



Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 20-Feb-2022 | Report No: PIDISDSA33798

**BASIC INFORMATION****A. Basic Project Data**

Country Kenya	Project ID P176758	Project Name NATIONAL AGRICULTURAL VALUE CHAIN DEVELOPMENT PROJECT (NAVCDP)	Parent Project ID (if any)
Region AFRICA EAST	Estimated Appraisal Date 09-Feb-2022	Estimated Board Date 29-Mar-2022	Practice Area (Lead) Agriculture and Food
Financing Instrument Investment Project Financing	Borrower(s) The Republic of Kenya	Implementing Agency Ministry of Agriculture, Livestock, Fisheries, and Cooperatives	

Proposed Development Objective(s)

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

Components

Building Producer capacity for climate resilient stronger value chains
Climate Smart Value Chain Ecosystem Investments
Piloting Safer Urban Food Systems
Project coordination and management
Contingent Emergency Response Component

PROJECT FINANCING DATA (US\$, Millions)**SUMMARY**

Total Project Cost	275.00
Total Financing	275.00
of which IBRD/IDA	250.00
Financing Gap	0.00

DETAILS**World Bank Group Financing**



International Development Association (IDA)	250.00
IDA Credit	250.00

Non-World Bank Group Financing

Counterpart Funding	25.00
Borrower/Recipient	25.00

Environmental and Social Risk Classification

Substantial

Decision

The review did authorize the team to appraise and negotiate

Other Decision (as needed)

B. Introduction and Context

Country Context

1. **Kenya has witnessed strong economic growth and declining poverty incidence, but absolute poverty remains high.** Since 2011, the economy has experienced robust GDP growth averaging 5.0- percent, catapulting Kenya to a middle-income status and significantly bringing down poverty levels. Kenya's poverty rate is among the lowest in East African countries, at 33.4 percent in 2019. Poverty reduction in Kenya has been accompanied by reduced income inequality, with the Gini index falling from 0.45 in 2005/06 to 0.39 in 2015/16. Kenya's Human Development Index for 2019 is 0.601, which put the country in the medium human development category and it's the World Bank Human Capital Index of 0.55 for 2020 places Kenya third in Sub-Saharan Africa.
2. **Recently revised national accounts estimates have** altered agriculture's share of nominal GDP down to 21.2 percent in 2019, down from an earlier estimate of 34.1 percent. However, despite the lower GDP contribution, movement of employment from agriculture to other sectors stalled between 2016 and 2019, and then accelerated during the COVID-19 pandemic, when the sector absorbed 1.6 million additional workers, increasing its share of employment from 47 percent to 54 percent.

Sectoral and Institutional Context

3. **The agriculture sector continues to be central to long term economic growth and sustainable poverty reduction in Kenya,** with growth of 4.8 percent in 2020, and employing nearly 8.5 million Kenyans, or 70 percent of rural employment. Between 2005-06 to 2015-16, households with agriculture as the primary source of income accounted for 27.6 percent of overall poverty reduction¹. Agriculture accounted for up to 65 percent of exports in 2017 when its share of value-added peaked at the highest level among Kenya's regional and Sub-Saharan Africa Lower Middle Income Country peers. During the COVID-19 pandemic, strong performance of the agriculture sector significantly cushioned the blow to the Kenyan economy.

¹ Kenya Agriculture Sector Growth and Transformation Strategy (ASTGS), 2019-2029



4. **With predominantly smallholder-based agriculture production and its associated challenges, productivity levels for major crops in Kenya are stagnating.** Kenya's agricultural total factor productivity (TFP) had decline by at least ten percentage points between 2006 and 2013 and stabilized thereafter. Kenya's TFP growth in agriculture lags Rwanda, Ethiopia and Tanzania and South Asia and South-East Asian countries². Small-scale production systems (between 0.2 and 3 ha) account for 78 percent of total agricultural production and 70 percent of commercial production. Hampered by poor access to credit and extension services, these production systems use limited improved inputs and modern production practices, such as hybrid seeds, concentrated feeds and fertilizer, pesticides, machinery, and irrigation. This is reflected in the value added per worker which has remained relatively stagnant between 2006-2016 and lags best-in-class countries in Africa by up to seven times.

