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MINISTRY OF CO-OPERATIVES AND MSMES (MCMSME)

AND THE MINISTRY OF INVESTMENTS, TRADE, AND INDUSTRY (MITI)

STATE DEPARTMENT OF MSMES

MICRO AND SMALL ENTERPRISE AUTHORITY (MSEA)

STATE DEPARTMENT FOR INVESTMENT PROMOTION (SDIP)

KENYA JOBS AND ECONOMIC TRANSFORMATION (KJET) PROJECT

P179381

REVISED ENVIRONMENTAL AND SOCIAL MANAGEMENT FRAMEWORK (ESMF)

MAY 2024

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ABBREVIATIONS/ACRONYMS

ACA	Athi Catchment Area
AfCFTA	African Continental Free Trade Area
AMRO	Avoid, Minimize, Restore & Offset
BDS	Business Development Services
C-ESMP	Contractor Environmental and Social Management Plan
CERC	Contingent Emergency Response Component
CIDCs	Constituency Industrial Development Centers
CO2	Carbon Dioxide
COVID-19	Coronavirus Disease-2019
CPS	Country Partnership Strategy
CPSD	Country Private Sector Diagnostic
DOSHS	Directorate of Occupational Safety and Health Services
E&S	Environmental and Social
EAC	East African Community
ECOP	Environmental Code of Practice
EHSG	Environment, Health, and Safety Guidelines
ELC	Environment and Land Court
EMCA	Environmental Management and Coordination Act
ENNCA	Ewaso Ng'iro North Catchment Area
EPRP	Emergency Preparedness and Response Plan
ESA	Environmental and Social Assessment
ESF	Environmental and Social Framework
ESIA	Environmental and Social Impact Assessment
ESIRT	Environmental and Social Incident Reporting Toolkit
ESMF	Environmental and Social Management Framework
ESMP	Environmental and Social Management Plans
ESMS	Environmental and Social Management System
ESRS	Environment and Social Review Summary
ESSF	Environmental and Social Screening Form
ESSs	Environmental and Social Standards
FDI	Foreign Direct Investment
GBV	Gender Based Violence
GBVAP	Gender-Based Violence Action Plan

GDP	Gross Domestic Product
GHG	Greenhouse Gases
GIF	Green Investment Fund
GIIP	Good International Industry Practice
GOK	Government of Kenya
GRS	Grievance Redress Service
ICT	Information and Communication Technologies
IDA	International Development Association
INDC	Intended Nationally Determined Contributions
IPF	Investment Project Financing
IUCN	International Union for Conservation of Nature
JET	Jobs and Economic Transformation
KAM	Kenya Association of Manufacturers
KDC	Kenya Development Corporation
KeBS	Kenya Bureau of Standards
KEPSA	Kenya Private Sector Alliance
KFS	Kenya Forest Service
KIEP	Kenya Industry and Entrepreneurship Project
KJET	Kenya Jobs and Economic Transformation
KSH	Kenyan Shilling
KUSP	Kenya Urban Support Program
LMICs	Lower Middle-Income Countries
LMP	Labor Management Procedures
LVNCA	Lake Victoria North Catchment Area
LVSCA	Lake Victoria South Catchment Area
M&E	Monitoring and Evaluation
MCMSME	Ministry of Co-operatives and MSMEs
MDA	Ministries, Departments and Agencies
MITI	Ministry of Investments, Trade, and Industries
MSEA	Micro and Small Enterprise Authority
NAP	National Adaptation Plan
NDC	Nationally Determined Contribution
NEC	National Environment Council
NECC	National Environment Complaints Committee

NEMA	National Environment Management Authority
NET	National Environment Tribunal
NGO	Non-Governmental Organization
NMK	National Museums of Kenya
NYOTA	National Youth Opportunities Towards Advancement
OESRC	WB Operations Environmental and Social Review Committee
OHS	Occupational Health and Safety
OPEX	Operational Expenditure
PAD	Project Appraisal Document
PBC	Performance Based Condition
PCM	Private Capital Mobilization
PIUs	Project Implementation Units
PDO	Project Development Objective
PIU	Project Implementing Unit
POM	Project Operation Manual
PPP	Public Private Partnerships
PWD	Persons With Disabilities
RFP	Resettlement Policy Framework
RVCA	Rift Valley Catchment Area
SA	Social Assessment
SAFER	Supporting Access to Finance for Enterprise Recovery
SCD	Strategic Country Diagnostic
SDMSME	State Department for MSMEs
SEA	Strategic Environmental Assessment
SEP	Stakeholder Engagement Plan
SERC	Standards Enforcement Review Committee
SMP	Security Management Plan
SSA	Sub-Saharan Africa
SSAHUTLC	Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities
STEM	Science, Technology, Engineering and Mathematics
TA	Technical Assistance
TCA	Tana Catchment Area
TVET	Technical and Vocational Education and Training

USD	United States Dollars
VMG	Vulnerable and Marginalized Groups
VMGF	Vulnerable Marginalized Groups Framework
VMGP	Vulnerable and Marginalized Group Plan
VOCs	Volatile Organic Compounds
WB	World Bank
WBG	World Bank Group
WIBA	Work Injury Compensation Benefit Act
WMC	Waste Management Council

EXECUTIVE SUMMARY

The Government of Kenya (GOK) is preparing to implement Kenya Jobs and Economic Transformation proposed (KJET) Project. The Project aims to address government and market failures that prevent high-quality job creation and adoption of green practices by Micro, Small, and Medium Enterprises (MSMEs), including burdensome regulatory frameworks, inadequate Foreign Direct Investment (FDI) promotion, coordination failures between buyers and suppliers, information asymmetries with respect to capabilities and market requirements, and externalities related to climate change.

KJET will also complement and build upon existing and planned World Bank and Government of Kenya analytical work, programs targeting other aspects of the Jobs and Economic Transformation (JET) agenda, and lessons learned from prior projects. KJET's design incorporates analytical foundations from the 2019 Country Private Sector Diagnostic (CPSD), 2022 subnational Competitiveness for JET ASA, and 2023 Country Economic Memorandum (CEM). With respect to the business enabling environment, KJET will complement the county-level Kenya Urban Support Program (KUSP) (P156777) by supporting national-level coordination and reforms. Additionally, the component will draw on foundation built through IFC predecessor project addressing national and subnational doing business. Analyses and learnings from KJET will also complement and inform the upcoming Kenya Competitiveness PASA on competition, trade, and FDI in Kenya. Regarding jobs, the National Youth Opportunities Towards Advancement (NYOTA) Project focuses on worker-level skills development (P179414) (i.e., worker supply), which KJET will complement with its focus on job creation and improvement at firms (i.e., worker demand). In terms of access to finance, the Supporting Access to Finance for Enterprise Recovery (SAFER) Project (P175017) is supporting the supply of financing through lines of credit and credit guarantees, while KJET will focus on improving firms' readiness for financing and creditworthiness. In terms of aspects of firm capabilities and the types of firms covered, the Kenya Industry and Entrepreneurship Project (KIEP) (P161317) is focusing on high-growth firms and innovation, whereas KJET will focus more on growth-oriented MSMEs and market access. Furthermore, KJET will complement relevant sectoral projects such as the National Agricultural Value Chain Development Project (P176758) by focusing more on downstream value addition and market access. KJET Project includes the following components and sub-components:

- Component 1: Strengthening Business and Investment Enabling Reforms;
- Component 2: Enhancing MSME Cluster Competitiveness;
    - Subcomponent 2.1: TA on Competitive Cluster Development Initiatives;
    - Subcomponent 2.2: Building Capacities of MSME Clusters;
- Component 3: Scaling Up Green Financing and Strengthening Climatic Resilience for SMEs;
    - Subcomponent 3.1: Scaling Up Green SME Financing;
    - Subcomponent 3.2: Strengthening MSMEs Climatic Resilience; and
- Component 4: Project Management and Monitoring and Evaluation.

This Environmental and Social Management Framework (ESMF) has been developed as the environmental and social (E&S) instrument for assessing, managing and monitoring E&S risks and impacts of the project given that the full nature, scope and geographical locations were not exactly known at the time of project preparation. The ESMF establishes the screening processes and tools as well as exclusion criteria for specific sub-projects - to be directly implemented by the Project Implementation Units (PIUs) in assessing the risks and impacts of the sub-projects. This will facilitate the recommendation of appropriate mitigation and monitoring measures for each subproject.

The E&S risks and impacts related to the project include: (i) Component 1, Technical Assistance (TA) activities that are classified as (i) type 2 TA activities which include licensing regulatory reform, review of laws, regulations and strategies with potential downstream E&S risks, (ii) type 3 TA activities on

capacity building activities which have negligible E&S impacts. The Terms of Reference (ToRs) for these activities will be consistent with ESSs that will include the identification of E&S risks and propose mitigation measures; (iii) Component 2, will support MSME's clusters with investments support for common infrastructure to improve agglomeration and downstream market linkage and include facility upgrade, provision of productive equipment and machinery. The E&S risks and impacts related to noise, dust, pollution (soil, water, air), generation of hazardous and non-hazardous waste, e-waste generation, management of labor influx, occupational health and safety (OHS), exclusion of Vulnerable and Marginalized Groups (VMGs), community Health and Safety (CHS), Sexual Exploitation and Abuse/Sexual Harassment (SEA/SH) risks, risks related to land acquisition and resettlement, physical and economic displacement, labor and working conditions, impacts related to exclusion of indigenous Peoples (IPs), lack of equal opportunity and awareness among MSME owners to ensure that all eligible enterprises can access project benefits, poor stakeholders engagement and Grievance Redress Mechanism (GRM) processes. Again, there are risks to local communities due to the labor influx and in the agricultural sector, child labor and other forms of forced labor; and (iii) Component 3, the key E&S risks and impacts include labor and working conditions, CHS, and lack of participation of MSMEs in remote areas of the country due to lack of access to clear information, air and noise pollution, generation of hazardous and non-hazardous waste, OHS, SEA/SH, exclusion of IPs/VMGs.

In addition to this ESMF and to assist in the mitigation of E&S risks and impacts and to comply with the World Bank's Environmental and Social Framework (ESF) and GOK legal requirements, the borrower has also prepared an Environmental and Social Commitment Plan (ESCP) and Stakeholder Engagement Plan (SEP). Moreover, E&S risks and impacts will be managed through the mitigation hierarchy approaches (avoid, minimize, mitigate and compensate) included in this ESMF and subsequently in all sites-specific E&S management plans (ESMPs), during the implementation stage once the detailed characteristics of subproject sites are confirmed. No irreversible adverse E&S risks and impacts are foreseen since most of them are small in scale, localized, mostly site specific and easily manageable through these proposed mitigation measures.

This ESMF sets forth the basic principles and prerogatives the Project will be complying with during implementation once the physical footprints are known, including site-specific E&S screening, the preparation of site-specific instruments. All E&S instruments will be the subject of consultation with the beneficiaries and institutional stakeholders. All E&S instruments will be publicly disclosed both in-country and on the Project websites prior to the physical start of project or activity implementation.

KJEP Project will be implemented through both the Ministry of Cooperatives and MSME (MCMSME) and the Ministry of Investments, Trade, and Industries (MITI) which will focus on the different components of the project. While MITI will implement Component 1 (Business Climate and Investment Reform) while Component 3 (Green MSME financing) will be implemented by Kenya Development Corporation (KDC) which is a Semi-Autonomous Government Agency (SAGA) in the Ministry of Industry, Trade and Investments (MITI). The State Department for MSMEs (SDMSME) in the MCMSME will implement Component 2 (MSME cluster competitiveness) of the Project and play an overall role in the reporting of the project. SDMSME will closely collaborate with MITI [State Department of Investment] implementing sub-component 1.1. A Project Steering Committee and Technical Working Group drawing membership from all implementing entities will ensure smooth implementation coordination. Two dedicated Project Implementation Units (PIUs) structures – one in each ministry will be leveraged for day-to-day management of the project with one Project Implementing Unit (PIU) under the State Department of Investments (SDI) (within MITI) playing the coordination role for Components 1 and 3, and the second PIU under Micro and Small Enterprise Authority (MSEA) (within MCMSME) playing the coordination role for Component 2**.**

A GRM will be established in order to resolve concerns effectively and timely. The mechanism will be notified for the affected people and thus grievances will be actively managed and tracked to ensure that appropriate resolutions and actions are taken. Note that the grievance procedure does not replace existing legal processes. The grievance procedure will be simple and administered as far as possible at the local levels to facilitate access, flexibility and ensure transparency. All the grievances will be managed through the Grievance Resolution Committees (GRCs). Complaints will be received in writing or orally and will be filled in a Grievance Registration Form (GRF) by the committee.

The total estimated costs for mainstreaming E&S into KJET Project's Component 1, 2 & 3 for the entire project period of five years is US$ 1,350,000.00. The budget covers ESMF training, implementation, monitoring, carrying out due diligence and annual external E&S performance audits, procurement of consultants to provide ESMP preparation services, etc. The budget will be funded from KJET Project. Costs related to the required mitigation measures for Component 1, 2 & 3 subprojects are not set out in the budgets presented here. These will be assessed and internalized by beneficiary institutions as part of the overall subproject cost.

1 INTRODUCTION

1.1 Background

1.1.1 Low Productivity Conundrum

Economic transformation in Kenya is underway, but the share of employment in low-productivity sectors and firms remains high, stifling livelihoods and limiting inclusive growth. Agricultural output as a share of Gross Domestic Product (GDP) has declined, in parallel with output growth in the higher-productivity industrial and service sectors. Even though overall unemployment decreased from 10 percent in 2006 to 5 percent in 2019, labor force participation has decreased in recent years, dropping from 73 percent in 2015 to 69 percent in 2019. Jobs remain concentrated in sectors with low labor productivity as job creation has not matched output growth in high-productivity sectors, and productivity growth has been limited in traditional sectors.[1] Sectors such as agriculture, retail and wholesale trade, accommodation and food, education, health, and social security account for 80 percent of employment but all have below average aggregate sector productivity. As a result, wages remain low for many Kenyans despite the country's headline GDP and employment growth.[2] Indeed, in his inaugural speech in September 2022, the President noted that "of 800,000 people joining the labor market each year, 600,000 do not find opportunities for productive work." Increasing the productivity of the most labor-intensive sectors holds the potential to improve the livelihoods and wages of the widest share of the workforce. The 2019 World Bank Country Private Sector Diagnostic (CPSD) echoes this dichotomy and identifies agribusiness, building materials, and manufacturing as the sectors with the highest potential for short-term private sector job creation based on development impact, feasibility, current performance, and value addition.

Low productivity has gone hand in hand with decreased competitiveness in labor-intensive sectors, as evidenced by deteriorating trade and FDI performance. Kenyan exports of goods and services have declined relative to GDP over the past two decades, a sign of eroding competitiveness and lack of expansion of exportable goods and services. Kenya's goods exports remain concentrated in low value-added goods, such as primary agricultural products, and it is losing ground even in these segments. For example, Kenya's share of agricultural exports to the European Union (EU) has declined over time despite recent increases in exports of tea and cut flowers, and Kenya has been unable to diversify product offerings as much as competitors like Peru. Kenya's small-scale manufacturing exports are concentrated in neighboring countries where Kenyan exports enjoy significant tariff preferences due to the East Africa Community (EAC) (i.e., exports driven by market access advantages rather than true competitive advantage), but these advantages may erode with the implementation of the African Continental Free Trade Area (AfCFTA). Similarly, Kenya's performance as a destination for FDI has lagged in recent years: FDI inflows amounted to just 0.4 percent of GDP in Kenya in 2021, compared to 3.8 percent for Ethiopia. Declining trade and FDI performance are concerning given the well-documented contribution of trade and FDI to improvements in firm capabilities and productivity.

Challenges in generating high-productivity employment on a large scale are also reflected at the firm level. The private sector accounted for almost 70 percent of employment in 2021, but most private firms remain small and informal. Of the estimated 7.4 million MSMEs, 94 percent are formal or informal micro-sized firms (1-4 workers), in line with the average of 97 percent across Sub-Saharan

[1] World Development Indicators.

[2] Relatedly, KNBS statistics suggest that there are at least as many underemployed people as unemployed ones.

Africa.[3] MSMEs are generally characterized by low firm productivity, innovation, and competitiveness, with negative effects on business survival, scale-up, and productivity (productivity is lowest in informal micro-sized firms). While there are many firms being registered in Kenya, most are not scaling up: approximately 46 percent of Kenyan MSMEs do not survive their first year, and 80 percent fail within the first five years, again on par with the average five-year failure rate for enterprises in Africa.[4] Most quality jobs are created by larger firms, but they are fewer in number, and MSMEs in Kenya rarely scale up to become larger firms.

1.1.2 Existing Market Failures and Interventions to Address Them

The challenges related to low levels of firm growth, weak productivity, and eroding competitiveness in Kenya reflect various market failures, notably regulatory barriers to entry and growth and diversification of productive firms, lack of market access (reflecting coordination failures), and low firm capabilities (reflecting information asymmetries). In 2022, the World Bank undertook a deep-dive analysis of value chains located in the counties of Kisii, Kirinyaga, Mandera, and Uasin Gishu.[5] The analysis highlighted several constraints to productivity and growth related to institutions and regulations, market access, enterprise support and finance, and skills and innovation. It also highlighted potential viable investment opportunities in the edible oils (e.g., avocado pressing line) and apparel (e.g., linking existing MSMEs that manufacture garments to international markets). These findings echo results from earlier national-level surveys and endline data collected under the International Finance Corporation (IFC) Kenya Investment Climate Project III: MSME respondents to the 2018 Enterprise Survey were mostly likely to cite practices of the informal sector (23 percent of respondents) and access to finance (18 percent) as their biggest obstacles, and 11 percent of firms cited some combination of trade regulations, tax administration, business licensing and permits, and labor regulations.

Regulatory barriers related to county-level registration and licensing processes and gaps related to the facilitation of FDI are key constraints to Kenya's investment climate. Most firms cite opaque, complex, duplicative, and manual business registration and licensing processes and fees—which are often imposed at the county level—as leading reasons for remaining informal.[6] This discourages jobs in the formal sector, curtails growth in receipts from local taxes, and exacerbates pressures on often already narrow tax bases. Currently, close to 45.8 percent of all fees and charges go to the county government, and most are not properly anchored in policy and a legal framework.[7] Although a single Business Permit (SBP) was introduced in 2000 to replace multiple local authority licenses, many licenses have persisted (or newly emerged) alongside the SBP, and processes remain largely manual and fragmented. Further, to date, no county government has developed a Tariff and Pricing Policy to guide imposition of fees and charges, a legal requirement under the County Governments Act, 2012. Similarly, FDI in Kenya is held back by complex entry and licensing processes spanning multiple points of contact withing the government. While the Kenya Investment Authority (KenInvest) is the national focal point for incoming foreign investors, investors perceive its mandate and capacity as limited given the to date limited implementation of its One-Stop Center for investors and ambiguity in the legal,

[3] Bruhn, Miriam, et al. MSME finance gap: assessment of the shortfalls and opportunities in financing micro, small, and medium enterprises in emerging markets. No. 121264. The World Bank, 2017.
[4] KNBS (2016)
[5] *https://documentsinternal.worldbank.org/search/34075942*
[6] World Bank, 2016. Informal Enterprises in Kenya.
[7] Kenya Association of Manufacturers (KAM) Regulatory Framework Policy Brief, 2020

regulatory, and strategic framework for FDI in Kenya, which was drafted before devolution and currently creates confusion between KenInvest and county-level units as a result.[8]

1.1.3 Nascent Green Finance Markets

Green finance markets are still nascent in Kenya, and adequate incentives are needed to close the finance gap to meet Kenya's climate goals and contribute to sustainable and inclusive growth. Kenya's MSME finance gap currently stands at 30.48 percent of GDP (at a total volume of US$19,326,332,625)[9]. According to Kenya's 2020 updated Nationally Determined Contribution (NDC), the estimated cost of Kenya's mitigation and adaptation actions stands at KES 6,775 billion (USD 65 million) in 2020-2030. Currently, climate finance in Kenya primarily come from external loans and grants from international public institutions, with significant contributions from the national government. In 2018, public and private climate finance flows amounted to KES 243.3 billion (USD 2.4 billion), roughly representing only one third of the financing that Kenya needs annually to meet the targets set in its NDC[10]. Despite efforts taken to stimulate green finance through efforts to build on the frameworks, bridging the green finance gap in Kenya through diversification of funding instruments remains a key challenge. Banking sector non-performing loans are growing and reached 14.5 percent in June 2023, compared to 14 percent in February 2023. Elevated credit risk coupled with rising inflationary expectations implies that credit growth is at risk of being constrained further. In addition, financial product offerings for MSMEs are concentrated in short-term loan products.[11] Thus, there may be opportunities for Kenya to diversify financial product offerings by tapping into patient capital (e.g., private equity investments) for green firms and investments, especially for medium firms.

1.2 Project Description

1.2.1 Kenya Jobs and Economic Transformation (KJET) Project Overview

The proposed Kenya Jobs and Economic Transformation (KJET) project will support Kenya and the World Bank Group's Jobs and Economic Transformation (JET) agenda. The project aims to address government constraints and market failures that prevent high-quality job creation and adoption of green practices by MSMEs, including burdensome regulatory frameworks, inadequate FDI promotion, coordination failures between buyers and suppliers, information asymmetries with respect to capabilities and market requirements, and externalities related to climate change.

The proposed project is an Investment Project Financing (IPF) in the amount of $150 million, with interventions that are mutually reinforcing across four components: (1) Strengthening Business and Investment Environment Reforms; (2) Enhancing MSME Cluster Competitiveness; (3) Scaling Up Green Financing and Strengthening Climatic Resilience for SMEs; and (4) Project Management and Monitoring and Evaluation.

[8] World Bank, 2020. Kenya Investment Climate Reform Action Plan.
[9] IFC SME Finance Forum - *https://www.smefinanceforum.org/data-sites/msme-finance-gap*
[10] Republic of Kenya the National Treasury and Planning, GNI Plus, KCIC, Climate Policy Initiative. 2021. "The Landscape of Climate Finance in Kenya".
[11] The average loan tenor for MSMEs across both commercial banks and Microfinance Banks stood at 27 months as at December 2022. For both commercial banks and Microfinance banks, the typical term loans and bank overdrafts accounted for over 90 percent of the MSME loan portfolio as at December 2022. "Central Bank FinAccess Business Survey Report".

1.2.2 Project Components

1.2.2.1 Component 1: Strengthening Business and Investment Enabling Reforms ($10 million)[12]

This component will address business regulatory (BR) and FDI environment implementation gaps that limit private sector growth and investment by working on prioritized BR and FDI related reforms. It will cover diagnostics related to existing regulatory constraints (i.e., addressing current 'stock' of regulations), risk-based regulatory approaches (i.e., managing 'flow' of new prospective regulations), and FDI policy and promotion primarily at the national level, while opportunistically engaging on related and demonstrative BR and IPP reforms at the county level as well as within the value chains the Project is supporting. Depending on the outcomes of these diagnostics as well as client input, implementation support could cover, inter alia, design and rollout of systems to further streamline and automate regulatory processes; targeted changes to laws, regulations, and strategies; deployment of dedicated toolkits for example for investors targeting; and/or capacity-building for key implementation agencies (e.g., on BR good practice and investment promotion). These activities will streamline firm entry and operation, improve investment policy, and increase KenInvest's investment promotion capacity, contributing to lower regulatory compliance costs and uncertainty as well as increased investment (including FDI). Throughout implementation, special focus will be given to regulatory constraints faced by exporters and priorities for attracting export oriented FDI. Project support will be anchored within the State Department of Investments (SDI) and KenInvest within MITI and complement engagements related to the Investment-Enabling Environment in ACP (IEE-ACP) Program and B-READY, as well as ongoing and pipeline engagements covering trade and investment.

1.2.2.2 Component 2: Enhancing MSME Cluster Competitiveness ($85 million)[13]

This component will target market failures that constrain linkages between MSMEs and downstream buyers and MSME firm capabilities. It will support capacity-building for the Government of Kenya on MSME-centric cluster development as well as business development services and co-investment in machinery and equipment for organized local clusters[14] of MSMEs. These activities will enhance the market access, linkages, and capabilities of MSMEs, in turn contributing to higher sales, productivity, and job generation. The main implementer of this component will be MSEA. This component will leverage, align with, and expand existing Government of Kenya initiatives for MSME support such as Constituency Industrial Development Centers (CIDCs). It will also build downstream linkages with other public and private projects related to larger firms as relevant (e.g., Business Development Services (BDS) steering some clusters towards export orientation where feasible).

Subcomponent 2.1: Technical Assistance (TA) on Competitive Cluster Development Initiatives

This subcomponent will provide technical assistance to build MSEA's capacity to identify actionable policy reforms and/or common infrastructure or services investments to remove existing policy constraints and market failures for a given cluster. As a first step, technical assistance will map 5 priority value chains to provide a detailed analysis of the distribution and concentration of economic opportunities and value addition across Kenya. Technical assistance will then cover, inter alia, analytical frameworks for analysing cluster competitiveness and binding constraints, and prioritizing

[12] Provisional allocation

[13] Provisional allocation

[14] Organized MSME clusters are defined as groups of MSMEs that are a) in the same value chain, b) in close geographic proximity to each other, and c) organized under some legal structure. In the Kenyan legal context, these may take the form of local (i.e., geography-specific), sector-specific associations that have been registered with MSEA or cooperatives, among other legal forms. Clusters may be present in the Government of Kenya-supported Constituency Industrial Development Centers (CIDCs) or exist on separate premises.

interventions. Special consideration will be given to the potential for digital platforms and technologies to address market failures (e.g., e-commerce platforms).

Subcomponent 2.2: Building Capacities of MSME Clusters

The subcomponent will provide an integrated package of BDS (for all beneficiaries) and targeted co-investment support for productive assets (for a subset of beneficiaries subject to further screening). Subcomponent activities will be structured and customized at the level of individual subprojects. Each subproject will have as its beneficiary touchpoint a cluster of MSMEs (i.e., legally organized agglomeration of MSMEs in the same value chain and geographic area) or, in select special cases, a single MSME (e.g., amenable to foster backward or forward linkages, with export potential, women-owned/led business). BDS will cover, inter alia, market research, strategy and business plan development, marketing, and product development, financial management, practices for climate change mitigation and adaptation (e.g., energy-efficient manufacturing processes, use of solar power), adoption of digital technologies, and product quality requirements. Additionally, special BDS modules responding to women managers' needs (e.g., personal initiative training) will be rolled out for women-owned and -led beneficiaries within subprojects. While all subprojects will entail BDS, only a subset of subprojects will entail co-investment for facility upgradation, machinery, and equipment. To ensure market orientation, co-investment will require further screening/selection, being one time per selected beneficiary, and require beneficiaries to match project investments upfront, enroll in a program to pay back the investment, and/or share profits with the project. Implementation will begin with pilots targeting the edible oil, apparel, construction/building materials value chains to generate rapid learnings and impact, while further value chains will be added pending the results of Subcomponent 2.1. These pilot value chains were highlighted in the county deep dives and/or Kenya CPSD and further screened based on analyses along a framework of their desirability in terms of development impact and feasibility for Kenya.

1.2.2.3 Component 3: Scaling Up Green Financing and Strengthening Climatic Resilience for SMEs (US$45 million)

This component is meant to mobilize green private capital to support SME's adoption of green, clean and ecofriendly technologies through setting up an agile, patient financing structure that can crowd in private capital, especially for medium businesses. The component will also pilot an innovative instrument to support SMEs in managing compound climatic shocks. This component will be implemented by the Ministry of Investments, Trade, and Industries (MITI) through the Kenya Development Corporation (KDC). This component is complementary to other components and WBG operations. It will synergize its efforts with the existing SAFER[15] as well as the KIEP.[16]

Subcomponent 3.1: Scaling Up Green SME Financing

This sub-component will provide initial risk-adjusted, long-term and patient capital, including equity and/or mezzanine financing, through a dedicated newly established Green Investment Fund (GIF) to finance green enterprises, greening of existing SMEs, and adoption of circular economy processes and

[15] SAFER is focused on increasing access to finance for MSMEs with a focus on micro and small firms affected by the COVID-19 pandemic.

[16] KIEP seeks to innovation and productivity in select private sector firms in Kenya by strengthening the private sector (including startups, SMEs, incubators, accelerators, technology bootcamp providers, etc.) through financial grants and technical assistance.

practices. It is expected that medium enterprises[17] will form most of the target pipeline, but the feasibility of targeting SMEs more broadly is currently being explored through an ongoing feasibility study[18]. Investee enterprises of GIF may include but will not be limited to beneficiary SME clusters supported under Component 2 (and/or their off takers) and other women and youth led enterprises that are viable for green equity financing based on a well-developed and targeted investment criteria that will be developed based on business viability and acceptability of ESF risks[19]. The GIF is proposed to be domiciled locally and denominated in foreign currency (e.g., USD) based on consultations and feedback from investors and the Government, however, this will be assessed as part of the findings of an ongoing feasibility study. The fund will focus mostly on direct investments without excluding a fund of funds arrangement. The GIF will be managed by an independent, competitively selected Fund Manager and will be regulated under the Capital Markets Authority. The feasibility study will identify the sizeable bankable pipeline including – but not limited to – a government's investment deal book currently under preparation. Options for the fund's governance framework (including board independence, licensing, and oversight) and business model will be assessed during appraisal and closely coordinated with IFC along with other design elements of the fund. The GIF will have an Investment Committee composed of private sector representatives with significant experience in private equity investments. An initial definition of green firms and relevant green firm activities is provided the relevant annex with further details to be informed by the feasibility study. TA will be provided to KDC to lead on the development of a green taxonomy in Kenya in collaboration with other relevant stakeholders. The disbursement of the US$42 million will be subject to the GIF meeting the three sets of performance-based conditions (PBCs): (1) Establishment and staffing of GIF; (2) Operational readiness of GIF; and (3) Functionality of GIF. Refer to PAD for key actions per PBC.

Subcomponent 3.2: Strengthening MSMEs Climatic Resilience

In Kenya, short business survival rates, a frequent need for liquidity, and challenges in obtaining funding for Research and Development (R&D) are key constraints that push investments towards conservative ones. Exposure to climate shocks exacerbate these failures for many of the key sectors. This sub-component will provide shock-responsive credit to MSME's following a climate shock, to boost their liquidity and minimize their default risk. This will support the removal of constraints related to the climate risk, stimulating a shift from 'conservative' to 'innovative' investments, including the creation of more resilient jobs. As implementer, KDC will make concessional loans readily available for MSMEs based on pre-defined objective climate shock triggers for firms who would have otherwise been viable. Once these triggers are met, MSMEs will apply to access the contingent credit to cover liquidity and credit risks. The IDA support will be used to adjust for the MSME default risk and ensure new lending is commercially viable. The target is agriculture MSME's, including those benefiting from Subcomponent 3.1. The subcomponent will have a PBC to ensure KDC has designed the mechanism, including triggers, financing options and eligibility criteria, before the capital funding is released. In a future phase, climate risk insurance and other targeted financial instruments will also be considered in addition to the contingent credit.

[17] According to the MSME Act (2012), MSMEs are enterprises that have 1-99 employees. Micro enterprises have less than 10 employees, small enterprises have 10-49 employees, and medium enterprises have 50-99 employees.

[18] The Feasibility study for blended finance in green investments in Kenya is ongoing and supported by the Kenya JCAP ASA. It will inform the definition of green investments in Kenya, the size and detail of the bankable investment pipeline, the legal structure of the fund, and the capital stack aspects of the fund.

