), the project has gained momentum. The MTR and Restructuring Mission reviewed the current work plans presented by the Implementing Agencies (IAs) with the objective to identify areas for adjustment in the activity schedule and ensure that activities can be completed as planned.

8. **Implementation Issues and Delays Related to Indigenous Peoples.** The World Bank's OP 4.10 on Indigenous Peoples was triggered with regard to Component 2 (Management of Forest



Resources) due to the presence of Ogiek and Sengwer<sup>1</sup> IP communities in the Mt. Elgon and the Cherangany Hills, respectively. Since actual sub-project sites had not been identified, an Indigenous Peoples Planning Framework (IPPF) was developed and disclosed in 2006 to ensure that: (i) communities in the areas selected would not be adversely affected; and (ii) measures would be developed and implemented to mitigate potential negative impacts. However, in retrospect, the IPPF posed a number of implementation challenges. It included a number of undertakings that would require significant policy interventions and multi-agency actions regarding ancestral and land rights, that were beyond the remit of the project to implement and that could not realistically be completed within the time horizon of the project. Specifically, the IPPF included three commitments which the project was not designed to implement: (i) a commitment to hasten the provision of titles for land presently occupied and used by these communities in the Project areas, including support for necessary steps (such as land survey and demarcation, registration, and documentation) to ultimately provide IPs in the Project area with letters of allotment, group ranch titles, etc.; (ii) a commitment to establish a comprehensive strategy to rehabilitate the livelihoods of evicted IPs, to the level of December 30, 2002; and (iii) a commitment for the Project to offer specific assistance within the land restitution process to IPs to claim all lands over which IPs have lost control between 1895 and December 30, 2002. These measures, while desirable on their own account, were not related to the mitigation of anticipated project impacts. In accordance with the IPPF, the restructured project will support preparation and implementation of what would be equivalent to IPPs in Kenya, called Vulnerable and Marginalized Group Plans (VMGPs)<sup>2</sup>, and which would include livelihood and CDD types of programs,<sup>3</sup> building upon a Social Assessment (SA) that has already been completed in June 2010. In accordance with OP 4.10, preparation of the VMGPs will be based on the principle of free, prior and informed consultation resulting in broad community support as a pre-requisite for Bank financing. These consultations will include explicit discussion and explanation of the fact that the project will not be able to support the measures mentioned above and hence will not be included in the VMGPs which will supersede the IPPF with respect to the geographic areas they cover. The VMGP consultations will ensure that these omissions can be considered by communities in determining their support for project activities. In the event that consultations do not yield broad community support for activities proposed under the project, the Bank will consult on appropriate measures with GoK, which may include cancellation of this component of the project.

9. There are underlying tensions and conflicts between the KFS and forest dwellers and encroachers which have affected project implementation, including alleged evictions (involving in one instance the reported burning of several properties) and other inhibitive measures toward settlers inside demarcated forest areas.<sup>4</sup> These have been the subject of extensive discussions and

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<sup>1</sup> In some areas referred to as Cherangany.

<sup>2</sup> Given particularities with respect to the term *Indigenous Peoples* in Kenya, the new Constitution of Kenya uses the term “vulnerable and marginalized groups” (VMGs). Since adoption of the Constitution in 2010, the GoK has requested that project instruments related to the implementation of OP 4.10 use the constitutionally-sanctioned terminology. OP 4.10 contemplates that different terminology may be applied in different countries without affecting the application or substance of the policy. It states: “*Indigenous Peoples* may be referred to in different countries by such terms as *indigenous ethnic minorities; aboriginals, hill tribes, minority nationalities, scheduled tribes, or tribal groups.*”

<sup>3</sup> The SA recommendations covered sustainable livelihood schemes in five areas: bee keeping; eco-tourism; cottage industries (for women); tree planting and forest conservation (for youth); and livestock grazing. These activities were agreed in the free, prior, and informed consultations for the Vulnerable and Marginalized Groups.

<sup>4</sup> The 2005 Forest Act prohibits residing or erecting any structure inside a gazetted forest without a license, permit or a management agreement issued under the Act. Another focus of tension concerns earlier displacement of some

correspondence between the Bank, KFS and indigenous communities, and the fielding of several missions including a consultancy to verify the alleged burning incident. In a letter dated April 7, 2011, the Bank required written assurance from the GOK confirming that no further evictions of people from forests in the project areas will be carried out until applicable safeguard instruments satisfactory to the Bank (including a Vulnerable and Marginalized Groups Plan, Process Framework and, where displacement is envisaged, a Resettlement Action Plan) have been developed and disclosed. A response from the Ministry of Finance (dated April 27, 2011) has confirmed that no further evictions of people from forests in the project areas will be carried out until a Process Framework or Resettlement Action Plan, as required, has been put in place. Throughout these events, the Bank Task Team: (i) engaged in discussions, led by the Country Director in Nairobi, with high-level GoK officials (organized by the Ministry of Finance) specifically on issues related to Indigenous Peoples; and (ii) organized enhanced field supervision missions, which started in 2009 (the latest in May 2011), involving numerous meetings and focus groups in the affected areas.

10. To achieve the expected outcomes, the restructured project will introduce some changes in Components 1 and 2, particularly in Component 2 where three enhancements to the existing activities are proposed. First, the project will assist the government in carrying out a livelihood and rural development program, especially for IPs and other forest communities. This program will be part of the project's VMGPs which the government will adopt as part of a community driven development approach. In 2009, the government completed a Task Force Report for the Embobut Forest (part of the Cherangany Hills Ecosystem), and which described the types of livelihoods and social services to be provided to households in forest communities. In 2010, the project also completed a Social Assessment (SA) of forest communities in the Cherangany Hills and Mt. Elgon forests, including a needs assessment for the design of community support programs. Second, technical assistance, as originally planned under the project for formulation of a strategy to improve forest management, will be expanded to cover integration of guidelines for vulnerable and marginalized communities, which is the term adopted by the government, consistent with the new Kenyan constitution. Third, the restructured project will have the opportunity to strengthen the decentralized structure of community forest associations and other local groups. In this context, together with the other components dealing with water resources management, and irrigation, the restructured project will have an overall impact on the country's participatory approach to sustainable development and poverty reduction programs.

