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ENVIRONMENTAL & SOCIAL MANAGEMENT FRAMEWORK

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EXECUTIVE SUMMARY

The Kenya Climate Innovation Center (KCIC) was launched in September 2012 in Nairobi, and already supports more than 100 firms developing innovative businesses models and technologies in renewable energy, water management and climate-smart agriculture. The KCIC helps move Kenya from being a “technology taker” to more pro-actively and profitably developing its own solutions to climate change and thus achieve economic development and job creation in the rapidly expanding climate technology sector. KCIC incubates start-up and early stage climate technology companies with a range of services including proof-of-concept grants (US\$25k - US\$100k), business advisory services and training, access to technical and office facilities. Companies being supported by the KCIC benefit from assistance to advance from concept to initial market testing in the course of a successful incubation, a process which typically takes at least 12 months or more.

The next phase of the initial KCIC operation will be the Kenya Climate Venture Facility (KCVF), an innovative financing facility that will be established to provide seed and early stage financing to promising start-up and early-stage firms developing innovative and profitable renewable energy and climate technology businesses in Kenya and East Africa, leading to a full market roll-out. KCVF will focus on those innovative companies that have moved past incubation into the next stage of their development when they require financing for further market testing and business model validation, leading to a full market rollout. Such financing is typically not available from traditional financiers in Kenya which prefer mature or growth stage companies with more proven models. As such, KCVF will pioneer an innovative financing model – among the first of its kind in the East Africa region – specifically addressing this acute seed/early-stage financing gap in Kenya. It will do so by investing patient capital (in the form of equity, debt and/or related instruments) along with high engagement management assistance, targeting companies that have the positive financial return on investment while also creating positive social, economic and/or environmental impact. These will include companies developing promising - but unproven - business models in renewable energy (on-grid, off-grid, and house-based products such as solar lighting or cook-stoves), water/sanitation and climate smart related agriculture. Portfolio companies will include but not be limited to KCIC clients.

Notwithstanding addressing priority climate innovation objectives, KCVF supported subprojects will have positive social impacts such as job creation for locals to obtain employment. In terms of improved skills, technical staff will have enhanced capacity to monitor the environment in a more reliable manner. Increased levels of awareness among different stakeholders will help them deal with the environment in a friendly approach. The KCVF main social, economic and environmental positive impacts will result from the accelerated growth of supported ventures and technologies. These positive impacts will include carbon mitigation, access to energy, better health outcomes, women empowerment

and water and food for people and benefits in terms of contribution to carbon sequestration, supply of firewood and sources of income for households.

However, a separate Environmental and Social Performance Assessment (ESA) audit of selected KCIC subprojects noted site specific and less sensitive localized environmental and social negative impacts. These impacts included air pollution due to dusts and fumes, soil and water pollution and waste from electrical, electronic, and metallic equipment, byproduct produced as a result of construction and installation, manufacture and operation of SMEs. These wastes pose a potential threat to human health and the environment when improperly disposed. However, the subprojects were already implementing measures to mitigate the various negative social and environmental impacts.

Again, the ESA had a Finding of No Significant Impact (FONSI) on issues such as unsafe health and environment for workers, unsafe working place conditions, which among others may cause adverse impacts on people and society. The ESA recommended that there be a proper arrangement for a healthy, safe and secure environment for workers; SMEs should have in place waste management plans and the control of noise pollution in the working area. When dealing with unsafe work place conditions, the owner should provide a clean and tidy workplace to workers and safeguards against fire. The worker should not be engaged at work without adequate direction, training and personal protective equipment (PPE).

Given the likely candidate sub-projects proposed for financing under the KCVF, the project would trigger the World Bank safeguard policy on Environmental Assessment Operational Policy (OP 4.01). Under OP 4.01, KCVF is classified as EA category B since site specific and localized environmental and social negative impacts may happen in relation to investment of small and medium private enterprises and technology ventures, the project is classified as EA category B. Category B projects are likely to have environmental and social impacts. However, the impacts will be site specific, relatively easy to mitigate and reversible within reasonable time. At this stage the actual locations and activities of SMEs that will benefit from financing under KCVF are unknown and thus potential adverse environmental and social impacts of future investments could not be clearly determined prior to project appraisal. An Environmental and Social Management Framework (ESMF) has been prepared to guide the screening of subprojects and the preparation of the relevant safeguards instruments, which may be needed once subproject activities and locations, are known.

This ESMF has been prepared based on the World Bank's environmental and social safeguard policies, as well as national environmental and social policies. For instance, Kenya's policy and legal framework is very elaborate on environmental and social issues. The second schedule of the Environmental Management and Coordination Act (EMCA) of 1999 outlines the different projects that should undergo environmental impact assessment and audit. Other laws and policies are discussed in detail in *Appendix V*. Moreover, discussions have been

held with KCVF project preparation team on the objectives, content and logic of the ESMF. Key stakeholders in the application and implementation of the ESMF for the KCVF Project have also consulted including National Environmental Management Authority (NEMA) officials.

It is expected that after the nature and scope of business enterprises as well as sites are known during the implementation phase of the Project, the Implementing Agency will ensure that subprojects are screened for any positive and potential adverse environmental and social impacts. Should the screening indicate that significant negative impacts are likely to occur safeguard tools such as environmental and social impact assessments (ESIA) or environmental and social management plans (ESMP) may have to be prepared and implemented based on guidance from the ESMF. Among the many functions of the KCVF, including (i) reviewing subprojects' applications, (ii) appraising the subprojects, and (iii) providing training and awareness to subprojects staff and concerned government agencies, it will also screen and vet subprojects for compliance with World Bank safeguards and Kenya Government requirements before approving funding. It will also monitor environmental compliance based on management/mitigation plans prepared by the subprojects and maintain records of safeguard documents for all subprojects. The owner of the subproject will conduct in-house screening for any adverse impacts, prepare a proposal and application and then submit to KCVF for financing. After it receives financing, it will implement the subproject activities in line with agreed mitigation measures, and will be expected to report to the KCVF any mitigation measures taken or non-compliance. NEMA as mandated by law, will regularly monitor the implementation of social and environmental management/mitigation measures and will take corrective measures if there is any non-compliance.

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ACRONYMS

BoP	Bottom of Pyramid
DFID	Department for International Development
EA	Environmental Audit
EIA	Environmental Impact Assessment
EMCA	Environmental Management & Coordination Act
EMPs	Environmental Management Plans
ESA	Environmental and Social Audit
ESF	Environmental Screening Form
ESIA	Environmental and Social Impact Assessment
ESMF	Environmental and Social Management Framework
ESMP	Environmental and Social Management Plan
ESSFs	Environmental and Social Screening Forms
GoK	Government of Kenya
GVEP	Global Village Energy Partnership
IPM	Integrated Pest Management
IVM	Integrated Vector Management
KARI	Kenya Agricultural Research Institute
KCIC	Kenya Climate Innovation Centre
KCVF	Kenya Climate Venture Facility
KIRDI	Kenya Industrial Research & Development Institute
KU	Kenyatta University
MEPS	Minimum Energy Performance Standards
NEMA	National Environment Management Authority
NETFUND	National Environment Trust Fund
NGO	Non - Governmental Organization
PAPs	Project Affected Persons
PCPB	Pest Control Products Board
PoC	Proof of Concept
RAP	Resettlement Action Plan
SMEs	Small to Medium Enterprises
SSF	Social Screening Form
TA	Technical Assistance
UoN	University of Nairobi
VC	Venture Capital
WIPO	World Intellectual Property Organization
WRMA	Water Resources Management Authority

DEFINITION OF TERMS

Base of Pyramid	This is an economic term used to describe the largest, but poorest socio-economic group living on less than US\$2.50 per day.
Investee	A person or company that will receive funding from Kenya Climate Venture Facility (KCVF) in order to expand and earn profits.
Stakeholder	Any person, group or organization that has interest or concern in another organization. A stakeholder can affect or be affected by an organization's actions, objectives and policies.
Subproject or SME	Refers to any of the businesses or companies that are clients of CIC or will apply for seed funding from KCVF.
Technical Assistance	Support given to help a person, group or organization to do their work more effectively. For the ESMF, technical assistance may include: attending a workshop or training session on World Bank and Kenya Government environmental and social safeguard policies.

INTRODUCTION

Kenya Climate Innovation Centre (KCIC)

The Kenya Climate Innovation Center (KCIC) was launched in September 2012 in Nairobi, and already supports more than 100 firms developing innovative businesses models and technologies in renewable energy, water management and climate-smart agriculture. The KCIC helps move Kenya from being a “technology taker” to more pro-actively and profitably developing its own solutions to climate change and thus achieve economic development and job creation in the rapidly expanding climate technology sector. KCIC incubates start-up and early stage climate technology companies with a range of services including proof-of-concept grants (US\$25k - US\$100k), business advisory services and training, access to technical and office facilities. Companies being supported by the KCIC benefit from assistance to advance from concept to initial market testing in the course of a successful incubation, a process which typically takes at least 12 months or more.

Kenya Climate Venture Facility (KCVF)

The next phase of the initial KCIC operation will be the Kenya Climate Venture Facility (KCVF), an innovative financing facility that will be established to provide seed and early stage financing to promising start-up and early-stage firms developing innovative and profitable renewable energy and climate technology businesses in Kenya and East Africa, leading to a full market roll-out. KCVF will focus on those innovative companies that have moved past incubation into the next stage of their development when they require financing for further market testing and business model validation, leading to a full market rollout. Such financing is typically not available from traditional financiers in Kenya which prefer mature or growth stage companies with more proven models. As such, KCVF will pioneer an innovative financing model – among the first of its kind in the East Africa region – specifically addressing this acute seed/early-stage financing gap in Kenya. It will do so by investing patient capital (in the form of equity, debt and/or related instruments) along with high engagement management assistance, targeting companies that have the positive financial return on investment while also creating positive social, economic and/or environmental impact. These will include companies developing promising - but unproven - business models in renewable energy (on-grid, off-grid, and house-based products such as solar lighting or cook-stoves), water/sanitation and climate related agriculture. Portfolio companies will include but not be limited to KCIC clients.