[19] At this stage, most of the pipeline is expected to comprise of established firms, but the feasibility and desirability of targeting firms at different lifecycle stages will be explored further during appraisal.

1.2.2.4 Component 4: Project Management and Monitoring and Evaluation ($10 million)[20]

This component will strengthen the Monitoring and Evaluation (M&E) systems and capacity of national implementing agencies, and finance project management activities with the aim to build sustainable systems that last beyond the lifetime of this project. The project will also aim to link the systems under the project and outside the project for greater efficiencies in identification, tracking and monitoring and evaluation of beneficiaries. The component will finance the overall coordination activities by the two implementing agencies (MCMSME and MITI), progress reporting, and relevant capacity building in coordination with the relevant government and private sector actors. The management of the Project will be conducted by a team of technical and fiduciary specialists in areas including project coordination, technical, procurement, environmental and social, financial, and monitoring and evaluation (M&E) specialists in line with the organizational structure described in the project's institutional arrangements.

1.2.3 Project Beneficiaries

Overall, the project is expected to support Kenyan businesses (particularly MSMEs), foreign investors, and their underlying workers. Component 1 is expected to generate economy-wide impacts, while Components 2 and 3 will generate firm-level impacts for individual beneficiaries. Component 1 will benefit all firms subject to the regulatory procedures addressed by the sub-national pilots through streamlined regulatory procedures. It will also benefit all foreign investors working with KenInvest via improved service delivery from KenInvest (e.g., completion of One Stop Center implementation). Component 2 will benefit MSMEs that participate in subprojects by providing BDS and co-investments to, inter alia, improve business and financial management capacity, establish market linkages, increase productive capacity, and adopt climate smart practices, in turn generating higher sales and profits for firms and higher wages and employment for workers. Component 2 is expected to cover at least 1,500 subprojects with BDS and market access, of which at least 650 will further receive co-investment, ultimately reaching at least 150,000 workers. Component 3 is expected to benefit 100 firms accessing financing through the Green Investment Fund and KDC concessional loans, covering 20,000 workers. Finally, at least four government agencies or institutions are expected to benefit from KJET technical assistance or financial support. All beneficiary figures are indicative and preliminary, pending further alignment during pre-appraisal and appraisal.

1.3 Objective and Scope of ESMF

This ESMF is a management tool to assist in managing potential adverse E&S impacts associated with activities of the KJET Project in line with the requirements of GOK and the World Bank's ESF – Environmental and Social Standards (ESSs) and World Bank General Environmental, Health and Safety Guidelines (EHSGs). The implementing partners of the Project and the twin PIUs will follow this ESMF to ensure the E&S risks and impacts are fully assessed and management measures are in place prior to the implementation of the relevant Project activities.

The ESMF identifies the steps for a detailed screening and assessment for the project's potential E&S risks, and for preparing and approving the required management plans for avoiding, and where avoidance is not possible, reducing, mitigating and managing these potential adverse impacts.

Again, the ESMF describes the policy and legal framework in which the ESSs are embedded, including national legislation and policies, GOK's international commitments, the World Bank ESF and supporting instruments. It further lays out an environmental and socio-economic baseline; classifies the E&S risks and tables E&S risks and mitigation measures in the format of a generic ESMP. The

[20] Provisional allocation

document then explains the institutional and implementation arrangements for the Project and for the ESMF and lays out the Monitoring Plan for the ESMF. It also lists the Project GRM and explains anticipated trainings and capacity development initiatives for E&S compliance. Finally, the ESMF further lays out how Environment, Social, Health, and Safety (ESHS) clauses and requirements will be incorporated in the contract bidding documents. Other specific E&S instruments, designed for the risk mitigation of the project are annexed to this ESMF.

1.4 ESMF Approach and Methodology

The methodology used to develop this ESMF was based on literature review and stakeholder consultations.

1.4.1 Desk/Literature Review

The relevant literature reviewed included the following:

- ESMF of similar projects in the region financed by the WB;
- GOK policies, laws, procedures, regulatory and administrative frameworks to determine the relevant legal requirements for the project;
- WB ESF, ESSs and EHSGs to determine their applicability to the project; and
- Existing documents related to the project, such as the ESCP, SEP, the Appraisal (Environment and Social Review Summary (ESRS), and the Project Appraisal Document (PAD).

1.4.2 Consultations with Key Stakeholders

Consultations with key Project stakeholders were held on Monday, April 29, 2024, at Sarova Panafric Hotel, Nairobi to discuss activities of the project components and sub-components, the institutional arrangement for KJET Project, the ESMF, ESCP, SEP, LMP, the monitoring and review of Project activities, capacity building needs and technical backstopping, and the linkages of works within the Project in the implementation of ESMF. Approximately 61 participants drawn from various entities and groups attended. Key feedback on the disclosed ESMF, SEP, and LMP is listed in *Annex J*. The participant's list is provided in *Annex K*.

2 ENVIRONMENTAL AND SOCIAL MANAGEMENT REQUIREMENTS

This section provides the relevant institutional, policy, and legal framework governing the ESMF. As indicated in *section 1.3*, the ESMF is required to satisfy the requirements of WBG ESF, EHSGs and GOK legal requirements. This section also assesses gaps between national ESIA requirements and WBG's ESSs & EHSGs. Thereafter, recommends gap filling measures.

2.1 Institutional Framework

The following key administrative agencies regulate Trade and its E&S implications in Kenya:

Table 2-1 E&S Institutional Framework

No	Institution/Ministry	Description of their role	Relevance to the project
1.	Ministry of Environment, Climate Change, and Forestry	Facilitate good governance in the protection, restoration, conservation, development and management of the environment	Sets environmental management and climate change policy

No	Institution/Ministry	Description of their role	Relevance to the project
		and natural resources for equitable and sustainable development.	
2.	National Environment Management Authority (NEMA)	Exercise general supervision and co-ordination over all matters relating to the environment and to be the principal instrument of Government in the implementation of all policies relating to the environment.	• Reviews and grants ESIA approval for subprojects • Monitors and assesses E&S performance of projects.
3.	National Environmental Complaints Committee (NECC)	Investigates allegations and complaints of suspected cases of environmental degradation. The Committee also prepares and submits to the NEC periodic reports of its activities.	Members of the public can register or appeal to this committee regarding any aspects of the project that violates the law and its NEMA license conditions.
4.	National Environment Tribunal (NET)	• Reviews administrative decisions made by NEMA relating to issuance, revocation or denial of license and conditions of license; • Provides legal opinion to NEMA on complex matters where the Authority seeks such advice; and • Has powers to change or give an order and direction regarding environmental issues in dispute.	Members of the public can register or appeal to this committee regarding any aspects of the project that violates the law and its NEMA license conditions.
5.	Water Resources Authority (WRA)	Responsible for the regulation of water resources such as water allocation, source protection and conservation, water quality management and pollution control and international waters.	Any water abstraction by the project should obtain permit from WRA.
6.	Ministry of Investment, Trade, and Industry (MITI)	Facilitates accelerated growth of Investments, trade and industrial sectors through provision of an enabling policy, legal and institutional framework.	Co-implementor of KJET Project. Hosts one PIU that will implement Component 1 (Business Climate and Investment Reform) and Component 3 (Green MSME financing).

No	Institution/Ministry	Description of their role	Relevance to the project
7.	Ministry of Co-operatives and MSMEs (MCMSME) State Department for MSMEs (SDMSME)	Responsible for formulating, implementing, and evaluating policies and programs for Micro and Small Enterprises, including research, product development, patenting, access to markets, innovation, technology development and transfer, capacity building and others.	Co-implementor. Will implement Component 2 (MSME cluster competitiveness) SDMSME and collaborate with MITI [State Department of Investment] implementing sub-component 1.1.
8.	Micro and Small Enterprise Authority (MSEA)	Formulates and coordinates policies that will facilitate the integration and harmonization of various public and private sector initiatives, for the promotion, development and regulation of the MSEs to become key industries of tomorrow.	Hosts SDMSME's PIU.
9.	Ministry of Labour and Social Protection	• formulates and implements the national labour Legislation and policy; and • Parent to Directorate of Occupational Safety and Health Services (DOSHS)	• DOSHS monitors working conditions at workplaces; • Enforces WIBA insurance for staff; • Requires workplace registration for all project sites; and • Requires annual occupational safety and health (OSH) audits.
10.	County Governments	The County Government is also important as it is responsible for implementation of legislation, And development plans and policies at the County level. The County Government will also have a role in issuing permits and processing applications. Finally, the County Government has a role in ensuring the views of the communities it represents are presented to the Project.	• Lead agency in environmental management and conduct independent monitoring of projects. • Issue business licenses and permits. • Ensure compliance with health Acts. • Authorize waste management.

2.2 Policy Framework

2.2.1 Constitution of Kenya

Kenya has undergone regulatory reforms over the past two decades, culminating in the enactment of a new constitution in 2010. The Constitution is the supreme law in Kenya and gives a lot of emphasis on environmental conservation and sustainable development. For instance, in the Preamble, the Constitution states that "We, the people of Kenya will be respectful of the environment, which is our heritage, determined to sustain it for the benefit of future generations".

Article 2(5) of the Constitution states that the general rules of international law shall form part of the laws of Kenya. For the purposes of protection of the environment, several principles of international environmental law are incorporated, viz:

- the polluter pays principle;
- principle of public participation;
- principle of sustainability;
- principle of inter & intra-generational equity;
- principle of prevention; and
- precautionary principle.

The principle of sustainable development is entrenched in Article 102(d) of the Constitution as one of the national values and principles of governance.

The Constitution guarantees the right to a clean and healthy environment in Article 42. Article 42 further guarantees the right to have the environment protected for the benefit of present and future generations through legislative and other measures particularly those contemplated in article 69 and the right to have obligations relating to the environment fulfilled under Article 70. Article 69 imposes obligations on the state. The state is required to;

a) ensure sustainable exploitation, utilization, management, and conservation of the environment and natural resources, and ensure the equitable sharing of the accruing benefits;
b) work to achieve and maintain a tree cover of at least ten percent of the land area of Kenya;
c) protect and enhance the intellectual property in, and indigenous knowledge of, biodiversity and the genetic resources of the communities;
d) encourage public participation in the management, protection, and conservation of the environment;
e) protect genetic resources and biological diversity;
f) establish systems of environmental impact assessment, environmental audit, and monitoring of the environment;
g) eliminate processes and activities that are likely to endanger the environment; and
h) Utilize the environment and natural resources for the benefit of the people of Kenya.

Article (69) (2) imposes obligations on every person, to cooperate with state organs and other persons to protect and conserve the environment and ensure ecologically sustainable development and use of natural resources.

Article 70 provides an avenue for redress for any person who alleges that the right to a clean and healthy environment has been or is likely to be denied, violated, infringed, or threatened. The Court is empowered to issue preventive, cessation, or compensatory orders.

Article 70 relaxes the rule on locus standi because of which, there is no need to prove loss or injury by an applicant. Anyone may institute a claim seeking to enforce the environmental rights and obligations stipulated in the Constitution.

Enforcement contemplated by Article 70 will be done through the Environment and Land Court established under Article 162 (2) (b). The Court has the same status as the High Court. This effectively denies High Court jurisdiction over environmental matters under Article 165 (5) (b).

The twin PIU should ensure project activities do not compromise the right to a clean and healthy environment and requisite measures are put in place to guarantee the sustainability of the Project. Such measures should include but not limited to pollution prevention and control and sustainable utilization of natural resources.

2.2.2 Sessional Paper No.10 of 2014 on the National Environment Policy, 2014

The overall goal of this Paper is to ensure better quality of life for present and future generations through sustainable management and use of the environment and natural resources.

Section 5.6 of this Policy focusses on infrastructure development and environment and makes explicit policy statements to ensure sustainable management and use of the environment and natural resources during the construction and operation of infrastructure developments including roads.

These policy statements require the commitment of the Government to:

- Ensure Strategic Environmental Assessment (SEA), Environmental Impact Assessment (EIA), Social Impact Assessment (SIA) and Public Participation in the planning and approval of infrastructural projects;
- Develop and implement an environmentally friendly national infrastructural development strategy and action plan; and
- Ensure that periodic Environmental Audits are carried out for all infrastructural projects. Relevance to this Project.

All Project activities involving civil works must undergo an ESIA process before implementation.

2.2.3 Kenya Vision 2030

Vision 2030 aims to transform Kenya into a newly industrialized, globally competitive, middle-income country. The MITI leads this agenda and has developed the Kenya Industrial Transformation Program (KITP) to implement it. Amongst other areas, KITP highlights the importance of technology and innovation to the development of industry and recognizes the centrality of firm-level support to Kenya's industrialization. As a key part of KITP, the MITI is supporting the innovation and enterprise sectors, which can help boost jobs and growth. The MSEA is housed under the newly created MCMSME Development and is responsible for formulating, implementing, and evaluating policies and programs for Micro and Small Enterprises, including research, product development, patenting, access to markets, innovation, technology development and transfer, capacity building and others. Efforts to incorporate this vision into the government's FY 23/24 budget are already underway.

The proposed project should complement and strengthen these efforts via a whole-of-government approach to coordinate efforts across the multiple government bodies that collaborate to drive the private sector and MSME cluster agenda in Kenya.

2.2.4 National Industrialization Policy (NIP), 2012-2030

This policy framework focuses on value addition for both primary and high valued goods; and linkages between industrial sub-sectors and other productive sectors to drive the industrialization process and aims at providing strategic direction for the sector growth and development. The overarching policy objective is to enable the industrial sector to attain and sustain annual sector growth rate of 15% and make Kenya the most competitive and preferred location for industrial investment in Africa leading to high employment levels and wealth creation.

Project activities are designed to contribute towards realization of this policy.

2.2.5 National Sustainable Waste Management Policy, 2021

This Policy seeks to advance Kenya towards a more sustainable and circular, green economy. It will move the country towards realization of the Zero Waste principle, whereby waste generation is minimized or prevented. It will help ensure that waste is collected, separated at the source, reused and recycled, and that the remaining waste stream is destined to a secure, sanitary landfill.

Subcomponent 3.1 – Scaling Up Green SME Financing – will provide initial risk-adjusted, long-term and patient capital, including equity and/or mezzanine financing, through a dedicated newly established Green Investment Fund (GIF) to finance green enterprises, greening of existing SMEs, and adoption of circular economy processes and practices.

2.2.6 The National Occupational Safety and Health Policy, 2012

The policy seeks to reduce the number of work-related accidents and diseases, and equitably provide compensation and rehabilitation to those injured at work or who contract occupational diseases.

The policy requires the provision of appropriate and adequate Personal Protective Equipment (PPE), avail first aid services on site as well as development of safety and health emergency contact at the site and workplace registration.

2.2.7 National Climate Change Framework Policy

This Policy was developed to facilitate a coordinated, coherent, and effective response to the local, national, and global challenges and opportunities presented by climate change. An overarching mainstreaming approach has been adopted to ensure the integration of climate change considerations into development planning, budgeting, and implementation in all sectors and at all levels of government. This Policy therefore aims to enhance adaptive capacity and build resilience to climate variability and change, while promoting a low carbon development pathway.

Project shall enhance the private sector and financial sector's climate mitigation and adaptation actions. Thus, aligned with Kenya's Nationally Determined Contribution (NDC) and the Paris Agreement.

2.2.8 National Policy on Gender and Development (2019)

The National Policy on Gender and Development seeks to create a just, fair and transformed society free from gender-based discrimination in all spheres of life practices. The National Policy highlights the fact that the patriarchal social order supported by statutory, religious, and customary laws and practices; and the administrative and procedural mechanisms for accessing rights have continued to hamper the goal of attaining gender equality and women's empowerment.

Gender will be mainstreamed into the implementation of the project, especially with respect to the implementation of Sub-component 2.2. Beneficiary targeting will include specific quotas for women. From a design perspective, Business Development Study (BDS) will incorporate modalities such as Personal Initiative (PI) training that have shown by evidence to be more effective for women entrepreneurs than traditional BDS. Outside of Sub-component 2.2, Component 1 and Sub-component 2.1 will target women-specific regulatory barriers and obstacles to market integration. Component 3.1 will scale up green financing and target women and youth enterprises that are viable for green equity financing.

2.2.9 Bottom-Up Economic Transformation Agenda (BETA)

The JET agenda is a key focus area of the government's Kenya Vision 2030, its Fourth Medium-term Plan (MTP4, 2023-2027), and the new Bottom-Up Economic Transformation Agenda (BETA), which set

ambitious development targets that will require significant growth in private sector employment generation, and productivity. The Government's BETA focuses on driving economic growth through the MSME sector and outlines planned support for access to finance and the building of MSME business development centers and business incubation centers.

2.3 Relevant Legal Frameworks

Table 2-2 Relevant Legal Frameworks

Legislation	Key Provisions	Relevance to the Project
Environmental Management and Coordination Act, 1999 (Revised 2015)	Requires ESIA for all projects listed in the Second Schedule.	All subprojects (those involving civil works) ESIAs will be conducted in accordance with this Act. NEMA license will be obtained before start of the sub-projects. Ensure regular supervision and reporting on ESMP implementation
EMCA (Impact Assessment and Audit) Regulations, 2003 (Amendment 2019)	Requires that the EIA/EA be conducted by a registered lead or firm of experts in accordance with the terms of reference developed during the scoping exercise.	All subproject ESIAs must be conducted by NEMA registered lead experts or firm of experts. Based on the risk rating, the recommended project report (SPR/CPR) should be prepared for subprojects to comply with these regulations. All subprojects with ESIA licenses must undergo annual compliance monitoring and Environmental Audits (EA).
EMCA (Waste Management) Regulations 2006	Requires waste generators to segregate waste by separating hazardous waste from non- hazardous waste for appropriate disposal. Prohibits any industry from discharging or disposing of any untreated waste in any state into the environment	Any waste (hazardous/non-hazardous) from Project activities will require appropriate management and disposal in line with these regulations.
EMCA (Noise and Excessive Vibration Pollution) (Control) Regulations, 2009	prohibits any person to make or cause to be made excessive vibrations which annoy, disturb, injure, or endanger the comfort, repose, health or safety of others and the environment.	Project works should be planned in a way that limits excessive noise and vibration especially near sensitive receptors like schools and health facilities.

Legislation	Key Provisions	Relevance to the Project
EMCA (Fossil Fuel Emission Control) Regulations, 2006	Promotes use of clean fuel, use of catalysts and inspection procedures for engines and generators.	Machinery and equipment in the project will require use of unleaded fuels in line with the regulations.
Environmental Management and Coordination Act (Air Quality) Regulations, 2014	Prohibits any person from causing air pollution either directly or indirectly.	Machinery used by MSMEs must be in good working order to minimize exhaust emissions.
Environmental Management and Coordination Act (Water Quality) Regulations, 2006	Regulation No. 11 makes it an offence for any person to discharge or apply any poison, toxic, noxious or obstructing matter, radioactive waste or other pollutants or permit the dumping or discharge of such matter into the aquatic environment unless such discharge, poison, toxic, noxious or obstructing matter, radioactive waste or pollutant complies with the standards for effluent discharge into the environment.	Any effluent discharged by MSMEs supported by the Project must the requirements of these regulations.
Sustainable Waste Management Act, 2022	Requires preparation of Waste Management Plans (WMPs) by counties, private entities, and individuals.	All solid waste management including the waste management Plans for the program shall be guided by this Act. Waste from the project will require appropriate disposal in line with prepared WMPs, by NEMA licensed waste handlers, and in coordination with respective county governments.
Water Act, 2016	Section 36 makes it a requirement to obtain a permit for any of the following purposes: • any use of water from a water resource, except as provided by Section 37 (1);	All MSMEs supported by the Project must comply with the requirements of this Act.

Legislation	Key Provisions	Relevance to the Project
	• the drainage of any swamp or other land; • the discharge of a pollutant into any water resource; and • any other purpose, to be carried out in or in relation to a water resource, which is prescribed by Regulations made under this Act to be a purpose for which a permit is required. Section 38 makes it an offence for any person who: • without a permit, constructs or employs works for a purpose for which a permit is required; or • being the holder of a permit, constructs or employs any such works in contravention of the conditions of the permit. Section 143 (1) further prohibits any person from participating in any of the following activities without authority conferred under this Act: • wilfully obstruct, interfere with, divert, or obstruct water from any watercourse or any water resource, or negligently allow any such obstruction, interference, diversion, or abstraction; or • throw, convey, cause, or permit to be thrown or conveyed, any rubbish, dirt, refuse, effluent, trade waste or other offensive matter or thing into or near to any water resource in such manner as to cause, or be likely to cause, pollution of the water resource.	
Climate Change Act, 2016	Encourages persons to put in place measures for elimination of climate change including reduction of greenhouse emission and	The project should focus on resilience of investments considering country and location specific risks, targeting use-cases (education) that enhance resilience of

Legislation	Key Provisions	Relevance to the Project
	use of renewable energy and put in place measure to mitigate against adverse effects of climate change.	population, and considering relevant mitigation measures for greenhouse gas (GHG) emissions from project investments.
The Access to Information Act, 2016	Mandates project proponents to disclose pertinent information to stakeholders during the project lifecycle.	KJET project shall enhance access to program information through robust inclusive public participation mechanisms and communication as provided in the SEP.
Public Health Act, Cap 242	Prohibits a person/institution to cause nuisance or condition liable to be injurious or dangerous to human health. Requires county governments to enforce the same.	Implement the E&S requirements stipulated in this ESMF, other safeguard instruments, and/or subproject ESIAs to mitigate any public health concerns.
The Urban Areas and Cities Act (2011)	Requires public participation in all activities conducted in urban areas and cities.	Prepare and implement a SEP to guide stakeholder engagement in the Project.
The Standards Act, Cap 496	Requires that all materials, machines, and equipment meet set standards to safeguard property, project workers and community at large.	Materials, machines, and equipment used in the project will require to meet set KEBS standards.
The National Construction Authority (NCA) Act, 2012	The Authority is required to accredit and register contractors and regulate their professional undertakings and all construction works, contracts or projects either in the public or private sector.	Only engage NCA registered contractors Project sites should be supervised by qualified and registered engineers. Register all civil works sites with NCA.
The Occupational Health and Safety Act (OSHA), 2007	Requires Project sites to be registered by DOSHS. Requires workplace and fire safety audits for internal environments. Requires examination and testing of plants and equipment. Requires accident investigation and reporting to DOSHS within 24 hours (fatal accidents) and 7 days (non-fatal accidents).	Register all sub-projects sites as workplaces annually. MSME shall train workers on OHS and provide adequate and appropriate PPE. Conduct annual workplace and fire safety audits for project's internal environment (buildings).

Legislation	Key Provisions	Relevance to the Project
		Ensure all machines and equipment are serviced and inspected as per manufacturers' specifications. All accidents or incidents should be reported to DOSHS and WBG within 24 hours and 48 hours respectively.
Work Injury Compensation Benefit Act 2007	Requires compensation for employees on work related injuries and diseases. Requires employer to report an employee's injury to DOSHS county offices within 24 hours (fatal accidents) and 7 days (non-fatal accidents).	The Act is applied to the Project as a measure to ensure the safety and health of workers. In the event of injury, during the implementation of the sub-projects under the project, the employer will be required to compensate workers for temporary, total, or partial disablement and treatment. The MSME's must, therefore, obtain and maintain relevant insurance cover (WIBA) in respect of this liability. All accidents or incidents should be reported to DOSHS county offices within 24 hours.
The Employment Act No 11, 2007	Prohibits forced and child labour, discrimination, and sexual harassment in employment. Requires employers to provide contracts to all employees and annual leave.	The MSME's should have in place and maintain appropriate labor management procedures including procedures relating to working conditions and terms of employment, non-discrimination and equal opportunities, grievance mechanism and occupational health and safety.
National Gender and Equality Commission Act No. 15 of 2011	Requires projects to offer equal opportunities to women, men, persons with disabilities, the youth, children, the elderly, minorities, and marginalized communities.	The project includes specific quotas for women especially in component 2 and 3.
Labor Relations Act, 2007	Provides for the registration, regulation, management and democratisation of trade unions and employers organisations or federations, to promote sound labour relations through the protection and promotion of freedom of association, the	Project supported MSMEs must in their HR documents include policies expressing willingness to let staff to join unions and engage in collective bargaining.

Legislation	Key Provisions	Relevance to the Project
	encouragement of effective collective bargaining and promotion of orderly and expeditious dispute settlement, conducive to social justice and economic development and for connected purposes.	
The Sexual Offences Act (No. 3 of 2006)	Requires elimination of sexual offences e.g., sexual exploitation and harassment, e.g., everywhere including workplaces.	Prepare and implement GBVAP under the project to meet this Act's requirement. This should include sensitization and capacity building to create awareness to all the relevant stakeholders to prevent SEA/SH.
County Government Act No. 17 of 2012	Agriculture is devolved function. As such, a responsibility of county governments.	Project should collaborate with counties in any interventions seeking to bolster agricultural productivity e.g., agriculture value chain studies.
The National Transport and Road Safety Act, 2012 (Revised 2019)	Requires registration of vehicles, machinery, and equipment. Rules in respect of records as to hours of work, journeys, loads, etc.	All Project vehicles, machinery and equipment plus operators should be registered by NTSA.
The National Museums and Heritage Act (2006) And its Revised Edition (2012)	Requires project proponents to notify NMK of any cultural heritage discovery and sets restrictions on moving objects of archaeological or paleontological interest.	Chance finds procedures has been provided as Annex C of the ESMF to guide in the protection of the Physical Cultural Resources.
HIV/AIDS Prevention and Control Act (Act No.14 of 2006, Revised in 2012)	Requires HIV/AIDs education in the workplace.	Implement HIV/AIDs awareness programmes in the sub-projects throughout project lifecycle.
The Penal Code, Cap 63	Section 191 of the Penal Code makes it an offence for any person or institution that voluntarily corrupts, or foils water for public springs or reservoirs rendering it less fit for its ordinary use. Similarly, section 192 of the same act prohibits making or vitiating the atmosphere in any place to make it noxious to health of	MSME's should strictly adhere to prepared ESMPs throughout the project implementation cycle to mitigate against any possible negative impact on the environment and society.

Legislation	Key Provisions	Relevance to the Project
	persons/institution in dwellings or business premises in the neighbourhood or those passing along a public way.	
The National Council for Disability Act, 2003	An Act to provide for the establishment of a National Council for Disability, its composition, functions, and administration for the promotion of the rights of persons with disabilities set out in international conventions and legal instruments, the Constitution, and other laws, and for other connected matters.	Project should cater for people with disability interests e.g., access to facilities using ramps, ablution facilities, as well as access to employment and healthcare services.
Energy Act, 2019	This Law consolidates the laws relating to all forms renewable and non-renewable energy in Kenya and provides extensively for the promotion of the efficient management of energy within the country.	The Project will promote adoption of green energy among participating MSMEs.

2.4 WBG Environmental and Social Framework (ESF)

The WBG ESF sets out the World Bank's commitment to sustainable development, through a Bank Policy and a set of Environmental and Social Standards (ESSs) that are designed to support Borrowers' projects, with the aim of ending extreme poverty and promoting shared prosperity. This Framework comprises:

- A Vision for Sustainable Development, which sets out the Bank's aspirations regarding environmental and social sustainability;
- The World Bank Environmental and Social Policy for Investment Project Financing, which sets out the mandatory requirements that apply to the Bank;
- Ten (10) Environmental and Social Standards (ESSs), which set out the mandatory requirements that apply to the Borrower and projects; and
- WBG Environmental health and safety guidelines (EHSGs).

The ESSs set out the requirements for Borrowers relating to the identification and assessment of E&S risks and impacts associated with projects supported by the Bank through Investment Project Financing (IPF). The Bank believes that the application of these standards, by focusing on the identification and management of E&S risks, will support Borrowers in their goal to reduce poverty and increase prosperity in a sustainable manner for the benefit of the environment and their citizens. The standards will:

a) support Borrowers in achieving good international practice relating to E&S sustainability;
b) assist Borrowers in fulfilling their national and international E&S obligations;
c) enhance nondiscrimination, transparency, participation, accountability, and governance; and
d) enhance the sustainable development outcomes of projects through ongoing stakeholder engagement.[21]

The ten (10) ESSs are:

- Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts;
- ESS2: Labor and Working Conditions;
- ESS3: Resource Efficiency and Pollution Prevention and Management;
- ESS4: Community Health and Safety;
- ESS 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement;
- ESS6: Biodiversity Conservation and Sustainable Management of Living Natural Resources;
- ESS7: Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities;
- ESS8: Cultural Heritage;
- ESS9: Financial Intermediaries; and
- ESS10: Stakeholder Engagement and Information Disclosure.

Table 2-4 below describes in detail each ESS requirements.

2.4.1 WBG Environmental, Health and Safety Guidelines (EHSGs)

The EHSGs are technical reference documents that address the Bank's expectations regarding the EHS performance of its projects. They are designed to assist managers and decision makers with relevant industry background and technical information. This information supports actions aimed at avoiding, minimizing, and controlling EHS impacts during the construction, operation, and decommissioning phase

[21] The World Bank Environmental and Social Framework (ESF), 2017

of a project or facility. The EHS Guidelines serve as a technical reference source to support the implementation of the ESSs.

2.4.1.1 General EHSGs

General EHSGs contain information on cross-cutting environmental, health, and safety issues potentially applicable to all industry sectors; these are listed in Table 2-3.

Table 2-3 WBG General EHS Guidelines

Environmental	**Occupational Health and Safety**
• Air Emissions and Ambient Air Quality • Energy Conservation • Wastewater and Ambient Water Quality • Water Conservation • Hazardous Materials Management • Waste Management • Noise • Contaminated Land	• General Facility Design and Operation • Communication and Training • Physical Hazards • Chemical Hazards • Biological Hazards • Radiological Hazards • Personal Protective Equipment (PPE) • Special Hazard Environments • Monitoring
Community Health and Safety	**Construction and Decommissioning**
• Water Quality and Availability • Structural Safety of Project Infrastructure • Life and Fire Safety (L&FS) • Traffic Safety • Transport of Hazardous Materials • Disease Prevention • Emergency Preparedness and Response	• Environment • Occupational Health and Safety • Community Health and Safety

2.5 Gap analysis between the World Bank ESF and the National Legislations

The comparison between the World Bank's ESF and the relevant national legislations (policies, proclamations, guidelines and regulations) revealed that there is significant coverage of most of the ESF standard provisions in the national legislation.

Table 2-4 Gap Analysis Between ESS and National Laws, Gap Filling Measures

ESS	National Law or Policy	Gap	Measures to bridge the gap
ESS1: Assessment and Management of Environmental and Social Risks and Impacts The objectives of ESS 1 are: • To identify, evaluate and manage the environmental and social risks and impacts of the project in a manner consistent with the ESSs. • To adopt a mitigation hierarchy approach to: (a) Anticipate and avoid risks and impacts; (b) Where avoidance is not possible, minimize or reduce risks and impacts to acceptable levels; (c) Once risks and impacts have been minimized or reduced, mitigated; and (d) Where significant residual impacts remain, compensate for or offset them, where technically and financially feasible • To adopt differentiated measures so that adverse impacts do not fall disproportionately on the disadvantaged or vulnerable and they are not disadvantaged in sharing development benefits and opportunities resulting from the project. • To utilize national environmental and social institutions, systems, laws, regulations and procedures in the assessment, development and	EMCA 1999 (amended 2015) and subsidiary legislations requires a project proponent to undertake an EIA. The Act classifies projects into low risk, medium risk and High risk and to facilitate the conducting of EIA proportionate to the risks and impacts of each project. The EIA proclamation and regulations seek all direct, indirect and cumulative impacts likely to occur during project life cycle are considered in the assessment. EMCA 1999 and subsequent legislations also requires also require stakeholder and community consultations to be carried as part of the EIA process. The preparation of an ESMP based on mitigation hierarchy and monitoring plan is also required by the EMCA.	Requirements of the EMCA do not explicitly seek for consideration of risks and impacts associated with primary suppliers as defined by the ESF. The NEMA has no mechanisms for approving stand-alone ESMPs.	E&S requirements for "primary suppliers" shall be addressed as part of the present ESMF process when and if it occurs. Stand-alone ESMPs may be prepared as appropriate for sub-projects implemented by the MSME's.

