



REPUBLIC OF KENYA

MINISTRY OF CO-OPERATIVES AND MSMES (MCMSME)

**STATE DEPARTMENT OF MSME DEVELOPMENT
MICRO AND SMALL ENTERPRISES AUTHORITY (MSEA)**

**THE MINISTRY OF INVESTMENTS, TRADE, AND INDUSTRIES (MITI)
STATE DEPARTMENT OF INVESTMENT (SDIP)**

**KENYA JOBS AND ECONOMIC TRANSFORMATION (KJET) PROJECT
P179381**

(DRAFT)

STAKEHOLDERS ENGAGEMENT REPORT

OCTOBER 2023

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1 Introduction

Micro Small and Medium Enterprises (MSMEs) play a critical role in accelerating economic development, and investment and creating employment opportunities in Kenya. According to the 2020 Economic Survey, MSMEs constitute about 98 percent of all businesses in the country, create 91 percent of the jobs annually, and contribute 34 percent of the Gross Domestic Product (GDP).

The proposed Kenya Jobs and Economic Transformation (KJET) aims to address government and market failures that prevent high-quality job creation and adoption of green practices by MSMEs, including burdensome regulatory frameworks, inadequate Foreign Direct Investment (FDI) promotion, coordination failures between buyers and suppliers, information asymmetries to capabilities and market requirements, and externalities related to climate change. It is expected to complement and build upon existing and planned World Bank and Government of Kenya analytical work, programs targeting other aspects of the KJET agenda, and lessons learned from prior projects. It is an Investment Project Financing (IPF) with interventions that are mutually reinforcing across four components: (1) Business Environment Reforms; (2) MSME Cluster Competitiveness; (3) Green MSME Financing; and (4) Project Management and Monitoring and Evaluation.

The project is at the Appraisal Stage and the stakeholders' engagement process is focused on informing the project design, identification of project-related environmental and social risks, consultations with vulnerable and marginalized groups, and relevant project implementing and beneficiary agencies. The stakeholder engagement process will continue throughout the project implementation period. The project implementation agencies Ministry of Co-Operatives and MSMEs (MCMSME), the State Department of MSMEs, the MSME Authority, the Ministry of Investments, Trade, And Industries (MITI), and the State Department of Investment Promotion (SDIP) will oversee this process in all project activities.

The environmental impacts identified under TA under Component 1 are likely to result in direct and indirect environmental and social risks and impacts on future investments. The terms of reference (TORs) for the two strategies shall be prepared and be consistent with the ESF requirements. TA under Component 2 will result in negligible environmental and social risks and impacts. Given the type of common infrastructure supported under Subcomponent 2.2 has not been defined or identified at this point in Project preparation, the MSEA shall prepare the environmental and social management framework (ESMF) prior to appraisal. Component 3 will result in positive environmental benefits, as this will support beneficiary MSMEs to transition to the low carbon economy and to incorporate environmental principles in their investments. KDC has an existing Environmental and Social Management System (ESMS). Under Component 3 the ESMS shall apply for the activities financed under this Project. Based on the Project activities proposed above, these activities will cover wide geographical area, with medium to low probability of serious adverse effects to human and the environment that will include potential

occupational, health and safety accidents in the MSMEs workplaces supported by the Project and potential discharge of toxic hazardous and non-hazardous waste from the MSMEs operations. Thus, the environmental risk is assessed as Substantial.

The project has positive impacts such as the creation of jobs and economic transformation of the economy even though social risks of project-supported activities is substantial. Social risks and impacts may relate, among others, to labor and working conditions including deficient compliance with labor regulations, occupational health, and safety within the supported MSMEs; exclusion of vulnerable groups including VMGs and persons living with disability, community health and safety concerns associated with the activities of beneficiary MSMEs; security risks especially in marginalized areas, lack of equal opportunity and awareness among MSME owners to ensure that all eligible enterprises can access project benefits; minimal labor influx; and manage Sexual Exploitation and Abuse, Sexual Harassment risks (SEA/SH) in the industry, especially manufacturing and industries involving a large number of workers.

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 subnational 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 Business Development Services (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.

The project will be implemented through both the Ministry of Co-operatives and MSMEs (MCMSME) and the Ministry of Investments, Trade, and Industries (MITI) which will focus on the different components of the project. MITI will implement Component 1 (Business and Investment Enabling Reforms) and Component 3 (Green MSME financing with KDC as the additional implementation agency). The State Department for MSMEs under MCMSME will implement Component 2 (MSME cluster competitiveness) of the project and play an overall role in the reporting of the project. Both MCMSME and MITI will closely collaborate with each other in implementing the respective components to ensure complementarities. A Project Steering

Committee and Technical Working Group drawing membership from all implementing entities will ensure smooth implementation coordination.

Two dedicated Project Implementation Unit (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.