11. As noted above, land rights go beyond the forestry sector and the mandate of forest sector institutions (MoFW and KFS), and the remit and time-horizon of the project. While the project will make targeted contributions to these issues through the preparation of relevant safeguards instruments, a more comprehensive resolution of land issues will need to be addressed as part of the overall GoK - Bank dialogue. However, the restructuring will support the GoK through the testing of tools and instruments which would help to strengthen its capacity towards developing country systems to deal with these issues in the future. This is important, as it is evident that conflicts over access to, and use of, forest land will only become more prominent.

12. With this in mind, it is important that the proposed set-up and operationalization of the Inter-ministerial Task Force to continue the land tenure and legacy related commitments, alluded

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indigenous groups which occurred before the project, but which has emerged as a prominent issue in the post-2008 election violence in Kenya.

to in the IPPF is driven by GoK. The Bank's role will be to facilitate the logistical support, such as providing financing for dedicated Technical Assistance at the ministerial level.

13. The livelihood investments provided under the NRMP will be linked to the decentralization agenda, provided for in Kenya's new Constitution and the Bank's ongoing dialogue on a country wide program to provide support to marginalized areas. This will not only help in leveraging support for the sustainable management of natural resources, but activities under the project are expected to guide and encourage GoK to use CDD type investments. These will be important when seeking longer-term solutions for dealing with scarce land resources given population pressure and increasing degradation of the natural resource base in the country.

### C. PROPOSED CHANGES

14. **Results of Appraisal and Restructuring Agreements with GoK.** As per the request of the GoK, the restructured project agreements will cover: (i) the revision and simplification of the PDO; (ii) a revision of the results framework (which includes changes to outcome indicators); (iii) reallocation of about 21% of project funds to allow coverage of financing gaps in irrigation investments and underestimated costs in technical consultancies, and to carry out sedimentation control and water flow regulation infrastructure investments; and (iv) deletion of two dated covenants. To improve project implementation with respect to OP4.10 and OP4.12, the following measures have also been agreed to during the January 2011 restructuring mission: (i) preparation of VMGPs (advancing the IPPF into specific plans) and updating of the Process Framework (PF); and (ii) providing technical assistance to facilitate the establishment and operation of an Inter-Ministerial Task Force on Lands and Resource Rights, to be chaired by the Ministry of Forestry and Wildlife, in liaison with relevant key ministries such as Ministry of Lands and the Offices of the President and Prime Minister. Rather than developing a National Resettlement Policy, the project will support the work of the Task Force, facilitating the provision of inputs into the ongoing review of laws and regulations as part of the Constitution Implementation process to ensure that land tenure and user rights are being taken into account.

15. **Simplification of the PDO.** The PDO will change from: "*The objectives of the project are to enhance the Recipient's institutional capacity to manage water and forest resources, reduce the incidence and severity of water shocks, such as drought, floods and water shortage in river catchments and improve the livelihoods of communities in the co-management of water and forest resources*" to "***The objective of the project is to improve the management of water and forest resources in selected districts***"<sup>5</sup>. This change clarifies the current ambiguity between the PDO and Results Framework as stated in the Project Appraisal Document (PAD) and in the PAD Summary Sheet and Financing Agreement (FA), since project is not providing financing for activities which are designed to actively reduce water shocks in river catchments in the project areas. The change will address what in retrospect was an overly ambitious objective.

16. **Adjustments in the Results/Indicators.** In addition to changing the PDO, it was also agreed during the MTR to introduce changes to the Results Framework, mainly to ensure that the indicators are adjusted to better measure progress toward the expected outcomes of the PDO and

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<sup>5</sup> The project intervention areas include the following districts: Kiambu, Thika, Murang'a, Nyeri, Kirinyaga, Laikipia, Nyandarua, Mbeere, Machakos, Mt. Elgon, West Pokot, Kakamega, Vihiga, Butere Mumias, Lugari, Bungoma, Busia, Uasin Gishu, Trans Nzoia, Keiyo, Nandi North, Nandi South, Marakwet, Ugunja, Siaya, Bunyala, Kirinyaga East, Mwea East and Mwea West.

intermediate objectives. This entails: (i) replacing indicators for which baselines could not be established within the first two years of implementation (e.g. reduction of sediment load); and (ii) changing some indicators to improve their alignment to the revised objective. Further details are provided in Annex 1. In addition, project indicators reflected in the Financing Agreement will be deleted in their entirety and kept only in the Results Framework of the PAD to promote flexibility in amending them.

17. ***Changes in Project Components/Activities.*** \*\* Changes in components or sub-components are intended to address implementation delays while retaining the general project design and component structure. Adjustments include: (i) modifying expenditure categories within components/sub-components, either by reducing scope or enabling IAs to implement activities directly rather than through CDD approaches only, thereby speeding up project implementation on the ground; (ii) shifting resources to better align the project to institutional priorities (e.g. water allocation/quality monitoring and control, climate change); and (iii) coverage of the Cherangany Hills as part of the project's intervention area. As a result, the following areas have been appraised to be covered under the restructured project:

**Component 1: Water Resource Management and Irrigation**

**Sub-component 1.1 (Strengthening the Capacity of the Water Resources Management Authority):**

Delays in conducting the physiographical baseline survey as well as the technical and institutional challenges associated with sediment control have deterred progress in implementing sediment reduction interventions. However, the IAs have continued to work to find ways to address these constraints. A recently finalized micro-catchment investment study identified small scale investments for reducing sediments (e.g. check dams, flow regulation structures) that can be implemented quickly. Hence, instead of delivering sediment reduction interventions only, the WRMA will also carry out implementation to fast-track a number of these critical small scale investments. Particular focus of such activities will be in areas where WRUAs are weak and/or not yet established and investments cannot be implemented using CDD driven approaches. In addition, it was agreed that there is a need to improve effective monitoring and enforcement of water allocation, while enhancing pollution control activities to ensure long term sustainability of Water Resources Management Authority's operations. This will be facilitated through the provision of financing of operational costs and a number of vehicles/motor cycles (due to cost savings in earlier procurements of vehicles).