5. **Access to credit is a major constraint driving low adoption of quality inputs and technologies.** Lending to the agriculture sector has generally stayed below 5 percent of total lending with annual credit needs across key commodity chains estimated at Ksh 130 billion compared to only Ksh 40 billion³ available. Having access to a farmer's credit group in the community is associated with high usage rates of inorganic fertilizer to make productivity gains. But while financial inclusion in Kenya has tripled in 13 years with 83 percent of Kenyans having a formal bank account but only 22 percent being financially healthy to invest in economic opportunities⁴. And in 2019, only 5 percent of the 4.2 million local farmers reported having received or made farm related payments digitally.

6. **In addition to input and credit challenges, there is need to address inefficient value chains and low levels of value addition.** Major value chains in Kenya are riddled by inefficiencies, including limited post-harvest handling infrastructure, inefficient price discovery mechanisms leading to low farmgate prices and high levels of food wastage. In 2017, over 1.9 million tons of food was wasted to post-harvest losses, while Kenya was facing a severe drought⁵. Small farms continue to produce 73.0 percent of total marketed production, most of which goes to the market without any value addition⁶. Only 16 percent of Kenya's agricultural exports are processed, compared with 57 percent for imports. There is potential to significantly ramp up value addition across several agriculture and livestock value chains to boost producer incomes while generating new jobs.

7. **Kenya's agriculture growth faces significant climate change risks that are expected to intensify in the coming decades.** Kenya's average annual temperatures have increased by 1°C between 1960 and 2003, and by 1.5 °C in the drier parts of the country. These rising temperatures have led to increasingly erratic climatic patterns and a general decline of rainfall in the main season. With 98 percent of agriculture being rainfed, the sector and especially smallholder farmers are extremely vulnerable to such shocks. The economic cost of floods and droughts is also estimated to create long-term fiscal liabilities of 2 to 2.8 percent of GDP each year⁷. Future climate change is expected to bear heavily on Kenya's food and nutritional security with yield reductions of 40-45 percent expected for maize, rice, soyabean, coffee and tea by 2100, and increases in food prices of 75 to 90 percent by 2055. The agricultural sector is also the largest source (59 percent) of total GHG emissions in Kenya with livestock-related emissions accounting for more than 96 percent of those emissions. Kenya still lags significantly in climate change mitigation and adaptation, ranked Kenya 148 out of 192 countries for readiness

² Kenya Economic Update April 2019, Unbundling the slack in private investment, The World Bank

³ Kenya Economic Update April 2019, Unbundling the slack in private investment, The World Bank

⁴ FinAccess Household Survey, 2019

⁵ Kenya National Bureau of Statistics, 2017

⁶ Kenya National Bureau of Statistics, 2017

⁷ Climate Risks, Vulnerability and Governance in Kenya: A review, UNDP 2012



to adapt to climate change. Building climate resilient agriculture value chains requires transition to systems that are more productive, use inputs more efficiently, and have greater stability in outputs.

8. **Poverty incidence among agriculture households decreases as they start selling produce in markets⁸ yet multiple barriers exist to agriculture commercialization for small-holder farmers in Kenya.** Only 26 percent of market-oriented households are poor as compared to 38 percent of subsistence households. Market participating households have higher usage of inorganic fertilizers and irrigation, spend significantly higher on inputs and exhibit higher crop diversity. In Kenya, lack of high-capacity farmer organizations limits small-holder integration into value chains, raising transaction costs and reducing competitiveness. Critical infrastructure gaps include limited availability of processing facilities close to farm gate to reduce post-harvest losses, limited access to cold storage and warehousing facilities that can reduce distress sales and lack of market infrastructure that can reduce the distance from producer to end consumer. Going forward, any sustainable agriculture growth strategy must place a strong focus on aggregation, commercialization and enhancing market participation for farmers esp. subsistence farmers, while boosting productivity through improved access to quality inputs and extension services.