This stakeholder engagement plan will promote a stakeholder support base for KJET and ownership and provide adequate stakeholder participation space and modes of communication for the successful implementation of the project. This will enhance project acceptance and ownership and strengthened the social and environmental sustainability for the benefits of supported interventions. This is also a means of upholding the rights of citizens and others to participate in decisions that may affect them, as well as an effective means for achieving project outcomes, including those related to democratic governance, protecting the environment, promoting respect for human rights, and preventing and resolving conflicts, if any.

2 Brief Summary of Previous Stakeholder Engagement Activities

The World Bank (WB) team undertook a scoping mission for the Kenya Jobs and Economic Transformation (K-JET) project from March 1-10, 2023. The mission held discussions with the Ministry of Investments, Trade, and Industrialization (MITI), Ministry of Cooperatives and MSMEs (MCMSME), National Treasury (NT), State Department of Trade (SDT), State Department of Investments (SDI), State Department of Industrialization (SDI), MSME Authority (MSEA), Kenya Development Corporation (KDC), Kenya Export Promotion and Branding Agency (KEPROBA), and Kenya Association of Manufacturers (KAM). The following were achieved:

- a) Finalization of the discussions and consultations among key public and private stakeholders on the scope, key components, and activities of the project.
- b) Firming up implementation arrangements.
- c) Coordination with key government counterparts on proceeding with the Public Investment Management (PIM) process and timelines; and
- d) Finalization of the institutional setup for project management as well as safeguards arrangements.

Given Kenya's jobs imperative and existing intervention gaps to address key constraints to green JET, representatives from MITI, MCMSME, and the World Bank reaffirmed the draft development objective for the prospective K-JET project during dedicated meetings and workshops conducted over March 1-10, 2023.

In addition to the scope of the proposed K-JET project, a complementary workshop on Scaling Up Green Exports for Resilience in Kenya was held on March 2, 2023, with representatives from MITI and the private sector. Workshop participants discussed historical trends in Kenya's export

performance and key drivers of Kenya's export competitiveness, including AfCFTA, tariff and non-tariff barriers, trade facilitation measures, services trade restrictions, access to finance, and national quality infrastructure. The workshop was attended by more than 40 representatives from both the government and the private sector.

Stakeholders' engagement activities under the project commenced at the Concept Stage of the project and have continued throughout the project preparation stage to the current Appraisal stage. Engagement has involved the relevant government agencies, including:

Table 2-1 Previous Stakeholder Engagement Activities

Stakeholders	Agency leading the consultations	Areas of consultations
National Treasury	MCMSME	Project preparation requirements. Project funds flow. Project approval.
Cabinet	Cabinet Secretary MCMSME	Approval of the project.
MCMSME	MCMSME	Convening all the project stakeholders, Lead in the project design. Lead in the stakeholder's engagement for the project design and the preparation of the environmental and social instruments under the project.
MITI	MITI	Lead in the design and implementation arrangement under Component 1 (Business and Investment Enabling Reforms) and Component 3 (Green MSME financing with KDC as the additional implementation agency). Support the preparation of the environmental and social instruments under the project.
KDC	MITI	Support MITI in the design of component 3 and design the implementation arrangement under Component 3. Review the environment and social instruments.
The State Department for MSMEs under MCMSME	MCMSME	Lead in project design and will implement Component 2 (MSME cluster competitiveness) of the project and play an overall role in the reporting of the project.

Stakeholders	Agency leading the consultations	Areas of consultations
		Support the preparation of the environmental and social instruments under the project.
Micro and Small Enterprise Authority (MSEA)	MCMSME	Implementation of the National Youth Opportunities Towards Advancement (NYOTA) (P179414) and Kenya Industry and Entrepreneurship Project (KIEP) (P161317) Project design and project implementation design. Support in the preparation of the environmental and social instrument under the project.
Ministry of Lands and Urban Development and Department of Urban Council of Governors County Government	MCMSME	Consultation on the Kenya Urban Support Program (KUSP) (P156777)

3 Stakeholder Identification and Mapping

The project has informed and consulted various stakeholders about the project. Including individuals, government agencies, other development partners, county governments, community leaders, or communities that:

- MSMEs that are beneficiaries and targeted to benefit from the project.
- Other interested parties and
- Vulnerable groups.

3.1 Targeted MSMEs/Project Beneficiaries

The project preparation and consultation activities have focused on the finalization of the project design and the preparation of the environmental and social instruments that include the Environmental and Social Commitments Plan (ESCP), Stakeholders Engagement Plan (SEP), and Environmental and Social Management Framework (ESMF).

Under Component 1, stakeholders' consultations will target the business regulators, the Ministry of Cooperative and MSMEs, and the State Department of Investment Promotion (SDoIP).

