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Invertir en la población rural

Informe del Presidente

Propuesta de préstamo

República de Kenya

Mecanismo de Inclusión Financiera para las Zonas Rurales de Kenya

N.º de identificación del proyecto: 20000003431

Nota para los representantes en la Junta Ejecutiva

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Para aprobación

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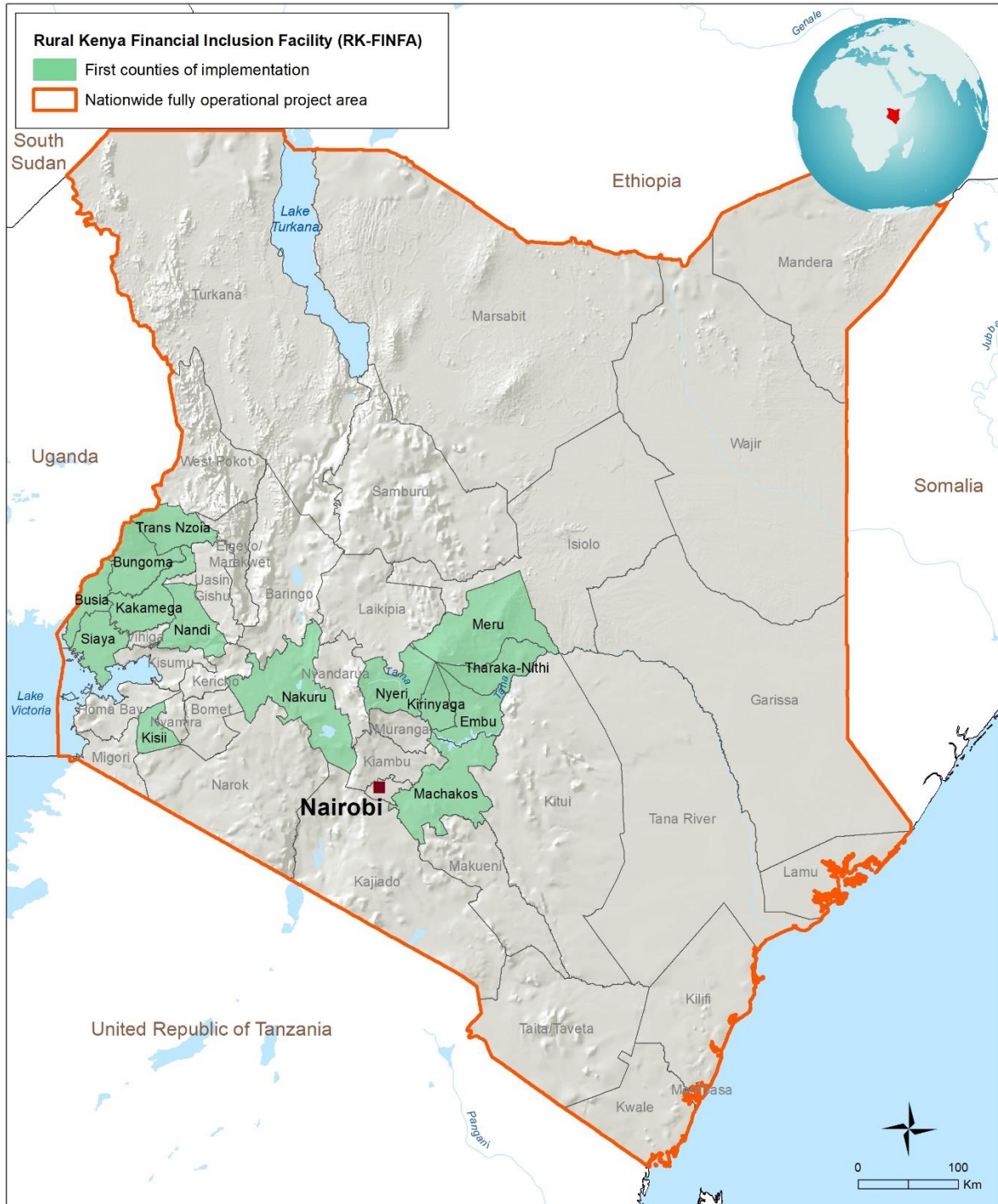
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Acrónimos y siglas