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

10. **The World Bank-financed National Agricultural and Rural Inclusive Growth Project (NARIGP) and the Kenya Climate Smart Agriculture Project (KCSAP) have laid down a strong foundation for commercialization of agriculture in Kenya.** The two projects have mobilized nearly 1.1 million farmers, mostly smallholders into nearly 37,000 Common Interest Groups (CIGs) and nearly 500 farmer producer organizations (FPOs). Over 10,000 community level extension workers are training farmers on 760 Climate Smart Technologies, Innovations and Management Practices (TIMPs) across 21 value chains. These TIMPs have been developed through 51 adaptive research projects with Kenya Agriculture and Livestock Research Organisation (KALRO). Over 10,900 micro-project investments have been funded to build farmer capacity for adopting these TIMPs and more than 450 county level investments have been supported to enhance productivity and market linkages. At mid-term stage, these projects have achieved a 15 percent yield increase in the selected priority agricultural value chains. Nearly 60 percent of project-supported farmers have been linked to 505 FPOs and over 170 FPOs have developed Enterprise Development Plans for leveraging formal finance. Eighty-five (85) public private partnerships have been established to improve service delivery to participating farmers. The twin projects have also laid groundwork for digitally integrated value chains: KALRO has developed a Big Data Platform with a database of nearly 1.1 million farmers with spatial data and producer details being utilized to provide integrated agro-weather and market information to farmers and agricultural institutions. A Disruptive Agriculture Technologies (DAT) platform has seen 26 high potential Ag-tech start-ups signing formal agreements with 26 counties to support digital solutions in the areas of extension, credit, agro-advisory and market linkages.

⁸ Kenya Poverty and Gender Assessment 2015-16



C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

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

Key Results

- a. Farmers reached with agricultural assets or services under the project of which at least 50 percent are female farmers
- b. Percentage increase in farmers selling more than 50 percent of their produce in the market –100 percent
- c. Percentage increase in farmers selling produce in value added form (both on farm and off farm) – 30 percent

D. Project Description

Project Components

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

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



pillars of CSA of increased productivity and incomes, adaptation to climate change and mitigation of GHG emissions. The selected value chains are also largely aligned with the high potential value chains identified under ASTGS.

Component 1: Building Producer capacity for climate resilient stronger value chains (US\$115 million)

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

14. **Sub-component 1.1: Farmer Capacity Building and e-Voucher support (US\$45 million):** The sub-component will build small farmer capacity for enhanced climate resilience, improved production and market participation through the following major interventions viz, training on climate smart TIMPs through on farm extension and public facilities to demonstrate CSA technologies, demonstrative micro-project investments to complement TIMPs training, farmer mobilization and technical assistance to support access to e-vouchers, and small scale infrastructure investments for primary aggregation, small duration storage and value addition. Most activities under this sub-component are being scaled up from earlier investments made under NARIGP and the focus will be on strengthening commercial orientation, inclusion of women farmers and enhanced climate resilience and adaptation. New mobilization of small farmers into CIGs as required, will also be undertaken. The project will partner with KALRO to further strengthen and expand the existing inventory of TIMPs with emphasis on climate resilience, nutrition, and safer food production practices.