KCVF Main Objective & Rationale

The main development objective of the KCVF is to demonstrate an innovative investment model that addresses the financing gap for promising start-up and early-stage climate technology companies in Kenya. Through this initiative, the project also aims to develop

sustainable and scalable business solutions that contribute to Kenya's young but growing climate innovation and clean-tech sectors.

Because of the pioneering nature of the project, KCVF will generate iterative knowledge and learnings on the possibilities and challenges of developing sustainable seed investment models and other relevant support to start-up/early stage firms in climate innovation. This is also consistent with infoDev's mandate to test and develop innovative models for seed/early-stage enterprise development and financing, and to share learnings with relevant stakeholders.

Some of the key questions the project will help address are:

- What are the most effective seed investment/support models and practices to enable start-up/early stage climate technology companies to move into the growth phase and become commercially viable?
- How – and the extent to which – can private capital be leveraged to invest in promising but high-risk early stage companies?
- To what extent can seed/early stage investing vehicles - in developing countries like Kenya and new sector like clean-tech - become commercially sustainable, and what role should public/donor financing play to develop this space?

KCVF Key Success Indicators

- a) Total financing invested in the target firms;
- b) # of profitable and scaling climate technology companies that are creating positive social, environmental and/or economic impact;
- c) Financing leveraged and/or catalyzed by the World Bank contribution within 5 years of investment;
- d) # of new/ improved technologies or products offered by portfolio companies;
- e) # of new seed-stage investment vehicles/facilities (in East Africa or beyond) that are influenced by the KCVF investment model.

KVCF Activities

1. Build initial pipeline of potential clients (KCIC to initiate process)
2. Build networks and identify partners: mentors, investors and third party TA providers
3. Launch fund, launch marketing and communication campaign
4. First investments (warehoused by KCIC)
5. Commence capital raise for additional funding for KCVF
6. Ongoing development of pipeline of potential clients and selection
7. Incorporate stage 2 corporate structures
8. Regional expansion

Anticipated Project Types

KCVF will invest in start-up and early stage businesses. Businesses with the following characteristics will be eligible for investment:

- (i) The business should be operating in the clean-tech sector, and specifically, it should be involved in developing and applying technologies in the agribusiness, renewable energy, and water and sanitation sectors.
- (ii) The business will need to demonstrate a minimum capital requirement of US\$ 100,000.
- (iii) The business must have provided satisfactory evidence of existence of effective demand (even though this may not have crystallized into actual revenue).
- (iv) The business will need to demonstrate potential to scale significantly, as defined by the identification of credible distribution partners and suitable supply chain infrastructure to enable service delivery and market penetration at an appreciable pace.
- (v) The product in question must be certified and registered/patented where applicable.
- (vi) Base of Pyramid (BoP) impact will be desirable but not essential. The BoP impact will ideally be a by-product of the focus on clean-tech.
- (vii) Potential providers of follow-on funding and/or co-financing must have endorsed the business model.
- (viii) The entrepreneur should be passionate about building the enterprise, and open to work with investors to help increase the value of the company.

Projects Excluded from Financing

Positive environmental impact will be an essential outcome product of the business' operations to be financed by KCVF. Exclusions from financing will include, among others:

1. Subprojects not belonging to any of the three CIC thematic areas (agribusiness, renewable energy, water and sanitation).
2. Agribusinesses that use synthetic chemicals or hazardous substances or bio-pathogens without valid licenses from the Pest Control Products Board (PCPB).
3. Any activity related to land take, and resulting in physical involuntary resettlement of people or loss of assets or access to assets, or loss of livelihoods and sources of income.
4. Any subproject that would adversely impact on physical cultural resources (historical, archaeological and cultural heritage sites, etc.) through excavations.
5. Subprojects that would involve the construction of dams or diversion of water courses.
6. Subprojects that would involve the removal of natural forests or reclamation of wetlands or ecologically sensitive habitats.
7. Subprojects that would involve capture and export of life animals.
8. SMEs whose proposal does not incorporate environmental and social adverse impacts mitigation measures.

9. Subprojects categorized by the World Bank as A. They will either be redesigned and rescreened or dropped because the parent project KCVF has been assigned the environmental category B.

Environmental Social Management Framework (ESMF) Justification

The ESMF is based on recommendations from an Environmental and Social Performance Assessment of selected KCIC projects and incorporates the legislation of Kenya government and the Operational Policies of the World Bank. The KCVF is classified as Category B according to World Bank standards. Category B projects are likely to have environmental and social impacts. However, the impacts will be site specific, relatively easy to mitigate and reversible within reason.

The KCIC and Kenya Government will use and refer to this ESMF during implementation of the KCVF. Though some proactive mitigation strategies have been identified as a result of environmental and social impact audit of selected CIC subprojects, specific location and intervention design are not known at project appraisal. Thus, the appropriate safeguard instrument to prepare prior to project appraisal is the ESMF. It is expected that during Project implementation detailed Environmental Management Plans (EMPs) will be prepared for specific subprojects following guidelines in the ESMF. It remains the responsibility of the KCVF, as Project implementer, to ensure that the necessary mitigation plans are developed and adhered to.

The specific objectives of this Environmental and Social Management Framework are:

- a) To establish clear procedures and methodologies for the environmental and social planning, review, approval and implementation of specific subprojects activities;
- b) To specify appropriate roles and responsibilities, and outline the necessary reporting procedures, for managing and monitoring environmental and social concerns related to KCVF investments;
- c) To determine the training, capacity building and technical assistance needed to successfully implement the provisions of the ESMF;
- d) To establish the project funding required to implement the ESMF requirements.

ESMF Principle

This ESMF will guide KCVF in screening of subprojects for funding in line with World Bank and Kenya Government environmental and social management precepts. In case of inconsistency between World Bank and Kenya government policies, then the World Bank policies will prevail.

METHODOLOGY & APPROACH

The ESMF prepared through a study entailing: Literature Review, Field Visits and Interactive Discussions.

Literature review

The EMSF was prepared based on existing general literature, among them:

- World Bank website¹
- Kenya Climate Innovation Center website²
- KCIC project documents, various progress reports, sub-project documents, project operational manual, checklists
- The draft Project Concept Note for the KCVF operation, background and preparatory reports
- National Climate Change Response Strategy (NCCRS)
- National Climate Change Action Plan (NCCAP)

The consultant also undertook detailed review and analysis of the national relevant legislations, policies and guidelines including the World Bank Safeguards Policies, international conventions related to this project and other relevant documents.

Field Visits

The consultant made a visit to several subprojects currently supported by CIC in order to identify the environmental and social issues on the ground and appreciate possible impacts of the subproject activities on the environment and society (*See separate Environmental and Social Performance Audit (ESA) report accompanying this document*).

Stakeholder Consultation

Various discussions have been held with KCVF project preparation team on the objectives, content and logic of the ESMF. Key stakeholders in the application and implementation of the ESMF for the KCVF Project have also been consulted including Consortia partners (GVEP International, KIRDI, and PWC) and even National Environmental Management Authority (NEMA) officials.

The main issues outlined in the consultative meeting with key stakeholders included (*see annex VII for minutes and list of participants*):

1

<http://web.worldbank.org/WBSITE/EXTERNAL/EXTOED/EXTSAFANDSUS/0,,contentMDK:22710879~menuPK:6120534~pagePK:64829573~piPK:64829550~theSitePK:6120524,00.html>

² <http://www.kenyacic.org>

- Investee's lack of expertise in identifying environmental and social impacts
- Screening for synthetic chemical pesticides
- ESMF monitoring & responsibilities. Who does what to who and where?
- ESMF and Early Stage Ventures. Will it apply to them?
- Will SMEs be supported to comply with ESMF?
- How will Investees screen their enterprises for social and environmental impacts?

KCVF's ESMF is developed for SMEs and will be operational at all times when the Project provides financial support. Therefore, the ESMF is triggered and becomes a mandatory operational framework even when the KCVF co-funds an initiative with another Project or support organization.

ENVIRONMENTAL & SOCIAL MANAGEMENT REQUIREMENTS

World Bank Operational Policies

Under the KCVF only one World Bank safeguard policy namely the Environmental Assessment Operational Policy (OP 4.01) relevant to the project is triggered. The other World Bank Operational Policies which are not relevant in the context of the preparation phase of the project have been described and annexed to this report (see Annex V).

Environmental Assessment (OP/BP/GP 4.01)

In line with OP 4.01, a socio-environmental impact audit was carried out on selected subprojects supported by CIC, and no significant adverse impacts on the environment were identified. KCVF is designed to promote positive environmental and social impacts and reduce existing pressures on the environment. Project activities could involve small-scale infrastructure works in Water and Sanitation, Renewable Energy and Agri-business with potential negative environmental impacts. Kenya's Environmental Impact Assessment policy is clear on the process that must be followed in the mitigation of impacts through conducting Environmental Impact Assessments (EIAs). Risks of direct environmental impacts will be assessed through the national EIA procedures and requirements of the Government of Kenya and specific environmental clauses will be applied to these works to mitigate the risks of impacts such as soil erosion or water pollution.