FIDA11	Undécima Reposición de los Recursos del FIDA
mipymes	microempresas y pequeñas y medianas empresas
POA	plan operacional anual
SyE	seguimiento y evaluación
TIRE	tasa interna de rendimiento económico
UGP	unidad de gestión del proyecto

Mapa de la zona del proyecto



Las denominaciones empleadas y la forma en que aparecen presentados los datos en este mapa no suponen juicio alguno del FIDA respecto de la demarcación de las fronteras o límites que figuran en él ni acerca de las autoridades competentes.
 Mapa elaborado por el FIDA | 17-05-2021

Resumen de la financiación

Institución iniciadora:	FIDA
Prestatario/receptor:	República de Kenya
Organismo de ejecución:	Tesorería Nacional y Planificación
Costo total del proyecto:	USD 134,05 millones
Monto del préstamo 1 del FIDA:	EUR 6,24 millones (equivalente a aproximadamente USD 7,26 millones)
Condiciones del préstamo 1 del FIDA:	El préstamo 1 se concederá en condiciones muy favorables y estará exento del pago de interés, pero quedará sujeto a un cargo fijo por servicio que el FIDA determinará a la fecha de su aprobación por la Junta Ejecutiva, y que habrá de abonarse semestralmente en la moneda de pago del servicio del préstamo. Tendrá un plazo de vencimiento de 40 años, incluido un período de gracia de 10 años a partir de la fecha de su aprobación por parte de la Junta Ejecutiva. El principal del préstamo se reembolsará al 4,5 % anual del total del principal para los años 11 a 30, y al 1 % anual del total del principal para los años 31 a 40.
Monto del préstamo 2 del FIDA:	EUR 12,66 millones (equivalente a aproximadamente USD 14,74 millones)
Condiciones del préstamo 2 del FIDA:	El préstamo 2 se concederá en condiciones combinadas y estará sujeto a interés sobre el principal adeudado y a un cargo por servicio que el FIDA determinará a la fecha de su aprobación por parte de la Junta Ejecutiva. La tasa de interés y el cargo por servicio se fijarán para toda la duración del préstamo y se abonarán semestralmente en la moneda de pago del servicio del préstamo. El préstamo tendrá un plazo de vencimiento de 25 años, incluido un período de gracia de 5 años a partir de la fecha en que sea aprobado por la Junta Ejecutiva. El principal del préstamo se reembolsará en cuotas idénticas.
Contribuciones mediante donaciones de organizaciones no gubernamentales:	USD 2,3 millones
Préstamos apalancados por instituciones financieras participantes:	USD 85,75 millones
Contribución del prestatario/receptor:	USD 24 millones
Contribución de los beneficiarios:	n. a.
Déficit de financiación:	No hay déficit de financiación.
Monto de la financiación del FIDA para el clima:	USD 12,77 millones

Recomendación de aprobación

Se invita a la Junta Ejecutiva a que apruebe la recomendación que figura en el párrafo 47.

I. Contexto

A. Contexto nacional y justificación de la actuación del FIDA

Contexto nacional

1. En los últimos 10 años, la economía de la República de Kenya ha crecido rápidamente. Entre 2010 y 2019, la tasa media de crecimiento del producto interno bruto (PIB) alcanzó el 5,85 %. Este crecimiento fue favorecido por un entorno comercial propicio, un fuerte gasto en infraestructura pública y un aumento del comercio regional. Sin embargo, no será fácil para el país mantener tales niveles de crecimiento, especialmente dado el impacto de la COVID-19. De hecho, si bien la economía ha mostrado buenos resultados en general, la deuda pública ha aumentado con rapidez y actualmente supera los niveles de riesgo estándar. Desde principios de 2020, la economía de Kenya ha sido duramente golpeada por la COVID-19, ya que las medidas de confinamiento han reducido la actividad económica. El hecho de que una parte importante de la población se vacunará recién en 2024 plantea un panorama en el cual los efectos económicos y sociales de la COVID-19 continuarán a mediano y probablemente a largo plazo, es decir que persistirán durante gran parte del período de ejecución del Mecanismo de Inclusión Financiera para las Zonas Rurales de Kenya previsto.