**Sub-component 1.2 (Consolidation of Irrigation Reforms and Investments):** Recognizing that cost overruns for consultancies and under-budgeting for civil works and implementation of sector and institutional reforms have occurred, it is proposed to re-align the Irrigation sub-component as follows: (i) focus consultancy services and investments to the Lower Nzoia and Mwea schemes (activities in Ahero, West Kano and Perkerra irrigation schemes will be reduced to capacity building of Irrigation User Water Association only); and (ii) make provisions for an additional allocation of resources to implement reform and re-alignment steps at the Ministry and National Irrigation Board (NIB) level, through the financing of consultancies.

**Component 2: Management of Forest Resources:**

The GOK's recognition of the importance of addressing unsustainable catchment management and climate change, led to the adoption of the *National Climate Change Response Strategy* in April 2010. The strategy has positioned KFS as a key player in implementing mitigation, and to some extent, adaptation measures. As a result, KFS has established a Climate Change Response

Program Office as a focal point for implementing and coordinating activities such as under *Reducing Emissions from Deforestation and (Forest) Degradation/Sustainable Management of Forests/Enhancement of Carbon Stocks (REDD+)*. Under the restructured project, credit proceeds will be used to: (i) provide expertise in GIS/remote sensing; (ii) improve capacity building for KFS and other stakeholders; and (iii) rehabilitate some of the existing infrastructure. The work currently underway with regard to community based forest management and conservation, as well as access to forest areas and natural resources, will also benefit through the activities focused on addressing the governance principles of the REDD+ process.

18. ***Reallocation of Credit Proceeds.*** It is proposed to reallocate SDR9,490,000 (20.6%) to allow for: (i) covering a financing gap stemming from higher estimated costs for irrigation investments; (ii) addressing underestimated costs in technical consultancies (in particular under the Irrigation Sub-component); (iii) carrying out infrastructure investments for sedimentation control and water flow regulation; as well as (iv) the provision of funding for incremental operating costs to increase field presence for WRMA and KFS. The proposed reallocation takes into account: (i) cost savings gained through more efficient and cost-effective procurement under the goods category; (ii) the need to implement activities to counter delays and the now shortened implementation period that will not allow the large number of sub-projects to be implemented as initially expected (e.g. through implementation of micro-investments directly by the IAs (e.g. WRMA, KFS); (iii) resettlement under the Irrigation Sub-component (for which a Resettlement Action Plan is currently being prepared); and (iv) recognition that the commitment to address IP issues in forested areas will entail a more active and direct engagement with stakeholders. This will require additional resources, and time, for Technical Assistance, operational costs and training/workshops. To create more flexibility among categories, it is proposed to adopt fewer disbursement categories.

19. ***Changing the Percentage of Expenditures.*** Based on the persistent delays in obtaining tax exemptions for the Project and the subsequent impact on implementation progress, it is proposed to change the financing parameters to increase the percentage of expenditure to 100% (including taxes) for all categories except Civil Works. This is in line with the Bank's agreed Country Financing Parameters for Kenya, which (on a case by case basis) allows Bank financing of 100% of project costs in cases where counterpart financing requirements would cause delays in project implementation. The proposed increase will be fully financed out of the credit without the need to scale down any activity. The activities financed under the IDA credit are not co-financed with other development partners.

20. Considering the financial challenges faced by the (still) new parastatal implementation agencies (KFS, NIB and WRMA), increasing the percentage of expenditure to 100% for incremental operating cost will support the set up and operationalization of systems to improve the generation of revenues in the longer term, facilitating sector sustainability. However, given multiple implementing agencies involved, incremental operational costs have been kept as a separate category to address the potential risk of overspending and misuse.

21. The changes are reflected in the revised Disbursement Table of Section IV to the Financing Agreement and provided below.

Category of Expenditure	Disbursed (in SDR)	Allocation (in SDR)	Percentage of expenditures to be financed
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<i>Current</i>	<i>Revised</i>	<i>Current</i>	<i>Current</i>	<i>Revised</i>	<i>Current</i>	<i>Revised</i>
1. Civil Works	1. Civil Works	715,381	14,200,000	18,500,000	80%	80%
2. Goods		1,718,450	5,600,000	1,718,450	100% for foreign expenditures and 90% of local expenditures	
3. Community Sub Projects (Grants)	3. Community Sub Projects (Grants)					100%
(a) Part 1(a)(iv) of the Project	(a) Part 1(a)(vi) of the Project	32,595	2,300,000	2,190,000	100% of Recipient's contribution	
(b) Part 3 of the Project	(b) Part 3 of the Project	313,143	4,300,000	2,110,000		
	(c) Part 2(f) of the Project			1,520,000	100% of Recipient's contribution	
4. Consulting Services and Audits		1,889,427	5,100,000	1,889,428	100%	100%
5. Training and Workshops		613,905	3,500,000	613,905	100%	100%
6. Resettlement Compensation		0	3,000,000	0	100% of amounts disbursed	100%
7. Incremental Operating Costs	7. Incremental Operating Costs (Including Vehicle operation, Other operations, Maintenance & Insurance)			1,720,573		100%
(a) Vehicle operation, Maintenance and Insurance		316,295	1,500,000	316,296	90%	
(b) Other operations and Maintenance		1,533,131	2,000,000	1,533,131	90% of expenditures incurred before June 30, 2009; 80% of expenditures incurred before June 30, 2010; and 70% thereafter.	
8. Refunding of Project Preparation Advance	8. Refunding of Project Preparation Advance	1,007	700,000	1,007		
9. Unallocated	9. Unallocated		3,800,000	438,993		
	10. Other Categories (including Goods, Consulting Services and Audits, Training and Workshops, Resettlement Compensation)			13,448,217		100%
Designated Account *		(5,647)				
Designated Account B		7,736				
Designated Account C		5,243,555				
Designated Account D		7,958,459				
		<b>20,337,436</b>	<b>46,000,000</b>	<b>46,000,000</b>		

22. **Project Intervention Areas.** The Project intervention areas are broadly defined in the FA. The restructured project will provide clarity showing coverage at district level in the Upper Tana Catchment, Mt. Elgon, Kakamega, Cherangany Hills, Nandi Hills, and Lower Nzoia Catchment.