National Environmental and Social Management Requirements

Kenya Government environmental and social management requirements for KCVF funded subprojects project are listed below (*see table summary in Annex VII*):

1. The Constitution of Kenya 2010
2. The Environment Management and Co-ordination Act, 1999
3. Environmental Impact Assessment and Audit Regulations 2003
4. The Water Act, 2002
5. The Wastewater Regulations, 2006
6. The Occupational Health and Safety Act, 2007
7. Water Quality Regulations (2006)
8. EMCA (Wetlands, riverbanks, lakeshores and Sea shore management) regulations, 2009
9. EMCA (Waste Management) Regulation, 2006
10. EMCA (Noise and Excessive Vibration Pollution Control) Regulations, 2009
11. Environmental Management and Coordination Act (Air Quality) Regulations, 2008
12. Electric Power Act, 2006
13. The Factories Other Places of Work Act (Cap 514)

14. Electricity Regulatory Commission (Energy Policy of 2004, Energy Act of 2006 & various Regulations.
15. Pest Control Products Act CAP 346

ESMF Disclosure

The ESMF and its executive summary respectively have been disclosed in country and internationally e.g., the World Bank’s Info Shop and CIC website (www.kenyacic.org). In Kenya the document will be made available at the following locations for public access:

- (i) Cabinet Secretary office in the Ministry of Environment, Water & Natural Resources (MEWNR) in Nairobi; and
- (ii) The Kenya National Library Services in Upper Hill, Nairobi.

The ESMF is available to any interested individual or organization.

SOCIAL & ENVIRONMENTAL IMPACTS OF KCIC SUBPROJECTS

Positive Impacts

Positive environmental impact will be an essential outcome product of the business’ operations to be financed by KCVF. The five KCIC supported subprojects evaluated during the environmental and social performance audit had positive social and environmental impacts as summarized in the table below:

Environmental	Social
• Reduction of greenhouse gases	• Jobs creation
• Water conservation	• Women empowerment
• Fuel efficiency	• Affordable energy
• Waste reduction	• Better outcomes
• Groundwater non-contamination	• Increased cohesion

This ESMF will help improve skills of the different subproject technical staff whilst enhancing their capacity to monitor the environment in a more reliable manner. Increased level of awareness among different stakeholders will also help them deal with the environment in friendly approach. The KCIC’s main social, economic and environmental impacts will result from the accelerated growth of support technologies. These impacts will include carbon mitigations, sustainable agriculture, access to energy and water for people.

Negative Impacts

A separate Environmental and Social Performance Assessment (ESA) audit of selected KCIC subprojects noted a Finding of No Significant Impact (FONSI) on site specific and less sensitive localized environmental and social negative impacts. These impacts included air pollution due to dusts and fumes, soil and water pollution and waste from electrical, electronic, and metallic equipment, byproduct produced as a result of construction and installation, manufacture and operation of SMEs. These wastes pose a potential threat to human health and the environment when improperly disposed. However, the subprojects were already undertaking measures to mitigate the various negative social and environmental impacts.

Again, issues such as unsafe health and environment for workers, unsafe working place conditions, which among others may cause adverse impacts on people and society. The ESA recommended that there be a proper arrangement for a healthy, safe and secure environment for workers; SMEs should have in place waste management plans and the control of noise pollution in the working area. When dealing with unsafe work place conditions, the owner should provide a clean and tidy workplace to workers and safeguards against fire. The worker should not be engaged at work without adequate direction, training and personal protective equipment (PPE).

Going forward, HIV/AIDS concerns will likely increase due to influx of people to the areas in search of employment opportunities thereby contributing to the levels of HIV/AIDS prevalence in the areas. KVCF provision of seed funding to subprojects may catalyze this scenario.

Other potential dangers likely to originate from technological or industrial accidents, dangerous procedures, infrastructure failures or certain human activities, which may cause the loss of life or injury, property damage, social and economic disruption or environmental degradation, should also be considered during screening of business ventures for funding. Keekonyokie Slaughterhouse in Kiserian town is mitigating its negative impacts as summarized in the table below;

Negative Impact	Mitigation
Air pollution	<ul style="list-style-type: none"> • Using airtight covers for the bio digesters • Ensuring adequate ventilation at the factory • Replacing corroded iron sheets • Wearing gas masks
Fire Outbreak	<ul style="list-style-type: none"> • Displaying no smoking sign • Fire extinguisher • Storing biogas externally
Occupational health and safety	<ul style="list-style-type: none"> • Constructing a standard gas refilling factory

	<ul style="list-style-type: none"> • Recruit qualified personnel to manage and run the factory • Wearing complete PPE • Provision of firefighting equipment • Put in place an Emergency Response Plan (ERP) • Designate a Health & Safety officer to be in-charge of enforcing factory compliance with H&S rules & regulations • Provision of adequately stocked first aid kit and at least one trained first aider on site • Conducting annual health and safety audits • Developing a register for registering incidents, accidents and occupational injuries • Providing clearly delineated fire escape exits • Ensuring signs such as ‘only authorized persons’, ‘no smoking’ are placed at designated places • Ensuring fire drills are conducted at least once in a year as provided for by the fire risk reduction rules, 2007 • Delineating a properly marked assembly points
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SUBPROJECT PREPARATION, APPROVAL & IMPLEMENTATION

This section outlines generic steps that the KCVF will undertake to facilitate, coordinate and oversee subproject identification, preparation, approval and implementation.

The typical project cycle includes three phases re: Phase 1 – identification and planning, Phase 2 – implementation, Phase 3 – management and operation (ongoing).

Step 1: Environmental and Social Screening

The objective is to assess any potential safeguard issues early in the design and preparation process. The initial environmental and social screening will be carried out through the use of the Environmental and Social Screening Forms (ESSFs). Completion of the ESSF at the actual project sites will be the responsibility of Investees. Based on the ESSF, the Investee will assess any potential safeguard issues early in the preparation process, and describe safeguard issues in the SME fund proposal.

Most of the adverse social and environmental impacts of the SMEs are likely to be site specific. Environmental and social impacts of each SME will vary in their extent, magnitude and duration as per the nature and scale of the SMEs and location chosen. In general, the environmental and social screening process identifies what levels of environmental and social assessment is required for the SMEs.

The purpose of the screening is to get relevant concerns to be addressed at an early stage. It ensures a proper proposal with adequate considerations to mitigate environmental and social impacts. Furthermore, it enhances opportunities for proper budgeting to mitigate adverse

impacts. The public participation is also recommended in identifying the potential adverse impacts and corrective measures. The screening process intends to:

- Determine potential impacts of selected subprojects as to whether they are likely to cause negative environmental and social impacts, identify the types and classify in terms of categories;
- Determine appropriate mitigation measures for activities likely to cause adverse impacts for incorporation into SMEs proposals before approval for funding and implementation;

Screening Steps:

- Identification of SME activities implementation site/location
- Check if the activity/ location is eligible – reject SME activity if ineligible
- If eligible, a site visit will be conducted to;
 - Inspect physical environment of the subproject
 - Identify major interventions to address environmental and social concerns
 - Identify relevant features of sites: settlement area, activities, cultural/religious observations in the sites, social characteristics (community, women, vulnerable groups)
 - Identify potential risks and judge their significances.

Screening Criteria:

The criteria are developed on the basis of safeguard policies of World Bank and environmental policies of Kenya Government, which are:

- (i) Degree of impacts on the livelihood systems
- (ii) Loss of common property resources affecting their livelihood systems
- (iii) SMEs affecting unemployment,
- (iv) Activities that require relocation of households, acquisition of lands and other properties
- (v) Pollution risks including land, water and air,
- (vi) Human health and occupational safety etc.

SMEs will be screened based on the above criteria before funding to address environmental and social negative impacts if there is any. For this purpose checklist given in Annex I and II will be applied. The SMEs that are not economically viable and whose proposal do not incorporate environmental and social adverse impacts mitigation measures will be ineligible for support under the KVCVF program. However, SME interventions which are likely to have no or minimal adverse environmental and social impacts will not need to conduct an ESIA beyond the initial environmental and social screening.

Step 2: Assignment of the Appropriate Environmental Category

The environmental assessment (EA) category of a sub - project will be defined during the screening step. Subprojects are categorized (A, B, C, FI) according to the screening

procedure (World Bank Operational Policy (OP) 4.01) and depending on the type, location, sensitivity and scale of the project and the nature and the magnitude of its potential environmental and social impact.

The information gathered through the use of the ESSF must be evaluated by relevant authorities to determine which impact category best fits a given project activity in compliance with the Bank's safeguard policies. This will ensure the project is implemented in accordance with the requirements of the World Bank as well as Kenya Government environmental policies and legislation.

As per OP 4.01, the following environmental categories will be considered during the environmental and social screening process:

- (i) **Category A:** A proposed project is classified as Category A if it is likely to have significant adverse environmental impacts that are sensitive, diverse, or unprecedented. These impacts may affect an area broader than the sites or facilities subject to physical works. EA for a Category A project examines the project's potential negative and positive environmental impacts, compares them with those of feasible alternatives (including the "without project" situation), and recommends any measures needed to prevent, minimize, mitigate or compensate for adverse impacts and improve environmental performance.

* Note: It must be noted that subprojects assigned the environmental category A will have to be either redesigned and rescreened or dropped because the parent project KCVF has been assigned the environmental category B. Therefore, category A subprojects cannot be funded under KCVF.

- (ii) **Category B:** A proposed project is classified as Category B if its potential adverse environmental impacts on human populations or environmentally important areas – including wetlands, forests, grasslands, and other natural habitats - are less adverse than those of Category A projects. These impacts are site - specific; few if any of them are irreversible; and in most cases mitigatory measures can be designed more readily than for Category A projects. The scope of EA for a Category B project may vary from project to project, but it is narrower than that of Category A. Like Category A, it examines the project's potential negative and positive environmental impacts and recommends any measures needed to prevent, minimize, mitigate, or compensate for adverse impacts and improve environmental performance.
- (iii) **Category C:** A proposed project is classified as Category C if it is likely to have minimal or no adverse environmental impacts. Beyond screening, no further EA action is required for a Category C project.
- (iv) **Category FI:** A proposed project is classified as Category FI if it involves investment of Bank funds through a financial intermediary, in subprojects that might result in adverse environmental impacts.