Component 2 will focus on consultations with project beneficiaries that will include owners of MSMEs and county governments where the project will support the County Industrial Development Centers (CIDC). MSMEs from marginalized areas in Kenya will cover areas in that arid and semi-arid region of Kenya, MSMEs owned by persons living with disabilities, MSMEs

owned by women and youth, and MSMEs owners in urban and rural areas of Kenya. The consultations will focus on MSMEs in the whole of Kenya covering the 47 counties.

Beneficiary parties and the Micro, Small, and Medium Enterprises will receive funds from the project. Specifically, the following individuals and groups fall within this category:

1. Micro, Small, and Medium Enterprises as defined under the Micro and Small Enterprises Act, 2012, and The Public Finance Management (Amendment) Act, No. 2 of 2020.
2. Youth and youth-led MSMEs
3. Women and women-led MSMEs
4. People with Disabilities and their MSMEs

Component 3 consultations will be led by MITI and KDC and will focus on financial institutions and MSMEs that will benefit from the Green Fund-related activities.

3.2 Beneficiary Financial Institutions

Under components 2 and 3 consultations will focus on the institutions that meet the eligibility criteria and terms of conditions for the line of credit to be offered to MSMEs. Beneficiary parties are the related financial institutions and the Micro, Small, and Medium Enterprises that will receive funds from the project. Specifically, the following individuals and groups fall within this category:

1. Mincro Small Enterprise Authority
2. Kenya Development Corporation.
3. Financial Institutions, i.e., SACCOs and Banks
4. Microfinance institutions that include SACCOs and welfare institutions
5. Participating financial institutions that include commercial banks and mobile network operators.
6. Minority and Marginalized Groups Financial institutions that include MFI/MFB, SACCOS, and commercial banks.

3.3 Other Interested Parties

The project has consulted with other interested parties that include:

Table 3-1 Project Stakeholders

1. Kenyan Banking Association	19. Vision 2030 Programme
2. Non-governmental organizations on social development/ Gender and environment	20. Information, Communication, Technology Authority (ICTA)
3. Enterprise Development Authority	21. Ministry of Labour
4. Kenya Private Sector	22. 47 County governments
5. Local Business Organizations	23. National Gender and Equality Commission (NGEC)
	24. Kenya Development Cooperation (KDC)

6. Kenyan Pension Fund and Investment Consortium (KEPEFIC) 7. Nairobi International Finance Center (NIFCA) 8. Kenya Industrial Research and Development (KIRDI) 9. Kenya Private Sector Association (KEPSA) 10. Kenya Export Promotion and Branding Agency (KEPROBA) 11. Kenya Association of Manufacturers (KAM) 12. Council of Governors 13. State Department of East Africa Community (EAC) 14. Ministry of Devolution 15. Ministry of Industry, Trade, and Investment (MITI) 16. Kenya Industrial Transformation Program (KITP) 17. Ministry of Cooperatives, and Micro, Small, and Medium Enterprises (MCMSME) 18. Micro and Small Enterprise Authority (MSEA)	25. Ministry of Environment 26. Kenya Bureau of Standards (KEBS) 27. Kenya Bureau of Statistics (KBS) 28. Ministry of Forest 29. National Treasury 30. Ministry of Youth and Gender 31. Kenya Urban Support Project (KUSP) 32. Ministry of Agriculture 33. Ministry of Transport. 34. Kenya Development Corporation (KDC), Kenya Export Promotion and Branding Agency (KEPROBA), and Kenya Association of Manufacturers (KAM). 35. Social Risk Management Unit. 36. National Environmental Management Authority 37. SAFER is focused on increasing access to finance for MSMEs with a focus on micro and small firms affected by the COVID-19 pandemic. 38. KIEP seeks innovation and productivity in select private sector firms in Kenya by strengthening the private sector (including startups, SMEs, incubators, accelerators, technology boot camp providers, etc.) through financial grants and technical assistance.
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3.4 Disadvantaged /Vulnerable Individuals or Groups

These are groups who may be more limited than others in their ability to access the benefits of the project. Example MSMEs led by women, youth, PwDs, Minorities, and Marginalized Groups. The project will place special emphasis on identifying them and reaching out to them by creating awareness for the project. These efforts will make their participation accessible and link them with the project. The project design offers better opportunities for access to credit for the most vulnerable business groups in the market which are run mostly by women, persons living with disability as well as the youth.

The project design aims to meaningfully integrate a gender lens and target a segment of the population that is vulnerable and has been hit harder during the pandemic. Within the project, the vulnerable or disadvantaged groups may include and are not limited to the following:

- Unemployed Kenyans

- Financially excluded
- Vulnerable groups' MSMEs
- Marginalized communities
- Youth
- Women
- People Living with Disabilities

Vulnerable groups affected by the project will be further confirmed and consulted through dedicated means, as appropriate. A description of the methods of engagement that will be undertaken by the project is provided in the following sections.