23. **Dated Covenants.** Following project effectiveness in December 2007, the first disbursement was in late June 2008. As a result, several dated covenants have not been achieved in accordance with the agreed schedule at the time of approval. To address this issue, the Restructuring Mission has undertaken a review of all dated covenants and proposed adjusting some of the targets to make them more realistic and achievable, as well as revising some of the compliance dates. Additionally, the restructured project will drop two dated covenants, as the activities will be or have already been addressed, as follows: (i) *Conducting a rapid assessment of forest resources* will be undertaken through a consultancy financed by the Government of Japan as part of the REDD readiness process in Kenya; and (ii) completing the *review of all relevant land related policies and laws and identify areas in need of harmonization with respect to resettlement as part of the development of a National Resettlement Policy*. In fact, the GOK has developed “Draft Evictions and Resettlement Guidelines” in 2009 and GoK is currently reviewing all laws and legislation to ensure consistency with the 2010 Constitution.

Original Covenant	Date	Proposed Revised Covenant	Proposed Revised Date/Status
Conduct a rapid assessment of forest resources	July 31, 2009	This Covenant will be dropped as KFS received on April 11, 2011 funding from the Government of Japan for development of a forestry resources assessment and monitoring system in support of the REDD readiness process in Kenya.	Dropped
Carry out forest boundary demarcation in the Project intervention areas	July 31, 2009	No change	Complied
Develop guidelines for the establishment and operations of CFAs in accordance with the recipient’s legal and regulatory requirements.	July 31, 2009	No change	Complied
Carry out a review of all relevant land related policies and laws and identify areas in need of harmonization with respect to resettlement as part of the development of a National Resettlement Policy	July 31, 2009	Considering that (i) “Draft Evictions and Resettlement Guidelines” have been developed by the Ministry of Lands and (ii) the review of all laws and regulations to ensure consistency with the 2010 Kenya Constitution is ongoing, the actions related to the covenant have already been addressed.	Dropped
Finalize the irrigation policy and institutional framework	December 31, 2007		Complied
Complete a capacity assessment of NIB, develop a training plan and an operational manual satisfactory to the Association	December 31, 2008	Complete a capacity assessment of NIB, develop a training plan and a transition plan satisfactory to the Association	Complied
Transfer the management of agreed irrigation infrastructure to the	December	Transfer the management of tertiary	Complied

Original Covenant	Date	Proposed Revised Covenant	Proposed Revised Date/Status
communities	31, 2009	irrigation infrastructure to IWUAs	
Transform NIB into an irrigation service provider satisfactory to the Association by	December 31, 2009	Commencement of the implementation of an Action Plan to transform NIB into an irrigation service provider	October 31, 2011
Carry out jointly with the Association, a Mid-Term Review of the progress made in carrying out the Project	No later than September 30, 2010	Carried out in March 2010	

## D. APPRAISAL SUMMARY

### Benefits

24. Considering that the restructuring will not modify the overall design of the project, most of the original assumptions with respect to expected benefits remain unchanged<sup>6</sup>. Therefore, the project will continue to promote sound management of natural resources in order to play two basic roles in Kenya's development process. First and foremost is the continued importance that local natural resources play as the basis of subsistence. In addition, natural resources are critical as a source of development finance. Commercial management of natural resources can be an important source of profit and foreign exchange. Rents on renewable and sustainably managed resources can be used to finance investments in other forms of wealth. In this respect, it needs to be stressed that natural resources make up a significant share of the total wealth in Kenya, where natural capital accounts for 21% of the total wealth, whereas produced capital, defined as the sum of machinery, equipment, and structures (incl. urban land), account for only 13%.

25. Investments under the project will provide economic and social benefits in the Upper Tana and Nzoia Catchments, focusing on (i) sustainable land management (SLM), (ii) irrigation schemes, (iii) reforestation, and (iv) micro-projects at community level.

26. The adoption of SLM practices in the upper Tana Catchment are expected to result in (i) the reduction of soil erosion and thereby increase yields and farmers' income; and (ii) reduce sedimentation of reservoirs and improving the regulation of water flows and water quality. In addition, the restructuring will allow for small scale investments sediment reduction that can be fast-tracked and implemented through the GoK in areas where community organization structures are weak and/or non-existent, therefore increasing the area of impact. At the same time, and through improved collaboration with the World Bank financed programs, benefits due to reduced sedimentation include: (i) reduced dredging costs for reservoir; and (ii) better regulated water flows for agriculture and municipal drinking water purposes. Given the interest of water supply companies in maintaining or improving the water quality and supply of drinking water, the project's intervention is expected to pilot payment of water services approaches, which could in the long-term provide financial incentives for upstream stakeholders to improve land management and use practices.

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<sup>6</sup> To verify this assumption, it is planned to subject the original economic and financial analysis to a sensitivity analysis by the end of Calendar Year 2011.



27. The focus on two irrigation schemes (Mwea and Lower Nzoia) as proposed under the restructuring will target capital investments towards areas, where (i) benefits can be realized quickly (rehabilitation of Mwea) or feasibility and design studies have shown high potential in terms of economic benefits (construction Lower Nzoia). In addition, apart from local (and political) level support, the likelihood to obtain additional funding from KfW will increase the financial viability of the Bank’s investment even further.

28. Through up-scaling of the successful reforestation (by 1,000 has), the restructured project will not only further ensure long term on-site and off-site positive benefits, such as fuelwood collection and beekeeping, but also provide short term benefits to forest dwelling and adjacent communities. Through casual employment (for site preparation, planting and tending) as well as provision of incentives for the establishment of private tree nurseries. In addition, the support to the national REDD+ process will help the Government to position Kenya as an active participant in Climate Change related fora. This will, in the long term, enable the country to benefit financially from carbon finance opportunities currently being negotiated.

29. The technical advisory services to communities will be important in the siting and design of erosion control and rehabilitation structures. Capacity building will continue to be increased to support local skills development, growth of a small contractor sector, and to ensure quality of agricultural and environmental services. The multi-sectoral approach to enhancing livelihoods will further be enhanced through community participation, which would benefit a broader base of beneficiaries.