Step 3: Carrying out the Appropriate Level of Environmental and Social Work

The adverse environmental and social impacts are not known prior to appraisal. Due to the medium size of investment by the KCVF supported SMEs, there are likely to be minimal or no adverse environmental impacts. Hence, beyond screening, no further environmental and social assessment is required and it is possible to fund. In cases where the safeguard tools such as environmental and social impact assessments (ESIA) or environmental and social management plans (ESMPs) may have to be prepared and implemented based on guidance from the ESMF. Annex III provides guidelines for developing an ESMP and Annex IV shows an example of EMP for a subproject.

Step 4: Public Consultations

Public consultation as part of the environmental screening and environmental assessment process is critical in preparing an effective and sustainable subproject. KCVF participatory planning process during subprojects identification complements this requirement. However, these consultations will only be conducted on subprojects categorized as B or C. The consultations will be done through questionnaires or meetings in the subproject area. The objectives of such consultation will be:

- To inform stakeholders about the proposed project, gain their views, concerns and values; inputs in decision making
- To influence project design & obtain local knowledge
- To increasing public confidence & reducing conflict
- To comply with EIA/EA Regulations - *Legal Notice No.121 of 2003 (2.9)* and
- Constitution 2010 (*Article 35, Section 10(2)(a)*) - national values)

Once a proposed subproject has been reviewed by qualified KCVF staff and approved, KCVF will inform the public about the results of the review. For all subprojects that will be implemented, KCVF will be responsible for disclosing the findings and recommendations of the environmental and social screening process to interested stakeholders. KCVF staff will be responsible for taking minutes of the public disclosure meetings and will produce and distribute copies of the minutes to the stakeholders.

To ensure that an appropriate public consultation mechanism is developed:

- i) The environmental and social screening process includes such a requirement;
- ii) Development of individual subproject EMP (if required) include such a requirement;
- iii) Once the subproject activities have been cleared, KCVF will inform the stakeholders about the results of the review;
- iv) In the context of the Monitoring Program, the Project will undertake both compliance monitoring and effects monitoring throughout the subproject cycle.

Step 5: Review and Clearance

KVCF staff will review the applicant's proposal to validate proper consideration of environmental and social issues as per the ESMF.

Step 6: Monitoring & Evaluation

Environmental monitoring needs to be carried out during all phases including operation and maintenance of subprojects in order to measure the success of the mitigation measures implemented. Monitoring provides opportunities:

- i) To alert Project authorities and provide timely information about the success or otherwise of the ESMF process, to enable changes to be made to the system, if required; and
- ii) To determine whether the mitigation measures set out the subprojects have been successful.

Subproject design must include a monitoring framework, together with indicators. The responsibilities for monitoring and evaluation of the mitigation measures adopted under the subprojects would be assigned as follows:

The KCVF will be responsible for the implementation of the monitoring framework and reporting of feedback throughout the life of the subproject, specifically:

- i) Monitoring of the environmental and social assessment work to be carried out;
- ii) Monitoring of environmental issues and the supervision of any civil works contractor during the construction process
- iii) Monitoring of environmental issues during operations and maintenance of any infrastructure and facilities when handed over to subprojects after construction;
- iv) Submission of monitoring reports to the NEMA for review.

Adequately trained KCVF staff will do this monitoring and reporting.

Investees and **NEMA** may undertake (after training) both compliance monitoring and effects monitoring. This will be done throughout the subproject cycle namely:

- i) During the planning phase, the Investees will participate in the identification of indicators for monitoring the mitigating measures;
- ii) During implementation phase, monitoring the execution of any works with respect to environmental aspects, e.g. verifying compliances of the contractors with their obligations;
- iii) During operation and maintenance phase, the overall environmental monitoring and alerting on any emerging environmental hazards in conjunction with the ongoing subproject activities. Public will pass on their observations and concerns through KCVF staff. NEMA will undertake its statutory responsibilities as outlined in the EIA/EA regulations.

An independent consultant contracted to visit each of the SMEs at least once a year will

undertake **Performance Reviews**. The purpose of these reviews is to support compliance with ESMF objectives and procedures, to determine lessons learnt during implementation, to provide recommendations to the KCVF for improving future performance and to provide an early warning to the KCVF about potential cumulative impacts.

TECHNICAL ASSISTANCE, CAPACITY BUILDING & TRAINING

The ESA findings exemplified the need for CIC to establish a functional system of environmental and social management, including hiring a social and environmental officer to screen and track social and environmental impacts of the various subprojects. Since the CIC subprojects will form the initial pipeline for KVCF, it is mandatory that they start screening for social and environmental impacts. CIC thus needs to hire an environmental and social impact assessment specialist officer to ensure subprojects compliance with World Bank safeguards. KCIC staff will also undergo training on how to apply the ESMF on the potential KCVF supported business ventures plus early stage ventures receiving the PoC funding.

Moreover, the KCVF supported business ventures will be implemented by private owners. The private entrepreneurs need training to strengthen social and environmental impact screening and implementation of mitigation measures. Moreover, relevant public sector staff (NEMA) in the 47 counties will get training on the application of this ESMF.

The technical assistance, capacity building and training will be given in the following areas:

- Environmental and social impact screening process and using ESMF checklists
 - Screening process
 - Assignment of environmental categories
 - Rationale for using Environmental and Social Checklists
 - The importance of public consultations and participation of households in the screening and planning process
 - How to monitor ESMF implementation
- Safeguard policies, procedures and sectorial guidelines
 - Review and discussion of GoK environmental policies, procedures, and legislation
 - Review and discussion of the World Bank 's safeguard policies
- Selected topics on environmental protection and social safeguards
 - Air-CO2 mitigation
 - Water- pesticides and toxic chemical mitigation
 - Soil pollution- Pesticides and toxic chemical mitigation
 - Health and Safety
 - Waste management and disposal
 - HIV/AIDS etc.
 - Natural resource utilization
 - Selection of viable small & medium scale enterprise

ESMF TECHNICAL ASSISTANCE & IMPLEMENTATION BUDGET

The proposed budget shown below for technical assistance (TA) and implementation of the ESMF and mitigation measures is prepared taking into account expert estimates for proposed activities. *TA is support given to help a person, group or organization to do their work more effectively.* For our case, TA may include: organizing a workshop or training session for Investees on World Bank and Kenya Government environmental and social safeguard policies. The budget remains open for revision and improvement as and when needed by KCIC.

Table 1 Estimated budget for technical assistance & implementation of ESMF

No.	List of Activities	No. of People	Budget for Four years (USD)				
			Year 1	Year 2	Year 3	Year 4	Total
1.0	Hiring of Environment & Social Officer	1	12,000	13,000	15,000	20,000	60,000
2.0	Training & Awareness Creation on ESMF						
2.1	KCIC & KCVF staff training	20	10,000	15,000	13,000	10,000	48,000
2.2	Private small & medium scale entrepreneurs	50	10,000	13,000	15,000	17,000	55,000
2.3	NEMA County Directors	47	9,000	10,000	11,000	12,000	42,000
3.0	Implementation & Monitoring of ESMF		15,000	5,000	5,000	5,000	30,000
4.0	Annual Environmental & Social Impact Audits		15,000	16,000	17,000	18,000	66,000
	Total		71,000	72,000	76,000	82,000	301,000

Note:

Schedule II of the EMCA Act of 1999 lists projects that should undergo environmental impact assessment and audit. Projects in the energy, water, and agriculture sectors are such projects. All subprojects to be supported by KCVF must comply with the Act. KCIC's primary role will to build the capacity and provide technical assistance to the private owners to ensure compliance. Secondly, KCIC will categorize the subprojects in accordance with World Bank standards whilst assisting in screening for environmental and social impacts. After the initial ESIA, the investees should commit to conducting annual self-audits and NEMA ensuring the same is undertaken.

ANNEXES

Annex I. Small and Medium Enterprise Social Screening Form (SSF)

The Social Screening Form (SSF) has been designed to assist in screening of SMEs for any potential adverse social & environmental before funding them. The form is designed to place information in the hands of implementers and reviewers so that impacts and their mitigation measures are determined. The Form contains information that will allow reviewers to determine the characterization of the prevailing local biophysical and social environment with the aim to assess the potential social negative impacts of the technology investment.

- 1. Name of the SME:
- 2. Location of the SME:
- 3. Applicant Name:

Contact details of the person responsible for filling out this SSF:

- 1. Name:
- 2. Job title:
- 3. Telephone numbers:
- 4. Signature:

PART A: BRIEF DESCRIPTION OF SMALL AND MEDIUM ENTERPRISE

Please provide information on the type and scale of the climate change innovative technology (area, required land, approximate size of total building floor area, roads, disposal sites, water supply, energy requirements, human resources, etc.).

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PART B: SOCIAL SAFEGUARDS SCREENING FORM

NO	SOCIAL SAFEGUARDS SCREENING INFORMATION	YES/NO	REMARKS/MITIGATION MEASURES
1.	Will the sub project activities reduce other people’s access to their economic resources, like land, pasture, water, public services or other resources that they depend on?		

2.	Will the project result in resettlement of individuals or families or require the acquisition of land (public or private, temporarily or permanently) for its development? Note: Sub - projects that lead to new land acquisition or loss of livelihood and assets are excluded from financing under this project.		
3.	Will the project result in the temporary or permanent loss of crops, fruit trees and household infra - structure (such as granaries, outside toilets and kitchens, etc...)?		
4.	Will the project require excavation near any historical, archaeological or cultural heritage site?		
5.	Might the project adversely affect vulnerable people and underserved groups? (e.g., elderly poor pensioners, physically challenged, women, particularly head of households or widows, etc.) living in the area?		
6.	Are vulnerable and marginalized Peoples present in the sub - project area?		

N/B:

1. *For all issues indicated by “Yes”, the applicant is expected to explain how he/she intends to mitigate them. If it is not possible, the climate change innovative technology will not be financed.