Aspectos específicos relativos a los temas transversales que el FIDA debe incorporar de forma prioritaria

2. En consonancia con los compromisos transversales asumidos en la Undécima Reposición de los Recursos del FIDA (FIDA11), el proyecto ha sido clasificado como proyecto que tiene en cuenta lo siguiente:
 - La financiación para el clima, y
 - Los jóvenes.
3. **Medio ambiente y recursos naturales.** En Kenya, los medios de vida rurales dependen de los recursos naturales y el medio ambiente. Para detener y revertir las tendencias de degradación, es preciso invertir en tecnologías respetuosas con el medio ambiente e incrementar la eficiencia en el uso de los recursos en los distintos sectores económicos, tal como se expresa en la Estrategia y Plan de Ejecución de Kenya para una Economía Verde para el período 2016-2030.
4. **Cambio climático.** Las previsiones indican que las perturbaciones climáticas —como inundaciones y sequías— serán más frecuentes e intensas a causa del cambio climático, lo que afectará negativamente los medios de vida y las actividades económicas en las zonas rurales de Kenya. La oferta de servicios financieros a precios razonables y en condiciones justas puede ayudar a los hogares vulnerables a prepararse para las perturbaciones, mejorar su capacidad para enfrentarlas y recuperarse cuando ocurren.
5. **Igualdad de género y empoderamiento de las mujeres.** Kenya se ubicó en el puesto 109 entre 153 países en el *Global Gender Gap Report 2020* del Foro Económico Mundial, con una puntuación de 0,671¹. No obstante, en el sector rural, las actitudes y normas socioculturales siguen perjudicando a las agricultoras y empresarias.

1 <https://www.weforum.org/reports/gender-gap-2020-report-100-years-pay-equality>

6. **Jóvenes.** La mayor parte de la población de Kenya es joven; 35,7 millones de habitantes (75,1 %) tienen menos de 35 años de edad. Sin embargo, ese posible dividendo demográfico aún no se está aprovechando plenamente y la tasa de desempleo de los jóvenes supera la tasa de desempleo general del país.

Justificación de la actuación del FIDA

7. Las visiones del Gobierno de Kenya y del FIDA conllevan el desarrollo y la transformación del sector rural de manera sostenible, para lo cual las instituciones financieras del sector privado —como bancos e instituciones financieras no bancarias— deberán desempeñar un papel central en la financiación del proceso de transformación rural. Es preciso persuadir a esas instituciones de ampliar el volumen y el alcance de sus operaciones agrícolas y rurales. El Mecanismo de Inclusión Financiera para las Zonas Rurales de Kenya ayudará a garantizar que se disponga de servicios apropiados y adecuados para la transformación y el crecimiento de la economía rural que el país tiene previstos. Habida cuenta de los efectos de la COVID-19, este apoyo estratégico es aún más necesario. Al mismo tiempo, para responder a las agendas del Gobierno y del FIDA en materia de adaptación al cambio climático y mitigación de sus efectos y para mejorar la eficiencia en el uso de los recursos naturales, este mecanismo estimulará de forma proactiva la incorporación sistemática de actividades de financiación verde a fin de transformar el sector rural de forma sostenible.

B. Enseñanzas extraídas

8. **Enseñanzas extraídas.** Las principales enseñanzas para el diseño del Mecanismo de Inclusión Financiera para las Zonas Rurales de Kenya, extraídas de operaciones pasadas y en curso respaldadas por el FIDA, se pueden resumir del siguiente modo: i) la prestación de servicios de apoyo técnico a las instituciones financieras participantes debe comenzar inmediatamente una vez que estas son seleccionadas; ii) los criterios de admisibilidad para las operaciones respaldadas deben explicarse cuidadosamente a todas las partes interesadas al inicio del proyecto; iii) debe hacerse especial hincapié en el seguimiento y la presentación de informes, utilizando sistemas de información y seguimiento basados en la tecnología de la información, con el apoyo de visitas de verificación periódicas sobre el terreno; iv) los asociados en la ejecución deben tener la capacidad adecuada y funciones institucionales para utilizar los instrumentos de financiación rural, en particular para las operaciones de financiación verde, y v) debe darse a los distintos tipos de instituciones financieras una flexibilidad adecuada para la ejecución.