ESS	National Law or Policy	Gap	Measures to bridge the gap
implementation of projects, whenever appropriate. • To promote improved environmental and social performance, in ways which recognize and enhance borrower capacity**.**			
ESS2: Labor and Working Conditions The Objectives of ESS 2 are: • To promote safety and health at work. • To promote the fair treatment, non-discrimination and equal opportunity of project workers. • To protect project workers, including vulnerable workers such as women, people with disabilities, children (of working age, in accordance with this ESS) migrant workers, contracted workers, community workers and primary supply workers, as appropriate. • To prevent the use of all forms of forced labor and child labor. • To support the principles of freedom of association and collective bargaining of project workers in a manner consistent with national law. • To provide project workers with accessible means to raise workplace concerns.	GOK has an extensive labor law framework (Employment Act, Labor Relations Act, Labour Institutions Act, Occupational Safety and Health Act (OSHA), and Work Injury and Benefits Act (WIBA). The Employment and Labour Relations Acts that governs all aspects of employment relations based on a contract of employment that exists between a worker and an employer. The legislations cover the contract of employment defining the rules and conditions of employment, non-discrimination, equal opportunity for women workers, the right to form trade unions (workers organizations), working conditions of young labor setting the minimum age for child labor to be 18 and working conditions, and arbitration /conciliation mechanism to handle grievances and disputes of workers in relation to employment.	All the rules of the labor law are applicable to employment relations based on a contract of employment that exists between a worker and an employer. The labor law is not applicable to community workers as it is not based on employment relations between worker and employer. As most workers of sub-projects are likely to be contracted through formal employment process, there are major gaps between ESS 2 and the labor law	This ESMF adopts both the labor provisions of the GOK related to ESS 2. Where gaps exist, ESS2 will apply.

ESS	National Law or Policy	Gap	Measures to bridge the gap
	The labor law also covers occupational safety, health and work environment aspects. The labor law largely fulfills the requirements of ESS 2.		
ESS3: Resource Efficiency and Pollution Prevention The Objectives of ESS 3 are: • To promote the sustainable use of resources, including energy, water and raw materials. • To avoid or minimize adverse impacts on human health and the environment by avoiding or minimizing pollution from project activities. • To avoid or minimize project-related emissions of short and long-lived climate pollutants. • To avoid or minimize generation of hazardous and non-hazardous waste.	The requirements of ESS3 are largely fulfilled by the Environmental Management and Coordination Act (EMCA) of 1999 (Amended 2015). EMCA Subsidiary legislations: Impact assessment and audit; Waste management; Air quality standards; Noise and excessive vibration pollution control; Fossil Fuel Emission Control; and Water quality. Sustainable Waste Management Act.	Detailed guidelines to support efficient use of resources like water and energy are not sufficiently available.	The application of relevant sections of the General EHS and sector specific EHS guideline will apply when appropriate. The application of measures and actions developed to assess and manage subproject specific risks and impacts are outlined in the ESMF and will be mainstreamed in subsequent sub-project ESMPs.
ESS4: Community Health, Safety and Security The Objectives of ESS 4 are: • To anticipate and avoid adverse impacts on the health and safety of project-affected communities during the project life cycle from both routine and non-routine circumstances.	• Physical Planning Act • County Governments Act • Food, Drugs and Chemical Substances Act (Cap 254) • Physical planning Act • National Construction Authority Act • Standards Act • Public health act	There are gaps in fully addressing the community health, safety and security aspects as defined in the ESF.	The application of relevant sections of the General EHS and sector specific EHS guidelines will apply. Measures and actions developed to assess and manage subproject-specific community health and safety

ESS	National Law or Policy	Gap	Measures to bridge the gap
• To avoid or minimize community exposure to project-related traffic and road safety risks, diseases and hazardous materials. • To have in place effective measures to address emergency events. • To ensure that the safeguarding of personnel and property is carried out in a manner that avoids or minimizes risks to the project-affected communities.	• HIV/AID's Prevention and Control Act In general, some aspects of the ESS 4 are either fully or partially addressed across the existing sector legislations and regulations.		risks and impacts as outlined in the ESMF and will be mainstreamed in subsequent subproject ESMPs and C-ESMPs.
ESS 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement The Objectives of ESS 5 are: • To avoid involuntary resettlement or, when unavoidable, minimize involuntary resettlement by exploring project design alternatives. • To avoid forced eviction. • To mitigate unavoidable adverse social and economic impacts from land acquisition or restrictions on land use by providing timely compensation for loss of assets at replacement.	GOK has an elaborate legal framework on land issues. It comprises: Land Act, 2012, Land Registration Act, 2012 National Land Commission Act, 2012. Land has been classified into: (a) Public Land; (b) Private Land; and (c) Community Land.	GOK land laws do not have provisions for compensation of people/entities for temporary loss of access to productive assets or those without title deeds/leases.	This ESMF adopts both the GOK land laws and ESS5. Where gaps exist, ESS5 will apply.
ESS6: Biodiversity Conservation and Sustainable Management of Living Natural Resources The Objectives of ESS 6 are:	EMCA environment impact assessment broadly to include all forms of habitats, biodiversity, heritage and ecosystems. "Environment" means the totality of all materials whether in their natural state or modified or changed by human; their	The requirements of ESS6 are broadly addressed through the EIA process. ESS6 categorizes habitats in three main group, namely *Natural*, *Modified*, and *Critical* habitats, and	The application of EES6 to bridge the gap and categorize habitats and requirements for projects to be implemented in these habitats.

ESS	National Law or Policy	Gap	Measures to bridge the gap
• To protect and conserve biodiversity and habitats. • To apply the mitigation hierarchy and the precautionary approach in the design and implementation of projects that could have an impact on biodiversity. • To promote the sustainable management of living natural resources. • To support livelihoods of local communities, including Indigenous Peoples, and inclusive economic development, through the adoption of practices that integrate conservation needs and development priorities.	external spaces and the interactions which affect their quality or quantity and the welfare of human or other living beings, including but not restricted to, land atmosphere, whether and climate, water, living things, sound, odor, taste, social factors and aesthetics. "Impact" means any change to the environment or to its component that may affect human health or safety, flora, fauna, soil, air, water, climate, natural or cultural heritage, other physical structure, or in general, subsequently alter environmental, social, economic or cultural conditions. The impact of a project shall be assessed based on the size, location, nature, cumulative effect with other concurrent impacts or phenomena, trans regional effect, duration, reversibility or irreversibility or other related effects of the project. The EIA report is required to contain information on the characteristics and duration of all the estimated direct or indirect, positive or negative impacts, as well as measures proposed to eliminate, minimize, or mitigate negative impacts. There are also more specific sectoral laws and regulations which complement	provides conditions where projects will not be implemented in these habitats. In the national policies, strategies, and legislations, ecosystems are defined considering altitudes, specific flora, and fauna presence. EA for projects implemented in these ecosystems are broadly addressed through the general EIA process rather than specific ecosystem requirements.	Measures and actions developed to assess and manage subproject specific biodiversity risks and impacts as outlined in the ESMF and subsequent sub-project ESMPs.

ESS	National Law or Policy	Gap	Measures to bridge the gap
	the EMCA in conserving habitats and biodiversity such as: • The Forest Conservation and Management Act, 2016 • Wildlife Conservation and Management Act, 2013 • Water Act, 2016		
ESS8: Cultural Heritage The Objectives of ESS 8 are: • To protect tangible and intangible cultural heritage from the adverse impacts of project activities and support its preservation. • To address cultural heritage as an integral aspect of sustainable development. • To promote meaningful consultation with stakeholders regarding cultural heritage. • To promote the equitable sharing of benefits from the use of cultural heritage.	As described above in ESS6 the term "Impact" is defined broadly by the EIA proclamation. The definition reflects the kind of adverse impacts a project proponent is required to assess which includes any change to the environment or to its component that may affect flora, fauna, natural or cultural heritage, or in general, subsequently alter environmental, social, economic or cultural conditions. Thus, EMCA has provisions by which it considers the issues of cultural resources.	Though natural and cultural heritage is required to be included during the EIA process, the preparation of a Cultural Heritage Management Plan (CHMP) as indicated in the ESF is not required by the national EIA law.	The application of ESS8 requirement for a CHMP is advisable when appropriate. Chance finds procedure has been provided in this ESMF, annex C to guide on protection of physical cultural resources.
ESS9: Financial Intermediaries (FIs) **FIs are required to develop and maintain, in the form of an Environmental and Social Management System (ESMS), effective**	The Kenyan financial sector is dominated by commercial banks, which constitute 65 percent of the financial sector assets.[22]	Frameworks and guidance are elective and mostly cover commercial banks.	Apply ESS9 requirement for the GIF.

[22] Kenya Financial Stability Report, 2021

ESS	National Law or Policy	Gap	Measures to bridge the gap
environmental and social systems, procedures and capacity for assessing, managing, and monitoring risks and impacts of subprojects, as well as managing overall portfolio risk in a responsible manner.	The National Treasury issued an independently verified sovereign green bond framework, the Central Bank of Kenya issued climate risk guidance for banks[23], the Kenyan Banking Association issued guiding principles for sustainable finance, and KCB became the first Kenyan bank accredited by the Green Climate Fund.[24,25] These frameworks and guidance require financial institution to carry out environmental and social assessment of potential investees.		
ESS10: Stakeholder Engagement and Information Disclosure The Objectives of ESS 10 are: • To establish a systematic approach to stakeholder engagement that will help borrowers to identify stakeholders and build and maintain a constructive relationship with them, project-affected parties. • To assess the level of stakeholder interest and support for the project and to enable stakeholders' views to be	Public participation is one of the national values contained in Article 10 of the Kenyan constitution. EMCA and EIA/EA regulations also requires public participation / consultation during EIA study process and public disclosure of EIA reports. Current practice also shows public consultations are carried during EIA studies and minutes of consultation produced. Incorporation of the views	The stakeholder and public consultations requirement are focused on initial EIA study phase and do not continue throughout the project lifecycle as required by ESS10. Thus, preparation of the SEP is not required by EMCA. Establishing GRM to address public concerns is also not required by the EMCA.	The application of ESS10 requirement for a SEP is advisable to continue engagement of stakeholders during project implementation and beyond when appropriate.

[23] Central Bank of Kenya. 2021. *"Guidance on Climate-related Risk Management"*.
[24] National Treasury and Planning. 2021. *"Kenya Sovereign Green Bond Framework"*.
[25] FSD Kenya, South Pole. 2021. *"Green finance ecosystem in Kenya".*

ESS	National Law or Policy	Gap	Measures to bridge the gap
considered in project design and environmental and social performance. • To promote and provide means for effective and inclusive engagement with project-affected parties throughout the project life cycle on issues that could potentially affect them. • To ensure that appropriate project information on environmental and social risks and impacts is disclosed to stakeholders in a timely, understandable, accessible and appropriate manner and format. • To provide project-affected parties with accessible and inclusive means to raise issues and grievances and allow borrowers to respond to and manage such grievances.	and concerns of stakeholders into the EIA report is usually carried out.		

3 ENVIRONMENTAL AND SOCIAL BASELINE/CONTEXT

3.1 Overview

This Chapter provides a description of the existing physical, biological, and socio-economic conditions, which are directly or indirectly affected by Project activities. It is essential that the baseline conditions of the environment and social are characterized to accurately predict the potential effects the proposed project will have on the environment and society. The collection of baseline data therefore focused on providing information to support the assessment of any potential impact of the project at the national level.

3.2 Physical Environment

3.2.1 Size, Location and Geography

Kenya covers a land area of approximately 583,000 square kilometers. Kenya straddles the Equator between approximately 4.5 degrees South and 4.5 degrees North latitude. The Republic of Kenya is bordered by the Indian Ocean, Uganda, Tanzania, Ethiopia, South-Sudan, and Somalia. Nairobi, Mombasa, and Kisumu are the three main cities in Kenya. Nairobi lies in central Kenya, Mombasa on the Indian Ocean, and Kisumu on the Lake Victoria shores. Nakuru, Eldoret, Kitale and Lamu are among the major towns. The capital city of Kenya is Nairobi, which is considered the main tourist hub[26].

3.2.2 Climate and Climate Change

3.2.2.1 Climate

Kenya has a tropical climate, but there are large regional climatic variations influenced by several factors, including altitude. Temperatures drop by about 6°C for every 1,000m you climb (or 3.5°F per 1,000 ft). Kenya's daytime temperatures average between 20°C/68°F and 28°C/82°F, but it is warmer at the coast. The coast is hot and humid all year round. The dry and wet seasons are as follows: *Dry season* – June–October—These are the coldest months and temperatures vary significantly per region and with their difference in altitude.

Daytime temperatures are usually around 23°C/73°F at higher altitudes, and 28°C/82°F at lower altitudes, like the coastal areas; and *Wet season* - November to May—During the wet season daytime temperatures are between 24°C/75°F and 27°C/81°F at higher altitudes. At lower altitudes daytime temperatures are more consistent and hover at 30°C/86°F. From December to April the humidity is intense in coastal areas. There are long (March to May) and short (October to December) rainy seasons interspersed with dry spells in the months of January to March and May to October.

3.2.2.2 Climate Change

Climate change has evolved from being simply an environmental problem to a major development challenge impacting all economic sectors. There is evidence from historical records that Kenya has experienced increased temperature over the last 50 years. The frequency of intense extreme weather events like droughts and floods has also increased. Future climatic predictions indicate a possible temperature increase of 1°C by 2020 and 2.3°C by 2050. Rainfall pattern changes have also been noticed since the 1960s. Increased rainfall has been observed during the October to December rainfall season[27]

[26] ("Cities in Kenya - Major Cities and Towns - Kenya Cities," 2018)

[27] Ongoma, V., Chen, H. and Gao, C. (2017). Projected changes in mean rainfall and temperature over East Africa based on CMIP5 models. *Int. J. Climatol*. DOI: 10.1002/joc.5252

while decreasing during the March to May season. The March to May rainfall, which is the long rain season, has become increasingly unreliable in some part of Kenya[28].

Kenya has been identified as highly vulnerable to climate change on the Notre Dame Global Adaptation Index (rank 149/182 in 2020). More than 80 percent of the landmass is arid and semi-arid land with poor infrastructure, and the economy is highly dependent on climate-sensitive sectors such as rain-fed agriculture. While temperatures vary across Kenya, a distinct warming trend is evident, particularly since the 1960s. Extreme rainfall events are occurring with greater frequency and intensity, as well as aridity and droughts in certain areas. These climatic trends are expected to persist and increase in climate scenarios. Repeating patterns of floods and droughts have had large socio-economic impacts and high economic costs (droughts impacting 8 percent of GDP roughly every five years). Lower-income populations reside in more hazard prone locations, with high potential for significantly increased exposure of already underserved populations.[29]

KJET is also aligned with Kenya's NDC and the Paris Agreement by enhancing the private sector and financial sector's climate mitigation and adaptation actions. Under the updated NDC submitted in 2020, Kenya committed to abate its GHG emission by 32 percent by 2030 relative to the business-as-usual scenario of 143 MtCO2eq. Consistent with Kenya's National Adaptation Plan, the NDC also laid out a range of priority adaptation actions for key sectors such as agriculture, infrastructure, water and sanitation, health, and tourism.31 Strategic documents, such as the National Climate Change Action Plan and the National Adaptation Plan, as well as the World Bank's draft Climate Change Diagnostic Report (CCDR) recognize the important role that the private sector (particularly MSMEs) must play to achieve Kenya's NDC goals.[30] The role of the financial sector in mobilizing domestic capital and catalyzing foreign investments to support Kenya's NDC goals is also well recognized across many strategic documents developed by the National Treasury, the World Bank and other stakeholders.33 Against this backdrop, this operation (which focuses on growing MSMEs and deepening financial markets) is expected to be fully aligned with the Paris Agreement. Components 1 and 2, which involve regulatory reforms, technical assistance, and investments to MSMEs, are expected to do no harm with respect to the Paris Agreement. Components 3 is expected to actively contribute to the Paris Agreement by providing investments to green enterprises.

3.2.3 Geology, Topography and Soils

3.2.3.1 Geology

Kenya lies along the equator and most of the country consists of high plateau areas and Mountain ranges that rise to 3,000 meters above sea level (m.a.s.l) and more. The geology of Kenya is characterized by Archean granite/greenstone terrain in western Kenya along Lake Victoria, the neoproterozoic 'Pan-African' Mozambique Belt, which underlies the central part of the country and Mesozoic to recent sediments underlying the eastern coastal areas. The eastern Rift Valley crosses Kenya from North to South and the volcanics associated with rift formation largely obliterate the generally north-south striking neoproterozoic Mozambique Belt. Rift valley volcanogenic sediments and lacustrine and alluvial sediments cover large parts of the eastern rift[31].

[28] Awuor C.B., Orindi V.A. and Adwera A.O. (2008). Climate change and coastal cities: the case of Mombasa, Kenya. *Environ Urban*, 20: 231-242.

[29] World Bank, Climate Knowledge Porta, at: https://climateknowledgeportal.worldbank.org/sites/default/files/2021-05/15724-WB_Kenya%20Country%20Profile-WEB.pdf

[30] Ministry of Environment and Forestry (2020). Kenya's Updated NDC. Ministry of Environment and Natural Resources (2016). Kenya National Adaptation Plan 2015 – 2030. Ministry of Environment and Forestry (2018). Climate Change Action Plan 2018 – 2022.

[31] (Schluter, 1997)

3.2.3.2 Topography

Kenya is notable for its topographical variety. The low-lying, fertile coastal region, fringed with coral reefs and islands, is backed by a gradually rising coastal plain, a dry region covered with savannah and thorn bush. At an altitude of over 1,500 m.a.s.l. and about 480 km inland, the plain gives way in the southwest to a high plateau, rising in parts to more than 3,050 m, on which most of the population and most economic activities are concentrated. The northern section of Kenya, forming three-fifths of the whole territory, is arid and of semi desert character, as is the bulk of the south-eastern quarter. In the high plateau area, known as the Kenya Highlands, lie Mt. Kenya (5,199 m.a.s.l /17,057 ft), Mt. Elgon (4,310 m.a.s.l /14,140 ft), and the Aberdare Ranges (rising above 3,962 m.a.s.l /13,000 ft). The plateau is bisected from north to south by the Great Rift Valley, part of the geological fracture that can be traced from Syria through the Red Sea and East Africa to Mozambique.

In the north of Kenya, the valley is broad and shallow, embracing Lake Turkana, which is about 207 km long; farther south the valley narrows and deepens and is walled by escarpments 600–900 m.a.s.l (2,000–3,000 ft) high.

3.2.3.3 Soils

Kenya has a very wide range of soils resulting from the variation in geology (parent material), in relief and climate. Soil resources vary from sandy to clay, shallow to very deep and low to high fertility. However, most of them have serious limitations such as salinity/ sodicity, acidity, fertility, and drainage problems. The major soils used in agriculture are ferralsols, vertisols, acrisols, luxisols, luvisols and nitosols[32].

3.2.4 Water Resources

Most of Kenya's water originates from its five "water towers": Mau Forest Complex, Aberdare ranges, Mount Kenya, Mount Elgon and the Cherengani Hills. They are the largest montane forests in the country and form the upper catchments of the main rivers in Kenya (except Tsavo river flowing down Mount Kilimanjaro)[33]. There are six main catchments in the country, used as unit for the water resources management by the Water Resources Authority (WRA): 1) Lake Victoria North Catchment Area (LVNCA), covering 3.0 % of the country; 2) Lake Victoria South Catchment Area (LVSCA), covering 5.0 % of the country; 3) Rift Valley Catchment Area (RVCA) which includes the inland lakes, covering 22.5 % of the country; 4) Athi Catchment Area (ACA) stretching up to the coast, covering 11.5 % of the country; 5) Tana Catchment Area (TCA), covering 21.7 % of the country; 6) Ewaso Ng'iro North Catchment Area (ENNCA), covering 36.3 % of the country[34]. The water distribution in the drainage basins is uneven with, for example, 282,600 m^3/ km^2 in Lake Victoria basin, or over 750 m^3/year per capita and 21,300 m^3/km^2 in the Athi Catchment, or 162 m^3/year per capita[35].

Inland water bodies, mainly nine large lakes, cover 11,230 km^2. Most of them are saline, except for the lakes Victoria, Naivasha and Baringo. The lakes Nakuru, Naivasha, Bogoria, Baringo and Elementeita, as well as Tana River Delta, have been declared Ramsar sites of international importance for the conservation of biodiversity, totaling over 265,000 ha[36].

Internal renewable surface water resources are estimated at 20,200 million m^3/year and renewable groundwater resources at around 3,500 million m^3/year, but 3,000 million m^3/year is overlap between surface water and groundwater, which gives a value of total internal renewable water resources (IRWR) of 20,700 million m^3/year. External water resources are estimated at 10,000 million m^3/year, which is the

[32] (Gachene, C.K.K. and Kimaru, G., 2003)
[33] (NEMA, 2010)
[34] (WRMA, 2013)
[35] (WRMA, 2011)
[36] (RAMSAR, 2013)

inflow from Lake Omo from Ethiopia into Lake Turkana. Surface water leaving the country is estimated at 8,900 million m³/year through the Lake Victoria to Uganda (8,400 million m³/year) and through the Ewaso Ng'iro river, also called Lagh Dera, into Somalia (500 million m³/year). The dependency ratio is thus around 33 percent and the total renewable water resources are 30,700 million m³/year, or 692 m³/year per capita in 2014. This per capita value is projected to fall under the absolute water scarcity threshold of 500 m³/year by 2030 due to population increase.

There are six hydro-geological formations, which influence the distribution and availability of the groundwater resources: eastern quaternary sediment areas, bed rock areas, western quaternary areas, volcanic rock areas in the Rift valley, volcanic areas outside the Rift valley, older sedimentary areas. The volcanic and quaternary geological formations are rich in groundwater. The country's safe yield of surface water has been assessed at 7,400 million m³ per year while that of groundwater is about 1,000 million m³ per year[37]. However, this figure needs to be reviewed with the new aquifers identified in 2013 in Turkana County, and with five deep high-capacity groundwater reserves accounting for about 250,000 million m³. Among those, the Lotikipi aquifer, west of Lake Turkana, is estimated at over 200,000 million m³ of water and the small Lodwar basin aquifer that could serve as a strategic reserve for Lodwar, regional capital of Turkana County[38].

The total capacity of large and medium dams (>15 m) is about 24,800 million m³, all for hydropower and urban water supplies. In addition, around 4,100 small dams and water pans increase the storage capacity by an additional 184 million m³ available for all uses[39].

3.3 Biological Environment

3.3.1 Biodiversity

Kenya is endowed with diverse ecosystems and habitats that are home to unique and diverse flora and fauna. Kenya's rich biodiversity can be attributed to several factors, including a long evolutionary history, the country's varied and diverse habitat types and ecosystems, diversity of landscapes and variable climatic conditions. About 70 % national biodiversity resources are found outside the protected, while the 30 % are within protected areas that include national parks, reserves, sanctuaries, gazetted forests, and heritage forests[40]. Specifically, Kenya is rich with over 35,000 species of flora and fauna found in large diversity of ecological zones and habitats, including lowland and mountain forests, wooded and open grasslands, semi-arid scrubland, dry woodlands, inland aquatic, as well as coastal and marine ecosystems. The species diversity is dominated by insects[41].

Coastal mangroves and coral reefs, critical for fisheries, storm surge protection and tourism, are damaged by rising seas and increasing ocean temperatures. Reefs are highly sensitive to heat stress and have not yet fully recovered from an extensive 1998 *El Niño*-induced coral bleaching event[42]. Inland grasslands and forests are at risk from increasing temperatures and more variable rainfall, leading to drought conditions, increased risk of grassland and forest fires, and shifting distributions of native and invasive species. These changes may have detrimental impacts on the African elephant, lion, and buffalo – important for both ecosystem functioning and tourism[43].

[37] (WRMA, 2013)
[38] (UNESCO, 2013)
[39] (MALF, 2015)
[40] (NEMA, 2015)
[41] (NEMA, 2015)
[42] (Cinner et al., 2012)
[43] (World Travel & Tourism Council, 2017)

3.3.2 Rare or Endangered Species

International Union for Conservation of Nature (IUCN) Red List for 2018 has identified a total of 8 species in Kenya which are threatened[44]. None of the species identified are endemic and no species have been identified as extinct.

A total of 32 species were assessed and one insect, five plants and two reptile species were identified as being threatened. The IUCN regard the threatened status of animals and plants as one of the most useful signs for assessing the condition of an ecosystem and its biodiversity. Five plants of the *Magnoliopsida* class (*Euphorbia tanaensis, Bauhinia mombassae, Gigasiphon macrosiphon, Ziziphus robertsoniana, Diospyros shimbaensis)* are endangered. The Kenya Jewel insect is critically endangered[45].

3.4 Socio-economic Conditions

3.4.1 Population

Kenya is a young and urbanizing country with a mean age of 20.1 years and a growing population that reached 53 million in 2021[46] having increased rapidly over the previous 30 years[47]. Population growth has averaged 2.7 percent annually since 2000, with the urban population growing at 4.4 percent, reaching over 27 percent in 2020. However, a vast majority of Kenyans (73 percent) continue to reside in rural areas. Kenya's young population, coupled with the bulging urbanization, presents an opportunity to capitalize on a demographic dividend, paired with the challenge of creating enough jobs to support the boom in the working-age population.

3.4.2 Politics, Ethnicity, and languages

Kenya is the world's seventh most ethnically diverse country with an evolving political structure aimed at balancing competition and fostering national unity. In the past, political competition has been ethnically divisive, entrenching deep patron-client networks with lasting impacts on the lives of Kenyans. Access to national resources and services mirrored access to political power, widening disparities across diverse communities and accentuating concerns over political exclusion, voice, and accountability. In 2007, these tensions manifested themselves in severe political violence that ended only after parties agreed to develop a new Constitution (2010).

Kenya is characterized by counties with diverse ethnicities, cultures, and languages. The commonly spoken languages include English, Swahili, and numerous other indigenous languages. The population is comprised of various ethnic groups such as Kikuyu (22%), Luhya (14%), Luo (13%), Kalenjin (12%), Kamba (11%), Kisii (%), Meru (6%), other African (15%), non-African (one %)[48].

3.4.3 Employment profile

3.4.3.1 Latest statistics

According to Kenya National Bureau of Statistics (KNBS), Quarterly Labour Force Report released in May 2021, the overall employment to population ratio in the country, for the working age population, was 63.7% in the first quarter of 2021 compared to 64.4 % recorded in the same quarter of 2020, and 65% recorded in the last quarter of 2020. The same report notes that the unemployment rate, measured based on the strict definition of seeking work in the last four weeks, was 6.6% in the first quarter of 2021,

[44] (IUCN, 2018)
[45] (IUCN, 2018)
[46] World Bank, World Development Indicators.
[47] Kenya National Bureau of Statistics. 2019. *https://www.knbs.or.ke/download/2019-kenya-population-and-housing-census-volume-iii-distribution-of-population-by-age-sex-and-administrative-units/*
[48] ("Kenya Demographics Profile 2018," 2018)

compared to 5.2% in the same quarter of 2020 and 5.4 % recorded in the last quarter of 2020. The age groups 20-24 and 25-29 continued to record the highest proportion of the unemployed at 16.3 per cent and 9.1 per cent, respectively.[49]

3.4.3.2 MSMEs and employment

Challenges in generating high-productivity employment on a large scale are also reflected at the firm level. The private sector accounted for almost 70 percent of employment in 2021, but most private firms remain small and informal. Of the estimated 7.4 million MSMEs, 94 percent are formal or informal micro-sized firms (1-4 workers), in line with the average of 97 percent across Sub-Saharan Africa.[50] MSMEs are generally characterized by low firm productivity, innovation, and competitiveness, with negative effects on business survival, scale-up, and productivity (productivity is lowest in informal micro-sized firms). While there are many firms being registered in Kenya, most are not scaling up: approximately 46 percent of Kenyan MSMEs do not survive their first year, and 80 percent fail within the first five years, again on par with the average five-year failure rate for enterprises in Africa.[51] Most quality jobs are created by larger firms, but they are fewer in number, and MSMEs in Kenya rarely scale up to become larger firms.

3.4.3.3 Agriculture and employment

The industrial and services sectors have played an important role in driving economic growth, but agriculture continues to play a large role in Kenya's economy, especially with respect to employment. Services contributed 54.4 percent of GDP in 2021, followed by agriculture (22.4 percent) and industry (17.0 percent). Indeed, post-pandemic growth has been mainly driven by services and industrial output, while agricultural output contracted by 1.5 percent in the first half of 2022 (Figure 3-1) due to drought, underlining the sector's vulnerability to climate-related risks.[52] Although agriculture's share of employment has decreased since the mid-2000s, it remains the largest employer (Figure 3-2). This divergence in contribution to GDP and employment has critical implications for earnings as value added per worker in agriculture remains lower than in industry and services.[53]

3.4.3.4 Women and employment

Kenya has made important strides toward gender equality by developing a strong policy, regulatory and institutional framework to support women's empowerment, with notable results. Gender parity in secondary school completion was achieved by 2016.[54] Women's labor force participation rates have climbed steadily over the past few decades and stood at 73 percent in 2022 compared to 76 percent for men, and above the average for women in Sub-Saharan Africa (61 percent) and world averages (47.1).[55] Despite the significant strides made, important disparities remain. Even with near parity at the secondary education level, the education gender gap widens in the late teen years.

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[49] *https://www.knbs.or.ke/download/quarterly-labour-force-report-2021_quarter_1/*

[50] Bruhn, Miriam, et al. MSME finance gap: assessment of the shortfalls and opportunities in financing micro, small, and medium enterprises in emerging markets. No. 121264. The World Bank, 2017.

[51] KNBS (2016)

[52] Kenya Economic Update: Dec 2022 (World Bank)

[53] World Development Indicators

[54] World Bank 2023. Kenya Gender Landscape. Data from 2016.

[55] World Bank, World Development Indicators database. Estimates are based on data obtained from International Labour Organization, ILOSTAT at https://ilostat.ilo.org/data/.