2. *Indigenous Peoples & Vulnerable and Marginalized Peoples:
When groups that fit the criteria of OP 4.10 are found in the subproject area, a short social assessment will be prepared as well as a VMGP or ESMP which will include;-

- i) Benefit sharing measures as well as mitigation measures where there are potential adverse impacts on these groups,
- ii) Summary of free, prior, and informed consultations leading to broad community support undertaken by the implementing agency, and

- iii) Grievances redress mechanisms taking into consideration the judicial recourse and customary dispute resolution mechanisms among the groups.

CERTIFICATION

We certify that we have thoroughly examined all the potential adverse effects of this subproject. To the best of our knowledge, the subproject plan as described in the application and associated planning reports (e.g. EMP), if any, will be adequate to avoid or minimize all adverse environmental and social impacts.

Investee (signature):.....

KVCF (Environmental Health & Safety) Officer (signature):

.....

Date:

FOR OFFICIAL USE ONLY

Desk Appraisal by KCVF:

The subproject can be considered for approval.

The application is complete, all significant environmental and social issues are resolved, and no further subproject planning is required.

A field appraisal is required.

A field appraisal must be carried out if the subproject:

- Needs to acquire land, or an individual or community’s access to land or available resources is restricted or lost, or any individual or family is displaced
- May restrict the use of resources in a park or protected area by people living inside or outside of it
- May affect a protected area or a critical natural habitat
- May encroach onto an important natural habitat, or have an impact on ecologically sensitive ecosystems (e.g. rivers, streams, wetlands)
- May adversely affect or benefit an indigenous people
- Involves or introduces the use of pesticides
- Involves, or results in: a) diversion or use of surface waters; b) construction or rehabilitation of latrines, septic or sewage systems; c) production of waste (e.g. slaughterhouse waste, medical waste); d) new or rebuilt irrigation or drainage systems; or e) small dams, weirs, reservoirs or water points.

The following issues need to be clarified at the subproject site:

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A Field Appraisal report will be completed and added to the subproject file.

Name of desk appraisal officer (print):

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Signature:.....

Date:

Annex II. Small and Medium Enterprise Environmental Screening Form (ESF)

PART A: IDENTIFICATION

1. Name of the SME:
2. Location of SME business: Region: City:
2. Applicant name or Proprietor:
4. Contact details of the person responsible for filling out this ESF
5. Name:
6. Job title:
7. Telephone numbers:
8. Fax number:
9. E-mail address:
10. Date:
11. Signature:

PART B: BRIEF DESCRIPTION OF SUB - PROJECT

Describe the sub-project location, sitting; surroundings (include a map, even a sketch map). Please provide information on the type and scale of the sub-project (area, required land, approximate size of total building floor area, etc.)

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PART C: BRIEF DESCRIPTION OF THE ENVIRONMENTAL SITUATION AND IDENTIFICATION OF ENVIRONMENTAL IMPACTS

1. Will the business venture:
 - a. Encroach onto an important natural habitat? Yes: No:

If yes, what are the mitigation measures?

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- b. Negatively affect ecologically sensitive ecosystems? Yes: No:

If yes, what are the possible mitigation measures?

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2. Will this SME involve or introduce pesticides? Yes: No:

If yes, suggest mitigation measures?

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3. Will this result in:

- a. Diversion or use of surface waters? Yes: No:
- b. Production of waste (e.g. slaughterhouse waste)? Yes: No:
- c. New or rebuilt irrigation or drainage systems? Yes: No:

If yes, describe suitable measures for managing the potential adverse environmental effects of these activities

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4. Will the SME:

- a. Acquire land? Yes: No:

If yes, does this affect an individual or the community's access to land or available resources?

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- b. Displace or result in the involuntary resettlement of an individual or family? Yes: No:

If yes, tick one of the following boxes:

Land is acquired voluntarily and evidence is attached in subproject is adequate. No further action required.

Land received involuntarily. The application cannot be considered.

5. Public Health

- a. Is there any concern about HIV/AIDS related to the activities? Yes: No:

If yes, please indicate efforts on how HIV/AIDS issues should be addressed.

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6. Rivers and Lakes Ecology

- a. Is there a possibility that, due to construction and operation of SME, the river and lake ecology will be adversely affected? Attention should be paid to water quality and quantity; the nature, productivity and variations of these over time.

Yes: No:

If yes, please describe the current state of these water management structures

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7. Geology and Soils

- a. Are there areas of possible geologic or soil instability (prone to: soil erosion, landslide, subsidence, earthquake etc.)?

Yes _____ No _____

- b. Are there areas that have risks of large-scale increase in soil salinity?

Yes _____ No _____

- c. Are there areas prone to floods, poorly drained, low - lying, or in a depression or block run - off water?

Yes _____ No _____

8. Contamination and Pollution Hazards

Is there a possibility that the sub - project will be at risk of contamination and pollution hazards (from latrines, dumpsites, industrial discharges, etc.)?

Yes _____ No _____

9. Blocking of Access Routes or Disruption of normal Operations in the General Area

Will the sub - project interfere or block access, routes, etc. (for people, livestock and wildlife) or traffic routing and flows?

Yes _____ No _____

10. Noises and Dust Pollution during Construction and Operations.

- a. Will the operating noise level exceed the allowable noise limits?

Yes _____ No _____

- b. Will the operation result in emission of copious amounts of dust, hazardous fumes?

Yes _____ No _____

11. Degradation and/or Depletion of Resources during Construction and Operation

Will the operation involve the use of considerable amounts of natural resources such as sand, wood, stones (construction materials, water spillage, land, energy from biomass, etc.) or may lead to their depletion or degradation at points of source?

Yes _____ No _____

12. Solid and Liquid Wastes

a. Will the operation of SME generate solid and/or liquid wastes (including human excreta/sewage)?

Yes _____ No _____

b. If yes, does the subproject include a plan for their adequate collection and disposal?

Yes _____ No _____

c. As regards safe waste management; does the SMEs have waste management plan to guide it in the selection and implementation of appropriate disposal methods?

Yes _____ No _____.

d. If yes, who will be responsible for integrating its provisions for waste management into the subproject?

Please describe

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13. Occupational Health Hazards

a. Will the SME require large number of staff? Yes _____ No _____

b. Are the SME activities prone to hazards, risks and could result in accidents and injuries to workers during construction or operation?

Yes _____ No _____

14. Public Consultation

a. Has stakeholder consultation, participation and prior and informed consent been sought?

Yes _____ No _____

b. Describe the consultation process that has taken place and list the outcomes and recommendations made by the participants.

c.
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PART D: MITIGATION MEASURES

For all “Yes” responses, describe briefly the measures taken/proposed to this effect with the necessary budget - cost estimates.

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Recommendations

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CERTIFICATION

We certify that we have thoroughly examined all the potential adverse effects of this subproject. To the best of our knowledge, the subproject plan as described in the application and associated planning reports (e.g. EMP), if any, will be adequate to avoid or minimize all adverse environmental and social impacts.

Investee (signature):.....

KVCF (Environmental Health & Safety) Officer (signature):

.....

Date:

Annex III: Guidelines for Preparing an EMP

When a subproject includes distinct mitigation measures (physical works or management activities) an Environmental Management Plan (EMP) needs to be included with the subproject application. (Activities triggering an EMP are listed in the ESSF checklists in Annex I & II).

Consultation and participation:

Relevant stakeholders (in particular, the affected community) must participate in the development of the EMP since local knowledge is important in identifying, designing and planning the implementation. In addition, as the success of the implementation of the EMP will depend on community support and action; ownership is essential.

EMP Contents:

An EMP usually includes the following components:

- Description of adverse effects: A description of the possible adverse effects that the EMP is intended to deal with are identified and summarized.
- Description of mitigation measures: A description of planned mitigation measures, and how and when they will be implemented. Each measure is described with reference to the effect(s) it is intended to deal with. As needed, detailed plans, designs, equipment descriptions, and operating procedures are described.
- Description of monitoring program: Monitoring provides information on the environmental effects of the subproject – both positive and negative. It helps identify how well mitigation measures are working, and where better mitigation may be needed. The monitoring program should identify what information will be collected, how, where and how often. It should also indicate at what level of effect there would be a need for further mitigation. How environmental effects are monitored is discussed below.
- Responsibilities: A description of who will be responsible for implementing the EMP: the people, groups, or organizations that will carry out the mitigation and monitoring activities are defined, as well as to whom they report and are responsible. There may be a need to train people to carry out these responsibilities, and to provide them with equipment and supplies.
- Implementation schedule: The timing, frequency and duration of mitigation measures and monitoring are specified in an implementation schedule, and linked to the overall subproject schedule.
- Cost estimates and sources of funds: These are specified for the initial subproject investment and for the mitigation and monitoring activities as a subproject is implemented. Funds to implement the EMP may form part of investment in the subproject. Government agencies and NGOs may be able to assist with monitoring.

The scale of the subproject will determine the length of the EMP. A small-scale subproject's EMP can be elaborated in a few paragraphs or in tabular format (Annex IV as example), keeping it as simple as possible with concrete mitigation actions, timelines and responsible persons.

Monitoring Methods:

Methods for monitoring the implementation of mitigation measures or environmental effects should be as simple as possible; consistent with collecting useful information, so that Investees can apply them themselves (see example below). For example, they could just be regular observations of subproject activities or sites during construction and then use. Are fences and gates being maintained and properly used around a new water point; does a stream look muddier than it should and, if so, where is the mud coming from and why; are pesticides being properly stored and used? Most observations of inappropriate behaviour or adverse effects should lead to commonsense solutions. In some cases (e.g. unexplainable increases in illness or declines in fish numbers), there may be a need to require investigation by a technically qualified person.