II. Descripción del proyecto

A. Objetivos, zona geográfica de intervención y grupos objetivo

9. **Finalidad y objetivo de desarrollo.** La finalidad del Mecanismo de Inclusión Financiera para las Zonas Rurales de Kenya es contribuir a la reducción de la pobreza, fomentar la resiliencia al cambio climático y mejorar los medios de vida en las zonas rurales. El objetivo de desarrollo del proyecto es lograr que las partes interesadas de las cadenas de valor agrícolas aumenten la inclusión financiera en el medio rural y las inversiones verdes, dando lugar así a oportunidades de empleo equitativas, a sistemas de producción innovadores y resilientes y al incremento de los ingresos de los pequeños productores, los hogares pobres y marginados, y las mujeres y los jóvenes.
10. **Zona del proyecto.** Una vez que esté plenamente operativo, el Mecanismo de Inclusión Financiera para las Zonas Rurales de Kenya se ejecutará en todo el país. Para que la puesta en marcha sea eficaz, el punto de partida serán los 14 condados donde están llevándose a cabo al menos dos proyectos financiados por el FIDA con cadenas de valor agrícolas. Con este enfoque, este mecanismo y las instituciones financieras participantes podrán aprovechar las sinergias con las

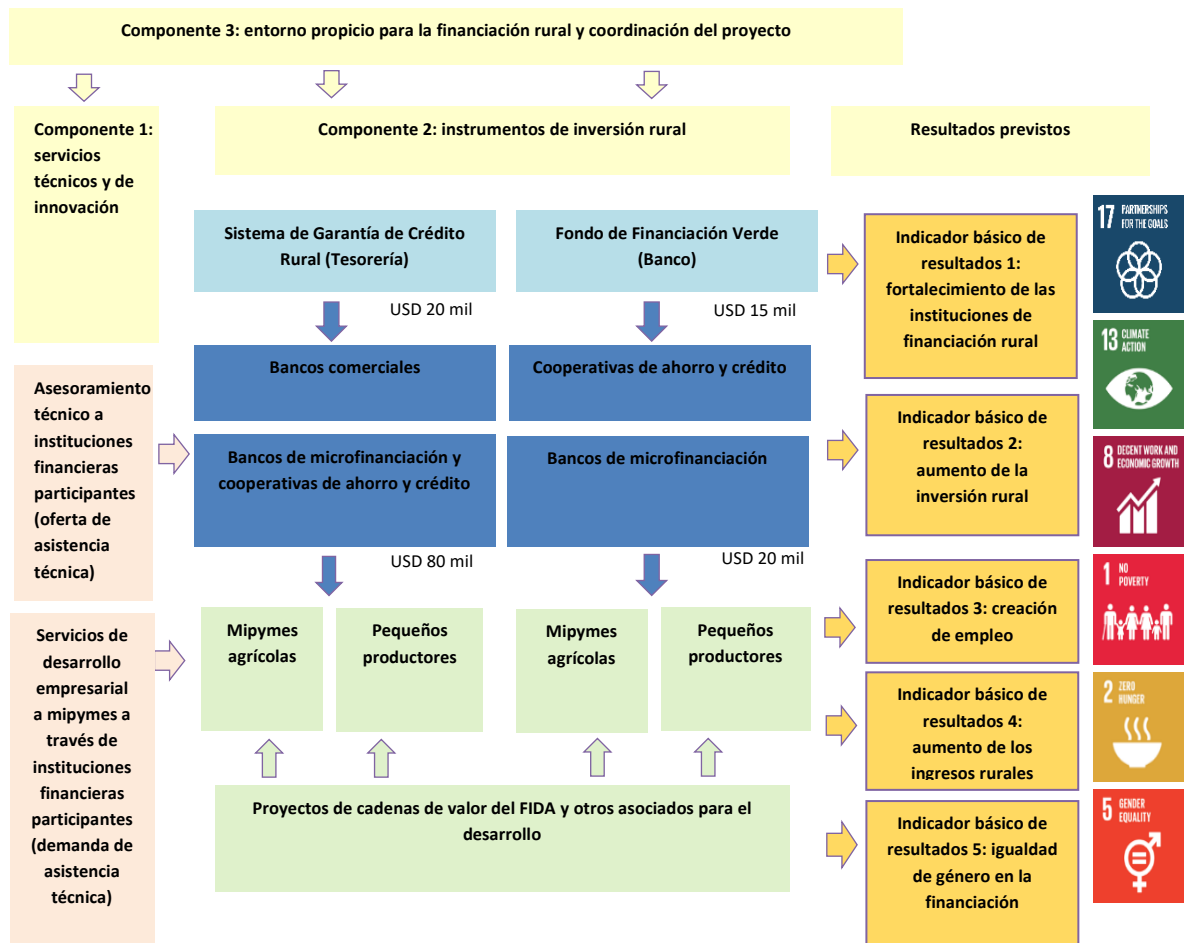
actividades de desarrollo de la agricultura y el agronegocio en diversas cadenas de valor actualmente financiadas por el FIDA. Tras el ciclo de creación de capacidades y financiación inicial de dos años de duración que prevé este mecanismo, las instituciones financieras participantes podrán ampliar sus esferas de inversión objetivo con recursos del mecanismo a cualquier condado rural del país. Dichas instituciones determinarán esas esferas de ampliación en función de sus oportunidades de mercado y capacidades sin dejar de aplicar los principios de focalización acordados para el proyecto.