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

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

17. **Sub-component 1.3: Improve creditworthiness of CIGs and FPOs (US\$40 million):** This sub-component will focus on addressing both demand and supply side constraints to improve creditworthiness and bankability of CIGs



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

Component 2: Climate Smart Value Chain Ecosystem Investments- US\$100 million

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

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

20. **Sub-component 2.2: Market Access and Infrastructure Development (US\$25 million):** This sub-component will support development of enabling climate resilient market infrastructure (warehouses, markets etc.) linked to prioritized value chains and on enhancing market linkages for farmers through enabling linkages with agri-business SMEs and other private sector partners. The market infrastructure will include development and upgradation of both new and existing physical markets, aggregation centers and cold-chain infrastructure to reduce post-harvest losses, food spoilage and improve value addition. Investments will be identified by value chain development plans and focus will be on developing co-financing models including Public Private Partnership (PPP) investments, impact investments and multi-county collaborations. Investments will be informed by climate considerations such as increased resilience and reduced emissions across food value chains. It will also actively support initiatives towards maximizing finance for value chain development and crowding in investments through value chain forums at county, regional and national level aimed at improving coordination among value chain actors, financing institutions and policy makers. The project will work closely with IFC to develop linkages with anchor off-takers and value chain actors while also identifying and creating a pipeline of investable opportunities for development of crucial market infrastructure in partnership with private sector. In addition, the Kenya Markets Information Systems (KAMIS) will be strengthened to bridge market information asymmetry between producers and other value chain actors. This



sub-component will also include a dedicated window for financing new and existing SMEs providing crucial services especially market linkages along the value chains.

21. **Sub-component 2.3: Data and Digital Investments (US\$20 million):** This sub-component will support climate adaptation planning by scaling up of partnership with DAT service providers including mobilization, technical assistance, training and capacity building and digital equipment that enables farmers to access climate information services, climate smart TIMPs, climate resilience inputs, market information, digital finance and e-commerce. It will also support the strengthening of the existing Big Data platform at KALRO as the foundational database for insight-driven, more productive, resource efficient and climate-resilient farming. The Big Data platform will support wider farmer outreach by supporting digitization of more farmers, deepening data around savings, credit, cash flows and access to market at the farmer level and mapping of other key stakeholders to enable access to financial services and market linkages for farmers under the project. Also, under the sub-component, at least 2000 youth (with at least 30 percent women) will be developed as agriculture entrepreneurs (referred to as “agriprenuers”) that will double up as both the last mile extension service providers and as the human touch point for “bundling” the services (access to climate resilient inputs, climate information services, financial service, and market linkages) through the partnership with the various DAT providers. Lastly, county staff and lead farmers will be trained on digital services, data driven decision making and partnership management.

Sub-component 2.4: Research Linkages, Technical Assistance, and Institutional Capacity (US\$35 million): This sub-component is aimed at providing continued support to KALRO towards further strengthening of climate smart TIMPs, supporting quality technical assistance for value chain development at various levels and placement of and building capacity of county level implementation units to anchor project activities. The subcomponent will support sustained partnership with KALRO and fund the development of TIMPS for the three new value chains-cotton, pyrethrum, and cashew nuts and update inventories of TIMPS for all other value chains developed during the implementation of KSCAP/NARIGP with a focus on further strengthening climate resilience and enhancing value addition. Three to five TIMPS with the highest potential for impact (through enhanced productivity, profitability, climate resilience, greenhouse gas [GHG] mitigation) for each of the supported value chains will be prioritized. The subcomponent will also support the onboarding of technical support agencies (TSA) across several functional areas including but not limited to TSAs for FPO capacity building, value chain development, financial services, and market infrastructure development. Lastly, this sub-component will support deployment of full time dedicated human resources and the procurement of equipment to support their functioning at the county level. A dedicated cell to coordinate closely with private sector players, anchor off takers and public departments will be established. The cell will anchor investment coordination and a reference database of ongoing value chain investments at the county level for prospective new investors.

Component 3: Piloting Safer Urban Food Systems- US\$35 million

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

Sub-component 3.1- Urban and Peri-urban agriculture (US\$10 million): As part of this subcomponent, urban and peri-urban farmers within certain select production zones will be mobilized and supported with micro project investments to promote contextually conducive climate smart agriculture technologies. Application of DAT in urban and peri-urban areas would lead to more efficient input use matched to climatic trends and reduced GHG emissions. These urban/peri-urban production zones will be linked to midstream value chain stakeholders such as processors



and logistics providers (nutrition sensitive preservation and processing technologies) to reduce post-harvest losses. New and existing agri-business SMEs supporting such production and marketing practices will be supported through training and linkage with financial service providers.