Annex IV: Example of an EMP for a Subproject (e.g., Construction)

Anticipated Effect	Mitigation	Monitoring	Responsibility	Schedule	Costs and source of funds
Loss of biodiversity	<ul style="list-style-type: none"> • Retain vegetation screens to reduce the visual effect of this stage of the development • Clearance of vegetation should be done in necessary areas only • Carry out environmental compensation where harm cannot be avoided by use of indigenous plants 	Inspection	Civil Engineer Contractor Proponent	Pre-construction During Construction	Included in subproject design
Soil Degradation	<ul style="list-style-type: none"> • Excavated soil to be used for back filling • Limit the extent of use of heavy machinery at the site & control earth works • Rocked construction entrance and exit to keep sediment from being tracked onto adjacent roads and keep vehicles off bare soils • Stock piles to be covered with tarpaulins • Landscape all disturbed areas after construction phase 	Inspection	Civil Engineer Contractor	During Construction	Included in subproject design

Annex V. Summary of World Bank Safeguards Policies

<p>OP 4.01 Environmental Assessment</p>	<p>The objective of this policy is to ensure that Bank - financed projects are environmentally sound and sustainable, and that decision - making is improved through appropriate analysis of actions and of their likely environmental impacts. This policy is triggered if a project is likely to have potential (adverse) environmental risks and impacts on its area of influence. OP 4.01 covers impacts on the natural environment (air, water and land); human health and safety; physical cultural resources; and trans - boundary and global environment concerns.</p>
<p>OP 4.04 Natural Habitats</p>	<p>This policy recognizes that the conservation of natural habitats is essential to safeguard their unique biodiversity and to maintain environmental services and products for human society and for long - term sustainable development. The Bank therefore support s the protection, management, and restoration of natural habitats in its project financing, as well as policy dialogue and economic and sector work. The Bank supports, and expects borrowers to apply, a precautionary approach to natural resource management to ensure opportunities for environmentally sustainable development. Natural habitats are land and water areas where most of the original native plant and animal species are still present. Natural habitats comprise many types of terrestrial, freshwater, coastal, and marine ecosystems. They include areas lightly modified by human activities, but retaining their ecological functions and most native species.</p>
<p>OP 4.36 Forests</p>	<p>The objective of this policy is to assist borrowers to harness the potential of forests to reduce poverty in a sustainable manner, integrate forests effectively into sustainable economic development and protect the vital local and global environmental services and values of forests. Where forest restoration and plantation development are necessary to meet these objectives, the Bank assists borrowers with forest restoration activities that maintain or enhance biodiversity and ecosystem functionality.</p>

	The Bank assists borrowers with the establishment of environmentally appropriate, socially beneficial and economically viable forest plantations to help meet growing demands for forest goods and services.
OP 4.09 Pest Management	<p>The objective of this policy is to (i) promote the use of biological or environmental control and reduce reliance on synthetic chemical pesticides; and (ii) strengthen the capacity of the country's regulatory framework and institutions to promote and support safe, effective and environmentally sound pest management.</p> <p>More specifically, the policy aims to (a) Ascertain that pest management activities in Bank - financed operations are based on integrated approaches and seek to reduce reliance on synthetic chemical pesticides (Integrated Pest Management (IPM) in agricultural projects and Integrated Vector Management (IVM) in public health projects. (b) Ensure that health and environmental hazards associated with pest management, especially the use of pesticides are minimized and can be properly managed by the user. (c) As necessary, support policy reform and institutional capacity development to (i) enhance implementation of IPM - based pest management and (ii) regulate and monitor the distribution and use of pesticides.</p>
OP 4.11 Physical Cultural Resources	<p>The objective of this policy is to assist countries to avoid or mitigate adverse impacts of development projects on physical cultural resources. For purposes of this policy, "physical cultural resources" are defined as movable or immovable objects, sites, structures, groups of structures, natural features landscapes that have archaeological, paleontological, historical, architectural, religious, aesthetic, or other cultural significance.</p> <p>Physical cultural resources may be located in urban or rural settings, and may be above ground, underground, or underwater.</p>
OP 4.10 Indigenous Peoples	The objective of this policy is to (i) ensure that the development process fosters full respect for the dignity, human rights, and cultural uniqueness of indigenous peoples; (ii) ensure that they do not suffer adverse effects during the development process; and (iii) ensure that indigenous peoples receive culturally compatible social and economic benefits.

<p>OP 4.12 Involuntary Resettlement</p>	<p>The objective of this policy is to (i) avoid or minimize involuntary resettlement where feasible, exploring all viable alternative project designs; (ii) assist displaced persons in improving their former living standards, income earning capacity, and production levels, or at least in restoring them; (iii) encourage community participation planning and implementing resettlement; and (iv) provide assistance to affected people regardless of the legality of land tenure</p>
<p>OP 4.37 Safety of Dams</p>	<p>The objectives of this policy are as follows: For new dams, to ensure that experienced and competent professionals design and supervise construction; the borrower adopts and implements dam safety measures for the dam and associated works. For existing dams, to ensure that any dam that can influence the performance of the project is identified, a dam safety assessment is carried out, and necessary additional dam safety measures and remedial work are implemented.</p>
<p>OP 7.50 Projects in International Waters</p>	<p>The objective of this policy is to ensure that Bank - financed projects affecting international waterways would not affect: (i) relations between the Bank and its borrowers and between states (whether members of the Bank or not); and (ii) the efficient utilization and protection of international waterways. The policy applies to the following types of projects: (a) Hydroelectric, irrigation, flood control, navigation, drainage, water and sewerage, industrial and similar projects that involve the use or potential pollution of international waterways; and (b) Detailed design and engineering studies of projects under (a) above, include those carried out by the Bank as executing agency or in any other capacity.</p>
<p>OP 7.60 Projects in Disputed Areas</p>	<p>The objective of this policy is to ensure that projects in disputed areas are dealt with at the earliest possible stage: (a) so as not to affect relations between the Bank and its member countries; (b) so as not to affect relations between the borrower and neighboring countries; and (c) so as not to prejudice the position of either the Bank or the countries concerned.</p>

Annex V. National Environmental and Social Requirements

The Constitution of Kenya 2010

- Article 40(3) states:
“The State shall not deprive a person of property of any description, or of any interest in, or right over, property of any description, unless the deprivation results from an acquisition of land or an interest in land or a conversion of an interest in land, or title to land, in accordance with Chapter Five; or is for a public purpose or in the public interest and is carried out in accordance with this Constitution and any Act of Parliament that –
 - *Requires prompt payment in full, of just compensation to the person; and*
 - *Allows any person who has an interest in or right over, that property a right of access to a court of law”*
- Article 42 states that every person has a right to a clean and healthy environment, which includes the to; (a) to have the environment protected for the benefit of present and future generations through legislative and other measures, particularly those contemplated in Article 69; and Article 70.
- Article 69 (1) (f) says that the state shall establish systems of environmental impact assessment, environmental audit and monitoring of the environment and
- Article 69 (1) (g) demands that the state eliminate processes and activities that are likely to endanger the environment.
- Article 69 (2) states; every person has a duty to cooperate with state organs and other persons to protect and conserve the environment and ensure ecologically sustainable development and use of natural resources.
- Article 70 relates enforcement of environmental rights in case of violation, infringement and threats to right to a clean and healthy environment as protected under article 42.

The Environment Management and Co-ordination Act, 1999	<p>Part VII section 58 directs that any proponent of any projects listed under schedule II should carry out an environmental impact assessment and prepare an appropriate assessment report for submission to NEMA, who in turn may issue a license as appropriate.</p> <p>Schedule II lists sites involving agriculture (large scale, pesticides, fertilizers, introduction of new crops and animals, use of fertilizers and irrigation); electricity generation and drilling for the purpose of utilizing ground water resources; among the projects that must undergo environmental impact assessment prior to their operation. CIC clients fall in these broad categories (agribusiness, renewable energy and water).</p>
Environmental Impact Assessment and Audit Regulations 2003	<p>Article 4. (1) Environmental Impact Assessment and Audit Regulations 2003 stipulate that No proponent shall implement a project;</p> <p>(a) likely to have a negative environmental impact; or</p> <p>(b) for which an environmental impact assessment is required under EMCA Act or these Regulations; unless an environmental impact assessment has been concluded and approved in accordance with these Regulations.</p>
The Water Act, 2002	<p>Part II, section 18, sub-section 3 allows the Water Resources Management Authority (WRMA) to demand from any person or institution, specified information, documents, samples or materials on water resources. Under these rules, specific records may require to be kept by a facility operator and the information thereof furnished to WRMA.</p> <p>Section 73 of the Act allows a person with license (licensee) to supply water to make regulations for purposes of protecting against degradation of water sources. Section 75 and sub-section 1 allows the licensee to construct and maintain drains, sewers and other works for intercepting, treating or disposing of any foul water arising or upon land for preventing pollution of water sources within his/her jurisdiction.</p>
The Wastewater Regulations, 2006	<p>These regulations state that; No person shall Abstract ground water or carry out any activity near any lakes, rivers, streams, springs and wells that are likely to have any adverse impact on the quality or quantity of the water without an EIA license issued.</p>
The Occupational Health and Safety Act, 2007	<p>The Act applies to All Workplaces where any person is at work, whether temporarily or permanently. The purpose of this Act is to: Secure the safety, health and welfare of persons at work; and Protect persons other than persons work against risks to safety and health arising out of, or in connection with, the activities of persons at work.</p>

<p>Water Quality Regulations (2006)</p>	<p>The Water Quality Regulations (2006) are contained in the Kenya Gazette Supplement No. 68, Legal Notice No. 120. Water Quality Regulations apply to water used for domestic, industrial, agricultural, and recreational purposes; water used for fisheries and wildlife purposes, and water used for any other purposes. Different standards apply to different modes of usage. These regulations provide for the protection of lakes, rivers, streams, springs, wells and other water sources. Part II Sections 4-5 as well as Part V Section 24. Part II Section IV states, “Every person shall refrain from any act which directly or indirectly causes, or may cause immediate or subsequent water pollution”.</p> <p>Part IV Section 24 states that “No person shall discharge or apply any poison, toxic, noxious or obstructing matter, radioactive wastes, or other pollutants or permit any person to dump any such matter into water meant for fisheries, wildlife, recreational purposes or any other uses”.</p>
<p>EMCA (Wetlands, riverbanks, lakeshores and Sea shore management) regulations, 2009</p>	<p><i>Relevant General Principles</i></p> <p>5(1) the following principles shall be observed in the management of all wetlands in Kenya;</p> <ul style="list-style-type: none"> (b) Environmental impact assessment and environmental audits as required under the Act shall be mandatory for all activities likely to have an adverse impact on the wetland; (f) The polluter-pays principle. (g) The pre-cautionary principle.