11. **Grupo objetivo y focalización.** El proyecto beneficiará a 190 000 hogares de las zonas rurales, contando a los beneficiarios directos e indirectos. Esto incluye la prestación de servicios financieros y técnicos directos a 68 000 hogares, microempresas y pequeñas y medianas empresas (mipymes), que comprenden aproximadamente 66 000 hogares de pequeños productores económicamente activos y 2 000 mipymes rurales que participan en cadenas de valor favorables a la inclusión de los pequeños productores. El proyecto beneficiará indirectamente a: i) unas 32 000 personas, mediante el empleo en agronegocios y explotaciones respaldados por el Mecanismo de Inclusión Financiera para las Zonas Rurales de Kenya, y ii) 90 000 hogares de pequeños productores, a través de la participación en cadenas de valor fortalecidas por los agronegocios respaldados. La focalización se centrará en los hogares rurales económicamente activos de bajos ingresos, con metas específicas para la participación de las mujeres (50 %) y los jóvenes (30 %).
12. El diseño de este mecanismo ofrece estrategias y directrices integrales para la focalización en la pobreza, las cuestiones de género y los jóvenes. La focalización en la pobreza se basa en el énfasis en las cadenas de valor favorables a la inclusión de los pequeños productores en combinación con la focalización geográfica, para garantizar que se beneficie a los hogares pobres. La estrategia de género se apoya en tres elementos clave: i) el empoderamiento de las mujeres y su acceso a productos financieros especialmente adaptados; ii) el liderazgo de las mujeres, y iii) el equilibrio de las cargas de trabajo dentro de los hogares. La focalización en los jóvenes se funda en: i) la creación de productos financieros específicos para este grupo; ii) la creación de capacidad entre los jóvenes en materia de competencias empresariales y alfabetización financiera, y iii) asociaciones con las instituciones financieras participantes y otros agentes del sector privado que tienen estrategias comerciales centradas en los jóvenes.

B. Componentes, efectos directos y actividades

13. Como puede apreciarse a continuación en el gráfico 1, el proyecto tendrá los componentes siguientes: i) servicios de apoyo técnico y de innovación; ii) instrumentos de inversión rural, y iii) entorno propicio para la financiación rural y coordinación del proyecto.