By age 18-22, 18 percent of women have left school, compared to 14 percent of men the same age.[56] Partly as a result, women accounted for 72 percent of the 4 million Kenyans of working age who were not in employment, education, or training (NEET) in 2019. Where they are employed, women tend to occupy lower-quality jobs with reduced remuneration. The proportion of working women in vulnerable employment was 69 percent in 2021, compared to 52 percent for men.[57] In 2019, women accounted for only 42.8 percent of wage or salaried workers and constituted most workers in the agricultural sector (59 percent).[58] Women's clustering in low-wage, vulnerable sectors and jobs drives a wage gap of 30 percent.[59]

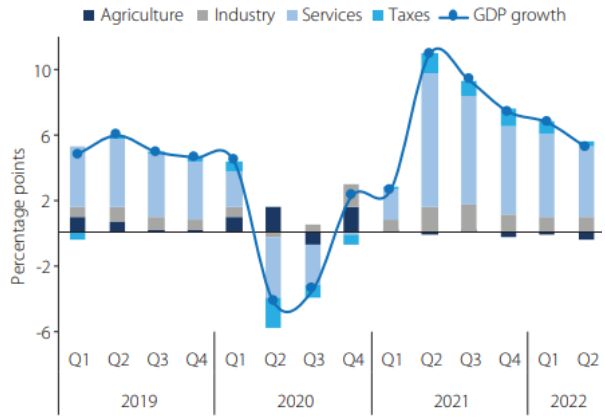

Figure 3-1 Contribution to real GDP y/y growth, percentage points

Source: Kenya National Bureau of Statistics and World Bank Staff calculations in Kenya Monthly Economic Monitoring Update (Dec 2022)

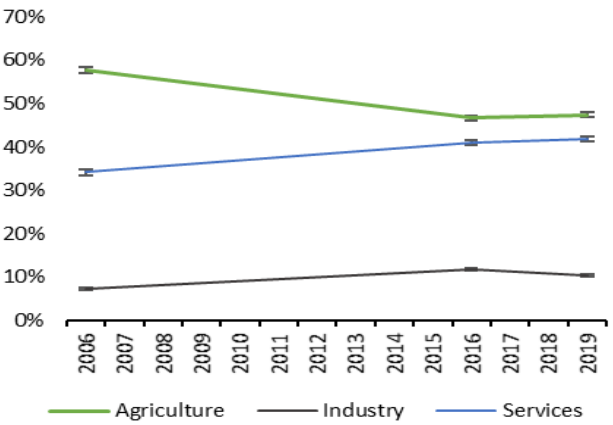

Figure 3-2 Sectoral Share of Employment

Note: Error bars represent the 95% confidence intervals

Source: WB calculations based on KIHBS 2005/6 and 2015/16 and KCHS 2019, Jobs Diagnostic Lite

3.4.4 Poverty profile

Economic growth in Kenya has helped reduce poverty and inequality, but significant disparities continue to exist. The share of the population living below the national poverty line decreased from 46.8 percent in 2005 to 36.1 percent in 2015, and further to 33.6 percent in 2019. A further 11.8 percent of the population was not poor but had a consumption level within 20 percent of the poverty line in 2019, making them economically vulnerable to falling into poverty in the event of an adverse economic shock. Poverty in Kenya is spatial in nature, with counties in the North and Northeast having higher, and stagnant, poverty rates. Similarly, while inequality has decreased since 2005, the pace of decline has slowed in recent years and the Gini coefficient[60] has slightly increased from 39.1 in 2015 to 40.7 in 2019.[61]

[56] There are large differences in enrolment numbers, even across government sources (Census versus Economic Survey, notably). For simplicity we use Census data from 2019 whenever possible as it covers more variables than other sources.

[57] World Bank, World Development Indicators database. Estimates are based on data obtained from International Labour Organization, ILOSTAT at https://ilostat.ilo.org/data/.

[58] World Bank World Development Indicators database.

[59] World Bank 2018. Kenya Poverty and Gender Assessment 2016/16 - A Decade of Progress and the Challenges Ahead. Washington DC: World Bank.

[60] The Gini coefficient (Gini index or Gini ratio) is a statistical measure of economic inequality in a population. The coefficient measures the dispersion of income or distribution of wealth among the members of a population.

[61] KJET PAD

3.4.5 Education

Most of the Kenyan population is literate (78%). Males have a slightly higher literacy rate (81.1 %) than females (74.9%)[62]. In 2003, the Kenyan government instituted a free primary education programme for all, followed by free secondary education in 2018. As a result, nearly 3 million more students were enrolled in primary school in 2012, and the number of schools grew by 7,000[63]. Between 2003 and 2012, the overall secondary school enrolment ratio increased from 43% to 67%. However, one million children were still out of school in 2010.

At a university level, between 2012 and 2014, the enrolment rates have more than doubled as the free primary and secondary learners have increasingly enrolled at universities (between 2013 and 2014, student numbers increased by 28%).

Education related issues continue to persist with over a quarter of young people obtaining less than a secondary education and one in 10 did not complete primary school[64].

3.4.6 Water

A total of 82% of the urban population have access to a drinking water source with only 52% of the rural population having access. Overall, 59% of the Kenyan population has access to a drinking water source. Some 18% of the urban population do not have access to a drinking water source, while 48% of the rural population do not have access to a drinking water source[65].

Kenya's scarce water resources, strained by population growth and severe forest degradation, could be further stressed by increasing temperatures, evaporation rates and rainfall variability. The country relies predominantly on surface water sources, but key rivers and lakes are highly susceptible to climate change. In 2010 Kenya's water availability was 586m^3 per person annually, well below the internationally acceptable threshold of 1,000m^3 per person; this figure is expected to fall to as low as 293m^3 by 2050. Increasingly severe droughts and flooding will impact water availability and diminish water quality, with implications for irrigation and domestic water supply and sanitation, which combined account for 87 percent of current use. Urban areas are already highly water stressed; Nairobi and Mombasa regularly implement water rationing[66].

Glacial loss on Mount Kenya is further straining water resources and turning once glacially-fed perennial rivers, such as the Ewaso Ng'iro, to seasonal flows, leading to conflict over water resources between communities upstream and downstream[67].

3.4.7 Sanitation

A total of 31.2% of the urban population in Kenya have access to sanitation facilities with only 29.7% of the rural population having access to improved sanitation facilities. A total of 68.8 % of the urban population have unimproved sanitation facilities, followed by 70.3% of the rural population having unimproved access to sanitation facilities. Overall, a total of 69.9% of the Kenyan population have unimproved sanitation facilities[68].

[62] ("Kenya Demographics Profile 2018," 2018)
[63] (Clark, 2015)
[64] (Clark, 2015)
[65] ("Demographics of Kenya - Facts and Figures," 2018)
[66] (Climate Service Center Germany, 2015).
[67] (Wesangula. 2017)
[68] ("Kenya Demographics Profile 2018," 2018)

3.4.8 Source of energy

Much of Kenya's energy comes from non-fossil fuel sources. Eighty-nine (89)% of installed energy capacity comes from hydro (40%) and geothermal power (49%)[69]. In 2010, 19.2% of the Kenyan population had access to electricity, this percentage increased significantly to 75% in 2019[70].

Increased evaporation rates and more severe drought threaten Kenya's hydropower production, which accounts for about one-half of domestic electricity production. Hydro production is reduced by up to 40 percent in drought years, leading to persistent power outages and reliance on more expensive petroleum-based thermal generation[71]. Projections of sea level rise and increased heavy precipitation events leading to flooding and landslides put energy, transportation and building infrastructure at risk. Models estimate that in Mombasa as much as $4.8 billion worth of assets will be exposed to flooding and inundation from sea level rise by 2050, including Port Kilindini, the largest seaport in East Africa[72].

3.4.9 Waste Management

3.4.9.1 Overview

Waste management is a major challenge in Kenya, especially in rapidly growing urban metropolises and coastal areas. Investigations conducted by NECC in the major cities in the Country including Nairobi, Mombasa, Kisumu, Eldoret and Nakuru listed the following findings:

- Nairobi produces around 2,400 tons of waste every day, of which only 38 per cent is collected and less than 10 per cent recycled (JICA, 2010). The remaining 62 per cent is disposed of at the uncontrolled Dandora dumpsite, illegally dumped on roadsides and waterways, or burned releases toxic air emissions and particulate matter. Illegal dumping and burning is particularly common in low-income areas of the city, which are home to over 2.5 million people who cannot afford waste collection services.
- A common observation made by NECC across most Counties is haphazard dumping of waste within towns/urban areas which is a health hazard to the public and has caused environmental pollution.
- Waste transportation is largely rudimentary using open trucks, hand carts, donkey carts among others. These poor transportation modes have led to littering, making waste an eyesore, particularly plastics in the environment. However, some counties have adopted appropriate transportation trucks as stipulated by the Waste Management Regulations. In addition, County Governments have privatized waste transportation through Private Public Partnership arrangements.
- There is no current data on generation, recovery and disposed waste.
- Disposal of waste in the country remains a major challenge as most of the counties lack proper and adequate disposal sites. The few towns that have designated sites practice open dumping of mixed waste as they lack appropriate technologies and disposal facilities.
- Disposal sites are undesignated this is since they are either located near residential areas, surface water sources, hospitals, schools, and other vital facilities. The proximity causes environmental pollution that increases chances for occurrence of human illnesses. Open disposal sites also face management challenges as communities around are against their location. Therefore, there is need for Counties to undertake research and identify suitable areas to site waste management facilities.
- There is minimal prioritization for waste management in the counties has led to inadequate budgetary allocation. As a result, management of the entire waste management cycle (collection,

[69] (GoK. 2020)
[70] (The World Bank, 2018)
[71] (GoK. 2015. Second National Communication, UNFCCC).
[72] (Kebede et al. 2010)

transportation, and disposal) is hampered. Low funding has also affected investment in waste management facilities and equipment.

3.4.9.2 E-waste

According to the Global E-Waste Monitor report of 2020, a record 53.6 million metric tonnes of electronic waste was generated worldwide in 2019, up 21 percent in just five years. The report predicts global e-waste will reach 74 metric tonnes by 2030, making e-waste the world's fastest-growing domestic waste stream, fuelled mainly by higher consumption rates of electric and electronic equipment, short life cycles, and few options for repair.

In Kenya, an average of 3,000 tonnes of e-waste is generated each year with 99% of the total e-waste ends up in the informal sector where it's disposed in an unhealthy way.

3.4.10 Health

There are approximately 5,000 health facilities in Kenya. Hospitals in Kenya are classified according to the agency that owns the health facility. Such agencies include the government, which manages public health institutions, faith-based organizations (FBOs), non-governmental organizations (NGOs) and private investors. The Kenya government runs 48% of hospitals, 35 % is managed by the private sector, 15% by FBOs and 2% are managed by NGOs. Kenya has two national hospitals namely, the Kenyatta National Hospital and Moi Teaching and Referral Hospital.

The health status of Kenyans has improved in the last five years, but significant health challenges including geographic and economic inequities remain. According to the last census in 2019, the population was estimated at 47.6 million, with 36 percent of the population living below the poverty line and 65 percent in rural areas[73]. The life expectancy of Kenyans has improved from 63 years in 2013 to 67 years in 2020[74]. Under-five and infant mortalities dropped from 52 and 39 deaths per 1,000 live births respectively in 2014 to 41 and 32 in 2022 partly due to improved primary care inputs and significant progress in the HIV/AIDS response[75]. However, challenges remain around neonatal mortality, which remains high at 21 deaths per 1,000 live births in 2022: a marginal decline from 22 per 1,000 live births in 2014. Additionally, while the country has recorded improvements in childhood nutrition, 18.0 percent of children aged below 5 years are stunted, a decline from 26 percent in 2014. Overall, there has been a decline in the disease burden with mortality dropping from 1,052 to 585 deaths per 100,000 population between 2000 and 2019 largely driven by the reduction in the burden of the communicable diseases[76]. Despite the reduction in the burden of communicable diseases, HIV/AIDS, lower respiratory tract infections, diarrheal diseases and malaria were the top 10 causes of mortality in 2019. Progress with neonatal disorders and non-communicable diseases (NCDs) has been slow. NCDs have overtaken communicable diseases and now constitute the major cause of morbidity and mortality in the country. NCDs account for 41.0 percent of all mortalities in Kenya with the share projected to increase to 55.0 percent by 2030[77]. Furthermore, over 50 percent of long Average Length of Stay (ALOS) in hospitals are attributed to NCDs and injuries (ibid). With the changing population structure (aging population), NCDs are poised to become the dominant cause of disease burden in the country.

Coronavirus disease (COVID-19) pandemic also posed a major health risk, both within Kenya and globally. During COVID-19, over 21 percent of businesses in Kenya closed, and the remainder, while remained operational, experienced varying degrees of negative impact (e.g., 35 percent reported issues with

[73] Kenya Demographic and Health Survey 2022
[74] World Bank Estimates: *https://data.worldbank.org/indicator/SP.DYN.LE00.IN?locations=KE*
[75] Kenya Demographic Health Survey, 2022. Key Indicators Report
[76] IHME. Global Burden of Disease 2019
[77] World Health Organization 2022. Non-Communicable Disease Progress Monitor

repaying debts). The effect of the COVID-19 pandemic was exacerbated further by Russia-Ukraine conflict, which led to energy and other commodity price increases and triggered global supply chain disruptions, with MSMEs being the most affected. The prolonged 2022/2023 drought added to the MSME challenges, further reducing the speed of recovery.[78]

3.4.11 Safety and Security

Overlapping roles, tensions, and mistrust between various security stakeholders in counties, including county governments, National Government Administration Office, and the police have created security gaps. Youth unemployment and lack of sustainable livelihood opportunities in both rural and urban counties remain a serious challenge contributing to criminal activities among the youth in Kenya. Criminal activities such as drug abuse, gangsterism, banditry and terrorism are commonly practiced by the unemployed youth in Kenya.

Unresolved land disputes and tenure in various counties are also contributing factors to intra-County and inter-County conflicts[79]. The diversity among counties remains another challenge. Residents either have different ethnic backgrounds, or clan/regional divides, thus, 'indigenous' versus 'outsiders' divides among residents poses the potential for conflict among counties in Kenya.

3.4.12 Roads

Kenya has a road network of about 177,800 km out of which only 63,575 km is classified. The classified road network has increased from 41,800 km at independence to 63,575 km today, a development rate of less than 600 km per annum. During the same period, the paved road length grew from 1,811 km to 9,273 km. It is presently estimated that about 70% (44,100 km) of the classified road network is in good condition and is maintainable while the remaining 30% (18,900 km) requires rehabilitation or reconstruction.

3.4.13 Vulnerable & Marginalized Groups (VMGs)

3.4.13.1 Overview of SAFER Social Assessment

As indicated in Section 1.2.2.3, KJET Project will synergize its efforts with the existing Supporting Access to Finance and Enterprise Recovery (SAFER) Project. SAFER targeted MSMEs in all counties assisting them adjust to and recover COVID-19 impacts on their businesses, especially their limited access to credit and other financial services. During SAFER preparation in March 2023, a social assessment was commissioned to characterize the VMGs and MSMEs in the project areas by analyzing their socio-economic and cultural characteristics, the nature of MSMEs, their level of access to financial services, and evaluate the project's potential positive and adverse impacts on both the MSMEs and VMGs.

The social assessment was conducted using three main approaches, namely: (1) literature review to capture secondary data; (2) consultation with MSME operators in VMG areas; and (3) qualitative data collection contemporaneous with consultations in focus group discussions (FGDs) and key informant interviews (KIIs). Two broad categories of VMGs were targeted: (a) pastoralists essentially living is Arid and Semi-arid Lands (ASALs); and (b) originally hunter-gatherer communities transitioning from foraging in forests to mixed livelihoods straddling forest and farm/livestock activities.

As such, Nakuru County was sampled because it is home to the Ogiek People - a well-known Indigenous People and recognized VMG that traditionally constituted a hunter-gatherer community that is transitioning into forest-based beekeeping and honey production, and farm/livestock/business livelihoods. Likewise, the county hosts pastoralists such as Masai, Samburu, and Turkana also transitioning in farm/livestock and business-based livelihoods.

[78] KJET PAD

[79] (Mkutu, Marani, & Ruteere, 2014)

Table 3-1 Sites and VMGs Sampled in Nakuru County

Constituency	Sub-county	VMG Consulted
Njoro	Njoro	Ogiek
Gilgil	Gilgil	Masai, Samburu, Turkana
Naivasha	Satellite	Masai

3.4.13.2 Potential Positive Impacts

Consultations in the FGDs and with key informants revealed that MSMEs were thriving in the VMG territories. However, the MSMEs faced several challenges. These included non-registration with relevant regulators such registrar of companies/business names, limited access to financial services, exclusion from banking services due to long distances to the banks, language barriers, and limited savings, and limited customer base. The participants therefore identified the following as potential positive impacts of the SAFER Project (Also applies to KJET):

1. Improved access to credit at low interest rates;
2. Access to financial information close to their MSME premises;
3. Training on financial services and management; and
4. Expansion of their MSMEs and improved marketing of their goods.

Overall, the MSME participants consulted argued that the SAFER project would contribute to improved and expanded MSMEs in the VMG areas with better profits and inclusion of VMGs in financial services. This is also expected to spur diversification of livelihoods into business and value addition of local produce leading to stable income and food security. Pastoralist group members hoped to grow their meat businesses and deliver more meat to markets outside their territories due to availability of capital through loans.

3.4.13.3 Potential Negative Impacts

The potential negative impacts of the SAFER project include:

1. Exclusion of the VMGs from the project. This is likely to result from the VMGs' current in-access to financial services such as loans due to inadequate awareness and inadequate savings and turnover. Therefore, if specific measures are not made to include VMG MSMEs in the project, exclusion is inevitable; and
2. if loans flow to the VMG MSMEs through the SAFER project there is a likelihood that businesses will flourish in those isolated areas and increased crime may lead to harassment of emerging businesspeople. FGD participants said that this negative impact will be mitigated through close working relationships with the representatives of the Ministry of Interior such as the chiefs and police officers to counter criminals.

4 ANTICIPATED ENVIRONMENTAL AND SOCIAL IMPACTS/RISKS AND MITIGATION

The predicted impacts to the physical, biological, and socio-economic environment because of the Project activities is described in this Chapter. This Chapter also details potential mitigation measures to avoid, minimize, reduce, remedy, or compensate for potentially negative impacts, and enhance potential benefits of the Project. Furthermore, this Chapter provides a prediction of the residual impacts that will remain, assuming that the appropriate mitigation measures are implemented.

4.1 Overview of Project Activities

Table 4-1 provides a summary of project component and their respective activities to give the highlight of the potential E&S risks associated with the project.

Table 4-1 KJET Project Components and Activities

Component	Activity
Component 1: Strengthening Business and Investment Enabling Reforms *Implemented by State Department of Investments (SDI) and KenInvest within MITI*	Diagnostics related to risk-based regulatory approaches and FDI policy and promotion at the national, county, and value chain levels and implementation of the key resulting recommendations: • design and rollout of systems to streamline and automate regulatory processes; • targeted changes to laws, regulations, and strategies; • deployment of dedicated toolkits for investors targeting; and/or • capacity-building for key implementation agencies to address gaps (e.g., on investment promotion).
Component 2: Enhancing MSME Cluster Competitiveness *(implemented by MSEA)*	
Subcomponent 2.1: TA on Competitive Cluster Development Initiatives	• Mapping 5 priority value chains to provide a detailed analysis of the distribution and concentration of economic opportunities and value addition across Kenya; and • Developing analytical frameworks for analyzing cluster competitiveness and binding constraints, and prioritizing interventions.

Subcomponent 2.2: Building Capacities of MSME Clusters	• Developing and implementing an integrated package of business development services (BDS) covering:
	  ○ market research;
	  ○ strategy and business plan development;
	  ○ marketing and product development;
	  ○ financial management, practices for climate change mitigation and adaptation (e.g., energy-efficient manufacturing processes, use of drought-tolerant seeds);
	  ○ adoption of digital technologies (e.g., e-commerce platforms, remote sensing supply chain technology), and;
	  ○ product quality requirements; and
	• Targeted co-investment support for productive assets, delivered through clusters in priority value chains.

Component	Activity
Component 3: Scaling Up Green Financing and Strengthening Climatic Resilience for SMEs *[will be implemented by MITI through the Kenya Development Corporation (KDC)]*	
Subcomponent 3.1: Scaling Up Green SME Financing	• Establishment of Green Investment Fund (GIF); and • Provision of initial risk-adjusted, long-term and patient capital, including equity and/or mezzanine financing, to finance green enterprises, greening of existing SMEs, and adoption of circular economy processes and practices.
Subcomponent 3.2: Strengthening MSMEs Climatic Resilience	Making concessional loans readily available for MSMEs, including beneficiaries of Subcomponent 3.1, to cover liquidity and credit risks in the event of expected shocks.
Component 4: Project Management and Monitoring and Evaluation	Day-to-day project management. The component will finance the overall coordination activities by the two implementing agencies (MCMSME and MITI), progress reporting, and relevant capacity building in coordination with the relevant government and private sector actors.

4.2 Potential Environmental and Social Risks and Rating

Table 4-3 provides a summary of the potential E&S risks and impacts associated with the project. Again, it provides a rating for the impacts viz:

- Red = Major;
- Orange = Moderate;
- Yellow = Minor; and
- No color = Negligible

Table 4-2 Significance Definitions

Significance Level	Definition
Negligible	An impact of negligible significance (or an insignificant impact) is where a resource or receptor (including people) will not be affected in any way by a particular activity, or the predicted effect is deemed to be 'negligible' or 'imperceptible' or is indistinguishable from natural background variations.
Minor	An impact of minor significance is one where an effect will be experienced, but the impact magnitude is sufficiently small (with and without mitigation) and well within accepted standards, and/or the receptor is of low sensitivity/value.
Moderate	An impact of moderate significance is one within accepted limits and standards. The emphasis for moderate impacts is on demonstrating that the impact has been reduced to a level that is as low as reasonably practicable (ALARP). This does not necessarily mean that 'moderate' impacts must be reduced to 'minor' impacts, but that moderate impacts are being managed effectively and efficiently.
Major	An impact of major significance is one where an accepted limit or standard may be exceeded, or large magnitude impacts occur to highly valued/sensitive resource/receptors. A goal of the ESIA process is to get to a position where the Project does not have any major residual impacts, certainly not ones that would endure into the

Significance Level	Definition
	long term or extend over a large area. However, for some aspects, there may be major residual impacts after all practicable mitigation options have been exhausted (i.e., ALARP has been applied). An example might be the visual impact of a development. It is then the function of regulators and stakeholders to weigh such negative factors against the positive factors such as employment, in coming to a decision on the Project.

Table 4-3 Potential Environmental and Social Risks and Impacts plus Rating

Component	Activity	Potential Risks and Impacts	Risk Rating (red = major; orange = moderate; yellow = minor; no color = negligible)
Component 1: Strengthening Business and Investment Enabling Reforms	Diagnostics related to risk-based regulatory approaches and FDI policy and promotion at the national, county, and value chain levels and implementation of the key resulting recommendations: • design and rollout of systems to streamline and automate regulatory processes; • targeted changes to laws, regulations, and strategies; • deployment of dedicated toolkits for investors targeting; and/or • capacity-building for key implementation agencies to address gaps (e.g., on investment promotion).	**Social Risks:** SEA/SH for project workers, project-affected persons and during operational phases (ESS2 and ESS4)	
		Lack of access to grievance redress mechanisms (ESS10)	
		Cybersecurity risks	
		Exclusion of vulnerable groups in project activities and consultations (ESS10)	
Component 2: Enhancing MSME Cluster Competitiveness **Subcomponent 2.1: TA on Competitive Cluster Development Initiatives**	• Provide Technical assistance to build MSEA capacity to identify actionable reforms and/or common infrastructure/service investments to remove existing government and market failure for a given cluster. • Generate private capital mobilization (PCM) through its co-investment arrangements with	**Environmental Risks:** TA may pose downstream environmental risks, such as expansion agriculture (ESS6) and waste generation (hazardous/ non- hazardous) (ESS3). Labour and working conditions risks (ESS2), community health and safety risks (ESS 4), air, noise pollution, occupational health and safety	

Component	Activity	Potential Risks and Impacts	Risk Rating (red = major; orange = moderate; yellow = minor; no color = negligible)
	the project. Co-investment arrangements entail beneficiary MSMEs and MSME clusters matching a fixed portion of project funding upfront to buy a specific piece of equipment or machinery as approved under the project. • Mapping 5 priority value chains to provide a detailed analysis of the distribution and concentration of economic opportunities and value addition across Kenya; and • Developing analytical frameworks for analyzing cluster competitiveness and binding constraints, and prioritizing interventions.	risks from operation of the equipment's and machinery.	
		Social Risks: Lack of understanding of risks and impacts of subprojects (ESS1)	
		SEA/SH for project workers, project-affected persons and during operational phases (ESS2 and ESS4)	
		Exclusion of vulnerable groups in project activities and consultations (ESS10)	
		Inadequate stakeholder engagement due to bias towards some counties (ESS10)	
		Downstream social risks emanating from TA (ESS1)	
Subcomponent 2.2: Building Capacities of MSME Clusters	• Developing and implementing an integrated package of business development services (BDS) covering: ○ market research; ○ strategy and business plan development; ○ marketing and product development; ○ financial management, practices for climate change mitigation and adaptation (e.g., energy-efficient	**Environmental Risks:** TA may pose downstream environmental risks, such as expansion agriculture (ESS6) and waste (ESS3)	
		Soil, water and air pollution (ESS3)	
		Generation of hazardous and non-hazardous waste including e-waste (ESS3 and ESS6)	
		Social Risks:	

Component	Activity	Potential Risks and Impacts	Risk Rating (red = major; orange = moderate; yellow = minor; no color = negligible)
	manufacturing processes, use of drought-tolerant seeds); ○ adoption of digital technologies (e.g., e-commerce platforms, remote sensing supply chain technology), and; ○ product quality requirements; and • Targeted co-investment support for productive assets, delivered through clusters in priority value chains. • Implementation of value chains will begin with pilots targeting the edible oil, construction/building materials, value chains to generate rapid learnings and impact.	Occupational health and safety (ESS2)	
		SEA/SH for project workers, project-affected persons and during operational phases (ESS2 and ESS4)	
		Exclusion of vulnerable groups in project activities and consultations (ESS10)	
		Land acquisition and resettlement risks and impacts (ESS5)	
		Poor stakeholder engagement and grievance redress mechanism processes (ESS10)	
		Lack of equal opportunity and awareness among MSME owners to ensure that all eligible enterprises can access project benefits (ESS4 ESS10)	
		Labor influx	
Component 3: Scaling Up Green Financing and Strengthening Climatic Resilience for SMEs	• Establishment of Green Investment Fund (GIF); and • Provision of initial risk-adjusted, long-term and patient capital, including equity and/or mezzanine financing, to finance green enterprises, greening of existing SMEs, and	**Environmental Risks:** Soil, water and air pollution (ESS3)	
		Generation of hazardous and non-hazardous waste including e-waste (ESS3 and ESS6)	
		Social Risks:	

Component	Activity	Potential Risks and Impacts	Risk Rating (red = major; orange = moderate; yellow = minor; no color = negligible)
Subcomponent 3.1: Scaling Up Green SME Financing	adoption of circular economy processes and practices.	Labor and working conditions including occupational, health and safety (ESS2)	
		Community health and safety (ESS3)	
		Lack of participation of MSMEs in remote areas of the country due to lack of access to clear information (ESS3 and ESS10)	
		SEA/SH for project workers, project-affected persons and during operational phases (ESS2 and ESS4)	
		Exclusion of vulnerable groups in project activities and consultations (ESS10)	
Subcomponent 3.2: Strengthening MSMEs Climatic Resilience	Making concessional loans readily available for MSMEs, including beneficiaries of Subcomponent 3.1, to cover liquidity and credit risks in the event of expected shocks.	**Environmental Risks:** Soil, water and air pollution (ESS3)	
		Generation of hazardous and non-hazardous waste including e-waste (ESS3 and ESS6)	
		Social Risks: Labor and working conditions including occupational, health and safety (ESS2)	
		Lack of participation of MSMEs in remote areas of the country due to lack of access to clear information (ESS3 and ESS10)	

Component	Activity	Potential Risks and Impacts	Risk Rating (red = major; orange = moderate; yellow = minor; no color = negligible)
		SEA/SH for project workers, project-affected persons and during operational phases (ESS2 and ESS4)	
		Exclusion of vulnerable groups in project activities and consultations (ESS10)	
		Community exposure to risks and impacts arising from accidents, structural failures, and releases of hazardous materials (ESS4)	
Component 4: Project management, and monitoring and evaluation	• Technical preparation of the project • Overseeing the preparation of the fiduciary and safeguards documents • Programmatic and operational management of the project • Coordination of different institutions and actors involved in the project. • Management of project implementation agencies responsible for the implementation of different activities of the project, as well as the execution of the PPA.	**Environmental Risks:** Generation of hazardous and non-hazardous waste including e-waste (ESS3 and ESS6).	
		Air emissions	
		Social risks: SEA/SH for project workers, project-affected persons and during operational phases (ESS2 and ESS4)	
		Labor and working conditions including occupational, health and safety (ESS2)	

5 PROJECT MITIGATION MEASURES AND MANAGEMENT OF RISKS AND IMPACTS

In line with WB ESS 1, for the elaboration and implementation of the environmental and social mitigation measures, the project is adopting the following mitigation hierarchy approach:

- Anticipate and avoid risks and impacts;
- Where avoidance is not possible, minimize or reduce risks and impacts to acceptable levels;
- Once risks and impacts have been minimized or reduced, mitigate; and
- Where significant residual impacts remain, compensate for or offset them, where technically and financially feasible.

Table 5-1 presents a generic Environmental and Social Management Plan (ESMP) with the prevention, minimization, mitigation and compensation activities for the identified risks and impacts. It disaggregates them by ESS. The generic ESMP presents standardized management and mitigation procedures for handling environmental and social risks resulting from the project in the local context. The generic ESMP should therefore serve as a reference on risks and impacts during construction and operational phases of KJET Project and regarding the associated international industry best practices and mitigation measures that can be planned and implemented throughout the project life cycle. The items in the generic ESMP can serve as a template for site-specific mitigation and monitoring measures to be included in sub-project specific ESMPs.

Table 5-1 Generic Project ESMP and Monitoring Table

Potential Risks and Impacts	Proposed Mitigation Measures	Phase			Indicators for monitoring	Frequency of Monitoring			Responsibility for implementation and monitoring	Estimated Cost (in USD) [80]
		Planning	*Construction*	*Operation*		*Continuous*	*Monthly*	*Quarterly*		
ESS 1: Environmental and Social Assessment										
Lack of understanding of risks and impacts of sub-projects	• Screen each subproject prior to implementation. • Prepare all relevant E&S instruments to mitigate risks and impacts. • Implement the ESMP recommendations. • Raise awareness of E&S risks and appropriate mitigation measures.	X			• % of subprojects that have been screened • # of additional E&S instruments prepared • # of Compliance monitoring to monitor the effectiveness of sub-project ESMP's	X			PIU	Monitoring costs: Included in staff time
Downstream E&S risks emanating from TA	Include all relevant E&S provisions into every Request for Proposals or TOR, and in every contract.	X			% of RFPs or TOR reviewed and contain all relevant provisions on E&S	X			PIU	Monitoring costs: Included in staff time.

[80] The costs cannot be fully determined at this stage. They will be calculated for each activity in the activity specific ESMPs.