23. **Subcomponent 3.2: Urban Market Infrastructure (US\$20 million):** This subcomponent will support linkages between rural/peri-urban producers and urban consumers by a) Developing/upgrading climate proof market infrastructure (physical urban and peri-urban markets) to serve as market hubs for direct farmer-consumer linkages and make them more resilient to climate change and b) Facilitating direct linkages between the CIGs/FPOs under the project and e-commerce platforms and digital aggregators like *Twiga Foods*. The sub-component will also support intensive consumer awareness and information campaign to catalyze higher demand and value for safer food produce.

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

Component 4: Project Coordination and Management (US\$25 million)

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

26. **Subcomponent 4.1: Project Coordination (US\$ 17 million):** This subcomponent will finance the costs of national level project coordination unit (NPCU), including salaries of contract staff, and O&M costs, such as office space rental, fuel and spare parts of vehicles, office equipment, audits, furniture, and tools, among others. It will also finance the costs of project supervision and oversight provided by the National Project Steering Committee (NPSC). It will also support the oversight and inter-governmental coordination provided by the Joint Agriculture Sector Coordination Mechanism (JASCOM/JAS) and the Council of Governors' (COG) structures for Agriculture (Committee on Agriculture, Caucus of CECMs for Agriculture, and Agriculture Secretariat); support the Agriculture Transformation Office and any other project administration costs.

27. **Subcomponent 4.2: Communication, Monitoring & Evaluation, and ICT (US\$ 8 million):** This subcomponent will finance activities related to communication with all stakeholders includes project beneficiaries, all government officials that are part of the project implementation, key policy makers and the citizens at large. As part of citizen engagement, the project will engage with the communities intensively and ensure their participation and complete ownership in the planning, preparation and implementation of the value chain development plans, the micro project proposals at the CIG level and the Enterprise Development Plans at the FPO level drawing from similar experiences in other successful community-driven development (CDD) type operations. It will also finance activities related to routine M&E functions (e.g., data collection, analysis, and reporting) and development of an ICT-based Agricultural Information Platform for sharing information (e.g., technical or extension and business advisory services, market



data, agro-weather, and others); it will also facilitate networking across all components. It will finance baseline, mid-point, and end-of-project impact evaluations.

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

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

Legal Operational Policies

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

Summary of Assessment of Environmental and Social Risks and Impacts

Environment Risks

29. **The environmental risk rating is assessed as substantial.** The Project will finance the construction of micro-projects, construction of markets and small infrastructure projects. The typology of these sub-projects is likely to result to environmental risks and impacts that are low to medium in magnitude, temporary, site specific, the size of population/geographical area likely to be affected by this project is medium to large, predictable and/or reversible and can easily be mitigated. The Project will cover a significant geographical area of 26 counties and thus the environmental risk is assessed as substantial. The project is financing activities that will have positive impacts and benefits to the areas and local communities that will participate on the Project. These will include: (i) creation of employment opportunities; (ii) increased agricultural incomes and competitiveness through crop diversification, value addition and remunerative marketing; (iii) improved skill base of farmers; (iv) improved natural resource management; and (vi) reduced GHG emission. It is also anticipated that the Project will result in positive environmental impacts that include application of soil and water conservation practices. The potential negative environmental risks and impacts are associated with the proposed small infrastructure investments, construction of market infrastructure and provision of improved inputs and technologies that will be supported under Component 1, 2 and 3. These risks and impacts include: (i) air and dust pollution, (ii) soil and water pollution; (iii) community health and safety; (iv) occupational, health and safety; (v) generation of hazardous and non-hazardous waste; and (vi) use of pesticides. These impacts are expected to be not significant, low-medium magnitude, temporary, site specific, reversible, and easy to mitigate. The e-voucher program to be financed under this component is expected to result to negligible environmental risks and impacts. Instead, it will contribute to use of quality farm inputs i.e., through soil testing.