<p>EMCA (Waste Management) Regulation, 2006</p>	<p>The Waste Management Regulations (2006) are contained in the Kenya Gazette No. 69, Legal Notice No. 121. The Waste Management Regulations are meant to streamline the handling, transportation and disposal of various types of waste. The aim of the Waste Management Regulations is to protect human health and the environment. The regulations place emphasis on waste minimization, cleaner production and segregation of waste at source. The regulation requires licensing of transporters of wastes and operators of disposal site (sections 7 and 10 respectively). Of immediate relevance to proposed development for the purposes of this project report is Part II Sections 4(1-2), 5 and 6.</p> <ul style="list-style-type: none"> • Section 4 (1) states that “No person shall dispose of any waste on a public highway, street, road, recreational area or any other public place except in a designated waste receptacle”. • Section 4(2) and 6 explain that the waste generator must collect, segregate (hazardous waste from non-hazardous) and dispose waste in such a facility that shall be provided by the relevant local authority. • Section 5 provides method of cleaner production (so as to minimise waste generation), which includes the improvement of production processes through conserving raw materials and energy. <p>Section 12 provides that every licensed owner or operator shall carry out an annual environmental audit pursuant to the provision of the act</p> <ul style="list-style-type: none"> • In section 14 (1) every trade or industrial undertaking is obliged to install anti- pollution equipment for the treatment of waste emanating from such trade or industrial undertaking.
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<p>EMCA (Noise and Excessive Vibration Pollution Control) Regulations, 2009</p>	<p>These Regulations determine that no person or activity shall make or cause to be made any loud, unreasonable, unnecessary or unusual noise that annoys, disturbs, injures or endangers the comfort, repose, health or safety of others and the environment. In determining whether noise is loud, unreasonable, unnecessary or unusual, the following factors may be considered:</p> <ul style="list-style-type: none"> • Time of the day; • Proximity to residential area; • Whether the noise is recurrent, intermittent or constant; • The level and intensity of the noise; • Whether the noise has been enhanced in level or range by any type of electronic or mechanical means; and, • Whether the noise is subject to be controlled without unreasonable effort or expense to the person making the noise. <p>These regulations also relate noise to its vibration effects and seek to ensure controlling the level of noise causes no harmful vibrations.</p> <p>Part II Section 4 state that: except as otherwise provided in these Regulations, no person shall;</p> <ul style="list-style-type: none"> • Make or cause to be made excessive vibrations annoys, disturbs, injures or endangers the comfort, response, health or safety of others and the environment; or • Cause to be made excessive vibrations which exceed 0.5 centimetres per second beyond any source property boundary or 30 metres from any moving source. <p>Part III Section 2 (1) states that any person wishing to a) operate or repair any machinery, motor vehicle, construction equipment, pump, fan, air conditioning apparatus or similar mechanical device; or b) engage in any commercial or industrial activity, which is likely to emit noise or excessive vibrations shall carry out the activity or activities within the relevant levels provided in the First Schedule to these Regulations. Any person who contravenes this Regulation commits an offence.</p> <p>Section 13 (1) states that except for the purposes in sub-Regulation (2) hereunder, no person shall operate construction equipment (including but not limited to any pile driver, steam shovel, pneumatic hammer, derrick or steam or electric hoist) or perform any outside construction or repair work so as to emit noise in excess of the permissible levels as set out in the Second Schedule to these Regulations. These purposes include emergencies, those of domestic nature and/or public utility construction.</p>
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<p>Environmental Management and Coordination Act (Air Quality) Regulations, 2008</p>	<p>The objective of these Regulations is to provide for prevention, control and abatement of air pollution to ensure clean and healthy ambient air. The general prohibitions state that no person shall cause the emission of air pollutants listed under First Schedule (Priority air pollutants) to exceed the ambient air quality levels as required stipulated under the provisions of the Seventh Schedule (Emission limits for controlled and non-controlled facilities) and Second Schedule (Ambient air quality tolerance limits).</p>
<p>Electric Power Act, 2006</p>	<p>Section 121 (1) c of the Electric Power Act, 1997 empowers the Electricity Regulatory Commission (ERC) to “formulate, enforce and review environmental, health, safety and quality standards for the energy sector, in coordination with other statutory authorities”; ERC is therefore the Lead Agency in respect of the electric power sub-sector, while section 9 (3) of the Act requires ERC to take into account the need to protect the environment, conserve natural resources, and protect the health and safety of service users and the public at large, among other things; when evaluating applications for licenses.</p> <p>The Act also empowers the board to ensure the licensees provide information to the public on the environmental performance and sources of their electric power.</p>
<p>Ministry of Energy & Petroleum (Energy Policy of 2004, Energy Act of 2006 & Regulations).</p>	<ul style="list-style-type: none"> • Energy (Energy Management) Regulations-entrepreneurs should carry out energy audits of their facilities periodically and implement recommendations. • Energy (Solar PV) Regulations-Solar PV dealers have specified certification & training to practice. • Energy (Solar Water Heating) Regulations-industries utilizing more than 100 liters of hot water are required to heat a given portion using solar water heating. • Draft Appliances Energy Performance Regulations stipulate that energy performances of particular appliances must be displayed in a specified label and must meet specified Minimum Energy Performance Standards (MEPS) to be allowed in the Kenyan Market. • Energy (Improved Biomass Cookstoves) Regulations-A person manufacturing, importing, distributing, or installing Improved Biomass Cookstoves shall be required to obtain the necessary License from ERC.

<p>The Factories Other Places of Work Act (Cap 514)</p>	<p>Section 13 states that every factory shall be kept in a clean state and free from effluvia arising from any drain, sanitary convenience or nuisance including accommodation of dirt and refuse. Section 17 of the same Act requires that where any process is carried out which renders the floor liable to be wet to such an extent that the wet is capable of being removed by drainage, effective means shall be provided and maintained for safe draining off the wet. Section 51 requires suitable means of removing dust or fumes from work places. Section 53 of this Act requires that workers employed in a process involving exposure to wet or to any injurious or offensive substances, suitable protective clothing and appliances (gloves, footwear, goggles, and head coverage) shall be provided.</p> <p>Section 4 of Kenya subsidiary legislation of 2004, Legal Notice No. 31 of Kenya Gazette Supplement No.25 of 24th May, 2004 of the Factories Act Cap 514, requires that, all factories or other workplace owners to establish a safety and health committee, which shall consist of safety representatives from the management and the workers. The number of the committee members will range from 3 to 7 depending on the size (number) of employees. The Act also requires the management to appoint a competent person who is a member of the management staff to be responsible for safety, health, and welfare in the factory or workplace. Section 13 goes ahead to state that a health and safety audit of the workplace be carried out in every twelve months by a registered health and safety adviser. If the owner(s) or management contravenes any of the rules, he/she shall be guilty of an offence.</p> <p>Under environment health and safety performance in the electric power sub-sector, the electricity generating stations are regarded as factories. The Factories Act has provisions dealing with the safety and health of persons working in factory premises, which description encompasses electricity-generating plants. The provisions of the Factories and Other Places of Work Act (Cap 514) and the attendant subsidiary legislations are enforced by the Department of Occupational Health and Safety of the Ministry of Labour. The Electricity Regulatory Commission will therefore liaise with the Department of Occupational Health and Safety to ensure that the safety and health of persons working in utilities in the electric power sub-sector are safeguarded at all times.</p>
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<p>Pest Control Products Act CAP 346</p>	<p>This is an Act of Parliament to regulate the importation, exportation, manufacture, distribution and use of products used for the control of pests and of the organic function of plants and animals and for connected purposes</p> <p>Article 3 on the Control of manufacture etc., of pest control products demands;</p> <p>(1) No person shall manufacture, package, store, display, distribute, use or advertise any pest control product except in accordance with conditions prescribed by regulations made under this Act.</p> <p>(2) No person shall package, label or advertise any pest control product in a manner that is false, misleading or deceptive or is likely to create an erroneous impression regarding its character, value, quality, composition, merit or safety.</p> <p>Definition; “A pest control product is a product, device, organism, substance, or thing that is manufactured, represented, sold, or used as a means for directly or indirectly controlling, preventing, destroying, attracting, or repelling any pest...”</p> <p>Pest Control Products Board (PCPB) is empowered to suspend or revoke a certificate of registration if:</p> <ul style="list-style-type: none">• It realized later that the content of the application was false,• New information indicates that the product is unsafe,• The premises in which the product is manufactured, formulated or stored are unsuitable for the purpose.
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Annex VII. List of Participants at Stakeholder Consultation & Minutes

No	NAME	ORGANIZATION	PHONE NUMBER	E-MAIL ADDRESS
1.	Wangare Kirumba	NEMA	0722 457 289	wkirumba@nema.go.ke
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10.	Edward Mungai	Kenya CIC	0722 773 324	emungai@kenyacic.org
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21.	Nadre Nzali	PwC	0700 386 964	nadia.nzabi@ke.pwc.com
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24.	David K. Kariuki	University of Nairobi	0722 831 418	kkariuki@uonbi.ac.ke

AGENDA

- Agenda 1: Presentation by Mr. Edward Mungai, the CEO- Kenya Climate Innovation Centre on the genesis CIC, its Clients, Programs & Services, Proof of Concept and KCVF.
- Agenda 2: Presentation by Mr. Ambuya John - Earthcare Services Limited on the proposed ESMF rationale and roles.
 - Question /Answer/ Suggestions.
- Agenda 3: Group Discussions and Presentations.
 - Question /Answer/ Suggestions.
- Agenda 4: AOB.