30. Lastly, considering that the project will support the development and implementation of safeguards instruments, it will help the Kenya Forest Services to obtain capacity and tools to better address conflicts over access to forest resources through participatory approaches. At the same time, planned sub-project investments, to provide livelihood benefits to currently marginalized and vulnerable communities, are expected to result in joint management and conservation strategies for critical water catchment areas. This is in line with the provisions of the 2005 Forest Act, promoting institutional and transformational strengthening of GOK’s decentralized approach in the sector and improving the work of KFS from a primarily enforcement agency to one that facilitates sustainable forest resource use.

### **Safeguards**

31. There are no changes in the safeguards policies triggered by the Project. The PAD and Integrated Safeguards Datasheet (ISDS) classified the project as “Category B” since the investments will be of a “small or medium sized nature,” with environmental, human health and safety, and transboundary impacts, that can be easily identified and mitigated. Despite the complexities in addressing issues related to vulnerable Indigenous Peoples, restricted access to resources, and possibly, involuntary resettlement, a change in category is not considered warranted at this time. The following table summarizes the safeguards policies triggered and the corresponding instruments that are adopted by the project.

<b>Safeguards Policy</b>	<b>Safeguards Instruments</b>	<b>Status</b>
OP4.01 Environment Assessment	Environment and Social Management Framework (ESMF)	Disclosed in InfoShop on January 10, 2007
OP4.04 Natural Habitat	ESMF	ESMF covers mitigation measures in case there are significant conversions or degradation of natural habitats

<b>Safeguards Policy</b>	<b>Safeguards Instruments</b>	<b>Status</b>
OP4.36 Forests	Sector-wide policy and institutional analysis	The Strategic Environmental Assessment of the Kenya Forests Act 2005, which included provisions for appropriate mitigation measures, was completed in June 2007.
OP4.09 Pest Management	Not triggered	Covered in the ESMF and referred to screening of pesticide use in affected communities, which have been assessed to be very low to non-existent.
OP4.11 Physical Cultural Resources	ESMF	The ESMF contains provisions for including in construction contracts a clause referring to chance finds procedures
OP4.10 Indigenous Peoples	Indigenous Peoples Planning Framework (IPPF)  Indigenous Peoples Plan (IPP) – Vulnerable and Marginalized Groups Plans (VMGPs)	IPPF disclosed in InfoShop on January 10, 2007; following the completion of a SA and a series of free, prior, and informed consultations, which took place over a period of 4 years, and more intensive consultations with IPs, VMGPs will be prepared. The process of preparation, approval, and implementation of the VMGPs will constitute the core of activities to be carried out under the forest component of the restructured project.
OP4.12 Involuntary Resettlement	Resettlement Policy Framework (RPF)          Process Framework (PF)	A joint RPF was prepared and disclosed in InfoShop on January 10, 2007 originally for NRM and the Western Kenya Community Driven Development and Flood Mitigation Project. It applies to possible construction of new irrigation schemes and possible relocation of households and physical structures inside gazette forests.  To reflect changes in the NRM project, the RPF has been updated (as a stand-alone document from the joint RPF with the Western Kenya Community Driven Development/Flood Mitigation Project) and this stand-alone RPF for the NRM project has been re-disclosed the Bank InfoShop on May 31, 2011 and in-country by GoK on June 3, 2011.  The project is currently undertaking consultations for updating the PF (originally disclosed as part of the RPF in January, 2007) with local communities affected by the project. It will be re-disclosed as soon as the final round of consultations is concluded.
OP4.37 Safety of Dams	Not triggered	Project does not anticipate construction of large dams, but details concerning dam safety are set out in the ESMF
OP7.50 Projects in International Waterways	Notification	Considering that the Nzoia Catchment drains into Lake Victoria, a riparian Notification Document was prepared by the Government and sent to the Nile Basin Council of Ministers for their notification on January 11, 2007 to address the policy on International Waterways (OP/BP7.50).

32. Overall, the project investments entail no critical environmental issues. At the same time, some of the subprojects (such as irrigation, water storage infrastructure, and CDD activities) may have localized adverse environmental impacts on human populations or environmentally important areas for which an Environment and Social Management Framework (ESMF) was developed and disclosed in the Bank's InfoShop on January 10, 2007. The framework also outlines a process to ensure that mitigation measures will take place, as required under OP4.01. Since project activities cover the four of Kenya's most important forest ecosystems (Aberdares, Mt. Kenya, Mt. Elgon and Cherangany Hills) and the Lake Victoria catchment areas, OP4.04 (Natural Habitats) and

OP4.36 (Forests) were triggered and measures to mitigate negative impacts have been included in the ESMF. Although pesticide use is anticipated to be minimal, or non-existent, references to use of pesticides were specified in the ESMF. Construction contracts will continue to ensure that appropriate considerations of cultural property are covered in contractors' work contracts.

33. OP 4.12 (Involuntary Resettlement) applies since the construction of a new irrigation schemes in Lower Nzoia will involve the involuntary displacement of a number of households. Once the RAP for the investments in Mwea and Lower Nzoia areas becomes available, the Task Team will obtain Bank authorization to allow the use of credit proceeds to finance land and cash compensation. Similarly, the RPF also applies to the forest communities in Cherangany Hills and Mt. Elgon forests, and once the specific areas and number of dwellers to be relocated have been identified, a RAP will be developed. In addition, the restructured project will the updated PF in the forest areas since there will be restriction of access to forest resources. The PF will also determine an approach for management of sustainable forest uses by VMGs in and around the Cherangany Hills and Mt. Elgon areas. The PF document will be disclosed as soon as the final round of community consultations is concluded. In terms of OP4.10, an IPPF was disclosed in the Bank InfoShop on January 10, 2007, and based on findings from the SA, which was completed in September, 2010, the restructured project will develop VMGPs for the Ogiek and Sengwer communities. The VMGPs are expected to be completed during implementation of the restructured project, including free, prior and informed consultations (an outline of the content of the VMGPs is provided in Annex 2, and as noted in paragraph 8, the VMGPs refer to the IPPs covered in OP4.10).

34. Lastly, under the restructured project, there will be no expected investments in irrigation and water infrastructure, so OP4.37 (Safety of Dams) was not triggered. However, recognizing the impacts on international water agreements and international waterways in the White Nile riparian states, a notification was issued, consistent with OP7.50 (Projects on International Waterways).