30. Given that the sub-projects have not been identified at this stage, the project adopted framework approach and the borrower will prepare the Environmental Social Management Framework (ESMF) with an annex of the Integrated Pest Management Framework (IPMF) and the Security Management Plan (SMP), these instruments will be consulted upon, reviewed, and disclosed to the public prior to Project effectiveness. The ESMF sets out the principles, rules, guidelines, and procedures for assessing the environmental and social risks and impacts associated with the project. It specifies measures and plans to reduce, mitigate and/or offset adverse risks and impacts, and outline the budget and costs to support the environmental and social measures, and provides information on the agencies responsible for addressing project environmental and social risks and impacts, including existing capacity at the Ministry of Agriculture, Livestock, Fisheries and Cooperatives (MoALFC) to manage environmental and social risks and impacts. During project implementation, the Borrower will undertake environmental and social screening and prepare sub-project site specific Environmental and Social Impact Assessments (ESIA)/or Environmental and Social Management Plans (ESMPs), and the Integrated Pest Management Plans (IPMPs).

31. **The social risk rating is assessed as Substantial.** This is mainly due to the vastness of the target area across 26 counties, low capacity of project implementation teams, agricultural activities being vulnerable to child labor and forced labor, existing tensions between communities regarding resources (water, community lands); presence of VMGs; evidence that some sub-projects will require agreement and consent from the communities to use community lands (and if VMGs are present on those lands, free prior and informed consent might likely be required; some sub project investments may lead to income loss/economic displacement. Although the project team has broader understanding of managing social risks and impacts on WB funded projects and experience of implementing NARIGP and KSCAP under safeguards, the NPCU, County teams and community institutions (CIG/VMG/CDDCs/FPO) will require intensive training and technical support. Specially during preparation of County development Plans, applying exclusion criteria and incorporation of social issues such as labour management, meaningful stakeholder engagement in culturally appropriate manner, ascertaining land ownership, management of Economic displacement, ensuring VMGs are consulted upon and benefit from the project.

32. The MoALFC has prepared a draft Environmental and Social Management Framework (ESMF) with an annex of the Integrated Pest Management Framework (IPMF), Sexual Exploitation, Abuse and Harassment (SEAH) prevention and Response Plan and Security Management Plan (SMP). In addition, the Labour Management Procedures (LMP), Resettlement Policy Framework (RPF and the Vulnerable Marginalized Groups Framework (VMGF) have been prepared and submitted for Bank review and approval and will subsequently disclosed to public as per ESCP. All the framework instruments and SEP shall be updated as required within 12 months of project effectiveness to adapt to the project procedures and development plans at county and community level. During project implementation, the Borrower shall prepare 11 VMGPs specific to counties Development Plan for selected value chains where VMGs are present. Social assessment will be part of VMGPs.

E. Implementation

Institutional and Implementation Arrangements

33. NAVCDP will benefit significantly from the existing implementation capacity and strong community institutions developed under NARIGP and KCSAP both at the national level and county level. At the national level, a fully functional National Project Coordination Unit (NPCU) has been established with subject matter specialists, trained financial management, procurement and environment and social safeguard specialists that are supporting county implementation units. All the 26 identified counties have fully functional implementation units at the county level with trained subject



matter specialists, financial management, procurement and environment and social safeguard specialists. Strong technical, and fiduciary systems have been developed under NARIGP and KCSAP which will allow NAVCDP to have higher implementation efficiency. The project will also leverage the existing three-tiered community institutional arrangement developed under NARIGP and KCSAP for implementation of NAVCDP.