Min 28/11/2014/1: Preliminaries

Mr. Ambuya John called the meeting to order at precisely 9:40 am. He then welcomed all the participants who had arrived and settled. He led them through the introduction session (Name, Organization, and Interest in the Consultation).

Ambuya then highlighted the consultative meeting's agenda and welcomed Mr. Edward Mungai to deliver a presentation on CIC and its relationship with Kenya Climate Venture Facility (KCVF).

Min 28/11/2014/2: Presentation on the relationship between KCIC and its Clients

Mr. Edward Mungai led the participants through a presentation that provided a general overview of CIC, the rationale and logic for Kenya Climate Venture Facility (KCVF), and the relationship between KCVF and CIC Clients.

He stated that CIC was launched in September 2012 in Nairobi and has already supported more than 105 climate-tech entrepreneurs. CIC is a World Bank-*infoDev* initiative, funded by UK Aid and DANIDA – USD 4.5 Million. GVEP International, PwC, Strathmore University and KIRDI are the lead partners in a consortium contracted by *infoDev* to establish and operate the CIC.

CIC focuses on the country's high priority sectors - renewable energy, water management, and agribusiness - and is a key part of the government of Kenya's Climate Change Action Plan (CCAP).

Kenya CIC was focused in fostering clean-tech entrepreneurship in Kenya. This is done through incubating start-ups and early stage climate technology companies. They are provided with a range of services including proof-of-concept grants (US\$25k – US\$100k), business advisory services and training, access to technical and office facilities. Mr. Edward took that time to encourage their clients and the general public to come up with very innovative ideas that could help mitigate climate change issues.

Mr. Mungai highlighted the activities carried out by CIC as;-

- Advisory services
- Financing
- Access to facilities

- Enabling Ecosystem
- Access to Information

Mr. Edward also informed the participants of some milestones CIC had made since September 2012:

- 105+ SMEs being incubated.
- USD\$ 601,000 invested in 19 SMEs under PoC.
- Key partnerships established to support service delivery with World Intellectual Property Organization (WIPO), University of Nairobi (UoN), Kenya Agricultural Research Institute (KARI), Kenyatta University (KU), National Environment Trust Fund (NETFUND) and Nation Media Group-Next Big Thing).
- 12 staff members recruited to support SMEs
- 35+ clients with ready products.

In concluding his presentation, Edward Mungai shaded more light on the next phase of the initial CIC operation. Kenya Climate Venture Facility (KCVF), an innovative financing facility that will be established to provide seed and early stage financing to promising start-up and early-stage firms developing innovative and profitable renewable energy and climate technology businesses in Kenya and East Africa. The CEO said that CIC would also provide technical support to its clients. He clearly elaborated on the relationship between CIC and its clients. He stated that CIC was the promoter of KCVF because of its brand and pipeline. CIC would also foster good relationship with consortium members and also has excellent track record in technical advisory provision.

Min 28/11/2014/3: Presentation by Mr. Ambuya John - Earthcare Services Limited on the proposed ESMF Rationale and Roles

Mr. Ambuya John opened his presentation by reminding participants that [they] humans were part of nature. He did this through a quote by Rachael Carson from her famous 1962 publication, *The Story of the Silent Spring*:

"Man's attitude toward nature is today critically important simply because we have now acquired a fateful power to alter and destroy nature. But man is a part of nature, and his war against nature is inevitably a war against himself? [We are] challenged as mankind has never been challenged before to prove our maturity and our mastery, not of nature, but of ourselves."

Ambuya took the participants through the history of environmental movement and the clamour for sustainable development. He started with a global perspective and ended with Kenya government laws and policies. At the global level he talked about the United Nations Conference on Environment and Human Settlement in 1972 that led to establishment of UNEP; World Commission on Environment and Development (WCED) or Brundtland

Commission of 1987 that gave us the widely accepted definition for sustainable development; Rio Summit of 1992; Equator Principles that a risk management framework, adopted by financial institutions, for determining, assessing and managing environmental and social risk in projects. They are primary intended to provide a minimum standard for due diligence to support responsible risk decision-making.

Ambuya John compared the KCVF's Environmental Social Management Framework (ESMF) to the Equator Principles. The ESMF seeks to provide a minimum standard for due diligence by SMEs seeking financing from KCVF.

He then proceeded to present the draft ESMF to the participants; the rationale, roles and responsibilities. He said that draft ESMF provides a framework, covering World Bank policies relevant to KCVF, which must be used by the Kenya government and other key stakeholders during KCVF and subproject planning and implementation.

The ESMF was important because no specific menu of subprojects to be financed by KCVF is known; scope and nature as well as location of subprojects are unknown and impacts of subprojects or SMEs can only be determined during the implementation phase of the KCVF.

Mr. Ambuya then outlined the ESMF contents as follows;

1. Subprojects that will be financed,
2. Arrangements for KCVF coordination and implementation, and
3. Environmental and social management requirements:
 - a. Environmental assessment requirements
 - b. Provisions for participation of other stakeholders.
4. Provisions for:
 - a. Capacity building,
 - b. Training and
 - c. Technical assistance,
 - d. Budget for implementing these provisions and guidelines.

He clarified that the ESMF will not supersede the Environmental Management and Coordination Act of 1999, which specifies which projects, should undergo environmental impact assessment. This is contained in Scheduled II of the Act. The ESMF is thus complementary to this Act, World Bank Policies and other Kenya Government environmental and social management requirements.

Min 28/11/2014/4: Group Discussions and Presentations

To get a feel of how to identify environmental and social impacts during the screening process, Mr. Ambuya, grouped the participants into three groups. The consultant then presented them with a biogas project in the pipeline for KCVF financing. The task for the groups was as follows: Group One—screen the SME for socio-economic impacts (both positive and negative) by employing the Social Screening Form (SSF) in Annex I; Group Two—screen the SME for environmental impacts (both positive and negative) by employing the Environmental Screening Form (ESF) in Annex II while Group Three (devil's

advocates) was tasked with checking the adequacy of issues raised by both groups One and Two. Each group then made a presentation to the plenary followed by discussions.

Min 28/11/2014/5: Question /Answer/ Suggestions

Issue 1: Lack of Expertise in Identifying Environmental and Social Impacts

All of the participants openly appreciated the effort made by the consultant. They also explained why the ESMF is very necessary to address environmental and social concerns of SMEs to be financed by KCVF. SME Investees have to properly identify and address adverse environmental and social impacts if any that could be resulted by SMEs. In this regard, the participants from private sector supported the idea but expressed still lack of skill and understanding in identifying the main environmental impacts and the mitigation measures.

Way forward: Investees need to be trained on the World Bank safeguard policies as well as Kenya government environmental & social policies. They also need to be trained on how to identify social and environmental impacts of their enterprises.

Issue 2: Screening for Synthetic Chemical Pesticides

Another issue raised by the participants was the extent to which investigations on synthetic chemical pesticides use will be done.

Way forward: The participants were informed that screening against pesticides use would only be conducted by KCVF on SMEs in the agribusiness sub-sector.

Issue 3: ESMF Monitoring & Responsibilities

A participant also raised the issue of ESMF monitoring responsibility and intervals. They wanted to know who would monitor the implementation of the ESMF and the intervals.

Way forward: The participants were told that KCVF would conduct continuous monitoring of financed SMEs in collaboration with NEMA. Kenya Government laws and regulations mandate NEMA to audit projects for their social and environmental impacts. Moreover, CIC and KCVF clients would be required to file periodic reports on their financial, environmental and social progress. During monitoring, relevant World Bank and Kenya Government policies included in the ESMF will be consulted.

Issue 4: ESMF and Early Stage Ventures

Another controversial issue raised by the participants was about the screening of early stage CIC clients using the ESMF. They argued that early stage projects had very small impacts on the environment and society and therefore, should be exempted from most of those regulations.

Way forward: The consultant clarified that the ESMF is designed for SMEs applying for KCVF seed funding. However, compliance with various cited regulations is a requirement by Kenya government. The consultant referred them to the Second Schedule of EMCA of 1999, which clearly stipulates projects that should undergo an Environmental and Social

impact Assessment (ESIA). A case example was Keekonyokie Slaughterhouse found with various environmental, social and safety issues. Such a project required an ESIA at the design stage. In addition, Mary Njoroge, infoDev and World Bank representative, reiterated that even subprojects requiring Proof of Concept (PoC) funding would henceforth undergo screening for adverse environmental and social impacts.

Issue 5: Will SMEs be supported to Comply with ESMF?

A participant enquired whether the SMEs apply to KCVF will be supported in complying with ESMF? Will CIC or KCVF provide Technical Assistance (TA) for SMEs to comply or the SMEs will bear the full cost of compliance?

Way forward: Mr. Edward Mungai noted that they would conduct trainings for different key stakeholders in the process of ESMF implementation. He said this training was fundamental in the effective implementation of the ESMF and ensuring full compliance by Investees.

Issue 6: How will Investees Screen their Enterprises for Social and Environmental Impacts?

Another participant noted the difficulty in conducting screening and planning the mitigation measures prior to appraisal of the SME. Are there any tools or instruments?

Way forward: Accordingly, the consultant explained that the CIC will work closely with investees through the Environmental and Social Screening Forms (ESSFs) to ensure screening and planning of preventive and/or mitigation measures are adequately considered. KCVF staff will then conduct a site visit to verify the information provided by the Investee before determining whether the project demands an ESIA.

Min 28/11/2014/6: AOB

There was no AOB raised from the meeting.

Closing remarks

Mr. Ambuya John thanked the participants for attending and participating in the stakeholder consultative meeting and encouraged them to send their feedback on the ESMF by close of business Wednesday December 3 2014. There being no other business, the meeting was adjourned at 1pm and the participants invited for lunch.

Confirmed as a true record:

Confirmed

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Earthcare Services Limited Signature..... Date.....

Confirmed

.....
Kenya CIC Signature..... Date.....