### **Procurement**

35. All contracts other than those to be procured on the basis of International Competitive Bidding (ICB) and consulting services will follow the procedures set out in the Public Procurement and Disposal Act of 2005. The Act has been reviewed by the Bank and found to be acceptable in accordance with its Procurement Guidelines of May 2004, revised in October 2006 and May 2010, except for the following provisions that will not be applied under this project: (i) bidding period for National Competitive Bidding (NCB) shall not be less than 30 days as opposed to 21 or 14 days provided in the law; (ii) government parastatal institutions shall be allowed to participate in procurement only if they are legally and financially autonomous, operate under commercial law, and are independent from the borrower and its purchasing/contracting authority; (iii) preference system shall not be allowed; (iv) merit point system shall not be used for bid evaluation; (v) price negotiations under NCB shall be allowed only where the bid price is substantially above market or budget levels and only then if negotiations are carried out to try to reach a satisfactory contract through reduction in scope and/or reallocation of risk and responsibility, which can be reflected in a reduction in Contract price; (vi) shopping procedures shall be used instead of direct procurement for low value contracts; (vii) the "two envelope" bid opening procedure for procurement of goods shall not be permitted; and (viii) the Bank's standard bidding documents for goods and works with appropriate modifications shall be used. A specified number of NCB contracts to be prior reviewed by the Bank will be identified in the procurement plan each year. The Bank's Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants, dated October 15, 2006 and

revised in January 2011 will also apply to all procurement procedures under the restructured project.

## Risks

36. The risks and mitigation approaches, have been assessed as follows:

- *Unclear land and water resources policies* – The issues pertaining to sustainable use of land and water resources are much deeper and broader than sector-specific water and forestry policies. While outside the boundaries of the restructured project, the Bank will discuss these issues with and beyond the Directors of Water and Forestry. Additionally, the restructured project will help facilitate the project's Inter-Ministerial Task Force.
- *Weak management of decentralized programs* – There is a need for GoK to accelerate the provision of sustainable land and water management activities to a broader area of vulnerable communities and build trust and coalition. This is important given that remaining available lands in Kenya are generally in the forests and the glades. The restructured project has an opportunity to strengthen decentralized investments in impoverished areas, which have been weak especially in remote forest regions. Given scarce land resources in the country, the restructured project will reduce this risk by improving geo-mapping for better resource planning; increasing the allocation for community based development sub-projects (under the VMGPs); and strengthening capacities of local communities and civil society partners in the field.
- *Risks of tensions and conflicts* – Project implementation delays were caused by tensions and conflicts arising from ethnically-motivated post-election violence which significantly affected project implementation in indigenous forest communities. While the tensions have decreased, the risk of conflicts between KFS, indigenous communities, and other civil society groups may continue. As active mitigation measures, the restructured project will: (i) continue and strengthen the ongoing free, prior, and informed consultations; (ii) develop and implement the VMGPs through the existing decentralized CFAs and user groups; and (iii) improve capacities of KFS, especially its forest guards, for carrying out community-driven development programs. Having said that, risk is assessed to remain high; but ultimately this risk is beyond the Bank's control.
- *Risks of cost overruns* – Although the restructured project allows for a reallocation of funds among project components, there is risk of unanticipated increased costs, especially in the forest management component, if GoK expands coverage of affected forest communities. Timely completion of the VMGPs and realism of its implementation costs; better contracts management, especially under the CDD sub-components; and applying participatory and socially accountable mechanisms for tracking expenditures are some of the mitigation measures that will be applied under the restructured project.
- *Risks of evictions and continued encroachments in forest areas* – Although GoK has assured the Bank that no evictions and relocation will take place until applicable safeguards instruments satisfactory to the Bank (including a Vulnerable and Marginalized Groups Plan, Process Framework and, where displacement is envisaged, a Resettlement Action Plan) have been developed and disclosed, there is still the risk that evictions may occur. This risk remains given the size of the forest areas and limited number of forest guards to discourage encroachment. Training and sensitization, participatory preparation and implementation of the VMGPs, capacity building of the CFAs and user groups, and applying an effective

communications strategy are key mitigation measures for reducing this risk; but again, the risk cannot be contained entirely through the project.

- *Weak implementation capacities* – As noted in the original PAD, there continues to be weak implementation capacities in the implementation agencies. The restructured project will strengthen the capacity building program. In particular under the forestry component, KFS will improve its decentralized institutional structure through training and sensitization of forest guards, local leaders, and the CFAs and user groups.

**ANNEX 1:**  
**Results Framework and Monitoring**  
**KENYA: NATURAL RESOURCE MANAGEMENT PROJECT**

<b>Project Development Objective (PDO):</b> The objectives of the Project are to enhance the institutional capacity to manage water and forest resources, reduce the incidence and severity of water shocks, such as drought, floods and water shortage in river catchments and improve the livelihoods of communities in the co-management of water and forest resources (from Financial Agreement).										
<b>Revised Project Development Objective:</b> The objective of the project is to improve management of water and forest resources in selected districts.										
PDO Level Results Indicators <sup>7</sup>	Core	D=Dropped C=Continue N= New R=Revised	Unit of Measure	Baseline January 2011	Cumulative Target Values			Frequency	Data Source/ Methodology	Responsibility for Data Collection
					December 2011	June 2012	June 2013			
<b>Indicator One:</b> Reduction in sediment load in rivers and water reservoirs in Project intervention areas.	<input type="checkbox"/>	D	Percentage	5	10		20	Bi-Annually	River Gauging stations	WRMA
<b>Indicator One:</b> Increased revenue from water use charges collected.	<input type="checkbox"/>	N	KES	25 Million	30 Million	32 Million	36 Million	Annually	Record analysis, Progress reports	WRMA
<b>Indicator Two:</b> Area of forests in the project intervention areas managed according to approved forest management plans.	<input type="checkbox"/>	C	Hectares (has)	141,000	150,000	200,000	300,000	Bi-annually	Record analysis, Progress reports	KFS
<b>Indicator Four:</b> Microprojects that are rated satisfactory or higher by the participants	<input type="checkbox"/>	D	Percentage	40	60	70	80	Bi-Annually	Survey, progress reports	WRMA, KFS
<b>Indicator Four:</b> Community/User groups collaborating with GoK institutions in water and/or forest activities (% of which members are female <sup>8</sup> ).	<input type="checkbox"/>	N	Number	40 (42%)	75 (50%)	130 (50%)	170 (50%)	Annually	Survey, progress reports	WRMA, NIB, KFS

<sup>7</sup> The original number of three PDO level indicators has been retained, given the number of Implementation Agencies engaged in water and forest management. The restructuring took advantage of the need for revising the PDO level indicators to better align them with the revised PDO, which will facilitate measuring of the PDO outcome rating.