Gráfico 1: componentes del proyecto y resultados previstos



14. **Componente 1: servicios de apoyo técnico y de innovación.** Por medio de dos subcomponentes totalmente interrelacionados —creación de capacidades de las instituciones financieras participantes y servicios de desarrollo empresarial para los pequeños productores y las mipymes—, el componente 1 contribuirá a:
- fortalecer las capacidades de las instituciones financieras participantes para la innovación, el alcance en el medio rural y la prestación de servicios de financiación verde en Kenya, y
 - fomentar la alfabetización financiera y las capacidades de inversión sostenible de las mipymes y los pequeños productores, mediante actividades adaptadas especialmente para beneficiar a las mujeres, los jóvenes y los grupos marginados.
- Tanto la oferta como la demanda de servicios de apoyo técnico y de innovación formarán parte de las estrategias de crecimiento rural de las instituciones financieras participantes, con el fin de fomentar la sostenibilidad y el uso eficaz de los recursos proporcionados por conducto de los instrumentos de inversión del proyecto. La coordinación del componente correspondiente a dichos servicios estará a cargo de una o más organizaciones asociadas en la cofinanciación.
15. **Componente 2: instrumentos de inversión rural.** El Mecanismo de Inclusión Financiera para las Zonas Rurales de Kenya utilizará dos instrumentos de inversión rural, a saber: i) un Sistema de Garantía de Crédito Rural, y ii) un Fondo de Financiación Verde. Ambos se diseñarán como vehículos de financiación sostenible que podrán utilizar recursos del Gobierno y de entidades financiadoras internacionales interesadas, para posibilitar la inversión privada en el sector agrícola y de agronegocios keniano en condiciones de mercado atractivas a través de instituciones financieras del país.

16. Subcomponente 2.1: Sistema de Garantía de Crédito Rural. La estrategia de este sistema consistirá en la distribución de riesgos para promover innovaciones en el ámbito rural y catalizar fondos de las principales instituciones financieras nacionales hacia el sector rural y agrícola. Con un respaldo de USD 20 millones aportados por el FIDA y el Gobierno para dicho sistema, se prevé que las instituciones financieras participantes prestarán USD 80 millones a las mipymes rurales y los pequeños productores que integran las cadenas de valor agrícolas, incluidas las empresas que son propiedad de mujeres y de jóvenes. El subcomponente se establecerá como parte de un sistema de garantía de crédito para mipymes ya existente, ubicado en la Tesorería Nacional y gestionado por esta y el Banco Central de Kenya; el sistema ha recibido asistencia técnica de una coalición de asociados internacionales a los que puede solicitar apoyo adicional.
17. Subcomponente 2.2: Fondo de Financiación Verde. Se impulsará la transformación innovadora y sostenible de la economía rural de Kenya mediante las operaciones y los servicios del Fondo de Financiación Verde, que se establecerá con el apoyo de USD 15 millones para el Mecanismo de Inclusión Financiera para las Zonas Rurales que aportarán el FIDA y el Gobierno. Este Fondo contribuirá a la transformación, el crecimiento y la generación de ingresos sostenibles en el medio rural con dos acciones totalmente interrelacionadas, a saber: i) aliviar los problemas de liquidez de las instituciones financieras no bancarias que son las principales proveedoras de servicios financieros para los pequeños productores y las microempresas rurales, y ii) estimular a los productores en pequeña escala y las microempresas a invertir en actividades climáticamente inteligentes y respetuosas con el medio ambiente. Se establecerá como instrumento permanente en el seno de la institución financiera anfitriona que se seleccione como proveedor mayorista de capital para las cooperativas de ahorro y crédito y los bancos y las instituciones de microfinanciación que trabajan con el medio rural, para que puedan represtar fondos a los pequeños productores y las microempresas rurales, con el objetivo de que el 50 % de los beneficiarios sean mujeres y el 30 % sean jóvenes. La institución anfitriona se seleccionará en función de criterios estándar de desempeño financiero y requisitos específicos en materia de capacidad para los préstamos mayoristas y la financiación rural verde.
18. **Componente 3: entorno propicio para la financiación rural y coordinación del proyecto.** Este componente consta de dos subcomponentes. El subcomponente 3.1 (entorno propicio para la financiación rural) tiene por cometido promover políticas y disposiciones institucionales que contribuyan al desarrollo de un entorno operacional más favorable para el Sistema de Garantía de Crédito Rural y el Fondo de Financiación Verde, fomentando así su capacidad para mejorar la intermediación financiera en el medio rural. El subcomponente 3.2 (coordinación del proyecto) abarca la ejecución del proyecto y las disposiciones de coordinación.