Potential Risks and Impacts	Proposed Mitigation Measures	Phase			Indicators for monitoring	Frequency of Monitoring			Responsibility for implementation and monitoring	Estimated Cost (in USD) [80]
		Planning	*Construction*	*Operation*		*Continuous*	*Monthly*	*Quarterly*		
ESS 2: Labor and Working Conditions										
Noise and vibration linked to machinery	• Select equipment with lower sound power levels. • Install suitable mufflers on engine exhausts and compressor components in cases where the service provider uses generators. • Provide fit to work PPEs (ear plug/earmuffs) for all workers involved in the areas with elevated noise levels. • Install acoustic enclosures and/or use vegetation as sound buffer for equipment casing radiating noise i.e., generator. • The contractor should use equipment that is/are in good working condition and periodically maintained.		X	X	# of noise and vibration related grievances Noise quality monitoring records Provision of PPE to workers	X			Implementation: Contractors and Investees Monitoring: PIU/ Contractors/ Investees	Monitoring costs: Included in staff time. Travel costs for monitoring activities: 100,000

Potential Risks and Impacts	Proposed Mitigation Measures	Phase			Indicators for monitoring	Frequency of Monitoring			Responsibility for implementation and monitoring	Estimated Cost (in USD) [80]
		Planning	*Construction*	*Operation*		*Continuous*	*Monthly*	*Quarterly*		
	• Turn off machinery and equipment when not in use.									
Occupational Health and Safety risk (Accidental injury, death, fire hazards, injuries from manual handling)	• Train workers appropriately on OHS risks, fire safety, emergency plans and procedures, hazards and safe handling of equipment and procedures, based on EHS Guidelines on OHS • Provide appropriate PPE, continuous reminders to use PPE, use of signage and continuous supervision, based on EHS Guidelines on OHS • Ensure the workplace is registered by Directorate of Occupational Health and Safety (DSOHS) and maintain logs on any accidents/injury on site, • Provisions of fully equipped first aid equipment.	X	X	X	• # of safety incidents • # of workers' grievances filed • % of workers with adequate PPE • Signage provision • Contract bids with adequate OHS provisions listed. • Necessary OHS permits. • # of OHS incidents timely reported, RCA developed, CAP identified and implemented. • # of registered cases of incidents are closed. • # of staff attending fire safety training. • Types of fire extinguishers deployed and service records.		X		Implementation: Contractor/Investees Monitoring: PIU	Monitoring costs: Included in staff time. Travel costs for monitoring activities: 100,000

Potential Risks and Impacts	Proposed Mitigation Measures	Phase			Indicators for monitoring	Frequency of Monitoring			Responsibility for implementation and monitoring	Estimated Cost (in USD) [80]
		Planning	*Construction*	*Operation*		*Continuous*	*Monthly*	*Quarterly*		
	• Communicate and implement workers' GRM to allow workers to raise safety concerns and propose improvements on site. • Develop and implement C-ESMP including OHS. • Include OHS requirements into bids and contracts. • Report significant OHS incidents. • Assess the electrical installation through use of trained professionals. • To avoid manual injuries, install mechanical lifting aids. **Fire and explosions** • Providing specific worker training in handling of flammable materials, and in fire prevention or suppression.				• # of traffic related incidents					

Potential Risks and Impacts	Proposed Mitigation Measures	Phase			Indicators for monitoring	Frequency of Monitoring			Responsibility for implementation and monitoring	Estimated Cost (in USD) [80]
		Planning	*Construction*	*Operation*		*Continuous*	*Monthly*	*Quarterly*		
	• Installation of smoke alarms and sprinkler systems; • Maintenance of all fire safety systems in proper working order, including self-closing doors in escape routes and ventilation ducts with fire safety flaps; • Training of staff for operation of fire extinguishers and evacuation procedures; and • Development of facility fire prevention or emergency response and evacuation plans with adequate guest information. **Ergonomics, Repetitive Motion, Manual Handling** • Facility and workstation design with 5th to 95th percentile operational and									

Potential Risks and Impacts	Proposed Mitigation Measures	Phase			Indicators for monitoring	Frequency of Monitoring			Responsibility for implementation and monitoring	Estimated Cost (in USD) [80]
		Planning	*Construction*	*Operation*		*Continuous*	*Monthly*	*Quarterly*		
	maintenance workers in mind • Use of mechanical assists to eliminate or reduce exertions required to lift materials, hold tools and work objects, and requiring multi-person lifts if weights exceed thresholds. • Selecting and designing tools that reduce force requirements and holding times and improve postures. • Providing user adjustable workstations. • Incorporating rest and stretch breaks into work processes and conducting job rotation. • Implementing quality control and maintenance programs that reduce unnecessary forces and exertions.									

Potential Risks and Impacts	Proposed Mitigation Measures	Phase			Indicators for monitoring	Frequency of Monitoring			Responsibility for implementation and monitoring	Estimated Cost (in USD) [80]
		Planning	*Construction*	*Operation*		*Continuous*	*Monthly*	*Quarterly*		
	• Taking into consideration additional special conditions such as left-handed persons **Road Safety Risks** • Measures for measures for workers that are travelling (via road) • Road safety training • Induction of all project staff on their roles and responsibilities relating to road safety • Driving for work policy.									
Inadequate PPE for workers	• Active use of PPE if alternative technologies, work plans or procedures cannot eliminate, or sufficiently reduce, a hazard or exposure. • Identification and provision of appropriate PPE that offers adequate protection to the worker, co-workers, and occasional visitors,		X	X	• # of safety incidents. • # of workers grievances filed. • % of workers with appropriate PPE. • Types of PPE provided.		X		Implementation: Contractor/Investees Monitoring: PIU	Monitoring costs: Included in staff time. Travel costs for monitoring activities.

Potential Risks and Impacts	Proposed Mitigation Measures	Phase			Indicators for monitoring	Frequency of Monitoring			Responsibility for implementation and monitoring	Estimated Cost (in USD) [80]
		Planning	*Construction*	*Operation*		*Continuous*	*Monthly*	*Quarterly*		
	without incurring unnecessary inconvenience to the individual. • Proper maintenance of PPE, including cleaning when dirty and replacement when damaged or worn out. • Proper use of PPE should be part of the recurrent training programs for employees. • Selection of PPE should be based on the hazard and risk ranking and selected according to criteria on performance and testing established.									
Lack of understanding of EHS risks and impacts and of mitigation measures	• Assess capacity of construction company on EHS/OHS • Train workers on EHS/OHS through toolbox talks		X	X	• % of construction companies whose capacity has been assessed. • # of toolbox talks conducted • # of trainings provided		X		Implementation: Contractor/Investees Monitoring: PIU	Monitoring costs: Included in staff time. Travel costs for

Potential Risks and Impacts	Proposed Mitigation Measures	Phase			Indicators for monitoring	Frequency of Monitoring			Responsibility for implementation and monitoring	Estimated Cost (in USD) [80]
		Planning	*Construction*	*Operation*		*Continuous*	*Monthly*	*Quarterly*		
leads to accidents and health impacts										monitoring activities
Violations of labor and working conditions	• Implement the developed Labour Management Procedures (LMP). • Ensure Project GRM are accessible. • Introduce transparent procedures for hiring and advertise job opportunities widely. • Provide workers' GRM.		X	X	• # of workers grievances filed • # of available GRM for workers		X		Implementer: Contractor/Investees Monitoring: PIU	Monitoring costs: Included in staff time.
Risk of Child and Forced labor.	• Comply with minimum age set for all types of work (in compliance with national laws and ESS2) and document age of workers upon hiring. • Have proper records of labor force on site. Verify age of workers with		X	X	• # of workers violations (child, forced labor) • # of existence/maintenance of a labor registry of all contracted • % of workers with age verification • # of awareness campaigns		X		Implementer: Contractor/Investees Monitoring: PIU	Monitoring costs: Included in staff time.

Potential Risks and Impacts	Proposed Mitigation Measures	Phase			Indicators for monitoring	Frequency of Monitoring			Responsibility for implementation and monitoring	Estimated Cost (in USD) [80]
		Planning	*Construction*	*Operation*		*Continuous*	*Monthly*	*Quarterly*		
	communities where required. • Conduct a track record search of the contractors at the bidding process (record of health and safety violations, fines, consult public documents related to workers' rights violations, GBV/SEA/SH issues etc.) • Raise awareness of communities/suppliers to not engage in child labour. • Consider ending of contract in case of violations.									
Risks of labor influx	• Set up local workforce minimum content for the contractors. • Disclose to communities' local workforce content requirement. • Investigate possibility of providing training to local communities on general		X	X	• % of local workforce hired • # Number of sensitization/awareness events within communities • # of local suppliers used		X		Implementer: Contractor/Investee Monitoring: PIU	Monitoring costs: Included in staff time.

Potential Risks and Impacts	Proposed Mitigation Measures	Phase			Indicators for monitoring	Frequency of Monitoring			Responsibility for implementation and monitoring	Estimated Cost (in USD) [80]
		Planning	*Construction*	*Operation*		*Continuous*	*Monthly*	*Quarterly*		
	jobs during the planning phase • Maximize the use of local suppliers (for food, water, services etc.) • Comply with provisions of WIBA, 2007 on labour and working conditions.									
SEA/SH for project workers and project-affected persons	• Implement LMP • Provide awareness session. • Every worker to sign Code of Conduct (CoC) • Provide training on CoC.		X	X	• % of workers that signed CoCs • # of trainings on CoC		X		Implementer: Contractor/Investees Monitoring: PIU	Monitoring costs: Included in staff time.
ESS 3: Resource Efficiency and Pollution Prevention and Management										
Generation of solid waste	• Implement Waste Management Plan (see *Annex E*). • Solid waste generated should be effectively recycled/reused within the processes to the extent possible.		X	X	• # of contractors that have prepared a C-ESMP • # of investees with an operational ESMS. • System for good housekeeping exists.		X		Implementer: Contractor/Investees Monitoring: PIU	Monitoring costs: Included in staff time.

Potential Risks and Impacts	Proposed Mitigation Measures	Phase			Indicators for monitoring	Frequency of Monitoring			Responsibility for implementation and monitoring	Estimated Cost (in USD) [80]
		Planning	*Construction*	*Operation*		*Continuous*	*Monthly*	*Quarterly*		
	• Contractor to prepare and implement C-ESMP. • Investees to prepare and implement ESMS. • Institute good housekeeping and operating practices. • Sensitize the MSME and contractor workers on appropriate waste handling and disposal. • Evaluation of waste production processes and identification of potentially recyclable materials • Enable appropriate collection of domestic waste and disposal at predetermined location.				• Collection system for solid waste exists and disposal is conducted in predetermined locations. • Grievances raised and status on resolution, • No. of sensitization meetings on solid waste management					
Generation of hazardous and non-hazardous waste	• Implement Waste Management Plan (see *Annex E*). • Contractor to prepare C-ESMP.		X	X	• # incidents of waste effluents released • # of kilograms of waste generated monthly. • System for good housekeeping exists.		X		Implementer: Contractor/Investees Monitoring: PIU	Monitoring costs: Included in staff time.

Potential Risks and Impacts	Proposed Mitigation Measures	Phase			Indicators for monitoring	Frequency of Monitoring			Responsibility for implementation and monitoring	Estimated Cost (in USD) [80]
		Planning	*Construction*	*Operation*		*Continuous*	*Monthly*	*Quarterly*		
	• Employ technologies that are least polluting and technically feasible. • Recycling of waste effluents will be carried out as far as possible and practical. • It will be ensured that the wastes are not released into any drinking water source, cultivation fields or critical habitat. • All wastewater discharges are to meet applicable country laws/regulations and WB Environmental, Health and Safety Guidelines (EHSGs) (General and sector-specific) requirements. • Prepare and implement subproject specific E-Waste Management Plan • Provide secondary containment for all hazardous fuels and oils				• Collection system for waste exists and disposal is conducted in predetermined locations. • # of E-Waste Management Plans prepared					Travel costs for monitoring activities (see above)

Potential Risks and Impacts	Proposed Mitigation Measures	Phase			Indicators for monitoring	Frequency of Monitoring			Responsibility for implementation and monitoring	Estimated Cost (in USD) [80]
		Planning	*Construction*	*Operation*		*Continuous*	*Monthly*	*Quarterly*		
Air pollution through dust and emissions from machinery and vehicles	• High level maintenance of the machinery, equipment's and vehicles to reduce air emissions. • Suitable wet suppression techniques need to be utilized in all exposed areas. • Provide appropriate PPE (dust masks) to workers & enforce use, • Ensure good housekeeping in construction areas, dust should be quickly swept off cement floors/collected in covered containers. • All unnecessary traffic must be strictly limited on site speed controls are to be enforced. • Installing and maintaining emissions control devices, such as catalytic converters.		X	X	• Low dust emissions • Provision of PPE to workers • % of machinery equipment/vehicles that have been recently maintained. • % of machinery equipment/vehicles with mufflers installed • # of community consultations around planning. • # of MSMEs using renewable energy sources. • MSMEs energy consumption records.		X		Implementer: Contractor/Investees/MSME's Monitoring: PIU	Monitoring costs: Included in staff time. Travel costs for monitoring activities (see above)

Potential Risks and Impacts	Proposed Mitigation Measures	Phase			Indicators for monitoring	Frequency of Monitoring			Responsibility for implementation and monitoring	Estimated Cost (in USD) [80]
		Planning	*Construction*	*Operation*		*Continuous*	*Monthly*	*Quarterly*		
	• Implementing a regular vehicle maintenance and repair program. • Enhancement of energy efficiency. • Promotion, development and increased use of renewable forms of energy.									
Soil and water contamination and degradation of water bodies caused by discharge of wastewater effluent	• Untreated waste effluents from the sub-project sites shall not be released into drinking water sources, cultivation fields, irrigation channels or critical habitats. • Sensitize workers on appropriate wastewater management. • GRM in place		X	X	• # of GRM cases filed. • # of incidents of water contamination based on regular testing • No. of sensitization meetings carried out.		X		Implementer: Contractor/Investees Monitoring: PIU	Monitoring costs: Included in staff time
Pollution of local surface water sources	• Ensure that design of the facility and appropriate construction planning and construction activities do not cause any soil erosion or degradation.		X	X	• % of appropriate designs prepared. • # incidents of waste effluents released into water resources		X		Contractors, Investees, PIU	Monitoring costs:

Potential Risks and Impacts	Proposed Mitigation Measures	Phase			Indicators for monitoring	Frequency of Monitoring			Responsibility for implementation and monitoring	Estimated Cost (in USD) [80]
		Planning	*Construction*	*Operation*		*Continuous*	*Monthly*	*Quarterly*		
	• Spoils and excess soil if generated will be disposed of appropriately. Borrow areas will be dressed to minimize safety hazards and soil erosion. • Treat wastewater effluents prior to release to nearby water resources based on EHS Guidelines on Wastewater and Ambient Water Quality • All wastewater discharges are to meet applicable country laws/regulations and WB Environmental, Health and Safety Guidelines (EHSGs) (General and sector-specific)				• Reported cases of water-borne diseases					Included in staff time
Downstream risks and impacts through TA.	• Monitoring of field research for E&S assessments. • Review of ESMPs. • Review of C-ESMPs	X			• % of field research for assessments that have been monitored			X	Implementer: Contractor Monitoring: PIU	Monitoring costs: Included in staff time

Potential Risks and Impacts	Proposed Mitigation Measures	Phase			Indicators for monitoring	Frequency of Monitoring			Responsibility for implementation and monitoring	Estimated Cost (in USD) [80]
		Planning	*Construction*	*Operation*		*Continuous*	*Monthly*	*Quarterly*		
					• % of ESMPs and C-ESMPs that have been reviewed					
Inefficient use of natural resources including energy, water and raw materials	• Implement measures for efficient consumption of energy, water and raw materials. • Consider the adoption of water supply and water efficiency measures such as recycling, re-use, run-off, reduction and storage to reduce impacts on the available water resources and community supplies. • Prepare resource efficiency plan for construction and for operational phases. • Monitor energy/water use and set targets for the reduction of energy/water use. • Sensitize staff on efficient energy and water use in sub-projects such as use of		X	X	# of plans for efficient use of natural resources that exist			X	Implementer: Contractor Monitoring: PIU	

Potential Risks and Impacts	Proposed Mitigation Measures	Phase			Indicators for monitoring	Frequency of Monitoring			Responsibility for implementation and monitoring	Estimated Cost (in USD) [80]
		Planning	*Construction*	*Operation*		*Continuous*	*Monthly*	*Quarterly*		
	taps/ lights with automatic shutoff valves/switches respectively, • Adopt options for increasing energy efficiency through modifying work practices and installing energy efficient devices and equipment.									
ESS 4: Community Health and Safety										
Air pollution through dust and emissions from machinery and vehicles	• High level maintenance of the machinery, equipment's and vehicles to reduce the ensure minimum emissions. • Suitable wet suppression techniques need to be utilized in all exposed areas. • Provide appropriate PPE (dust masks) to workers & enforce use,		X	X	• % of vehicles that have been recently maintained • % of vehicles with mufflers installed • # of community consultations around planning • # of complaints on dust emissions • % of workers that use dust masks		X		Implementer: Contractor/Investees Monitoring: PIU	Monitoring costs: Included in staff time. Travel costs for monitoring activities (see above)

Potential Risks and Impacts	Proposed Mitigation Measures	Phase			Indicators for monitoring	Frequency of Monitoring			Responsibility for implementation and monitoring	Estimated Cost (in USD) [80]
		Planning	*Construction*	*Operation*		*Continuous*	*Monthly*	*Quarterly*		
	• Ensure good housekeeping in construction areas, dust should be quickly swept off cement floors/collected in covered containers. • All unnecessary traffic must be strictly limited on site speed controls are to be enforced. • Monitor exhaust emissions to ambient air • Suitable wet suppression techniques need to be utilized in all exposed areas. • All unnecessary traffic must be strictly limited on site speed controls are to be enforced. • Monitor exhaust emissions to ambient air, waste pollutant releases to land and water. • Suppress dust during construction by water				• # of trucks covered with a tarpaulin					

Potential Risks and Impacts	Proposed Mitigation Measures	Phase			Indicators for monitoring	Frequency of Monitoring			Responsibility for implementation and monitoring	Estimated Cost (in USD) [80]
		Planning	*Construction*	*Operation*		*Continuous*	*Monthly*	*Quarterly*		
	spraying and dampening where necessary. • Practice good general housekeeping at the work site sweep off the drilled-out materials. • Provide fit to work PPEs (dust masks) for all workers involved in the construction/rehabilitation . • Implement speed limit for the heavy machinery. • Cover trucks carrying soil, sand and stone with tarpaulin sheets to dust spreading									
Fire hazards	Identify fire risks and ignition sources. Install measures needed to limit fast fire and smoke development. These issues include:		X	X	• Fire risks identified. • # of measures against fast fire and smoke development in place • Detection and alarm system in place.			X	Contractor/Investee During Operation: Building Administration	Costs of detection system

Potential Risks and Impacts	Proposed Mitigation Measures	Phase			Indicators for monitoring	Frequency of Monitoring			Responsibility for implementation and monitoring	Estimated Cost (in USD) [80]
		Planning	*Construction*	*Operation*		*Continuous*	*Monthly*	*Quarterly*		
	• Fuel load and control of combustibles • Ignition sources • Interior finish flame spread characteristics. • Interior finish smoke production characteristics • Human acts, and housekeeping and maintenance • Life and fire safety design criteria for all existing buildings should incorporate all local building codes and fire department regulations. • Install detection and alarm systems. • Provision of serviceable fire extinguishers on site.									
Injuries from use of facilities	• Ensure design of facilities is appropriate. • Install safety signage where applicable.			X	• % of designs that do not have safety considerations			X	Implementer: Investees Monitoring: PIU	Monitoring costs: Included in staff time.

Potential Risks and Impacts	Proposed Mitigation Measures	Phase			Indicators for monitoring	Frequency of Monitoring			Responsibility for implementation and monitoring	Estimated Cost (in USD) [80]
		Planning	*Construction*	*Operation*		*Continuous*	*Monthly*	*Quarterly*		
	• Ensure provision of adequate ventilation for the machinery working areas				• % of facilities that do not have relevant safety signage installed					Travel costs for monitoring activities (see above)
Exposure to infectious diseases (e.g., COVID-19 or STDs)	• Provide awareness to local communities through stakeholder engagement. • Educate and sensitize workers and the local community on STI, HIV /AID's and other communicable diseases. • Maximize the use of local vendors (for food, water, services etc.) with public health license. • Follow hygiene procedures for infectious disease		X	X	# of sensitization/awareness events within communities Proper hygiene measures in place. No of incidents/ accidents to the community directly linked to the project Grievances raised and status on resolution. No. Of sensitization meetings held		X		Implementer: Contractor/Investees Monitoring: PIU	Monitoring costs: Included in staff time.
Bias in the selection of beneficiaries	• Transparency and communication/public disclosure of beneficiary selection criteria (SEP)	X			• # of communication events as per SEP implemented as compared to planned events		X		Implementer: PIU Monitoring: PIU	Monitoring costs: Included in staff time

Potential Risks and Impacts	Proposed Mitigation Measures	Phase			Indicators for monitoring	Frequency of Monitoring			Responsibility for implementation and monitoring	Estimated Cost (in USD) [80]
		Planning	*Construction*	*Operation*		*Continuous*	*Monthly*	*Quarterly*		
	• Communicate and implement GRM				• # of GRM cases filed					
Discriminatory practices in accessing project services, and benefits	• Transparency and communication/public disclosure of beneficiary selection criteria (SEP) • Communicate and implement GRM	X			• # of communication events as per SEP implemented as compared to planned events • # of GRM cases filed		X		Implementer/ Monitoring: PIU	Monitoring costs: Included in staff time.
Community conflicts over beneficiary selection	• Transparency and communication/public disclosure of beneficiary selection criteria (SEP) • Communicate and implement GRM		X	X	• # of communication events as per SEP implemented as compared to planned events • # of GRM cases filed			X	Implementer/ Monitoring: PIU	Monitoring costs: Included in staff time.
Ethnic tensions among project workers and between project workers and communities	• Transparency and communication of beneficiary selection criteria (SEP) • Communicate and implement GRM. • Enforce CoC at workplace		X	X	• # of communication events as per SEP implemented as compared to planned events • # of GRM cases filed			X	Implementer/ Monitoring: PIU	Monitoring costs: Included in staff time.

Potential Risks and Impacts	Proposed Mitigation Measures	Phase			Indicators for monitoring	Frequency of Monitoring			Responsibility for implementation and monitoring	Estimated Cost (in USD) [80]
		Planning	*Construction*	*Operation*		*Continuous*	*Monthly*	*Quarterly*		
SEA/SH for project-affected persons and during operational phase	• Implementation of LMP including signing of CoC by all workers at point of hiring • Implementation of GBV Action Plan		X		• % of workers that signed CoCs. • % of workers that completed GBV/SEA training.			X	Implementer: Contractor Monitoring: PIU	Monitoring costs: Included in staff time
Increased levels of vibration and noise from moving of construction vehicles and machinery	• Select equipment with lower sound power levels. • Install suitable mufflers on engine exhausts and compressor components in cases where the service provider uses generators. • Provide fit to work PPEs (ear plug/earmuffs) for all workers involved in the areas with elevated noise levels. • Coordinate with the office users/staff as to determining timing and more importantly what specific noise controls and		X		# of complaints received through the GRM		X		Implementer: Contractor Monitoring: PIU	Monitoring costs: Included in staff time

Potential Risks and Impacts	Proposed Mitigation Measures	Phase			Indicators for monitoring	Frequency of Monitoring			Responsibility for implementation and monitoring	Estimated Cost (in USD) [80]
		Planning	*Construction*	*Operation*		*Continuous*	*Monthly*	*Quarterly*		
	mitigations may be needed at the site. • Install acoustic enclosures and/or use vegetation as sound buffer for equipment casing radiating noise i.e., generator. • The contractor should use equipment that is/are in good working condition and are periodically maintained.									
ESS 6: Biodiversity Conservation and Sustainable Management of Living Resources										
Cutting of trees for use as construction material Use of limited or sensitively located local construction material, such	• Avoid infringing on protected areas, critical habitats or areas with significant biodiversity (e.g., wetlands, etc.) • Avoid the destruction of plants and minimize the clearance of vegetation. • Ensure re-vegetation after completion of construction.		X		# of subproject sites with restored vegetation after construction			X	Implementer: Contractor Monitoring: PIU	Monitoring costs: Included in staff time. Travel costs for monitoring activities (see above)

Potential Risks and Impacts	Proposed Mitigation Measures	Phase			Indicators for monitoring	Frequency of Monitoring			Responsibility for implementation and monitoring	Estimated Cost (in USD) [80]
		Planning	*Construction*	*Operation*		*Continuous*	*Monthly*	*Quarterly*		
as aggregate and timber.										
ESS 7: Indigenous Peoples and Historically Underserved Communities										
Exclusion of certain population groups (Vulnerable and Marginalised Groups (VMG), Women, Youth, elderly and Persons with disabilities) from Project benefits	• Implement SEP • Strengthen awareness on the benefit of inclusion of the vulnerable groups in the project. • Ensure the proper participation and consultation of vulnerable groups during project implementation. • Factor in the project infrastructure designs key recommendations to enhance gender inclusion and incorporate universal access. • Ensure the GRM is culturally appropriate with the project beneficiaries and project affected parties.	X			# of community consultation sessions implemented # of MSMEs owned by VMGs benefitting from the Project. # of grievances from VMGs			X	Implementer / Monitoring: PIU	Monitoring costs: Included in staff time

Potential Risks and Impacts	Proposed Mitigation Measures	Phase			Indicators for monitoring	Frequency of Monitoring			Responsibility for implementation and monitoring	Estimated Cost (in USD) [80]
		Planning	*Construction*	*Operation*		*Continuous*	*Monthly*	*Quarterly*		
ESS 8: Cultural Heritage										
Damage valuable historic, religious, cultural, and archaeological resources	Avoid areas of cultural, historical, or religious significance Implement chance finds procedure (see *Annex C*)		X		# of Chance find procedures implemented		X		Implementer: Contractor Monitoring: PIU	Monitoring costs: Included in staff time
ESS 9: Financial Intermediary										
Subproject environmental and social assessment	• Develop and maintain an ESMS to identify, assess, manage, and monitor the environmental and social risks and impacts of FI subprojects on an ongoing basis. • Ensure the ESMS aligns with the ESF and ESS.			X	# of subprojects/investees undergoing environmental and social due diligence including ESIAs.		X		Implementer: Investees Monitoring: PIU	Monitoring costs: Included in staff time

Potential Risks and Impacts	Proposed Mitigation Measures	Phase			Indicators for monitoring	Frequency of Monitoring			Responsibility for implementation and monitoring	Estimated Cost (in USD) [80]
		Planning	*Construction*	*Operation*		*Continuous*	*Monthly*	*Quarterly*		
ESS 10: Stakeholder Engagement and Information Disclosure										
Exclusion of vulnerable groups in project activities and consultations	• Implement SEP • Identify minority, marginalized and disadvantaged communities in project sphere of influence. • Establish and maintain continuous liaison with the communities including marginalised groups to sensitize them on the project objectives and design. • Use innovative communication means to reach the communities with information on the project. • Establish GRM structures in the communities and sensitize the communities on the project GRM.		X		• # of marginalized communities assessed • # Local languages used in communication			X	Implementer / Monitoring: PIU	Monitoring costs: Included in staff time.

Potential Risks and Impacts	Proposed Mitigation Measures	Phase			Indicators for monitoring	Frequency of Monitoring			Responsibility for implementation and monitoring	Estimated Cost (in USD) [80]
		Planning	*Construction*	*Operation*		*Continuous*	*Monthly*	*Quarterly*		
	• Apply local languages in communication									
Lack of access to GRM	• Implement GRM • Implement Workers' GRM	X	X	X	# of GRM cases filed and addressed	X	x		Implementer/Monitoring: PIU	Monitoring costs: Included in staff time
Inadequate stakeholder engagement	Implement SEP	X	X		• # of community consultations held • # of vulnerable groups consulted	X			Implementer/Monitoring: PIU	Monitoring costs: Included in staff time.

6 INSTITUTIONAL AND IMPLEMENTATION ARRANGEMENTS

The project will be implemented through both the MCMSME and the MITI which will focus on the different components of the project. While MITI will implement Component 1 (Business Climate and Investment Reform) and Component 3 (Green MSME financing) (KDC) with the KDC as an additional implementation agency). The State Department for MSMEs (SDMSME) in the MCMSME will implement Component 2 (MSME cluster competitiveness) of the Project and play an overall role in the reporting of the project. SDMSME will closely collaborate with MITI [State Department of Investment] implementing sub-component 1.1. A Project Steering Committee and Technical Working Group drawing membership from all implementing entities will ensure smooth implementation coordination.

Two dedicated Project Implementation Units (PIU) structures – one in each ministry will be leveraged for day-to-day management of the project with one PIU under the State Department of Investments (SDI) (within MITI) playing the coordination role for Components 1 and 3, and the second PIU under MSEA (within MCMSME) playing the coordination role for Component 2**.** The two PIU under SDI and MSEA will ensure collaboration and will be comprised of dedicated staff one Environmental and one Social Safeguards Specialist(s), and Communication Specialist(s). The PIU will develop annual performance targets, in consultation with the Project Coordinator and approved by the respective Principal Secretaries and the World Bank. The PIU under MSEA will act as the anchor PIU in charge of coordinating reporting, missions, operational and fiduciary planning, as well as updating the overall project operational manual.

Component 3 will be implemented by KDC, KDC has dedicated environment and social staff already supporting other World Bank financed projects including KJET.

To support project implementation, KJET will have a governance structure in the form of a Project Steering Committee that will be chaired by the Permanent Secretaries of MCMSME - SDMSME and MITI – SDI, supported by the PIU as secretariat. The Project Steering Committee (PSC) will:

1) oversee overall implementation of the project;
2) provide policy guidance to the project;
3) ensure inter agency coordination of the project; and
4) review and approve annual work plan and budgets.

6.1 Environmental, Health and Safety (EHS) Specialist Roles and Responsibilities

EHS staff in the Project will:

- Oversee the implementation of the ESMF, subproject ESMPs, and other safeguard instruments e.g., ESCP, SEP, LMP, etc.;
- Together with the social specialist, complete subproject ESSF and make recommendations;
- Ensure EHS assessment requirement are included in the Subproject ESIA TORs;
- Support subproject ESIA consultant in their studies;
- Review the subproject ESIAs and submit to WB for review and clearance;
- Undertake follow up monitoring to ensure that proposed mitigation measures are implemented according to the C-ESMPs;
- Oversee the implementation of C-ESMP provisions through contractor EHS officers;
- Receive environmental complaints relating to KJET activities and ensuring that they are addressed in accordance with the GRM; and

- Review monthly progress reports from subprojects and prepare reports covering all environmental safeguard aspects of the project.

6.2 Social Specialist Role and Responsibilities

The social specialist will:

- Provide leadership on core social development themes under the KJET project. Oversee the updating of the SEP, VMGP, LMP and subproject specific ESMPs. Together with the EHS specialist, complete subproject ESSF and make recommendations;
- Serve as lead person on social issues including, stakeholder engagement, grievance management, vulnerable and marginalized groups who may be affected by KJET, and work closely with other PIU members to address any challenges;
- Support the set up and operationalization of project's Grievances Redress Mechanisms (GRMs);
- Ensure social clauses are incorporated in all agreements signed between the Project and Contractors, Consultants, Suppliers, etc.;
- Develop and implement capacity building and training plans on social safeguards for KJET stakeholders;
- Receive social complaints relating to KJET activities and ensuring that they are addressed in accordance with the GRM;
- Undertake monitoring visits to subprojects (at least quarterly) to assess compliance and propose necessary remedies; and
- Review monthly progress reports from sub-projects and prepare reports covering all social safeguards aspects of the project.