Unemployed Kenyans are among the most vulnerable groups who continue to face the highest barriers to employment. About 8.4 million Kenyans of working age were not in the labor force in 2019 – out of these, some 3.9 million are not in employment, education, or training (NEET).

Women account for a significant proportion of the NEET, at 72 percent. Enterprises run by females (58.5 percent)—mostly microenterprises—earn 43 percent lower profits than those businesses run by men due to gender-based barriers (e.g., limited access to formal finance and business-development skills, poor access and control over productive assets, low value-addition processing, limited connectivity to packaging and distribution chains, etc.).

Youth, particularly those in rural areas, face difficult school-to-work transitions, with a majority remaining in low-quality informal sector jobs even by age 35. When employed, such vulnerable groups are often underemployed, and not in wage employment. Significant disparities in job availability exist between urban and rural areas, with wage employment concentrated in urban areas, representing 59 percent of total employment compared to 18 percent in rural areas.

Jua Kali Association and artisans from Kamukunji worksite were among the vulnerable groups under the project that were consulted during the project design period. Others included farmers from the Gatundu Farmers Constituency. Industrial Development Centers (CIDC).

Consultations will also focus on MSMEs owners among the indigenous peoples of Kenya referred to as Vulnerable and Marginalized Groups in Kenya. These will include counties in the Coastal, Northeast, and Northwest of Kenya that will include Turkana, Isiolo, Wajir, Mandera, Samburu, Lamu, Kilifi, Taita Taveta, Kwale, Tana River, Elgeyo Marakwet, Kajiado, Nandi, Uasin Gishu and Narok Counties

Most MSMEs that belong to vulnerable groups cited complex and manual business registration processes, cumbersome patenting processes, and multiple licenses, permits, and distribution fees that vary across regions as leading reasons for informal existence and practices.

3.5 Summary of Project Stakeholder Needs

Table 3-2 Project Stakeholder Needs

Community	Stakeholder group	Key characteristics	Language needs	Preferred notification means (e-mail, phone, radio, letter)	Specific needs (accessibility, large print, childcare, daytime) meetings
National government	Government agencies	Public officials	Official languages	Email Phone Government official letters Telephone calls SMS messages Written project briefs. PowerPoint presentation	Meetings during office hours, 8-5 p.m. Early notifications of meetings.
Targeted/ Vulnerable beneficiaries	MSMEs	MSME led businesses	Local languages Official languages	National televisions National Radio Local radio National newspapers and print Local newspapers and print SMS messages Public meetings	Targeted meetings Communication materials/pamphlets Large print Accessibility to televisions and radios
Financial institutions	Benefiting Financial Institutions	Banks SACCOs MFI	Local languages Official	National televisions National radio Local radio	Targeted meetings

Community	Stakeholder group	Key characteristics	Language needs	Preferred notification means (e-mail, phone, radio, letter)	Specific needs (accessibility, large print, childcare, daytime) meetings
			languages	National newspapers and print Local newspapers and print SMS messages	Communication materials/pamphlets
Unemployed	Vulnerable groups	8.4 million Kenyans	Official language Local languages	Written information, radio. Visit with translator and civil society representative.	Childcare for meetings especially for women. Preferred timing Graphics, education on process
Other vulnerable groups	Financially excluded. Informal business enterprises Marginalized communities Youth Women People Living with Disabilities	MSMEs	Official language Local languages	Written information, radio. Visit with translator and civil society representative	Childcare for meetings especially for women, preferred timing Graphics, education on process Convenient meeting timings
Implementation agencies	Government agencies	Ministries Authorities	Official languages	Graphic materials PowerPoint presentation	Working hours from 8-5pm

4 Stakeholder Engagement Program

4.1 Purpose and Timing of Stakeholder Engagement Program

A communication strategy will be developed and implemented during the life of the project. As part of the communication strategy, the project implementing agencies that include MSMSME, MITI, MSEA, KDC and SDoIP will be in contact with the PFIs and PFIs who will in turn, be in contact with the MSMEs during the implementation phase which will facilitate the monitoring and evaluation activities, promote the dialogue with key stakeholders, and increase the level of engagement. Other participating institutions like KDC, MSEA, and MSMEs will be responsible for defining and implementing a broad communication strategy.

In the first phase, the communication strategy will be used to make information available to MSMEs and other project beneficiaries about the job's programs, and improved or newly developed financial products that will be available for their access. Communication material will be prepared and will be used to provide information about the characteristics of the products, how to apply, who is eligible to apply, what kind of activities can be financed, etc.

The communication strategy will be used to carry out site visits to the end beneficiaries to assess their satisfaction with the financial products offered under the project and evaluate and document the progress achieved by MSMEs after receiving access to finance. Finally, the strategy will be used to showcase how MSMEs got access to financial products and to disseminate the results achieved by those borrowers.