<sup>8</sup> Considering that community/user groups collaborating with KFS, NIB and/or WRMA are officially registered, the percentage of female members of any given group is known. Furthermore, as the groups are mainly benefitting through sub-projects, participation (and information on benefitting) of female members can be regularly obtained through M&E support and technical assistance provided.

**INTERMEDIATE RESULTS**

<b>Intermediate Result (Sub-Component 1.1):</b> Strengthening the capacity of WRMA with direct investments										
<b>Revised Intermediate Result (Sub-Component 1.1):</b> No Change										
<i>Intermediate Result Indicator:</i> Completion of the harmonization of legislation related to WRM	<input type="checkbox"/>	<b>D</b>	<b>Percentage</b>	60	100			Annually	Records, consultancy	WRMA
<i>Intermediate Result Indicator:</i> Completion of study to identify priority strategic water investments.	<input type="checkbox"/>	<b>D</b>	<b>Percentage</b>	40	100			Annually	Survey, consultancy	WRMA
<i>Intermediate Result Indicator:</i> Households adopting recommended land use practices in targeted micro-catchments.	<input type="checkbox"/>	<b>D</b>	<b>Percentage</b>	40	50	55	60	Annually	Survey, progress reports	WRMA, KFS
<i>Intermediate Result Indicator:</i> Reduction in sediment load in rivers and water reservoirs in project intervention areas.	<input type="checkbox"/>	<b>D</b>	<b>Percentage</b>	5	10	15	20	Bi-Annually	River Gauging stations	WRMA
<i>Intermediate Result Indicator:</i> Micro-catchment action plans developed by WRUAs and approved by WRMA	<input type="checkbox"/>	<b>C</b>	<b>Number</b>	14	20	25	30	Annually	Record analysis, Progress reports	WRMA
<b>Intermediate Result (Sub-Component 1.2):</b> Consolidation of irrigation sector reforms and investments.										
<b>Revised Intermediate Result (Sub-Component 1.2):</b> No Change										
<i>Intermediate Result Indicator:</i> Number of Users benefitting from improved irrigation delivery service.	<input type="checkbox"/>	<b>D</b>	<b>Number</b>	2,650	22,000	25,000	30,000	Annually	Survey, User score cards, progress reports	NIB
<i>Intermediate Result Indicator:</i> Area under irrigation in project intervention areas	<input type="checkbox"/>	<b>C</b>	<b>Hectares (has)</b>	0 (improved) 0 (new)	0 (improved) 0 (new)	0 (improved) 0 (new)	9,427 (improved) 4,000 (new)	Annually	Record analysis, Progress reports	NIB
<i>Intermediate Result Indicator:</i> Cost recovery for O&M of project's irrigation investments	<input type="checkbox"/>	<b>D</b>	<b>Percentage</b>	80	75	80	90	Annually	Record analysis, Progress reports	NIB

<b>Intermediate Result (Sub-Component 2.1):</b> Reforms necessary to transform and operationalize the Forest Department into a semi-autonomous service (KFS) implemented.										
<b>Revised Intermediate Result (Sub-Component 2.1):</b> No change										
<i>Intermediate Result Indicator:</i> Implementation of KFS Strategic Plan activities supported <sup>9</sup>	<input type="checkbox"/>	<b>R</b>	<b>Percentage</b>	20	30	40	60	Annually	Record analysis, Progress reports	KFS
<i>Intermediate Result Indicator:</i> Completion rate of the production and public availability of new forest cover maps of Kenya	<input type="checkbox"/>	<b>D</b>	<b>Percentage</b>	24	50	80	100	Annually	Remote sensing/ GIS techniques, Progress reports	KFS
<b>Intermediate Result (Sub-Component 2.2):</b> Community participation and benefit sharing in indigenous forest management enhanced										
<b>Revised Intermediate Result (Sub-Component 2.2):</b> No change										
<i>Intermediate Result Indicator:</i> New area brought under forest cover in project intervention areas.	<input type="checkbox"/>	<b>C</b>	<b>Hectares (has)</b>	1,790	2,000	3,000	3,500	Annually	Record analysis, Remote sensing/ GIS	KFS
<i>Intermediate Result Indicator:</i> PES schemes (including REDD activities) implemented	<input type="checkbox"/>	<b>D</b>	<b>Number</b>	5	25	40	70	Annually	Record analysis, surveys	KFS
<i>Intermediate Result Indicator:</i> Community groups engaged in joint forest management.	<input type="checkbox"/>	<b>D</b>	<b>Number</b>	4	10	15	20	Annually	Record analysis, surveys	KFS
<i>Intermediate Result Indicator:</i> Change in perception on existence of land and/or water resource related conflicts in project intervention area as a result of implementation of the new land conflict mitigation framework.	<input type="checkbox"/>	<b>D</b>	<b>Percentage</b>	10	50	70	80	Annually	Record analysis, surveys	KFS

<sup>9</sup> The KFS Strategic Plan is a five-year document, outlining 120 activities under six strategic objectives.