C. Teoría del cambio

19. Con el Mecanismo de Inclusión Financiera para las Zonas Rurales de Kenya se pretende enfrentar el problema de que la escasa inversión en actividades productivas está obstaculizando la modernización y la mejora de los ingresos de los pequeños productores y los agronegocios, a pesar del gran potencial que tienen estos sectores para el desarrollo y los importantes avances logrados en materia de medios de vida, reducción de la pobreza y resiliencia al cambio climático en las zonas rurales. Se han identificado tres causas de este problema de desarrollo, a saber: i) una brecha de información y comunicación entre el sector financiero y el sector del agronegocio debido a limitaciones en materia de capacidad; ii) el elevado riesgo real y percibido de financiar a los pequeños productores y al agronegocio, y iii) el magro acceso a la liquidez por parte de los

bancos de microfinanciación y las cooperativas de ahorro y crédito —los proveedores de servicios financieros que operan en las zonas más remotas—, en particular para destinar recursos a nuevos enfoques innovadores, como la financiación verde.

20. El Mecanismo de Inclusión Financiera para las Zonas Rurales ofrecerá soluciones para cada uno de estos problemas por medio de las intervenciones mencionadas anteriormente en la descripción de los componentes del proyecto. La prestación de apoyo para lograr una intermediación financiera más amplia e innovadora en las zonas rurales pondrá en marcha un ciclo positivo de crecimiento que contribuirá eficazmente al objetivo fundamental de transformar la economía rural. En particular, el objetivo de desarrollo del proyecto es conseguir una mayor inclusión financiera y la realización de inversiones verdes por las partes interesadas de las cadenas de valor agrícolas.

D. Armonización, sentido de apropiación y asociaciones

21. El Mecanismo de Inclusión Financiera para las Zonas Rurales de Kenya es plenamente coherente con las prioridades del Gobierno y el FIDA en materia de desarrollo y transformación rural y agrícola y con los Objetivos de Desarrollo Sostenible 1 (fin de la pobreza), 2 (hambre cero), 5 (igualdad de género), 8 (trabajo decente y crecimiento económico), 13 (acción por el clima) y 17 (alianzas para lograr los objetivos). Asimismo, el apoyo del proyecto a la financiación verde está en consonancia directa con la contribución de Kenya determinada a nivel nacional para 2020 en virtud del Acuerdo de París, la ley del país sobre cambio climático de 2016 y la Estrategia y Plan de Ejecución de Kenya para una Economía Verde para el período 2016-2030. Debido en gran parte al potencial que tiene este mecanismo para canalizar de modo eficiente los fondos del sector privado hacia las inversiones verdes, una serie de entidades financiadoras internacionales han expresado interés en prestar apoyo financiero y/o técnico adicional para ampliar la escala de las operaciones de esta iniciativa. Algunos de ellos son el Banco Europeo de Inversiones, el Banco de Desarrollo KfW, el Fondo Verde para el Clima y posibles asociados bilaterales.

E. Beneficios, costos y financiación

Costos del proyecto

22. El costo total del Mecanismo de Inclusión Financiera para las Zonas Rurales de Kenya para el período de seis años previsto (2022-2027) es de aproximadamente USD 134,05 millones. La financiación para el clima se estima en USD 12,77 millones, que representa el 58 % del total del costo del proyecto del FIDA. Se calcula que el costo de aplicar el marco de gestión ambiental y social es de USD 466 000, aproximadamente.
23. A continuación, en el cuadro 1 se muestran los costos en dólares de los Estados Unidos desglosados por componente y entidad financiadora. En el cuadro 2 se presenta el desglose de los costos por categoría de gasto y entidad financiadora, y en el cuadro 3 figuran los costos desglosados por componente y año.

Cuadro 1
Costos del proyecto, por componente y subcomponente y entidad financiadora
(en miles de USD)

Componente/subcomponente	Préstamo del FIDA		Instituciones financieras privadas		Instituciones asociadas		Gobierno		Total	
	Monto	%	Monto	%	Monto	%	Monto	%	Monto	%
1. Servicios de apoyo técnico y de innovación										
1.1 Creación de capacidades de las instituciones financieras participantes	2 586	53	315	6	750	15	1 250	26	4 900	4
1.2 Servicios de desarrollo empresarial para pequeños productores y mipymes	1 310	39	423	13	750	22	867	36	3 350	3
Subtotal	3 896	47	737	9	1 500	18	2 117	26	8 250	6
2. Instrumentos de inversión rural										
2.1 Sistema de Garantía de Crédito Rural										
Monto de la garantía	5 000	25					15 000	75	20 000	15
Monto apalancado			80 000	100					80 000	60
Subtotal	5 000	5	80 000	80			15 000	15	100 000	75
2.2 Fondo de Financiación Verde	10 000	50	5 013	25			4 987	25	20 000	15
Subtotal	15 000	13	85 013	71			19 987	17	120 000	90
3. Entorno propicio para la financiación rural y coordinación del proyecto										
3.1 Entorno propicio para la financiación rural	904	39			800	35	596	26	2 300	2
3.2 Coordinación del proyecto	2 200	63					1 300	37	3 500	3
Subtotal	3 104	54			800	14	1 896	33	5 800	4
Total	22 000	16	85 750	64	2 300	2	24 000	18	134 050	100