To address the specific constraints faced by women-owned businesses and other vulnerable groups, will have dedicated outreach and tailored sessions for women entrepreneurs as well as the right community partners with deep networks who can get women involved from early on. Providing childcare can be an important incentive for women to attend and complete such capacity-building sessions.

Each participating financial institution will develop a stand-alone communication strategy for the project and the credit products to MSMEs. KDC also be required to do the same. The PFIs will carry out their own communication and information strategies that they will use with their other Clients (MSMEs) by using meetings, use of social networks, social media, written information, newsletters, and monitoring visits with MSMEs to strengthen the management and compliance with the conditions of financing.

The main goal of the stakeholder engagement program and schedule is to ensure that all project stakeholders identified are consulted throughout the KJET's implementation. The program has outlined stages throughout project implementation that engagements will take place, periodicity, and decisions being undertaken on people's comments and concerns.

As part of the development of EMSF, public consultation is an integral part of the environmental and social assessment process, as reflected in the requirements of the World Bank ESS 10 and

relevant national legislation (e.g., Constitution of Kenya, EMCA, EIA regulations (2003), etc.). Preparation of this SEP is a guide for all consultations during the preparation of ESMF and other environmental and social safeguard instruments throughout the project lifecycle.

MCMSME, the State Department Of MSMEs Development, the MSEA, MITI and SDIP will need to partner with other agencies to create secondary linkages. These agencies will develop digital marketing strategies on the branding websites, and Facebook pages among other platforms to create awareness and improve publicity.

4.2 Proposed Strategy for Information Disclosure

Dissemination of information on the access to credit for MSME will allow stakeholders to express their opinions, observations, and suggestions which depending on their feasibility could be incorporated into the project. This engagement aims to; (i) establish a systematic approach regarding the participation of the stakeholders to help maintain a constructive relationship with them; (ii) identify the topics of interest of the interested parties and allow their opinions to be considered in the implementation and monitoring of the project; (iii) demonstrate both the benefits and the guarantee of environmental and social sustainability of the project.

Project information will be disclosed on the website of the implementing agencies. project information will also be broadcast through local radios using local languages found in every region of Kenya. Project information will be disclosed on the implementing agencies' websites.

Table 4-1 Proposed Strategy for Information Disclosure

Project stage	List of information to be disclosed	Methods proposed	Timetable: Locations/ dates	Target stakeholders	Percentage reached	Responsibilities
Preparation	Project information that will include Environmental and Social Risk Management as well as project design	Website the documents will be disclosed include PAD, EMSF, SEP, LMP, SEA/SH action plan	Once	Project stakeholders	About 60 percent of the population	MSMCE Communication teams
Implementation	Selection criteria and minimum eligibility criteria required by the World Bank for the PFIs. <ul style="list-style-type: none"> • Financial products and productive lines of financing. • Initial Terms and Conditions on line credit • The flow of funds and channels to institutions that are engaged in lending to 	Websites Pamphlets One-on-one meetings	Monthly throughout project implementation	KDC and Financial Institutions	100 percent	MSMCE KDC MITI

Project stage	List of information to be disclosed	Methods proposed	Timetable: Locations/ dates	Target stakeholders	Percentage reached	Responsibilities
	<p>MSMEs and where value could be added.</p> <ul style="list-style-type: none"> • Sub-loans terms and conditions. • Modification of terms and conditions. • Pricing formular used by the KDC to price line of credit to PFIs. • Financial profits. • Communication strategy. • ESMS and the environment and social risks and impacts for the project. 					
Implementation	<ul style="list-style-type: none"> • Financial products and productive lines of financing. • Characteristics and approach of the project funding. • Promotion of project's information and targeting for vulnerable groups. 	<p>Websites</p> <p>Pamphlets</p> <p>One-on-one meetings</p> <p>Frequently asked</p>	Monthly throughout project implementation	MSMEs	90 percent	

Project stage	List of information to be disclosed	Methods proposed	Timetable: Locations/ dates	Target stakeholders	Percentage reached	Responsibilities
	<ul style="list-style-type: none"> • Initial Terms and Conditions for MSMEs credit. • The flow of funds and channels to institutions that are engaged in lending to MSMEs and where value could be added. • Sub-loans terms and conditions. • Modification of terms and conditions of the line of credit. • Pricing formula used to price line of credit. <p>Project communication strategy.</p> <ul style="list-style-type: none"> • Financial products and productive lines of financing. 	questions briefs and pamphlets				

4.3 Proposed Strategy for Consultation

The methods that will be used to consult with each of the stakeholder groups. Methods used may vary according to the target audience, include:

- Interviews with stakeholders and relevant organization
- Surveys, polls, and questionnaires
- Public meetings, workshops, and/or focus groups on specific topics
- Participatory methods
- Other traditional mechanisms for consultation and decision-making.