<i>Intermediate Result Indicator:</i> Vulnerable and Marginalized Group Plans prepared and activities initiated according to defined work-schedules	<input type="checkbox"/>	N	Number	0	2	2	4	Annually	Record analysis, surveys	KFS
<i>Intermediate Result Indicator:</i> KFS technical staff trained in participatory forest management	<input type="checkbox"/>	C	Number	50	100	150	200	Annually	Record analysis, Progress reports	KFS
<b>Intermediate Result (Sub-Component 2.3):</b> Community and Private Sector Investment in Commercial Forestry										
<b>Revised Intermediate Result (Sub-Component 2.3):</b> Communities and Private Sector investing in Commercial Forestry										
<i>Intermediate Result Indicator:</i> New forest investment requests (both from community and private sector) as a result of the improved investment climate	<input type="checkbox"/>	D	Number	0	20	35	50	Annually	Record analysis, Progress reports	KFS
<i>Intermediate Result Indicator:</i> Production forests whose management has been transferred to the private sector.	<input type="checkbox"/>	C	Number	1	2	3	5	Annually	Record analysis, Progress reports	KFS
<i>Intermediate Result Indicator:</i> Forest plantation estate assessment completed.	<input type="checkbox"/>	D	Percentage	100%				Bi-annually	Inventory, record analysis	KFS
<b>Intermediate Result (Component Three):</b> Opportunities for livelihoods enhancement identified and promoted using CDD approach in the Upper Tana Catchment										
<b>Revised Intermediate Result (Component Three):</b> Opportunities for livelihoods enhancement identified and promoted using CDD approach in project intervention areas.										
<i>Intermediate Result Indicator:</i> Number of livelihood based micro-projects supported	<input type="checkbox"/>	C	Number	69	200		500	Annually	Record analysis, surveys	WRMA, KFS
<b>Intermediate Result (Component Four):</b> Project implementation support										
<b>Revised Intermediate Result (Component Three):</b> Project effectively implemented.										
<i>Intermediate Result Indicator:</i> Project activities identified in the annual work plans completed by the end of each project year	<input type="checkbox"/>	D	Number	100	100	100	100	Quarterly	Record analysis	PCO, IAs
<i>Intermediate Result Indicator:</i> Number of annual progress	<input type="checkbox"/>	D	Number	2	3	4	5	Annually	Record analysis	PCO, IAs

reports produced on time										
<i>Intermediate Result Indicator:</i> Disbursements done according to time schedules identified in the PIP	<input type="checkbox"/>	<b>D</b>	<b>Percentage</b>	100	100	100	100	Quarterly	Record analysis	PCO, IAs
<i>Intermediate Result Indicator:</i> Procurements done according to costs and time schedules identified in the PIP	<input type="checkbox"/>	<b>D</b>	<b>Percentage</b>	100	100	100	100	Quarterly	Record analysis	PCO, IAs

**ANNEX 2:  
KENYA: NATURAL RESOURCE MANAGEMENT PROJECT**

**Proposed outline of a Vulnerable and Marginalized Groups Plan (VMGP)**

Executive Summary

Project Background

- Process involved in the development of the VMGP
- Legal and Institutional Framework Applicable to the VMGs
- Summary of Baseline information on the Ogiek in Mt. Elgon /Sengwer/Cherangany of Cherangany Hills
- Summary of the Social Assessment
- Summary of free, prior and informed consultations in the preparation of the VMGP
- Framework for Ensuring Free, Prior and Informed Consultation with the VMGs during its implementation
- The VMGP measures to provide support for the Ogiek in Mt. Elgon /Sengwer/Cherangany of Cherangany Hills
- Action Plan for Avoiding, Minimizing, Mitigating or Compensating Adverse Impacts on VMGs
- Cost Estimates and Financing Plan for the VMGP
- Accessible Procedures for Addressing Grievances by the VMGs
- Mechanisms and Benchmarks for Participatory M&E

Introduction

- Project Background
- Process involved in the development of the VMGP

Legal and Institutional Framework Applicable to the VMGs

- Legal Framework
  - The Kenya Constitution and the VMGs
  - The Forest Act and the VMGs: Management of Forests in Kenya
  - Forest Act: compensation, resettlement and Mitigation Measures
  - Challenges to Implementation of the Act
  - Recommendations on the Way Forward with the Forest Act
  - The National Land Policy (NLP)
  - The Environmental Management and Co-Ordination Act, 1999 (EMCA) and the VMGs
  - Kenyan Laws Vs International Laws Related To VMGs
  - The World Bank Operational Policies on VMGs:
- Institutional Framework

Summary of Baseline information on the Ogiek in Mt. Elgon /Sengwer/Cherangany of Cherangany Hills

- Demography

- Social, Cultural, and Political characteristics of the Ogiek/Sengwer/Cherangany
- Lands and Territories Traditionally Claimed by the Ogiek/Sengwer/Cherangany
- The Natural Resources on Which the Ogiek/Sengwer/Cherangany depend

#### Summary of the Social Assessment

- Background
- Scope of Work
- The SA Process and Methodology: Adherence to the Free, Prior and Informed Consultation Principles
- Findings of the SA
  - Historical Background of the Sengwer/Cherangany and Ogiek VMGs
  - Participatory mapping of the IP areas
  - Analysis of stakeholders in the Cherangany Hills and Mt Elgon forests
  - Perceptions of VMGs on NRMP activities and Possible Impacts
  - An analysis of the IPOs (Local NGOs)
  - An analysis of the understanding and acceptance of the NRMP
  - Communication within KFS/NRMP and with other stakeholders
  - Legal and institutional framework applicable to VMGs
  - Rehabilitation of livelihoods of the VMGs
  - Monitoring and evaluation indicators
  - Recommendations for Project Design and Implementation

#### Summary of the Results of Free, Prior and Informed Consultation applied during the SA

- Results of the Free, Prior and Informed Consultation process
- The Free, Prior and Informed Consultation applied during the SA

#### Framework for Ensuring Free, Prior and Informed Consultation with the VMGs

- Background
- The Free, Prior and Informed Consultation Framework

#### The VMGP for the Ogiek of Mt. Elgon and Sengwer/Cherangany of Cherangany Hills

- Proposed Measures of Action (e.g. CDD and livelihood activities)
- Assumptions and Risks in Relation to Implementation of the Action Plan

#### Action Plan for Avoiding, Minimizing, Mitigating or Compensating Adverse Impacts on VMGs

- Background
- Perceived Fears/Concerns of VMGs
- Recommended Measures for Mitigating Adverse Effects

#### Cost Estimates and Financing Plan for the VMGP

- Summary of Costs
- Break Down of Costs

#### Accessible Procedures for Addressing Grievances by the VMGs

#### Mechanisms and Benchmarks for M&E and Reporting on Implementation of the VMGP

- Purpose
- Objective

Annexes

Annex 1: References

Annex 2: Pictures from Consultative Meetings

Annex 3: List of People Consulted

Annex 4: Records of Public Consultations