7 PROCEDURES TO ADDRESS ENVIRONMENTAL AND SOCIAL ISSUES

7.1 Overview

This chapter carries recommendations on systematic integration of environmental and social considerations in the planning, approval, and implementation of KJET's sub-projects or activities. It includes all the actions to be undertaken to limit, reduce or eliminate the identified potential negative risks and impacts. These actions concern the mitigation measures, control, and monitoring measures to be applied as well as the necessary support measures for awareness raising and capacity building. The extent of environmental and social process that might be required prior to the commencement of the subprojects depends on the outcome of the screening process.

The E&S management process will involve the following steps and procedures:

7.2 Step 1 – Screening of Project Activities / Subprojects

The objectives of environmental and social screening are: i) determine whether activities are eligible to be financed under the Project; ii) to evaluate the environmental, social, occupational safety and health (OHS) risks associated with the proposed activity/subproject; iii) to determine the depth and breadth of Environmental Assessment (EA); and iv) to recommend an appropriate choice of EA instrument(s) suitable for a given sub-project. Criteria for classification include type, location, sensitivity, and scale of the project, as well as the nature and magnitude of its potential environmental and social impacts. The initial screening for the selection of the subprojects will be conducted based on the exclusion criteria in the ESCP and summarized below:

1. Sub-projects categorized as High risk (per WB ESF and ESSs definition);
2. Any technical assistance (TA) activities that are classified as Type 1 as per WB Operations Environmental and Social Review Committee (OESRC) Advisory Note;
3. Activities that may cause long term, permanent and/or irreversible impacts (e.g., loss of major natural habitats including habitats of wildlife and fisheries);
4. Activities that may cause any significant loss of biodiversity;
5. Activities that have a high probability of causing serious adverse effects to human health and/or the environment;
6. Activities that may have significant adverse social impacts and/ or may give rise to significant social conflict;
7. Activities that may involve significant land acquisition, forced eviction and involuntary physical displacement;
8. Activities that would disproportionately affect the historically underserved and vulnerable groups;
9. Activities that may cause damage to cultural heritage;
10. Activities that contravene Kenya's obligations under its international agreements;
11. Activities that may involve generating large volume of e-waste causing significant irreversible adverse impacts to human health and natural resources; and
12. Activities that limit access for women and PWDs to project benefits (e.g., public offices with no ramps to, inaccessible websites, etc.).

Additionally, screening would be done purposely for identification of other instruments that need preparation such as VMGP, SEA/SH, etc.

The screening will be guided by an environmental and social screening form (ESSF *annex A)*. PIU' environmental and social safeguards specialists will perform this process when reviewing and evaluating subprojects, and inform the Unit on E&S requirements, to enable implementation in an

environmentally and socially acceptable manner. Following the screening process, respective PIU will assign a risk level (High, Substantial, Moderate Low) to the respective subproject. If a sub-project is classified as '**high**' risk it will be excluded from financing.

7.3 Step 2 – Sub-project Categorization

Assignment of appropriate environmental and social risk rating to a particular activity will be based on information provided in the ESSF *Annex A* that the PIU Environment and social specialists will have administered.

7.3.1 WBG Environmental and Social Risk Classification

According to World Bank Environment and Social Framework (ESF), projects are classified as *high, substantial, moderate, and low risk* depending on the environmental and social sensitivity of the sub-project. The Bank requires the Borrower to carry out appropriate environmental and social assessment of Projects, and prepare and implement such Projects, as follows:

a. *High Risk* subprojects, in accordance with the ESSs; and
b. *Substantial Risk, Moderate Risk* and *Low Risk* subprojects, in accordance with national law and any requirement of the ESSs that the Bank deems relevant to such sub-projects.[81]

7.3.2 GOK Environmental and Social Risk Classification

The Second Schedule of Environmental Management and Coordination Act (EMCA) No. 8 of 1999 amended in 2019 by a regulation (Legal Notice No. 31) too adopts a risk-based classification of projects and facilities. *Low, medium,* and *high-risk* categories are adopted. For instance, an *activity out of character with its surrounding; and Any structure of a scale not in keeping with its surrounding* are categorized **High Risk.** Limited scale projects such as *agro-processing and agribusinesses MSMEs targeted by the Project* are categorized **Medium Risk**.

The EMCA Act, 1999 (amended in 2015) and its subsidiary regulations require project proponents to carry out the following tiered environmental and social assessment:

1. *High Risk* projects – prepare and submit to NEMA headquarters, an ESIA full study report;
2. *Medium Risk* projects – prepare and submit to NEMA county offices, a comprehensive ESIA project report (CPR); and
3. *Low Risk* projects – prepare and submit to NEMA county offices, a summary ESIA project report (SPR).

Subprojects involving civil works will be classified as either **low or medium risk** thus will require some form of Environmental and Social Impact Assessment (ESIA). The subproject (e.g., MSME adopting greener production technologies, etc.) ESIA will include an ESMP that should be adopted by the appointed contractor to form the C-ESMP.

7.3.3 TA Environmental and Social Risk Classification

TA activities will be assessed as per WB OESRC procedure through applying strategic environmental and social analysis (SESA) tools and/or cumulative impact assessments. As with any projects to which Bank ESF applies, TA activities shall be evaluated for purposes of project risk classification in accordance with the Environmental and Social Policy paragraph 20, and Part C of the Bank Directive, Environmental and Social Directive for Investment Project Financing. The Project will not support the preparation of future infrastructure investment projects or Type -1 TAs according to OESRC Advisory

[81] Where subprojects are likely to have minimal or no adverse environmental or social risks and impacts, such subprojects do not require further environmental and social assessment following the initial screening.

Note classification. It will support Type 2 and Type 3 TAs which include support for the formulation of plans, strategies or legal frameworks as well as strengthening borrower capacities respectively.

7.4 Step 3 – Carrying out Environmental and Social Assessment

After analyzing data contained in the subproject Environmental and Social Screening Form (ESSF) and having identified the right environmental and social risk rating and hence scope of the environmental assessment required, the respective PIU E&S specialists will make a recommendation to the PIU as to whether: (a) no environmental assessment will be required; or (b) an ESIA/ESMP will be carried out.

The main responsibility for the preparation of subproject-specific E&S instruments (simplified or detailed ESMPs) will rest with the PIU. PIU will prepare the respective E&S instruments either through their E&S Specialists or through consultants. The ESMP will constitute an integral part of the bidding documents for contractors carrying out civil works under the project, in addition some Environmental, Social and Health and Safety (ESHS) clauses will be included in the project bid/contract documents. Kenya ESIA procedures are summarized in Figure 0-1 ESIA Procedures in Kenya, *Annex B* of this ESMF.

Other required safeguard instruments e.g., VMGP, SEP, GBVAP, etc., prepared during project preparation will be used as reference material to inform the sub-project specific ESIA/ESMPs.

7.5 Step 4 – Review and Approval

The prepared E&S instruments e.g., ESSFs, ESIA/ESMP's, etc., will be submitted to the World Bank for prior review and no objection. To streamline the review/approval process, and depending on the number of subprojects, the Bank could review a representative sample of instruments. Sampling techniques should be risk-based and adaptive so that, if sampling reviews identify any issues in the quality/compliance of instruments, it would be possible to increase sampling in the relevant areas/regions, type of projects, etc.

Thereafter the World Bank and the implementing PIU will reassess whether prior review is needed for activities exceeding a certain budget, or for certain types of activities). For an ESIA, once World Bank has cleared, it will be submitted to NEMA for review, approval and licensing.

The PIU will also complete the documentation, permits and clearances required under the government's environmental regulation before any project activities begin.

At this stage, staff who will be working on the various subproject activities should be trained in the ESMPs relevant to the activities they work on. PIU E&S safeguards specialists should provide such training to field staff.

The PIU should also ensure that all selected contractors, sub-contractors, and vendors understand and incorporate E&S mitigation measures relevant to them as standard operating procedures (SOPs) for civil works. The PIU should provide training to selected contractors to ensure that they understand and incorporate E&S mitigation measures; and plan for cascading training to be delivered by contractors to sub-contractors and workers. The PIU should further ensure that the entities or communities responsible for ongoing operation and maintenance of the project investments have received training on operations stage E&S management measures as applicable.

7.6 Step 5 – Public Consultations and Disclosure

In carrying out ESIA/ESMP, evidence of comprehensive public consultation including duly signed minutes of consultation meetings with project affected persons and key stakeholders, attendance lists

and filled questionnaires are required[82]. These public consultations will take place during the E&S screening process and during validation of the draft ESIA/ESMP report, with outcomes from the public consultations reflected in the design of the mitigation and monitoring measures.

World Bank requires disclosure of the environmental assessment report both in-country by the client, in a manner accessible to all project stakeholders, and at World Bank website.

All ESIA reports in Kenya are public documents and can be accessed from NEMA's EIA licensing portal and respective county offices. Project Reports (PR) are not uploaded directly on the NEMA website (*www.nema.go.ke*) unless under request. On the website, only study reports (High Risk Projects) that are published in Kenya Gazette and in two local newspapers of national circulation to enable the public to review the report and send their views or comments to the Director General NEMA to inform decision making within 30-days of the publication in accordance with the law.

7.7 Step 6 – Monitoring, Supervision and Reporting

During implementation, the PIU will conduct regular monitoring visits. Sub-project MSME's /contractors will be responsible for implementing the mitigation measures in the E&S safeguard instruments with PIU oversight.

The PIU working to implement the project will ensure that monitoring practices include the E&S risks identified in the ESMF and will monitor the implementation of E&S risk management mitigation plans as part of regular project monitoring.

At a minimum, the reporting will include (i) the overall implementation of E&S safeguard instruments and measures, (ii) any E&S issues arising as a result of project activities and how these issues will be remedied or mitigated, including timelines, (iii) Occupational Health and Safety (OHS) performance (including incidents and accidents), (iv) community health and safety (CHS), (v) stakeholder engagement updates, in line with the SEP, (vi) public notification and communications, (vii) progress on the implementation and completion of project works, and (ix) summary of grievances/feedback received, actions taken, and complaints closed out, in line with the SEP. Monitoring reports from all subprojects will be submitted to the PIUs at the national level on a monthly basis, where they will be aggregated and submitted to the World Bank on a quarterly basis.

Throughout the Project implementation stage, the PIUs will continue to provide training and awareness raising to relevant stakeholders, such as staff, selected contractors, and communities, to support the implementation of the E&S risk management mitigation measures.

The PIUs will also track grievances/feedback (in line with the SEP) during project implementation to use as a monitoring tool for implementation of project activities and environmental and social mitigation measures.

Last, if the PIUs becomes aware of a serious incident in connection with the project, which may have significant adverse effects on the environment, the affected communities, the public, or workers, it should notify the World Bank within 48 hours of becoming aware of such incident. A fatality is automatically classified as a serious incident, as are incidents of forced or child labor, abuses of community members by project workers (including gender-based violence incidents), violent

[82] World Bank requires public consultations to be conducted for all EA type documents prepared under WB-financed projects (World Bank, ESS1, 2017), while NEMA requires public consultations to be conducted for Medium and High-Risk projects (NEMA, 2020).

community protests, or kidnappings. PIUs should ensure that the incident report is in line with the Bank's Environmental and Social Incident Reporting Toolkit (ESIRT). The Bank should then process the incident report in accordance with the ESIRT. Moreover, a fatality should be reported to DOSHS and the World Bank within 24 hours of occurrence.

7.7.1 External Supervision and Monitoring

7.7.1.1 National Environment Management Authority (NEMA)

The responsibility of the NEMA is to exercise general supervision and co-ordination over all matters relating to the environment and to be the principal instrument of government in the implementation of policies relating to the environment. Specifically, NEMA will:

- Provide approvals of subprojects and ESIA licenses to all the subprojects based on the environmental assessment reports submitted; and
- Conduct periodic monitoring of the subprojects by making regular site inspection visits to determine compliance of subprojects with the approved ESIA and will further rely on the submitted annual audit reports submitted for each subproject annually as required by EMCA as a way of monitoring. All monitoring reports as well as annual environmental and social audit report will be submitted to NEMA as specified by the environmental assessment and audit regulations, 2003.

7.7.1.2 Directorate of Occupational Safety and Health Services (DOSHS)

DOSHS will be responsible for the following during project implementation:

- Monitor the implementation of health and safety plans during project implementation;
- Rely on submitted annual health and safety and fire inspection audit reports for project facilities as required by OSHA for monitoring;
- Register all project sites as workplaces annually; and
- Enforce WIBA policy for all project workers.

7.7.1.3 World Bank Group

World Bank implementation support mission shall be periodically done to ascertain the level of implementation in line with the ESCP and other E&S instruments prepared for the project.

WBG will also approve ESSFs, ESIAs and ESMPs.

7.8 Step 7 – Review and Evaluation – E&S Completion

Upon completion of Project activities, the PIUs will review and evaluate progress and completion of project activities, and all required environmental and social mitigation measures. Especially for civil works, the PIUs will monitor activities regarding site restoration and landscaping in the affected areas to ensure that the activities are done to an appropriate and acceptable standard before closing the contracts, in accordance with measures identified in the C-ESMPs and other plans. The sites must be restored to at least the same condition and standard that existed prior to commencement of works. Any pending issues must be resolved before a subproject is considered fully completed. The PIUs will prepare the completion report describing the final status of compliance with the E&S risk management measures and submit it to the World Bank.

8 STAKEHOLDER ENGAGEMENT, DISCLOSURE, AND CONSULTATIONS

A separate Stakeholder Engagement Plan (SEP) has been prepared for the Project, based on the World Bank's ESS 10 on Stakeholder Engagement. The SEP can be found here: [provide disclosure link for the SEP].

As part of the ESMF, it is important to ensure the relevant stakeholders and community members are consulted. Identification and consulting with the relevant stakeholders are an efficient way for the client to disseminate information to a large number of stakeholders and receive feedback useful for the project. This ESMF, as well as the SEP and the Labour Management Procedure (LMP) that have been prepared for this project, have been disclosed in draft form during the stakeholder consultations held on Monday April 29, 2024, at Sarova Panafric Hotel, Nairobi. Key feedback on the disclosed ESMF, SEP and LMP is listed at *Annex J*. The participants list is *Annex K*.

Key concerns by stakeholders and responses, are summarized in the Table 8-1.

Table 8-1 Key Stakeholder Concerns and Responses

S/ No.	Issue	Stakeholder	Response
1.	The need for inclusivity across the Sub-groups [Persons with Disabilities (PWDs) not represented] when undertaking the validation exercise and designing of the project	MSE Association	It was reiterated that the project was designed to be all-inclusive and is intended to support MSMEs across all Sub-groups including the vulnerable groups, PWD's among others Invitation had been extended to all stakeholders including PWDs.
2.	Small number of groups attending the forum and whether there will be room for more groups to come on board.	MSE Association	Subsequent sensitization forums will be organized involving more groups from time to time to create awareness on the scope and benefits of the project.
3.	At what point will MSME umbrella organizations be brought on board.	MSE Association	Continuous collaboration and coordination among all stakeholders is considered essential from the design phase to the implementation of the project. KNCCI and KNFJKA are represented in the forum.
4.	Issues of care for victims of Gender Based Violence (GBV) arising during the implementation of the project. How will issues of Gender Responsiveness be	SD Gender and Affirmative Action	Implementation of the project will be undertaken in close collaboration with all the stakeholders and will leverage on the available platforms to ensure

S/ No.	Issue	Stakeholder	Response
	addressed/monitored and by which entity. How will Gender Platforms such as the '50 million African Women Speak' be leveraged.		that the project objectives are met. The project will also create awareness to all the relevant stakeholders to prevent GBV and SEA/SH.
5.	Significance of the Creative Industry Value Chain within the Sector and need for involvement in the designing of the Project.	MSE Association	The significance of the Creative Industry was acknowledged. The project will focus on all subgroups that meet the expected criteria after assessment. Availability of alternative avenues of support to creatives industry through other World Bank such as the Kenya Digital Economy Acceleration Project.
6.	Compliance to the ESMF requirements of the project is demanding in terms of capital.	MSE Association	There will be concerted efforts to support MSMEs overcome such obstacles along the way through collaboration with other entities involved directly.
7.	What is the nature of the Funding (grant or loan)?	MSE Association	The Funding is neither a grant or loan but rather a 'zero-rated equitable investment' (Patient Capital Equity)
8.	The aspect of MSMEs being unable to afford the requisite machines- which are capital intensive- to improve on the quality of their products and services.	MSE Association	There will be other forums organized to address the full scope of the project especially 'Training and Investment support for MSMEs' to enable them to prepare adequately.
9.	Recognition of other forms of registration apart from certificates offered by MSEA e.g., socio-cultural groups.	MSE Association	Migration of Social Services Data to the MSEA Database is on-going.
10.	Political interference was identified as a risk in the implementation of the project.	MSE Association	Need for continuous sensitization and awareness creation among subgroups to guard against political interference which can easily derail the project.

S/ No.	Issue	Stakeholder	Response
11.	It was noted that Government has made concerted efforts to put in place robust policies and legal frameworks. However, a challenge was posed to the private sector (MSMEs) who are the implementors of the project on their level of preparedness to meet the expected criteria, standards and guidelines.	KNCCI	It is important to recruit Environmental and Social Specialists who will create awareness on the expectations of the project to ensure compliance with the project ESMF.
12.	Is the project designed to support traders as well or is the focus on manufacturers only?	MSE Association	The project is more inclined to support MSME manufacturers with an aim of enhancing their cluster competitiveness. However, there are other World Bank funded projects such as the National Youth Opportunities Towards Advancement (NYOTA) project which targets more of traders (youth 18-29 years)
13.	How will enterprises engaged in tree nursery programmes be supported by the project given their role in promoting environmental sustainability?	MSE Association	KJET is an all-inclusive project which will consider all sectors that meet the expected criteria.
14.	Issue of lack of market access by MSMEs despite having quality/good products? How will the Digital Marketing Platform be leveraged?	MSE Association	Creating market access and linkages is critical and will be prioritized for successful implementation of the project and sustainability.
15.	There are existing land issues pertaining to some Constituency Industrial Development Centers (CIDCs). Is there a way that the World Bank and Government can identify the pilot CIDCs to be used in this project?	MSE Association	A call of expression will be put out in the coming months and thereafter clusters to be engaged will be identified based on the assessment criteria.
16.	It is important for MSEA/WB to leverage on the existing affirmative fund agencies such as Uwezo fund who are in the re-engineering process. The lessons learnt can come in handy especially in articulating re-payment strategies.	Uwezo Fund	Concurrence that linkages between World Bank and affirmative funds are key to leverage on the lessons for successful implementation of the project.
17.	The Kenya Institute of Business Training (KIBT) can come in handy in terms of	KIBT/Uwezo Fund	KIBT is encouraged to apply as an institution with capacity so that

S/ No.	Issue	Stakeholder	Response
	capacity building & sensitization given that it's the institution charged with that mandate.		they can be considered for selection/engagement.
18.	The adverse effects of climate change currently being experienced in the Country in form of floods were noted with a lot of sadness and compassion for the survivors.	MSE Association	A call for support made to help the survivors of floods across the Country in places such as Mathare.

9 GRIEVANCE REDRESS MECHANISM (GRM)

In line with the ESS10, KJET is required to establish and implement a GRM to respond to concerns and grievances of PAPs related to the E&S performance of the project/subprojects in a timely manner. The GRM may include: (a) different ways in which users can submit their grievances, including submission in person, by phone, text messages, mail, email or via a web site; (b) a log where grievances are registered in writing and maintained in a database; (c) publicly advertised procedures, setting out the length of time users can expected to wait for acknowledgement, response, and resolution of their grievances; (d) transparency about the grievance procedures, governing structure, and decision makers; and (e) an appeals process (including the natural judiciary) to which unsatisfied grievances may be referred when resolution of grievance has not been achieved. KJET may provide mediation as an option where users are not satisfied with the project's resolution. KJET Project must establish and implement a GRM to receive and facilitate resolution of such concerns and grievances. Based on ESS 2[83], there must also be a separate GRM for direct and contract workers[84], separate from the main GRM, for those workers to raise workplace related concerns. Those workers will be informed of the GRM upon their recruitment, as well as the measures put in place to protect them against any reprisal for its use.

It is noted that ESS2 prohibits the employment of forced labour and child labour with an age of less than 14 year (the project will not engage anyone under the age of 18) and also requires the application of occupational health and safety (OHS) measures to be designed and implemented to address; (a) identification of potential hazards to protect worker, particularly those that may be life threatening; (b) provision of preventive and protective measure, including modification, substitution, or elimination of hazardous conditions or substances; (c) training of project workers and maintenance of training records; (d) documentation and reporting of occupation accidents, diseases and incidents; (e) emergency prevention and preparedness and response arrangement to emergency situation; and (f) remedies for adverse impact such as occupational injuries, death, disabilities, and disease.

9.1 Principles of Grievance Redress Mechanism

The general principles that guide GRM procedure are:

- **Fairness:** Its procedures should be widely perceived as fair, especially in terms of access to information and opportunities for meaningful participation in the final decision. The GRM operates independently of all interested parties to guarantee fair, objective, and impartial treatment to each case. GRM officials have adequate means and powers to investigate grievances (e.g., interview witnesses, access records);
- **Accessibility:** It should be accessible to everybody who would like to submit a complaint and should help those who face barriers related to language, literacy, awareness, cost, or fear of reprisal. Procedures to file grievances and seek action are simple enough that project beneficiaries can easily understand them. Project beneficiaries have a range of contact

[83] Scope of the ESS2 application depends on the type of employment relationship between the project/ subproject owner and the "project workers" which include the "direct workers", the "contracted workers", the "primary supply workers", the "community workers" including full-time, part-time, temporary, seasonal, and migrant workers.

[84] Direct workers are defined as people employed or engaged directly by the project/subproject owners to work specifically in relations to the project/subproject while the contracted workers are people employed or engaged through third parties to perform work related to core functions of the project, regardless of location.

options including, at a minimum, a telephone number (preferably toll-free), an e-mail address, and a postal address. The GRM is accessible to all stakeholders, irrespective of the remoteness of the area they live in, the language they speak, and their level of education or income. The GRM does not use complex processes that create confusion or anxiety (such as only accepting grievances on official- looking standard forms or through grievance boxes in government offices);

- **Predictability:** It should offer a clear procedure with time frames for each stage and clarity on the types of results it can and cannot deliver;
- **Compatibility:** Its outcomes should be consistent with applicable national and international standards and should not restrict access to other redress mechanisms;
- **Transparency:** Its procedures and outcomes should be transparent enough to meet the public interest concerns at stake;
- **Capability:** It should have the necessary technical, human and financial resources to deal with the issues at stake;
- **Gender responsive**: It should ensure equitable benefits of women and men particularly for displaced female headed households and ensure the representation of the married household both by husband and wife throughout the GRM processes;
- **GBV responsive:** It will provide survivor-centered responses to GBV cases/incidents **Feedback:** It should serve to channel citizen feedback to improve project outcomes for the people;
- **Responsiveness and efficiency:** It is designed to be responsive to the needs of all complainants. Accordingly, officials handling grievances are trained to take effective action upon, and respond quickly to, grievances and suggestions;
- **Speed and proportionality:** All grievances, simple or complex, are addressed and resolved as quickly as possible. The action taken on the grievance or suggestion is swift, decisive, and constructive; and
- **Participatory and social inclusion:** A wide range of PAPs, community members, members of vulnerable groups, project implementers, civil society, and the media are encouraged to bring grievances and comments to the attention of project authorities. Special attention is given to ensure that poor people and marginalized groups, including those with special needs, can access the GRM.

9.2 Project GRM

9.2.1 Levels of Project GRM

KJET Project will have four levels of GRM:

1. First level GRM – The project institutions e.g., the PIUs, etc., within which project activities are carried out are the first level of grievance redress;
2. Second level GRM – A Grievance Redress Committee (GRC) will be formed at the PIU level comprising key stakeholders including a county and Ministry of Interior representative;
3. Third level GRM – involves the use of a mutually agreed on mediator; and
4. Fourth level GRM – seeking legal redress in the judicial system.

9.2.1.1 First Level GRM Overview

The first level of grievances will be handled at the PIU level GRM that is composed of representatives from the implementing agencies. The full contact details of the grievance committees will be disclosed publicly on the website of the GRM member ministries and agencies. The same information will be

displayed on the notice boards of the agencies and institutions along with the complainant box that should be placed in a visible location within the premises of the institutions, ministries and agencies.

Grievances from the project dedicated complainant box will be collected and reviewed by the institution's grievance committee on a weekly basis. Grievances can be received in person, verbally via phone, in writing or via e mail, fax, text message or any other media. Grievances submitted anonymously could be submitted through the complainant box. All grievances will be acknowledged by telephone or in writing by the grievance body of the institution within 48 hours of receipt and the complainant informed of the approximate timeline for addressing the complaint if it can't be addressed immediately. The grievance body will work to ensure the speedy resolution of the grievance. If the complaint cannot be resolved at this level, it is taken to the next level.

The point of receipt of complaints is listed below:

- ***Register/Log Grievance***: After receiving and recording the grievance, it will be accepted and registered for review.
- ***Screen:*** The complaint will be forwarded to the grievance structure that is responsible for investigating the claim and liaising with the aggrieved to come to an acceptable resolution. Meetings with the grievant/complainant will be held, if necessary, to resolve the matter.
- ***Investigate:*** The investigation by the grievance committee will include, but not limited to, meetings with the grievant/complainant, site visits, meetings/interviews with project staff and collection of relevant documentation and other forms of evidence.
- ***Resolution***: The resolution at the first tier should normally be completed within 15 working days of receipt of the grievance and notified to the concerned party. If the grievance is not resolved within this period, it can be referred to the next level of the Grievance Redressal system. However, once it is determined that progress is being made towards a resolution, the grievance will be retained at this first level. The complainant will be informed of this decision and an estimated time for the resolution of the matter will be given either verbally or in writing.

If the issue cannot be resolved within 25 working days, it will be transferred to the next level. Once a resolution has been agreed and accepted, the complainant's acceptance will be obtained. If the proposed resolution is not accepted the grievance will be escalated to the second level.

Figure 9-1 illustrates the Project GRM.

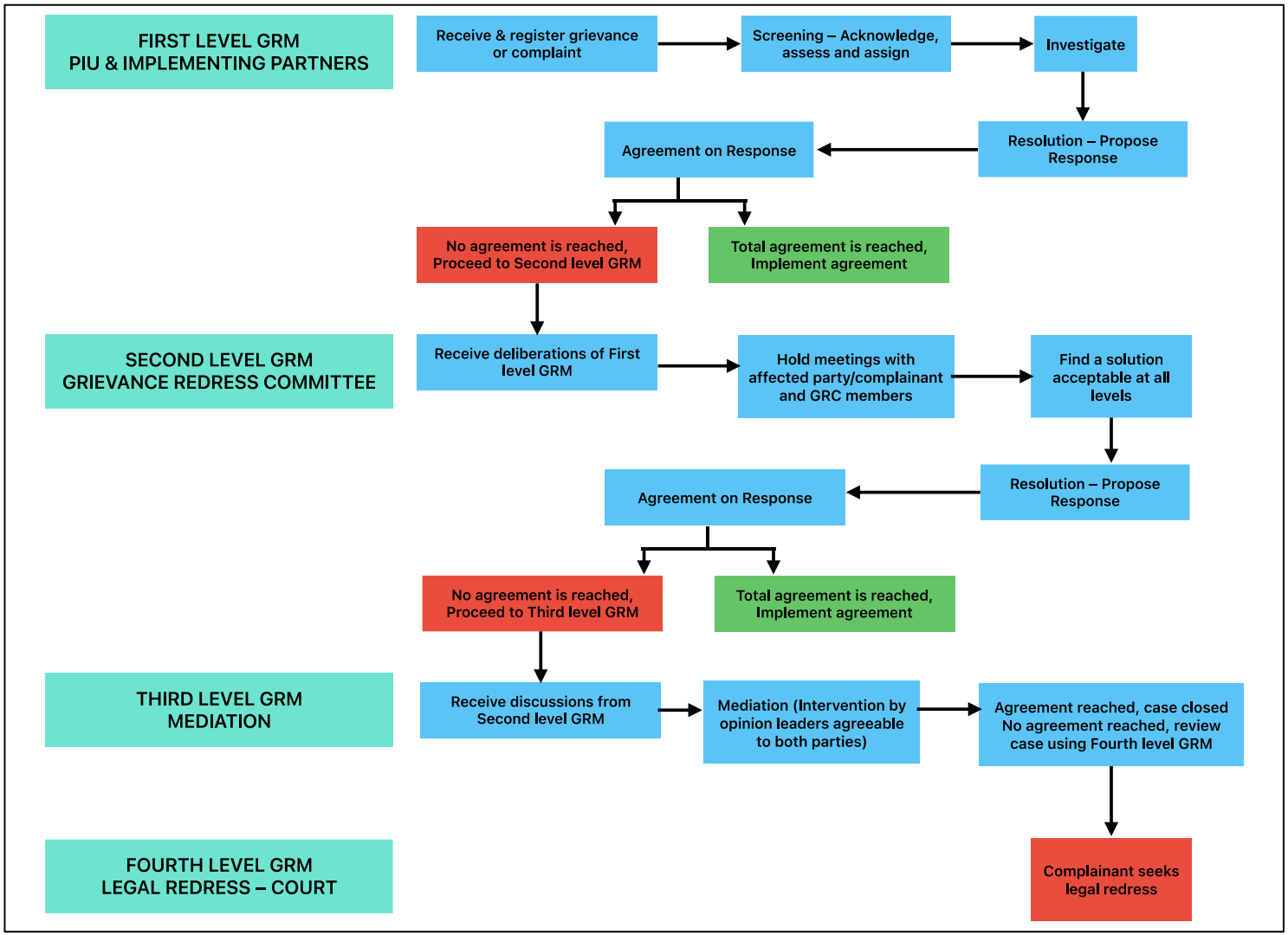

Figure 9-1 Project GRM

10 CAPACITY DEVELOPMENT AND TRAINING SCHEDULE

10.1 Capacity Building and Training

Capacity building and training will be provided to the PIUs and their E&S staff, and contractors and their project workers; and staff of the beneficiary MSME's, to ensure the project is implemented in compliance with the ESCP and this ESMF.

Trainings will be based on the results of a capacity assessment that will be undertaken in advance. The PIUs will administer the capacity assessment of its contractors and staff.