Table 4-2 Proposed Strategy for Consultation

Project stage	The topic of consultation/message	Method used	Timetable local and dates	Target stakeholders	Responsibilities
After appraisal	Risk communication strategy Review and clearance of the service level agreements before execution	Key informant discussions Forwarding of the agreement template to the Office of The Attorney General	November 2023	Media experts and information users including women, youth, and VMGs. The Office of The Attorney General	MCMSME, State Department Of MSMEs Development, MSEA, MITI, SDIP, KDC
Implementation	Implementation updates. Risks Complaints about service provision	Prudential supervision by Regulators – CBK and SASRA	June 2024 after the project's effectiveness	Receivers of information and services	MCMSME, State Department Of MSMEs Development, MSEA, MITI, SDIP, KDC
Quarterly evaluation and feedback survey	Feedback of the effectiveness of different channels of communication	Survey	Quarterly	Different stakeholders and VMG groups	MCMSME, State Department Of MSMEs

Project stage	The topic of consultation/message	Method used	Timetable local and dates	Target stakeholders	Responsibilities
					Development, MSEA, MITI, SDIP, KDC

4.4 Proposed Strategy to Incorporate the View of Vulnerable Groups

The vulnerable and disadvantaged groups will be consulted during project preparation and the implementation period. Targeted consultations will be carried out in counties and geographical where VMGs are found and live. To reach these groups the project will use local radio, print, and locally available media to communicate to the VMGs and their MSMEs to ensure that they benefit from the project. For women-led MSMEs, there will be separate and dedicated consultations targeted at these groups. Additionally, special Business Development Services (BDS) modules responding to women managers' needs (e.g., personal initiative training) will be rolled out for women-owned and -led beneficiaries within subprojects. Timings of meetings and radio announcements will be done to ensure that these are reached.

The grievance mechanism will also target the VMGs in communicating the strategy and the uptake channels will be dedicated to VMGs.

4.5 Timelines

Comments on the design of the project will be open until project appraisal after which the project will be under implementation. The grievance mechanism and stakeholder engagement process will be open and available during the project implementation period.

4.6 Review of Comments

Any views and comments gathered in community meetings will be responded to at the meetings or written after the meeting. Views gathered in writing will be responded to in writing outlining the final decisions and project positions on issues raised. Where feasible to take in stakeholders' comments to improve project design this will be done. Where it is not feasible this will be communicated to the stakeholders providing a justification.

4.7 Future Phases of Project

All stakeholders will be kept informed throughout this communication plan as the project implementation starts, and as the project develops, including reporting on project environmental and social performance and implementation of the stakeholder engagement plan and grievance mechanism.

KJETs through the implementation agencies will provide reports at least annually to stakeholders but often will report more frequently during particularly active periods, when the public may

experience more impacts, or when phases are changing (for example, quarterly reports during construction, then annual reports during implementation).

5 Resources and Responsibilities for Implementing Stakeholder Engagement Activities

5.1 Resources

The management, coordination, and implementation of the SEP and its integral tasks will be the responsibility of the two PIUs under the project with and oversight of the project steering committee. The budget for the SEP is fifty million (50,000,000) Kes. and is included in component 4 (project management) of the project.

Table 5-1 SEP Implementation Budget

Budget Category	Quantity	Unit Costs	Times/Years	Total Costs	Remarks
1. Estimated staff salaries* and related expenses					
1a. Social Specialists	3X12	200,000	4		28,800,000
1b. Travel costs for staff	3X12	100,000	4		3,600,000
2. Events					
2a. Project launch	1	3,000,000	1		3,000,000
3. Communication campaigns					
3a. Posters, pamphlets, fliers	3,000	50	4		600,000
3b. Social media campaigns	20x11	1,000	4		880,000
4. Trainings					
4a. Training on social/environmental issues for PIU and contractor staff	2	200,000	4		1,600,000
4b. training on gender-based violence (GBV) for Project Implementing Unit (PIU) and contractor staff	2	300,000	4		2,400,000
5. Beneficiary surveys					
5a. Mid-project perception survey	1	1,000,000	-		1,000,000

Budget Category	Quantity	Unit Costs	Times/Years	Total Costs	Remarks
5b. End-of-project perception survey	1	1,000,000	-		1,000,000
6. Grievance Mechanism					
6a. Training of GM committees]	3	300,000	4		3,600,000
6b. Suggestion boxes in offices					500,000
6c. GM communication materials					2,000,000
TOTAL STAKEHOLDER ENGAGEMENT BUDGET:					48,980,000

5.2 Management Functions and Responsibilities

There is a Project Steering Committee and Technical Working Group drawing membership from all implementing entities will ensure smooth implementation coordination.