34. The existing NPCU and CPCUs will be strengthened by bringing in new staff that have the appropriate expertise in the newer focus areas i.e., irrigation access, financial services, data and digital technologies, and private sector partnerships. The project will also adopt new innovative practices for bringing in highly qualified young graduates from leading agriculture and management institutions in the country to work on fixed duration, high intensity technical assistance assignments. Additionally, the project will innovatively utilize mechanisms such as internships and community level human resource deployment especially at institutions such as SACCOs and FPOs.
35. **Project Implementation:** The core implementation roles will be fulfilled by National Project Coordination Unit (NPCU) at the national level, County Project Coordination units (CPCUs) and the community institutions (CIG/VMG/CDDCs/FPO) at the community level. Each of these three tiers have significant pre-existing implementation capacity and systems. The fully functional NPCU, headed by the National Project Coordinator (NPC), established under NARIGP will be responsible for managing day-to-day project implementation. The NPC will also be the secretary to the National Project Steering Committee and National Technical Advisory Committee. Key staff of NPCU will include subject matter specialists including but not limited to community institution specialists, agronomists focusing on productivity enhancement, irrigation specialists, private sector engagement specialists and financial inclusion specialists. It will also include project accountant, Procurement Specialist, an M&E Officer, an Environmental Safeguard specialist, and Social Safeguards Specialist. The NPCU staff will comprise of seconded personnel deployed by the national government and open market recruits to be hired on a contractual basis. The project will also strongly push for inclusion of young graduates from premier knowledge institutions in Kenya, to be deployed for focused, limited tenures. Staffing under the project will be driven by periodic needs assessment based on emerging project outcomes and overall trends within the selected value chains. For effective coordination of research linkages and agriculture digitization, the MoALFC will enter relevant support mechanism with KALRO to oversee implementation of these activities.
36. At the county level, CPCUs headed by CPC will lead project implementation under the oversight of CPSC. The CPC will serve as the secretary to CPSC. CPCU, which will be embedded into the respective county government structures, will comprise the Country Project Coordinator (CPC), subject matter specialists including but not limited to social development specialist, agronomist focusing on productivity enhancement, irrigation specialist, private sector engagement specialist and financial inclusion Specialist. It will also include project accountant, procurement specialist, an M&E Officer, an Environmental and Social Safeguard Officer. The CPCU staff will comprise of personnel seconded to the project on a full-time basis by the county governments as well as contractual employees hired from open market to respond to specific specialized technical skill gaps.
37. **At the community level,** the project implementation will be driven by the strong community institution architecture developed under NARIGP and KCSAP. At the cutting edge, CIGs will serve as the primary interface between project interventions and smallholder farmers. The CIGs will play crucial institutional role in delivery of training and extension services, seasonal agriculture planning, mobilization of farmer savings, utilization of revolving funds for TIMPs adoption and collective implementation of micro-project investments. Community Driven Development Committees will function as ward level representative institutions of CIGs with elected leaders (chair, secretary, treasurer, and board



members) will represent beneficiaries in the targeted communities. They will also be responsible for identifying vulnerable and marginalized members of the community through participatory targeting approaches.

CONTACT POINT

World Bank

Vinay Kumar Vutukuru
Senior Agriculture Economist

James Muli Musinga
Senior Agriculture Economist

Sheila W. Kamunyori
Senior Urban Development Specialist

Borrower/Client/Recipient

The Republic of Kenya
Dr. Julius Muia
Principal Secretary
ps@treasury.go.ke

Implementing Agencies

Ministry of Agriculture, Livestock, Fisheries, and Cooperatives
Prof Hamadi Boga
Principal Secretary
hamadiboga@yahoo.com

FOR MORE INFORMATION CONTACT

The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: <http://www.worldbank.org/projects>



APPROVAL

Task Team Leader(s):	Vinay Kumar Vutukuru James Muli Musinga Sheila W. Kamunyori
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Approved By

Practice Manager/Manager:		
Country Director:	Camille Anne Nuamah	20-Feb-2022