Table 10-1 Capacity Development and Training Plan

Objectives	Issues for engagement	Method of engagement	Stakeholders/target population and area	Responsible entity	Time frame	Budget in USD
Training PIU staff on the World Bank Environment and Social Framework (ESF) including the WBG EHS Guidelines with a focus on Occupational Health and safety	ESF	Training	PIU staff	WB	At commencement of activities	WB staff time
Stakeholder mapping and engagement	SEP	Meeting	PIU staff Contractors MSEA, KenInvest staff	PIU	Prior to commencement of subprojects	E&S Specialists staff time Meeting costs
The ESMF and specific aspects of environmental and social assessment including preparation of E&S instruments	ESMF and E&S processes	Training	PIU staff Contractors MSEA, KenInvest staff	PIU	Prior to commencement of subprojects	E&S Specialists staff time Meeting costs

Objectives	Issues for engagement	Method of engagement	Stakeholders/target population and area	Responsible entity	Time frame	Budget in USD
such as ESIA/ESMPs.						
OHS issues (Emergency Response Procedures (ERP)	OHS risk management	Meeting at subproject site	PIU staff especially E&S staff contractors and workers	PIU Contractor	Prior to construction works	E&S Specialists staff time Meeting costs Staff travel costs
Grievance Redress Mechanism (GRM)	GRM	Meeting: Plenary discussion with questions and answers, information materials, website	Contractors Communities KenInvest PIU staff	PIU	Continuous	E&S Specialists staff time Meeting costs Staff travel costs
Specific aspects of environmental and social assessment including supervision and monitoring on implementation of ESMF/ESMP and other related safeguard plans.	E&S Risks	Focus group discussions, site visits and interviews	PIU Contractors	PIU	At commencement of sub-project	E&S Specialists Meeting costs Staff travel

Objectives	Issues for engagement	Method of engagement	Stakeholders/target population and area	Responsible entity	Time frame	Budget in USD
Community Health & Safety	E&S risks	Meetings	Community members at site locations	PIU Contractors	Throughout engagement	E&S Specialists Meeting costs Staff travel
Proper use of Personal Protective Equipment (PPE)	OHS	Meetings	Project workers	PIU Contractors	Throughout civil works	E&S Specialists Meeting costs Staff travel

10.2 Resources and Budget

Table 10-2 presents the estimated costs for the implementation of the ESMF. It excludes costs for the implementation of the SEP.

Table 10-2 Estimated Costs of ESMF Implementation

	Required Resources	USD
E&S Risk Management Unit / PIU – Monitoring of E&S		
1.	Human Resources:	
	1 Social Specialist (100%)	Incl. in PIU staff costs
	1 Environmental Specialist (100%)	Incl. in PIU staff costs
2.	Logistics / Travel for monitoring and supervision	200,000.00
PIU 2 E&S Risk Management		
3.	Human Resources:	
	1 x Social Specialist (100%)	Incl. in PIU staff costs
	1 x Environmental Specialist (100%)	Incl. in PIU staff costs
4.	Logistics / Travel for monitoring and supervision x XX	50,000

	Required Resources	USD
Grievance Redress Mechanism		
5.	Outreach material	50,000
6.	Travel costs	100,000
7.	Meeting costs	50,000
Implementation E&S of Risk Mitigation Measures		
8.	Preparation of ESMPs/ESIAs	200,000
9.	Contractor E&S staff	Incl. in contractor budget
10.	Risk Mitigation Measures (estimates based on another project implementation)	500,000
11.	Trainings and Capacity Building	200,000
	TOTAL	**1,350,000**

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ANNEXES

Annex A: Subproject Environmental & Social Screening Form (ESSF)

This form will be completed during identification of project activities by the Environment and Social (E&S) Specialists in Project Coordination Units (PIUs) to screen for the potential E&S risks and impacts of a proposed subproject. It will help the PIUs in: (i) identifying the relevant E&S Standards (ESS); (ii) establishing an appropriate E&S risk rating for these subprojects; and (iii) specifying the type of E&S social assessment required; including specific instruments/plans. The completed forms will be signed, and the record stored.

This form will allow the PIUs to form an initial view of the potential risks and impacts of a subproject**. It is not a substitute for project-specific E&S assessments or specific mitigation plans.**

Screening Date	
Subproject Name	
Subproject Location	
Subproject Proponent	
Estimated Investment Budget	
Start/Completion Date	

No.	Questions	**Answer**	**ESS relevance**		**If these risks "Yes" are present, Apply**	**Comment**
		Yes	**No**			
1.	Does the subproject involve civil works including new construction, expansion, upgrading or rehabilitation of facilities?			ESS1	ESMF	
2.	Does the subproject involve long-term, permanent and/or irreversible adverse impacts (e.g., loss of major natural habitat);	*		ESS1	ESMF	
3.	Does the subproject involve significant adverse social impacts and may give rise to significant social conflict?	*		ESS1	SEP, VMGP, SMP	
4.	Is there a sound regulatory framework and institutional capacity in place for e-waste management?			ESS1	ESMF, e-waste ECOP	

No.	Questions	**Answer**	**ESS relevance**		**If these risks "Yes" are present, Apply**	**Comment**
		Yes	**No**			
5.	Does the subproject involve recruitment of workers including direct, contracted, primary supply, and/or community workers?			ESS2	LMP, SEP, VMGP, GBVAP	
6.	Does the subproject have appropriate OSH procedures in place, and an adequate supply of PPE (where necessary)?			ESS2	LMP, SEP	
7.	Does the subproject area present considerable Gender-Based Violence (GBV) and Sexual Exploitation and Abuse (SEA), and Sexual Harassment (SH) risk?			ESS2	LMP, GBVAP	
8.	Is the subproject associated with any external e-waste management facilities?			ESS3	ESMF, SEP, ESMP	
9.	Does the subproject have an adequate system in place (capacity, processes, and management) to address waste?			ESS3	ESMF, e-waste ECOP	
10.	Does the subproject result in GHG emissions or black carbons			ESS3	ESMP	
11.	Does the subproject involve transboundary transportation of specimen, samples, infectious and hazardous materials?			ESS3	WMP	
12.	Does the subproject use pesticides, and herbicides			ESS3	IPMP ESMP	
13.	Will the activities have high probability of causing serious adverse effects to human health and/or the environment?			ESS4	ESMF, LMP, VMGP	
14.	Does the subproject involve use of security or military personnel during construction and/or operation of project infrastructure and related activities?			ESS4	SMP	
15.	Does the subproject involve land acquisition and/or restrictions on land use?	*		ESS5	RPF, SEP	
16.	Will the activities affect lands or rights of VMGs or other vulnerable minorities?	*		ESS5	RPF, SEP, VMGP	

No.	Questions	Answer	ESS relevance		If these risks "Yes" are present, Apply	Comment
		Yes	No			
17.	Does the subproject involve permanent resettlement or land acquisition?	*		ESS5	RPF, SEP	
18.	Does the subproject have a mitigation hierarchy for minimizing, mitigating and managing the adverse impacts and risks related to the potential threats to biodiversity			ESS6	ESMP	
19.	Is the subproject located within or in the vicinity of any ecologically sensitive areas?			ESS6	ESMF	
20.	Are there any indigenous groups (meeting specified ESS7 criteria) present in the subproject area and are they likely to be affected by the proposed subproject negatively or positively?			ESS7	VMGP	
21.	Does the subproject require Free Prior Informed Consent (FPIC) with affected Indigenous Peoples/and Sub Saharan African historically underserved communities?	*		ESS7	VMGP	
22.	Is the sub-project located within or in the vicinity of any known cultural heritage sites?	*		ESS8	ESMF, Chance finds procedures	
23.	Does the subproject have a GRM in place, to which all workers have access, designed to respond quickly and effectively?			ESS10	SEP, LMP	
24.	Did the proponent of the subproject carry out regular consultation with a wide range of project stakeholders?			ESS10	SEP	
25.	Can the stakeholders play a significant role in shaping or affecting the subproject, either positively or negatively?			ESS10	SEP	
26.	Is there any territorial dispute between two or more countries in the subproject and its ancillary aspects and related activities?			OP7.60 Projects in Disputed Areas	Governments concerned agree	

No.	Questions	Answer	ESS relevance		If these risks "Yes" are present, Apply	Comment
		Yes	No			
27.	Will the sub project and its ancillary aspects and related activities involve the use or potential pollution of, or be in international waterways?			OP7.50 Projects on International Waterways	Notification (or exception)	

∗ The exclusion list of the sub-projects. If any of these parameters are "Yes", the sub-project is excluded from financing under the program.

If All answers to the checklist questions are "No". There is no need for further action.

The Environmental and Social Commitment Plan (ESCP) prepared for the project has clearly outlined the activities considered as ineligible for financing under the project/exclusion list of activities that will not be financed under the project and that will be screen out. These include:

- Sub-projects/investments with high environment risks (per WB ESF and ESSs definition);
- Any technical assistance (TA) activities that are classified as Type 1 as per WB Operations Environmental and Social Review Committee (OESRC) Advisory Note;
- Activities that may cause long term, permanent and/or irreversible impacts (e.g., loss of major natural habitats including habitats of wildlife and fisheries);
- Activities that may cause any significant loss of biodiversity;
- Activities that have a high probability of causing serious adverse effects to human health and/or the environment;
- Activities that may have significant adverse social impacts and/ or may give rise to significant social conflict;
- Activities that may involve significant land acquisition, forced eviction and involuntary physical displacement;
- Activities that would disproportionately affect the historically underserved and vulnerable groups;
- Activities that may cause damage to cultural heritage;
- Activities that contravene Kenya's obligations under its international agreements;
- Activities that may involve generating large volume of e-waste causing significant irreversible adverse impacts to human health and natural resources; and
- Activities that limit access for women and PWDs to project benefits (e.g., public offices with no ramps to, inaccessible websites, etc.).

Conclusions:

Proposed subproject is eligible for financing under the project criteria: .....

Proposed Environmental and Social Risk Ratings (High, Substantial, Moderate or Low).

Provide Justification: .....

Proposed E&S Management Instrument(s): .....

Certification:

Reviewed and approved by:			
PIU Environment Safeguards Specialist **Name:**		**PIU Social Safeguards Specialist** **Name:**	
Date	**Signature**	**Date**	**Signature**

Annex B: ESIA Procedures in Kenya

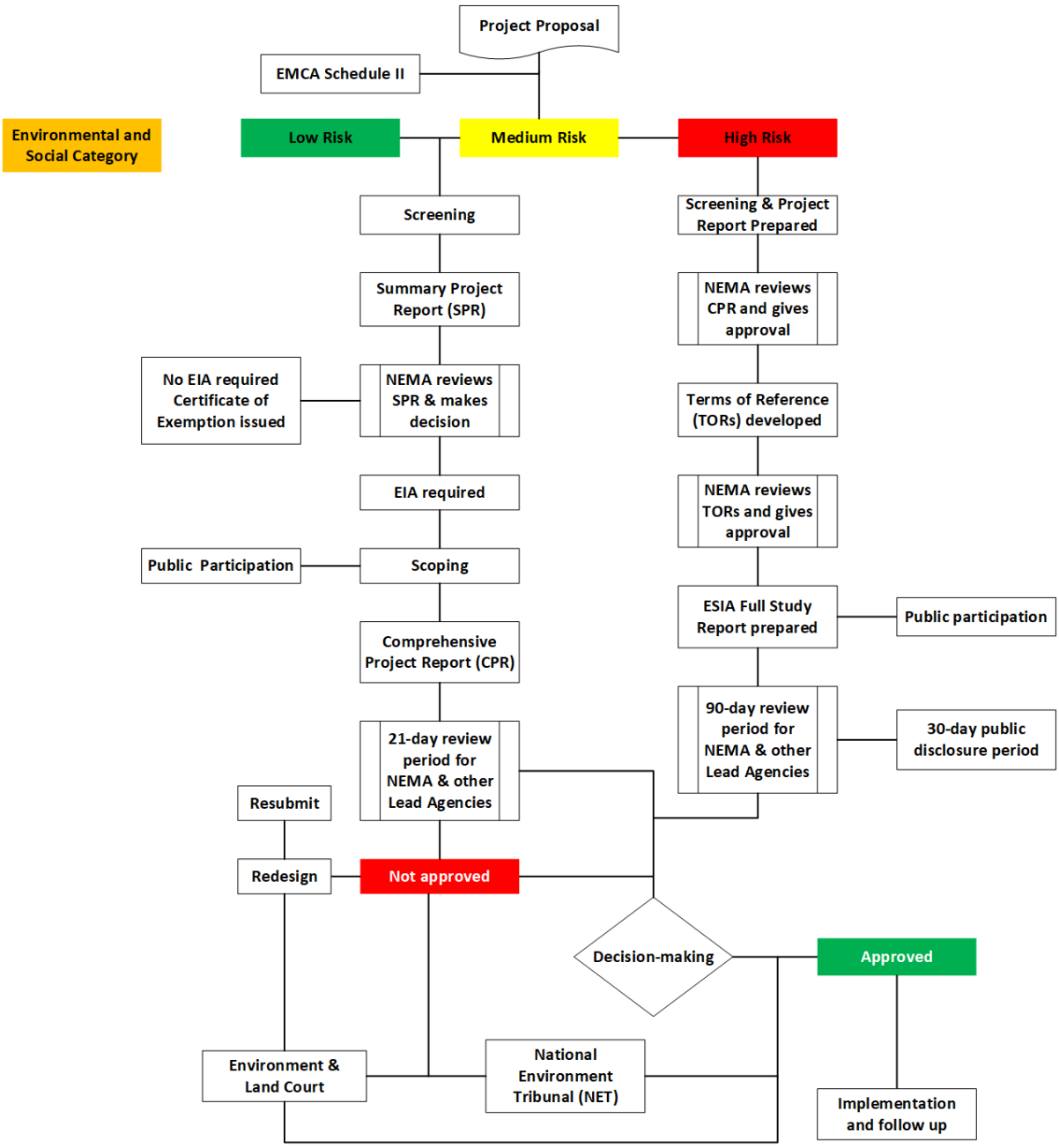

Figure 0-1 ESIA Procedures in Kenya

Annex C: Chance Finds Procedure

Purpose

The purpose of this procedure is to ensure the protection of tangible and intangible cultural heritage within Kenya including potential archaeological finds discovered during KJET's Project's civil works activities.

Scope

The "chance finds" procedure covers the actions to be taken from the discovery of a heritage site or item to its investigation and assessment by a trained archaeologist or other appropriately qualified person.

Compliance

The "chance finds" procedure is intended to ensure compliance with relevant provisions of the National Museums and Heritage Act of 2006, especially Section 30 that requires all discoveries of buried artifacts to be reported to the National Museums of Kenya (NMK). The procedure of reporting set out below must be observed so that heritage remains reported to the NMK are correctly identified in the field.

Responsibility

- Operator: To exercise due caution if archaeological remains are found
- Foreman: To secure site and advise management timeously
- PIUs Social Specialist: To determine safe working boundary and request inspection.
- Archaeologist: To inspect, identify, advise management, and recover remains/item.

Procedure

Table 0-1 Chance Finds Procedure

Mitigation/Monitoring Action	Responsibility	Schedule
Should a heritage site or archaeological site be uncovered or discovered during the construction phase of the project, the "chance finds" procedure should be applied. The details of this procedure are highlighted below:	PIUs	Where necessary
• If operating machinery or equipment: stop work. • Identify the site with flag tape. • Determine GPS position if possible. • Report findings to foreman	Person identifying archaeological or heritage material	
• Report findings, site location and actions taken to PIUS. • Cease any works in immediate vicinity.	Foreman	
• Visit site and determine whether work can proceed without damage to findings. • Determine and mark exclusion boundary. • Site location and details to be added to project GIS for field confirmation by archaeologist	PIUs	
• Inspect site and confirm addition to project GIS.	Archaeologist	

Mitigation/Monitoring Action	Responsibility	Schedule
• Advise the NMK and request written permission to remove findings from work area. • Recover, packaging and labelling of findings for transfer to NMK		
Should human remains be found, the following actions will be required: • Apply the chance find procedure as described above. • Schedule a field inspection with an archaeologist to confirm that remains are human. • Advise and liaise with the NMK and Police • Remains will be recovered and removed either to the National Museum or the National Forensic Laboratory or reburied in consultation with the concerned community members.	Archaeologist NMK Police Community elders	

Annex D: Environmental Code of Practice for e-Waste Management

INTRODUCTION

Rationale of this E-Waste ECOP

Kenya's Draft e-waste Regulations, 2013, streamline the procedures of handling and disposal of e-waste generated by various sectors. The draft e-waste Regulations provide a framework for identification, collection, sorting, recycling, and disposing of e-waste. The guidelines also provide the basis for developing legal instruments to enhance enforcement. Since the process of developing e-waste legal instruments is ongoing, this project specific ECOP has been developed for the collection, transport, storage, and disposal of e-waste from the Project activities. It is anticipated that this project specific ECOP will supplement and accompany more detailed national legislation and regulations for management of e-waste.

KJET will need to ensure that they have procedures in place to meet the requirements of this ECOP, whether they are through private sector recycler or vendor take back schemes processes.

Legislation	*Key Provisions*	*Relevance to the Project*
The Constitution of Kenya	Guarantees the right to a clean and healthy environment in Article 42 Imposes obligations on every person, to cooperate with state organs and other persons to protect and conserve the environment and ensure ecologically sustainable development and use of natural resources. Requires participation in all projects	All project e-waste must be managed as per developed management plans to comply with constitutional requirements. Conduct extensive stakeholder engagement when preparing e-waste management plans.
Environmental Management and Coordination Act, 1999 (Revised 2015)	Require generators of hazardous waste to conduct an environmental and impact assessment (EIA). Prohibits the discharge of hazardous substances or chemicals into any waters or other segments of the environment.	All subproject ESIAs will be conducted in accordance with this Act.
EMCA (Waste Management) Regulations 2006	requires waste generators to segregate waste by separating hazardous waste from non- hazardous waste for appropriate disposal. prohibits any industry from discharging or disposing of any untreated waste in any state into the environment.	e-waste from out-of-use ICT equipment in the Project will require appropriate disposal in line with the regulations
Sustainable Waste Management Act, 2022	Requires preparation of Waste Management Plans (WMPs) by counties, private entities, and individuals. requires each county government to establish a materials recovery facility	Waste from the project will require appropriate disposal in line with prepared WMPs, by licensed waste handlers, and in coordination with respective county governments. The project should work with counties with key towns to establish materials recovery facilities.

ENVIRONMENTAL CODE OF PRACTICE REQUIREMENTS

Electronic Waste and Potential Environmental Impacts

Electronic Waste (e-Waste) comprise of electronic/electrical goods which are not fit for their originally intended use or products that have reached their end-life. E-waste in this Project will comprise computers, monitors, CPUs, tablets, laptops, printers, copiers, accessories such as (speakers, keyboards, cables, etc.), projectors, cell phones, chargers, and other accessories. The e-waste contains hazardous substances present in the items when such wastes are dismantled and processed. E-waste if not managed properly, can be a dangerous threat to human health and the environment including persistent, bio-accumulative, and toxic substances, such as brominated flame retardants, heavy metals (e.g., lead, nickel, chromium, mercury), and persistent organic pollutants (e.g., polychlorinated biphenyls (PCBs). This threat can result from two sources. First, through leaching of hazardous substances, lead, mercury, cadmium, and lithium into the environment from e-waste that is disposed of in normal (non-engineered) landfills and refuse dumps. Second, through improper recycling techniques, which are employed in the informal recycling sector and improper domestic disposal.

Effective management of e-waste in the Project can ensure avoidance/minimization of these potential negative impacts. Indeed, through provision of support for e-waste management and awareness creation activities, it is expected that the project, guided by this ECOP, will have long-term positive impacts on public health.

E-Waste Management Approach

The approach adopted seeks to avoid the potential environmental impacts created by improper management of e-waste. Mitigation measures proposed comprise six fundamental stages or approaches namely: (i) preparing e-waste disposal policies and procedures; (ii) creating awareness and training of PIUs on e-waste; (iii) identifying e-waste for disposal; (iv) segregation of the e-waste; and (v) identification of licensed recycler and delivery of e-waste to the recycling/treatment facility.

i. Preparing e-waste disposal policies and procedures

PIUs will prepare policies and procedures, plans to guide in the disposal of the e-waste that is produced under the Project, the e-waste disposal policies and procedures will lay down guidelines and procedures in disposing end of use electronic and electric assets and equipment.

ii. Creating awareness and training for PIU staff on e-waste

The project will create awareness among PIU staff on the importance of e-waste management and, policies and procedures in place for safe disposal of e-waste. The project will ensure that workers handling e-waste are trained on personal protection, handling of hazardous products and handling e-waste. The project will collaborate with national entities such as NEMA, WMC, and electronic vendors to help in improve e-waste management systems in Kenya.

iii. Identifying the e-waste for disposal

This includes such items as computers, monitors, CPUs, tablets, laptops, printers, copiers, accessories such as (speakers, keyboards, cables, etc.), projectors, cell phones and any chargers. E-waste disposal sites must be licensed by authorities as such. We do not have such sites in Kenya, and it is unlikely that the project will establish any e-waste disposal sites. Alternatively, KJET can create e-waste transfer stations.

iv. Segregation and storage of e-waste

Workers handling e-waste will be trained to segregate e-waste that can be refurbished for re-use, or donated to schools and other institutions and the rest of e-waste that needs to be disposed/recycled. The e-waste due for disposal should be properly stored to avoid leakage and emission of radioactive materials found within end of use electronic and electric products. The following e-waste segregation and storage requirements should be followed:

- E-waste should be stored in a well-ventilated room with impervious surface in a dry atmosphere at room temperature, not exposed to sunlight or rainfall. The equipment should be stored on pallets or shelves.
- Fragile equipment such as computer monitors (Cathode Ray Tube, CRT) and fluorescent lamps should be carefully handled and stored to avoid damages (e.g., put in the original packing).
- E-waste should not be stored together with other waste types.
- Batteries should be disconnected from the products.
- Lithium batteries should be stored in a way that ensures that the battery terminals do not get in contact with any metals or other battery terminals.
- There should be no dismantling of electronic or electrical products.
- E-waste should be stored for as short a period as practicable.

v. Identification of licensed recycler and delivery of e-waste to the recycling facility

The project will identify a NEMA licensed e-waste recycling company(ies) in Kenya and establish partnership or collaboration to ensure generated e-waste is disposed appropriately. Only East African Compliant Recycling (EACRC)[85] in Nairobi, has the capacity to recycle and treat the e-waste at no cost to the waste generator. Partnerships with other registered e-waste handlers and recyclers in Kenya will also be sought as necessary. The project can also pursue partnerships with the major vendors of electronic and electric equipment for potential 'take back schemes.

Capacity Building and Monitoring of E-Waste ECOP Implementation

As part of the capacity building to be provided for implementation of the proposed operations, PIU and relevant staff will receive training in the ECOP's application. The World Bank Group will monitor and provide guidance in the implementation of the e-waste ECOP. For this purpose, PIUs will establish a monitoring mechanism as part of the project management system.

PUBLIC DISCLOSURE

This e-waste ECOP will be shared with key stakeholders, PIU, and development partners. Subsequently, it will be disclosed on MITI, MCMSMEs Development, MSEA and WBG websites as part of the ESMF.

[85] The EACR is operating Kenya's first e-waste recycling facility, operating to international health, safety, and environmental standards, and establishing a local, sustainable IT e-waste recycling industry.

Annex E: Guidance on the Preparation of Waste Management Plans (WMPs)[86]

Section 19 of the Sustainable Waste Management Act provides guidance on the preparation of waste management plans by non-county actors. The guidance is elaborated below:

WMP DURATION

Each WMP shall be for a duration of three years.

WMP MONITORING REPORT AND CONTENTS

This monitoring report shall be prepared annually and submitted to NEMA.

The contents of a WMP monitoring report shall be:

a. the actual quantities of waste generated by KJET Project;
b. the waste management methods applied by KJET Project; and
c. any other information that NEMA may require.

SPECIFIC GUIDANCE ON PREPARATION OF WMPs

KJET Project shall:

a. adopt the following cleaner production principles including—
    i. improvement of production processes through conserving raw materials and energy;
    ii. limiting the use of toxic raw materials to safe laws within such time as may be prescribed by the Authority;
    iii. reducing toxic emissions and wastes; and
    iv. monitoring the product cycle from beginning to end by;
b. identify and eliminate potential negative impacts of the product;
c. enable the recovery and reuse of the product where possible;
d. reclaim and recycle;
e. incorporate environmental concerns in the design, process and disposal of the product;
f. collect, segregate and dispose of or cause to be disposed of the waste in accordance with this Act;
g. segregate waste by separating hazardous waste from non-hazardous waste and dispose of the waste in a facility provided by the county government or the NEMA;
h. transfer the waste to a person who is licensed to transport and dispose of the waste in accordance with this Act;
i. clean up and restore the site it was using to its natural state;
j. prepare a waste management plan and integrate it in its corporate strategies and plans; and
k. provide waste segregation receptacles at its premises for organic, plastic and general dry waste.

[86] Sustainable Waste Management Act, 2022

Annex F: Generic ESIA TOR for a Subproject

Introduction and context

This section will be completed at the appropriate time and will provide the necessary information with respect to the context and methodological approaches to be undertaken.

Objectives of the study

This section will (i) outline the objectives and particular activities of the planned activity; and (ii) indicate which activities are likely to have environmental and social impacts that will require appropriate mitigation (Adapted to specific activities).

Terms of Reference

1. To undertake an Environmental and Social Impact Assessment (ESIA) for proposed project to meet the requirements of the WBG Environmental and Social standards (ESSs) and Environmental Health and Safety Guidelines (EHSGs) and the Kenya legal requirements;
2. To provide relevant environment and social baseline conditions on the proposed project area,
3. Review the relevant WBG's ESSs triggered for the project, the national legal requirements and guidelines that the project will be implemented;
4. Assess and predict the potential site specific environmental and social impacts of the project during site preparation, construction and operation phase;
5. Develop proposed feasible and cost-effective mitigation measures for the potential adverse environmental and social impacts as well as safety risk associated with the proposed project site activities;
6. Assess safeguards capacity of implementing entities and recommend appropriate measures to address gaps through capacity building during implementation of the project; and
7. Develop environmental and social management and monitoring plans and prepare appropriate budget for Environmental, Social, Health and Safety mitigation measures for the project.

ESIA Report Outline

The ESIA report will be expected to include (but not limited to) the following, which are also indicative of the depth of the scope:

1. **Executive Summary**. Concisely discuss significant findings and recommended actions;
2. **Introduction.** This shall include a concise description of the proposed project background, project objectives, scope and objectives of ESIA;
3. **Description of the Project Activities and identification of associated facilities if any.** The consultant shall give the proposed project an introduction covering a short description of the project area, project activities (where possible during construction, operations and maintenance) – including the project execution methodology and technology to be used for the project;
4. **Policy, Legal and Administrative/Institutional Framework**. This shall include a detailed description of World Bank Group's Environmental and Social standards (ESSs) triggered by the project and the National laws and regulations environment the project will operate. The level of compliance to the applicable laws and regulations shall be clearly stated;

5. **Environmental and Social Baseline Conditions.** The Consultant is required to collect, and present baseline information on the existing physical, biological, and social cultural environment of, within and around the project sites/area of influence;
6. **Public/Stakeholder's Consultations:** Public consultation is an integral part of the environmental assessment process, as reflected in the requirements of the World Bank ESS 10 and relevant national legislation. The public consultations should include community meetings, interviews, questionnaires, or a combination of these depending on the stakeholders;
7. **Analysis of Alternatives;** Including a description of the analysis of alternative process aimed at combining technical-financial aspects with socio-environmental considerations for the section of the preferred options and avoiding significant **impacts;**
8. **Environmental and Social Impacts identification and assessment**. The consultant shall identify and summarize all anticipated significant positive and adverse environmental and social impacts, because of interaction between the proposed project and environment that are likely to bring changes in the baseline environmental conditions. Moreover, cumulative impacts should be assessed at this stage;
9. **Impact Mitigation Measures**. The consultant shall come up with proposals of feasible and cost-effective mitigation measures, taking into consideration designs and equipment descriptions used for the negative impacts that could result from construction activities;
10. **Environmental and Social Management Plan**
    a. The Consultant shall develop a comprehensive environmental and social management plan comprising of a programme of assessing and managing the impacts during site preparation, construction, and operation and decommissioning phases.
    b. This will provide time frames and implementation mechanisms, reporting responsibilities, description and technical details of monitoring measures, assessment of the institutional needs, staffing requirements and cost outlay for implementation. The plan should show how management and mitigation methods are phased with project implementation.
    c. The plan shall also include measures to manage occupational health and safety risks and to ensure safety in the working environment for the employees and the communities adjacent to the project sites and project affected people.
    d. ESMP monitoring.
    e. Costs of ESMP implementation and monitoring.
11. **Institutional Arrangements, Capacity Development and Training.** The consultant is expected to review the institutional arrangements, responsibilities, and procedures within implementing agencies to effectively carry out implementation of environmental project components and mitigation measures and recommend appropriate measures to address capacity gaps identified.
12. **Conclusions and Recommendations**;
13. **References**. Documents, whether published or not, that were used to prepare the studies and outputs; list of related reports; and
14. **Appendices**. E.g., Design Concepts, record of the public consultations, ToR for the ESIA, etc.

Qualification of the Consultant

The Consultant will ensure that there will be a sociologist working with him/her in undertaking the ESIA. (Bachelor's Degree in Sociology or related field from recognized university and 5-10 years post-graduation experience and at least three (3) experience in large scale infrastructure project. The sociologist should be conversant with the WBG's ESSs).

The Consultant will have the following minimum qualifications:

- MSc. Degree in Environmental Sciences or a BSc. Environmental Engineering from a recognized University
- NEMA Registered Lead EIA Expert or equivalent
- Minimum overall experience of 10 years, with at least 5 years' experience on similar projects in Sub-Saharan Africa
- OHS expertise.

ESIA Deliverables and Reporting

The ESMP will be prepared in English. The assignment shall be carried out and completed within sixty (60 days) from the contract signing to NEMA licensing.

Table 0-2 ESIA Deliverables

Report	**Description**	**Submittal date**	**Copies**	
			Hard	**Soft**
Report 1:	Acceptable inception report including; clear description of understanding the assignment, methodology to be used and work plan	5 days after contract effective date.	2	2
Report 2:	Submission of Draft ESIA Report	30 days after contract effective date.	2	2
Report 3:	Submission of acceptable final ESIA Report to NEMA	40 days after contract effective date	8	1

Annex G: Incident Report Form

Flash Incident Report Form

Please report any incident within 48 hours to the PIU

Implementing Partner	
Subproject / Activity	
Report Date	
Reported By (Name and Title)	

Details of Incident

Incident Date	
Incident Time	
Incident Place	

Root Cause Analysis (RCA and CAP)

Please report within 15 days of the incident. If investigations are prolonged, please include in quarterly reporting.

Select the root cause(s) of the incident from the list below. If 'Other', please specify:

Root Cause	**Yes**	**No**
Improper Planning		
Poor Maintenance		
Poor Supervision		
Poor Quality of Equipment		
No rules, standards, or procedures		
Lack of knowledge or skills		
Improper motivation or attitude		
Failure to comply with rules		
Other		

Identification of Type of Incident and Immediate Cause

1. Select the type of the incident from the list below. An incident can be classified at the same time as H&S/environmental/social.

<u>Type of Incident</u>: (and incident can cover more than one type):

Type of Incident – Health & Safety		**Type of Incident – Social**	**Type of Incident – Environmental**
Moving Machinery/vehicles at project site	Dust, Fumes, Vapors that impact the population and/or environment	Misuse of Government property	Chemical / Oil Spill with impact on population and/or environment
Powered hand tools	Noise	Damage to Cultural Heritage	Improper Disposal Waste
Hand Tools	Temperature or heat	Occurrence of infringement of labor rights	Disasters (Earthquake, Flood, etc.)
Animals or insects	Overexertion	Occurrence of infringement of human rights	Water Pollution/ Sedimentation
Fire or Explosion at project site	Structural Failure	Strike, demonstration	Damage to ecosystems (e.g., damage to flora/fauna)
Trips & smaller falls	Chemical/biological	Other (please specify)	Odor air Emissions
Drowning	Stress	SEA/SH	Dust, Fumes, Vapors, Air pollution with impact on population and/or environment

2. For each type of incident, select the relevant descriptor(s) from the list. You can select up to 5 descriptors for each type of incident. If a descriptor is not listed below, please type in short descriptor in "Other". Add more rows as necessary.