The project will have two dedicated Project Implementation Unit (PIU) structures – one in each ministry will be leveraged for the 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 PIUs will be the lead implementing agencies, with the main tasks:

- Overall responsibility for day-to-day coordination and management of the project.
- Capacity building, including direct support to participating agencies, and county governments and providing continuous project implementation guidance.
- Program management and implementation of activities per agreements between the Government of Ethiopia and the World Bank.
- Overall operation monitoring and evaluation.
- Operation reporting, including the periodic progress reports.
- Ensuring that operation resources are budgeted for and disbursed within the expenditure framework.
- Accounting for the project funds to MoF.
- Evaluating the performance of the training scheme as per the agreement made between GoK and WB.
- Day-to-day oversight of the environment and social risk management under the project including the grievance mechanism.

6 Grievance Mechanism

6.1 Background

The main objective of a Grievance Redress Mechanism (GRM) is to assist in resolving issues, concerns, complaints, and grievances in a timely, effective, and efficient manner that satisfies all parties involved. Specifically, it provides a transparent and credible process for fair, effective, and lasting outcomes. It also builds trust and cooperation as an integral component of broader community consultation that facilitates corrective actions.

6.2 Description of the Existing Grievance Redress Mechanism

Due to the multisectoral nature of the project management framework, KJET's grievance redress mechanism will build on the existing complaints mechanisms under the Ministry of Cooperatives and Micro, Medium and Small Enterprises (MCMSE) – State Department of MSMEs, Ministry of Industry, Trade, and Investment (MITI) – State Department of Investments Promotion (SDoIP), Micro and Small Enterprise Authority (MSEA) and Kenya Development Corporation (KDC).

All complaints related to the project will be handled through the existing project implementation framework. The project implementation for KJET will have a governance structure in the form of a Project Steering Committee that will be chaired by the Permanent Secretary of MCMSE (State Department of MSMEs Development) and co-chaired by the Permanent Secretary of MITI (State Department of Investments Promotion), supported by the PIUs as secretariat and have representatives from other ministries, agencies, and private sector stakeholders. The Project Steering Committee (PSC) will (i) oversee the overall implementation of the project; (ii) provide policy guidance to the project; (iii) ensure inter-agency coordination of the project; (iv) review and approve annual work plans and budgets and will be responsible for ensuring that all project grievances will be resolved on time.

KJET Project will have four levels of GRM:

1. First level GRM –The Ministries, Departments, and Agencies (MDAs) implementing project activities 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.

The first level of grievances will be handled at respective MDAs. The full contact details of the grievance committees will be disclosed publicly on the MDA's website. The same information will be displayed on the notice boards of the MDAs along with the complainant box that should be placed in a visible location within the premises of the MDAs.

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 MDA 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 (two PIUs).

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. The figure below illustrates the Project GRM.