Incident Type	Descriptor 1	Descriptor 2	Descriptor 3	Descriptor 4	Descriptor 5	Other
H&S						
Social						
Environmental						

Provide a description of the immediate cause of the incident:

i. Description of the Incident

Record all facts prior to and including the incident, if it was a planned activity, describe/list material, ecosystem and property damaged, etc.:

Additional Questions:

• Is the incident still ongoing or is it contained?

• Is loss of life or severe harm involved?

• What measures have been or are being implemented by the contractor?

World Bank Incident Classification guide:

Indicative
•Relatively minor and small-scale localized incident that negatively impacts a samll geographical areas or small number of people •Does not result in significant or irreparable harm •Failure to implement agreed E&S measures with limited immediate impacts
Serious
•An incident that caused or may potentially cause significant harm to the environment, workers, communities, or natural or cultural resources •Failure to implement E&S measures with significant impacts or repeated non-compliance with E&S policies incidents •Failure to remedy Indicative non-compliance that may potentially cause significant impacts •Is complex and/or costly to reverse •May result in some level of lasting damage or injury •Requires an urgent response •Could pose a significant reputational risk for the Bank.
Severe
•Any fatality •Incidents that caused or may cause great harm to to the environment, workers, communities, or natural or cultural resources •Failure to remedy serious non-compliance that may potentially cause significant impacts that cannot be reversed •Failure to remedy Serious non-compliance that may potentially cause severe impactsIs complex and/or costly to reverse •May result in high levels of lasting damage or injury •Requires an urgent and immediate response •Poses a significant reputational risk to the Bank.

Annex H: Indicative Outlines for ESMPs

Below are indicative outlines and content suggestions for ESMPs, based on the WB ESF, that should be followed in the preparation of these instruments.

ESMPs should be prepared alongside the design of the rehabilitation works. A draft ESMP should be finalized a couple of weeks after designs are finalized. Stakeholder consultations should be conducted during the design preparations. The ESMPs should therefore be ready for submission to the WB for clearance two weeks after the finalization of the designs. The ESMPs should be cleared by the WB prior to inclusion of ESMP details into the bidding process. PIUs request the WB to commit to review comments to be provided within 2 weeks after submission. The PIU will commit to respond to comments received within a weeks' time – to prevent procurement processes from being delayed through the clearance of E&S instruments.

Section	Content of Section
Executive summary	Concisely discusses significant findings and recommended actions, in English and in the respective local language.
Project description	Concisely describe the proposed subproject and its geographic, ecological, social, and temporal context. Clearly define and designate the project area of influence (direct and indirect) that is covered by the ESMP. Include a map showing the project site and the project's area of influence
Mitigation	Identify measures and actions in accordance with the mitigation hierarchy that reduce potentially adverse environmental and social impacts to acceptable levels. Include compensatory measures, if applicable. Specifically, the ESMP: (i) identifies and summarizes all anticipated adverse environmental and social impacts (including those involving indigenous people or involuntary resettlement); (ii) describes—with technical details—each mitigation measure, including the type of impact to which it relates and the conditions under which it is required (e.g., continuously or in the event of contingencies), together with designs, equipment descriptions, and operating procedures, as appropriate; estimates any potential environmental and social impacts of these measures; and (iv) Considers, and is consistent with, other mitigation plans required for the project
Monitoring	Identify monitoring objectives and specify the type of monitoring, with linkages to the impacts assessed in the environmental and social assessment and the mitigation measures described in the ESMP. Provide (a) a specific description, and technical details, of monitoring measures, including the parameters to be measured, methods to be used, sampling locations, frequency of measurements, detection limits (where appropriate), and definition of thresholds that will signal the need for corrective actions; and (b) monitoring and reporting procedures to (i) ensure early detection of conditions that necessitate particular mitigation measures, and (ii) furnish information on the progress and results of mitigation.

Section	Content of Section
Capacity Development and Training	Draw on the environmental and social assessment of the existence, role, and capability of responsible parties on site or at the agency and ministry level. Provide a specific description of institutional arrangements, identifying which party is responsible for carrying out the mitigation and monitoring measures (e.g., for operation, supervision, enforcement, monitoring of implementation, remedial action, financing, reporting, and staff training). Strengthen environmental and social management capability in the agencies responsible for implementation, the ESMP recommends the establishment or expansion of the parties responsible, the training of staff and any additional measures that may be necessary to support implementation of mitigation measures and any other recommendations of the environmental and social assessment.

Annex I: Quarterly E&S Reporting Template

This annex provides a quarterly E&S Reporting Format that can be used for reporting on E&S issues.

Summary of Key E&S Aspects during the Reporting Period

Project Status, E&S Incidents, E&S Changes, E&S Initiatives

Provide a brief description of any new developments in relation to rehabilitation and operation of facilities over the reporting period.

E&S Incidents

Please provide a summary of all the notify able E&S incidents or accidents.

Date	Incident description	Class	Reports sent to lenders	Corrective actions / Remedial plan

E&S Changes

Please provide a summary of all notify able E&S changes.

Date	Change description	Reports sent to lenders	Implementation status

Improvements/initiatives regarding E&S performance

Briefly describe improvements/initiatives implemented during the reporting period on management of E&S aspects (e.g., energy/water savings, sustainability reports, waste minimization, etc.)

ESS1: Assessment and Management of Environmental and Social Risks and Impacts

E&S Impact / Risk Assessment

Have any supplemental environmental, social, health and safety impact/risk assessments been conducted during the reporting period? (Please provide copies)

Compliance with Environmental and Social Management Plans

The status of the ESMP implementation should be described and any issues that remain outstanding should be detailed.

ESS2. Labor and Working Conditions

Human Resources Management

Have implementers and contractors changed/updated their Human Resource (HR) policy and procedures, HR manual, and Health & Safety procedures, during the reporting period?

☐ Yes

☐ No

If yes, please provide details.

	# community workers	**# direct workers**	**# Female direct workers**	**Turnover**	**# Contracted workers**
Previous year					
Reporting year					

Provide the following information regarding the workforce:

List the worker-related grievances or court cases and describe their status.

Occupational Health and Safety

Describe the main changes implemented in terms of Occupational Health and Safety (OHS) during the reporting period, e.g., revision of the OHS management procedures, action plans for technical improvements, leading/lagging indicators used/introduced, identification of hazards, new controls, etc.

Please attach Health & Safety audit reports available for the reporting period.

☐ Copies attached with this report

☐ Copies available upon request

☐ Not Available

Accident Statistics Monitoring

Report TOTAL numbers for each parameter	This reporting period			Last reporting period (not cumulative)		
		Direct workers	Contracted workers		Direct workers	Contracted workers
Total number of workers						
Total man-hours worked – annual						

Total number of lost time occupational injuries[87]						
Total number of lost workdays[88] due to injuries						
Lost time injury frequency[89]						
Fatalities						
Vehicle collisions[90]						

Provide details for the non-fatal lost time injuries during this reporting period.

Implementing Partner/contractor/ Subcontractor employees?	**Total workdays lost**	**Description of injury**	**Cause of accident**	**Corrective measures to prevent reoccurrence**

Provide details for fatal accidents during this reporting period, if any, (and provide copies of accident investigation and respective corrective plan).

Date of Accident	**Type of Accident**	**Description of Accident**	**# of Fatalities**	**Preventive measures taken after the incident**

OHS Training

Describe Health and Safety training programs carried out in the reporting period.

Date	Type of audience	Description of training (and duration)	Number of attendees

Workplace Monitoring

Please provide copy of any Workplace Monitoring reports developed for the reporting period.

[88] *Lost workdays* are the number of workdays (consecutive or not) beyond the

ESS3. Resource Efficiency and Pollution Prevention

Environmental Monitoring

Provide copy of environmental monitoring data reports for this reporting period, collected consistent with the ESMPs for the sub-projects.

Briefly describe environmental mitigation measures implemented during the reporting period to comply with E&S requirements.

Resources Efficiency: Energy and Water

Provide data on energy and water consumption during the reporting period. If the data requested are available in another format, they can be submitted instead.

Describe the resources efficiency measures/efforts being implemented to minimize fuel, energy, and water consumption.

Hazardous, non-Hazardous Waste and E-Waste

ESS4 Community Health, Safety and Security

Community Health and Safety

Please list and describe any initiatives implemented in relation to community health and safety during the reporting period.

Please provide the list and description of the actions, the expected or actual dates of implementation, progress/status, results obtained. You can use a tabular format (as below) or provide the information as an attachment of the report.

Accident Reporting

Provide details for the non-fatal casualties, involving third parties, during this reporting period.

Date of Accident	Type of Accident	Description of Accident	# of People Injured	Preventive measures taken after the incident

Provide details for fatal accidents during this reporting period (and provide copies of accident investigation and respective corrective plan).

Date of Accident	Type of Accident	Description of Accident	# of Fatalities	Preventive measures taken after the incident

SEA/SH Prevention and Response Action Plan

Please provide an update on the status and progress of the actions as defined in the SEA/SH Action Plan. You may attach relevant monitoring reports.

ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

Biodiversity Management

Please report on the mitigation measures included in the ESMF and ESMPs

ESS8 Cultural Heritage

Report if chance find procedures have been applied if not, please indicate Not Relevant.

ESS 10 Stakeholder Engagement and Information Disclosure

Stakeholder Engagement, Public Consultation and Disclosure

List any stakeholder engagement events, including public hearing, consultation and disclosure, liaison with non-governmental organizations, civil society, local communities on E&S.

Date	Participant(s)	Formats of Interaction	Issues Discussed	Response/ Agreement reached (attach minutes if any)	Actions Taken (if any)/ Remarks

Grievance Mechanism and Court Cases

Report the number and type of requests and/or grievances received from project affected people / local communities / local organizations. How many have been resolved and how many are pending? (Please attach a log of the grievance redress registry. Report the number and type of court cases on E&S grounds, if any (Please attach a log of all court cases and their status).

Annex J: Report from ESMF, SEP, & LMP Stakeholder Consultation

REPUBLIC OF KENYA

MINISTRY OF CO-OPERATIVES & MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT

STATE DEPARTMENT FOR MSMEs DEVELOPMENT

KENYA JOBS AND ECONOMIC TRANSFORMATION (KJET) PROJECT
ENVIRONMENTAL AND SOCIAL MANAGEMENT FRAMEWORK (ESMF)
VALIDATION WORKSHOP REPORT

DATES: 29TH APRIL 2024

VENUE: SAROVA PANAFRIC HOTEL, NAIROBI

1.0 ABBREVIATIONS/ACRONYMS

AGOA	African Growth and Opportunities Act
BDS	Business Development Services
BETA	Bottom-Up Economic Transformation Agenda
CIDCs	Constituency Industrial Development Centres
CoC	Code of Conduct
DOSHS	Directorate of Occupational Safety & Health Services
E&S	Environmental and Social
EHSGs	Environmental, Health and Safety Guidelines
ESMF	Environmental and Social Management Framework
ESSs	Environmental and Social Standards
FDI	Foreign Direct Investment
GoK	Government of Kenya
KDC	Kenya Development Corporation
KenInvest	Kenya Investment Authority
KIBT	Kenya Institute of Business Training
KJET	Kenya Jobs Economic Transformation
KNCCI	Kenya National Chamber of Commerce and Industry
KNFJKA	Kenya National Federation of Jua Kali Associations
LMP	Labour Management Procedure
MCMSMED	Ministry of Cooperatives & Micro, Small and Medium Enterprises Development
MITI	Ministry of Investments, Trade and Industry
MSEA	Micro and Small Enterprises Authority
MSMEs	Micro, Small and Medium Enterprises
NEMA	National Environment Management Authority
NYOTA	National Youth Opportunities Towards Advancement
PDO	Project Development Objective
PIU	Project Implementation Unit
PS	Principal Secretary
PWDs	Persons with Disabilities
SDIP	State Department for Investment Promotion
SDMSMED	State Department for Micro, Small and Medium Enterprises Development
STIP	Strategic Trade and Investment Partnership
WB	World Bank

2.0 EXECUTIVE SUMMARY

The Kenya Jobs and Economic Transformation (KJET) is a 5-year Government of Kenya Project funded by the World Bank (2024-2029). The project represents a pivotal endeavor by the Government to tackle systemic obstacles hindering high quality job creation and adoption of sustainable practices by Micro, Small and Medium Enterprises (MSMEs). These obstacles range from regulatory burdens to market inefficiencies, underscoring the need for comprehensive interventions to foster economic growth and environmental stewardship.

Kenya's economic landscape presents a dynamic mix of opportunities and challenges, with MSMEs serving as linchpins for growth, employment generation and poverty alleviation. Against this backdrop, the KJET project emerges as a strategic response to address regulatory bottlenecks, promote foreign investment, enhance market linkages and mitigate climate related risks. KJET seeks to empower MSMEs to adopt green practices and thrive in a competitive business environment.

The Project will be implemented by a quartet of GOK agencies: (i) Ministry of Investment, Trade, and Industry (MITI); (ii) State Department for MSMEs Development (SDMSMED) in the Ministry of Co-operatives and MSMEs Development (MCMSMED); (iii) Micro and Small Enterprises Authority (MSEA); and (iv) Kenya Development Corporation (KDC). Dedicated Project Implementation Units (PIUs) have been established to ensure seamless coordination and management, supplemented by a Grievance Resolution Mechanism (GRM) to address stakeholder concerns.

The Environmental and Social Management Framework (ESMF) validation workshop was designed to engage stakeholders from diverse backgrounds to validate the ESMF. The workshop sought to ensure alignment of the project with regulatory standards, international best practices and stakeholder interests, thereby fostering effective risk management and capacity building.

The validation process of ESMF entailed active participation and feedback from stakeholders, culminating in the refinement of the ESMF. Through robust deliberations and collaborative efforts, stakeholder insights were integrated into the final framework, enhancing its efficacy and relevance for guiding project implementation.

3.0 Introduction

The Kenya Jobs and Economic Transformation (KJET) project aims to address government constraints and market failures that prevent high-quality job creation and adoption of green practices by Micro, Small, and Medium Enterprises (MSMEs), including burdensome regulatory frameworks, inadequate Foreign Direct Investment (FDI) promotion, coordination failures between buyers and suppliers, information asymmetries with respect to capabilities and market requirements, and externalities related to climate change.

The Project Development Objective (PDO) is to 'increase private sector investments, access to markets and sustainable finance to create and improve jobs. The project targets to create and improve productivity of select MSME clusters based on priority value chains envisioned under the Bottom-Up Economic Transformation Agenda (BETA).

This report presents the findings of the Environmental and Social Management Framework (ESMF) of the KJET project which were validated by stakeholders. This is the environmental and social instrument for assessing, managing and monitoring environmental and social risks and impacts in the project given that the full nature, scope and geographical locations were not exactly known at the time of project preparation.

4.0 Objectives of the Workshop

The objectives of the Environmental and Social Management Framework (ESMF) validation workshop for KJET was to engage with relevant stakeholders affiliated with the MSMEs Sector to share insights designed to enhance efficacy in the project implementation process and to ensure that all key dimensions of environmental and social responsibilities are adequately addressed.

The ESMF establishes the screening processes and tools as well as exclusion criteria for specific sub-projects to be directly implemented by the project PIUs in assessing the risks and impacts of the sub-projects.

Implementing partners of the Project and the twin PIUs will follow this ESMF to ensure the Environmental and Social risks and impacts are fully assessed and management measures are in place prior to the implementation of the relevant project activities.

5.0 Stakeholders/Participants

The validation workshop was attended by approximately 61 participants drawn from various entities/groups as indicated below:

S/No.	Stakeholder Group	Institution/Entity
1.	State Departments	• SD MSMEs Development **(Host)** • SD Gender & Affirmative Action • SD Trade • SD Economic Planning • SD Youth Affairs & Creative Economy • SD Labour & Skills Development
2.	Semi-Autonomous Government Agencies	• Micro & Small Enterprises Authority **(Facilitator)** • Kenya Industrial Estates • Uwezo Fund • Financial Inclusion Fund • Kenya National Bureau of Statistics
3.	Development Partners	• The World Bank **(Facilitator)**
4.	Private Sector	• Kenya National Chamber of Commerce and Industry • Kenya National Federation of Jua Kali Associations
5.	Banks	• Equity Bank • Co-operative Bank of Kenya
6.	Academia	Strathmore School of Business
7.	MSE Associations/Non-State Actors	• Kenya Climate Ventures • Marura Silk Association • Artist Forum Association • Mukuru Community • Embakasi Food for Cities

S/No.	Stakeholder Group	Institution/Entity
		• Soweto Youth Initiative • Dandora Workshop Community • Joint Sisters Group • Social Enterprise Kenya • Kamukunji* • Namismaspa*

6.0 Overview of the Workshop

Preliminaries

The workshop kicked off with welcoming remarks from Mr. James Ntabo, Director Administration, State Department for MSMEs Development. This was followed up by a word of prayer by one of the participants. The Director Administration appreciated the wide spectrum of representation in the room which reflected the significance, energy and enthusiasm accorded to the exercise.

Thereafter, the Director Administration delivered the opening remarks on behalf of the Principal Secretary, State Department for MSMEs Development. The remarks highlighted the significant role that MSMEs play in the production of goods, industrialization, innovation and creation of employment that impacts directly on the country's economy. This underscores the crucial mandate of the State Department in supporting and empowering MSMEs through favourable policies, access to finance, capacity building and market linkages through the BETA.

Further, it was noted that the overarching objectives of KJET project align closely with BETA and the priorities of the State Department. To ensure the successful implementation of KJET project and maximize its benefits for MSMEs, collaboration and coordination among stakeholders is considered essential. By working together, stakeholders can leverage their respective expertise, resources and networks to address challenges, seize opportunities and achieve shared objectives.

7.0 Presentation of the Overview of KJET Project (by MSEA)

Stakeholders were given an overview of the KJET project by Mr. Evans Bullut from the Micro and Small Enterprises Authority (MSEA).

It was pointed out that KJET is a significant initiative aimed at addressing government and market failures that hinder high quality job creation and adoption of green practices by MSMES in Kenya. The project is designed to contribute to economic growth, poverty reduction and sustainable development by focusing on several objectives and components.

Objectives of KJET Project

The primary objective of the KJET project is to promote job creation and adoption of green practices by MSMES in Kenya.

It aims to complement and build upon existing initiatives while addressing market failures and enhancing the business environment.

KJET Project Components

a. Strengthening Business and Investment Enabling Reforms: This component focuses on rectifying government shortcomings in the business and investment environment such as entry barriers and licensing complexities faced by MSMEs.

Component is spearheaded by: State Department for Investment Promotion (SDIP) and Kenya Investment Authority (KenInvest).

b. Enhancing MSME Cluster Competitiveness: This component leverages existing support initiatives and forges linkages with ongoing interventions.

Component is spearheaded by: State Department for MSMEs Development (SDMSMED) and Micro and Small Enterprises Authority (MSEA).

c. Scaling-Up Green Financing and Strengthening Climate Resilience for MSMEs: This component envisages the Green Fund (Green MSME financing- Equity Investment) and the Climate Disaster Credit Facility (contingent credit triggered when a climate disaster occurs).

Component is spearheaded by: Kenya Development Corporation (KDC)

d. Project Management, Monitoring and Evaluation

Component spearheaded by: SDIP and SDMSMED

Implementation Arrangements

KJET will be implemented through collaboration between the Ministry of Co-operatives & Micro, Small and Medium Enterprises Development (MCMSME) and the Ministry of Investments, Trade and Industry (MITI);

Two dedicated Project Implementation Units have been established one under each Ministry to oversee day to day management and coordination.

A Grievance Resolution Mechanism (GRM) will be established to resolve concerns effectively and timely.

Component 2- Targets and Interventions

- 1,200 Clusters (MSE Associations and Cooperatives)- Generalized and Specialized Business Development Services (BDS)
- 600 Clusters (MSE Associations and Cooperatives)- Investment Support
- 45,000- Jobs created or improved
- Pilot – Edible Oils, Building Materials (construction) and Textiles

Entire scope will cover the 9 priority value chains under BETA

8.0 Presentation of the ESMF (by World Bank Consultants)

The ESMF was presented to stakeholders by Mr. John Ambuya and Ms. Salma Sheba.

The ESMF outlines the scope of environmental and social considerations for the KJET project. This includes assessing and managing potential impacts on the social and environment throughout the project cycle which is in line with the requirements of GOK and the World Bank's Environmental and Social Standards (ESSs) and World Bank General Environmental, Health and Safety Guidelines (EHSGs).

Objectives of the ESMF

The objectives of ESMF are to ensure environmental and social sustainability, complying with legal requirements for environmental and social safeguards, mitigating adverse impacts enhancing stakeholder engagement and promoting responsible project implementation.

The ESMF serves as a comprehensive framework to guide the project in managing its environmental, social, health and safety responsibilities ensuring that it operates in a manner that is sustainable, responsible, and compliant with regulations.

Key Environmental and Social Risks Associated with the KJET project

- Habitat destruction
- Water pollution
- Air pollution
- Displacement of communities
- Waste generation (hazardous/non-hazardous)
- Cultural heritage impact
- Worker safety and health
- Climate change impacts
- Biodiversity loss
- Community health impacts
- Social inequity
- Cybersecurity risks
- Labour influx

Sample Mitigation of Anticipated E&S Risks & Impacts

- Screen each sub-project prior to implementation.
- Prepare all relevant E&S instruments to mitigate risks and impacts.
- Implement the ESMP recommendations.
- Raise awareness of E&S risks and appropriate mitigation measures.
- Implement the developed Labour Management Procedure (LMP).
- Ensure Project Grievance Resolution Mechanisms (GRM) are accessible.
- Provide awareness session.
- Every worker to sign Code of Conduct (CoC)
- Provide training on CoC.
- Implement the Waste Management Plan (WMP)
- Solid waste generated should be effectively recycled/reused within the processes to the extent possible.
- Contractor to prepare and implement Contractor – Environment and Social Management Plan (C-ESMP).
- Investees to prepare and implement the Environment and Social Management Systems (ESMS).
- Sensitize the MSME and contractor workers on appropriate waste handling and disposal.
- Enable appropriate collection of domestic waste and disposal at predetermined location.
- Untreated wastewater effluents from the sub-project sites shall not be released into drinking water sources, cultivation fields, irrigation channels, or critical habitats.
- Sensitize workers on appropriate wastewater management.

- Ensure design of facilities is appropriate.
- Install safety signage where applicable.
- Ensure provision of adequate ventilation for the machinery working areas
- Introduce transparent procedures for hiring and advertise job opportunities widely.

Stakeholders Engagement Plan (SEP)

This is a guide for identifying different stakeholders who have a role or interest in the project and developing ways of involvement during the project implementation phase. It is a living document that will be updated throughout the course of the project to incorporate changes and updates in the stakeholders.

The Strategy forms part of the ESMF and can be divided into two; the stakeholders' engagement and communication plan. SEP strategy is to build an informed stakeholder support base, and ownership and provide adequate stakeholders participation space and modes of communication for the successful implementation of the project.

Importance of Stakeholder Engagement

- Stakeholder engagement is crucial in capacity building and institutional strengthening efforts to support effective environmental and social framework;
- Understanding diverse perspectives. Stakeholder engagement ensures that the concerns, needs and perspectives of all relevant stakeholders are considered;
- Enhanced decision making. Engaging stakeholders provides decision making with valuable insights and information necessary for making informed decisions;
- Effective stakeholder engagement fosters trust and build ownership among stakeholders;
- Identifying risks and opportunities;
- Promoting transparency and accountability; and
- Facilitating collaboration and partnerships.

Procedures to Address E&S Issues

- Step 1 – Screening of sub-Project Activities / Subprojects – Screening Forms
- Step 2- Sub-project Categorization
    - GOK E&S Risk Classification
    - TA E&S Risk Classification
- Step 3 – Carrying out E&S Assessments
- Step 4 – Review and Approval
- Step 5 – Public Consultations and Disclosure
- Step 6- Review Approval and licensing by NEMA
- Step 7 – Monitoring, Supervision and Reporting
    - External Supervision and Monitoring – NEMA, DOSHS, World Bank
    - Review and Evaluation – E&S Completion

9.0 Matters Arising

Following the informative presentations shared, the following were the matters arising during the plenary sessions:

S/ No.	Issue	Stakeholder	Response
1.	The need for inclusivity across the Sub-groups [Persons with Disabilities (PWDs) not represented] when undertaking the validation exercise and designing of the project	MSE Association	It was reiterated that the project was designed to be all-inclusive and is intended to support MSMEs across all Sub-groups including the vulnerable groups, PWD's among others Invitation had been extended to all stakeholders including PWDs.
2.	Small number of groups attending the forum and whether there will be room for more groups to come on board.	MSE Association	Subsequent sensitization forums will be organized involving more groups from time to time to create awareness on the scope and benefits of the project.
3.	At what point will MSME umbrella organizations be brought on board.	MSE Association	Continuous collaboration and coordination among all stakeholders is considered essential from the design phase to the implementation of the project. KNCCI and KNFJKA are represented in the forum.
4.	Issues of care for victims of Gender Based Violence (GBV) arising during the implementation of the project. How will issues of Gender Responsiveness be addressed/monitored and by which entity. How will Gender Platforms such as the '50 million African Women Speak' be leveraged.	SD Gender and Affirmative Action	Implementation of the project will be undertaken in close collaboration with all the stakeholders and will leverage on the available platforms to ensure that the project objectives are met. The project will also create awareness to all the relevant stakeholders to prevent GBV and SEA/SH.
5.	Significance of the Creative Industry Value Chain within the Sector and need for involvement in the designing of the Project.	MSE Association	The significance of the Creative Industry was acknowledged. The project will focus on all sub groups that meet the expected criteria after assessment. Availability of alternative avenues of support to creatives industry through other World Bank such as

S/ No.	Issue	Stakeholder	Response
			the Kenya Digital Economy Acceleration Project.
6.	Compliance to the ESMF requirements of the project is demanding in terms of capital.	MSE Association	There will be concerted efforts to support MSMEs overcome such obstacles along the way through collaboration with other entities involved directly.
7.	What is the nature of the Funding (grant or loan)?	MSE Association	The Funding is neither a grant or loan but rather a 'zero-rated equitable investment' (Patient Capital Equity)
8.	The aspect of MSMEs being unable to afford the requisite machines- which are capital intensive- to improve on the quality of their products and services.	MSE Association	There will be other forums organized to address the full scope of the project especially 'Training and Investment support for MSMEs' to enable them to prepare adequately.
9.	Recognition of other forms of registration apart from certificates offered by MSEA e.g., socio-cultural groups.	MSE Association	Migration of Social Services Data to the MSEA Database is on-going.
10.	Political interference was identified as a risk in the implementation of the project.	MSE Association	Need for continuous sensitization and awareness creation among subgroups to guard against political interference which can easily derail the project.
11.	It was noted that Government has made concerted efforts to put in place robust policies and legal frameworks. However, a challenge was posed to the private sector (MSMEs) who are the implementors of the project on their level of preparedness to meet the expected criteria, standards and guidelines.	KNCCI	It is important to recruit Environmental and Social Specialists who will create awareness on the expectations of the project to ensure compliance with the project ESMF.
12.	Is the project designed to support traders as well or is the focus on manufacturers only?	MSE Association	The project is more inclined to support MSME manufacturers with an aim of enhancing their cluster competitiveness. However, there are other World Bank funded projects such as the National Youth Opportunities

S/ No.	Issue	Stakeholder	Response
			Towards Advancement (NYOTA) project which targets more of traders (youth 18-29 years)
13.	How will enterprises engaged in tree nursery programmes be supported by the project given their role in promoting environmental sustainability?	MSE Association	KJET is an all-inclusive project which will consider all sectors that meet the expected criteria.
14.	Issue of lack of market access by MSMEs despite having quality/good products? How will the Digital Marketing Platform be leveraged?	MSE Association	Creating market access and linkages is critical and will be prioritized for successful implementation of the project and sustainability.
15.	There are existing land issues pertaining to some Constituency Industrial Development Centers (CIDCs). Is there a way that the World Bank and Government can identify the pilot CIDCs to be used in this project?	MSE Association	A call of expression will be put out in the coming months and thereafter clusters to be engaged will be identified based on the assessment criteria.
16.	It is important for MSEA/WB to leverage on the existing affirmative fund agencies such as Uwezo fund who are in the re-engineering process. The lessons learnt can come in handy especially in articulating re-payment strategies.	Uwezo Fund	Concurrence that linkages between World Bank and affirmative funds are key to leverage on the lessons for successful implementation of the project.
17.	The Kenya Institute of Business Training (KIBT) can come in handy in terms of capacity building & sensitization given that it's the institution charged with that mandate.	KIBT/Uwezo Fund	KIBT is encouraged to apply as an institution with capacity so that they can be considered for selection/engagement.
18.	The adverse effects of climate change currently being experienced in the Country in form of floods were noted with a lot of sadness and compassion for the survivors.	MSE Association	A call for support made to help the survivors of floods across the Country in places such as Mathare.

10.0 Recommendations and Way Forward from the Workshop

The following recommendations were made for consideration as the way forward:

- **Need for an in-depth sensitization forum for MSMEs to gain a better understanding of the project's scope**. There is need for the MSMEs to be sensitized on the 'Training and Investment Support' available for MSMEs to prepare adequately for project implementation.

- **The Creative Industry Value Chain to be taken into consideration in the designing of the project as advocated for by several speakers.** It is a rich contributor to the Kenyan economy.
- **Need to leverage on the existing affirmative funds as they can provide valuable lessons** especially on repayment strategies during the project designing and implementation.
- **Engagement of the Kenya Institute of Business Training in the project implementation** to offer sensitization and capacity building support since the role is central to their mandate. KIBT is expected to send an expression of interest (EOI) to bid for the job.
- **Unlocking of market access and linkages for MSME products and services** needs some serious attention to enhance opportunities for local enterprises to participate in regional and international trade deals.

11.0 Validation Process

Following the lengthy and engaging presentations and discussions arising from the session, views and insights from stakeholders were noted for incorporation into the KJET-ESMF.

12.0 Conclusion

The session concluded with closing remarks from Hon. Susan Mang'eni, Principal Secretary, State Department for MSMEs Development. In her remarks, the PS articulated the following:

- Acknowledgement of the significance of the ESMF validation exercise which is an important forum to unlock rolling out of KJET which is a flagship project under the State Department.
- KJET Project is properly aligned to BETA since the Industrialization Strategy banks on the MSME Strategy hence making the project a big priority for Government.
- Appreciation of all the stakeholders in attendance for their engagement and input in enriching the document.
- Condolences to the affected families and MSMEs affected by floods and noting that Government will do its best to support displaced families to resume normalcy.
- MSMEs are the backbone of the economy. There is need to exchange ideas with the World Bank team to come up with a crisis/disaster response management framework in support of the survivors of natural disasters.
- There is hope that the world is thinking of MSMEs hence the need to mainstream MSMEs into the global markets through avenues such as African Growth and Opportunities Act (AGOA) and Strategic Trade and Investment Partnership (STIP).

13.0 Annexes

1. List of workshop participants
2. Photo grid of the workshop

REPUBLIC OF KENYA

KENYA JOBS AND ECONOMIC TRANSFORMATION (KJET) PROJECT ENVIRONMENTAL AND SOCIAL MANAGEMENT FRAMEWORK (ESMF) STAKEHOLDER ENGAGEMENT WORKSHOP HELD ON 29TH APRIL, 2024

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