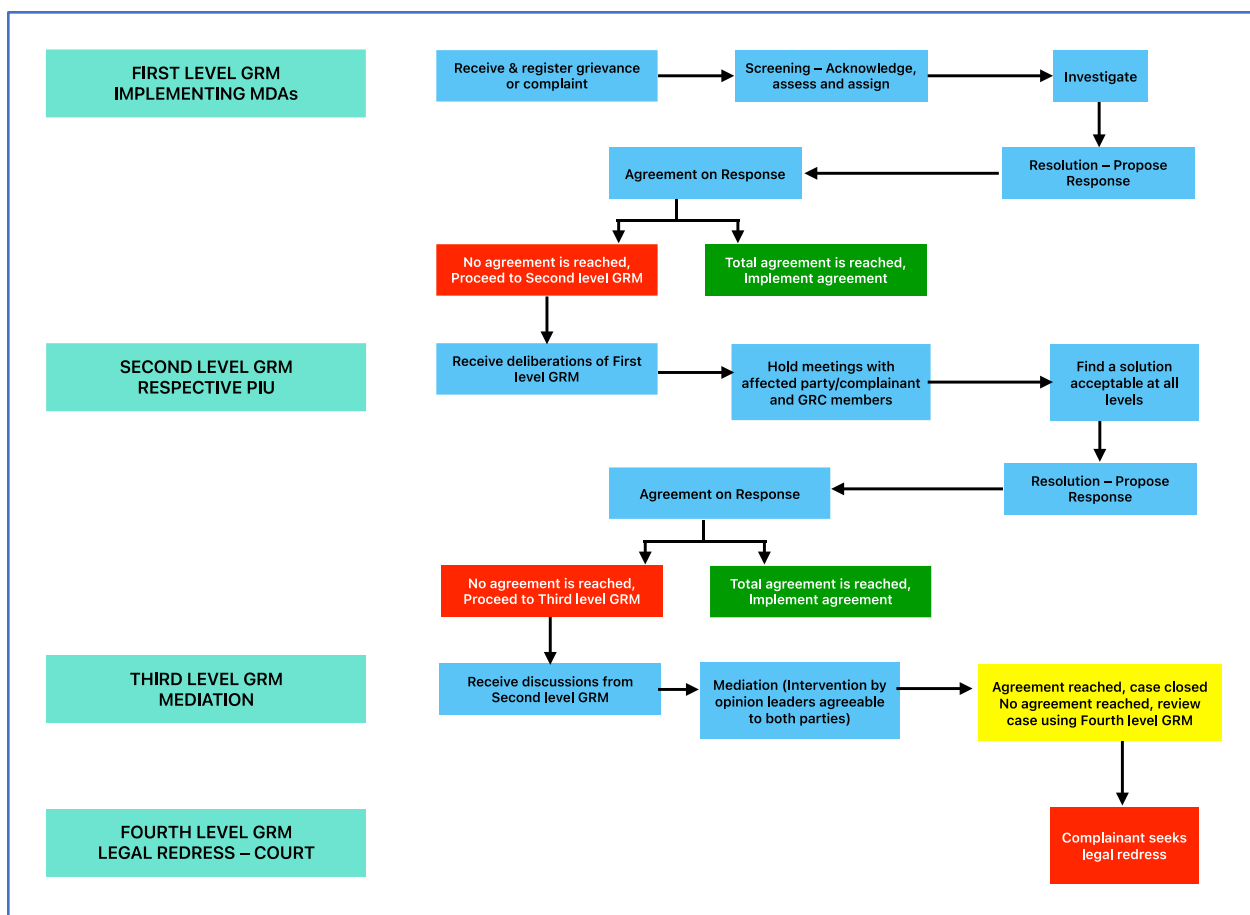


Figure 6-1 Project GRM

6.2.1 Responsibilities

Both MCMSME and MITI will closely collaborate in implementing the respective components to ensure complementarities. A Project Steering Committee and Technical Working Group drawing membership from all implementing entities will ensure smooth implementation coordination.

Two dedicated Project Implementation Unit (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 PIUs under SDI and MSEA will ensure collaboration and will be responsible for the management of the grievances reported under the activities they are implementing. Each PIU will have a dedicated social safeguards specialist who will oversee the grievance redress mechanism under the project.

The PIU under MCMSME will act as the anchor PIU in charge of coordinating the GRM, reporting, and ensuring that the GRM is working effectively.

The chairperson of the Project Steering Committee and Technical Working Group project coordination committee will be responsible for the grievance redress mechanism. The E&S staff within the PIUs will be responsible for the day-to-day running of the GRM as well as follow-up to ensure that timelines for grievance resolution are observed and maintained.

The two PIUs will be the first level of escalation of grievances. Issues, concerns, complaints, and grievances from the general public can be raised through various channels;

1. email, telephone, or letter sent to the Permanent Secretary of the MCMSME and MITI and or the Director General MSEA, the Director General Kenya Development Corporation, Commission on Administrative Justice;
2. call to the national complaints 24-hour toll-free hotline which is provided for by the market regulators that is CBK and SASRA. The hotline has staffed trained grievance handlers (which will be increased depending on demand) who speak Swahili, English, and if possible other languages from those communities that may have limited Swahili and have experience of hard-to-reach counties.

7 Monitoring and Reporting

The Stakeholder Engagement Plan will be revised periodically and updated as necessary in the course of project implementation to ensure that the information presented herein is consistent and is the most recent and that the identified methods of engagement remain appropriate and effective to the project context and specific phases of the development. Any major changes to the project-related activities and schedule will be duly reflected in the SEP. Monthly summaries and internal reports on public grievances, inquiries, and related incidents, together with the status of implementation of associated corrective/preventative actions will be collated by responsible staff and referred to the senior management of the project(s). The monthly summaries will provide a mechanism for assessing both the number and the nature of complaints and requests for information, along with the Project's ability to address those in a timely and effective manner. Information on public engagement activities undertaken by the Project during the year may be conveyed to the stakeholders in two possible ways:

1. Publication of a standalone annual report on the project's interaction with the stakeholders.
2. A number of Key Performance Indicators (KPIs) will also be monitored by the project on a regular basis, including the following parameters:
 - a. Number of public hearings, consultation meetings, and other public discussions/forums conducted within a reporting period (e.g., monthly, quarterly, or annually);
 - b. Frequency of public engagement activities;

- c. Geographical coverage of public engagement activities – number of locations and settlements covered by the consultation process, including the settlements in remote areas within the Project Area of Influence (PAI);
- 3. Number of public grievances received within a reporting period (e.g., monthly, quarterly, or annually) and number of those resolved within the prescribed timeline;
 - a. Type of public grievances received;
 - b. Number of press materials published/broadcasted in the local, regional, and national media; Amount of Project's charitable investments in the local communities in the Project Area of Influence.