Cuadro 2:
Costos del proyecto por categoría de gasto y entidad financiadora
(en miles de USD)

Categoría de gasto	Préstamo del FIDA		Instituciones financieras privadas		Instituciones asociadas		Gobierno		Total	
	Monto	%	Monto	%	Monto	%	Monto	%	Monto	%
1. Costos de inversión										
A. Equipo y materiales	20	76	-	-	-	-	7	25	27	-
B. Actividades de capacitación	2 449	45	315	6	800	15	1 856	34	5 420	4
C. Fondos de crédito y garantía										
Crédito	5 000	5	80 000	80	-	-	15 000	15	100 000	75
Fondos de garantía	10 000	50	5 013	25	-	-	4 987	25	20 000	15
Total parcial	15 000	13	85 013	71	-	-	19 987	17	120 000	90
D. Bienes, servicios e insumos	2 577	46	423	8	15 000	27	1 144	20	5 644	4
E. Vehículos	45	56	-	-	-	-	35	44	80	0
Total de costos de inversión	20 092	15	85 750	65	2 300	2	23 028	18	131 170	98
2. Gastos recurrentes										
A. Sueldos y prestaciones	1 908	66	-	-	-	-	972	34	2 880	2
Total de gastos recurrentes	1 908	66	-	-	-	-	972	34	2 880	2
Total de los costos del proyecto	22 000	16	85 750	64	2 300	2	24 000	18	134 050	100

Cuadro 3:

Costos del proyecto por componente y subcomponente y por año del proyecto
(en miles de USD)

Componente y subcomponente	Cifras totales incluidos los imprevistos						Total Monto
	Primer año Monto	Segundo año Monto	Tercer año Monto	Cuarto año Monto	Quinto año Monto	Sexto año Monto	
1. Servicios de apoyo técnico y de innovación							
1.1 Creación de capacidades de las instituciones financieras participantes	956	956	956	956	775	300	4 900
1.2 Servicios de desarrollo empresarial para pequeños productores y mipymes	570	570	570	570	970	-	3 350
Subtotal	1 526	1 526	1 526	1 626	1 745	300	8 250
2. Instrumentos de inversión rural							
2.1 Sistema de Garantía de Crédito Rural							
Monto de la garantía	2 500	5 000	5 000	7 500	-	-	20 000
Monto apalancado	10 000	20 000	20 000	30 000	-	-	80 000
Subtotal	12 500	25 000	25 000	37 500	-	-	100 000
2.2 Fondo de Financiación Verde	5 000	5 000	5 000	-	-	-	20 000
Subtotal	17 500	30 000	30 000	37 500	-	-	120 000
3. Entorno propicio para la financiación rural y coordinación del proyecto							
3.1 Entorno propicio para la financiación rural	200	550	500	400	350	300	2 300
3.2 Coordinación del proyecto	699	523	588	543	543	603	3 500
Total parcial	899	1 073	1 088	943	893	903	5 800
Total de los costos del proyecto	19 925	37 600	32 615	40 070	2 638	1 203	134 050

Estrategia y plan de financiación y cofinanciación

24. De conformidad con el enfoque de transición gradual del Marco de Transición, se prevé que los dos préstamos del FIDA financiarán EUR 18,9 millones, equivalente aproximadamente a USD 22 millones del presupuesto total de USD 134 millones utilizando el Sistema de Asignación de Recursos basado en los Resultados de la FIDA11, lo que representa el 17 % del costo total del proyecto. Se estima que la cofinanciación de las instituciones financieras participantes ascenderá a USD 85,75 millones, importe que cubrirá el 64 % del costo total del proyecto e incluye: i) la movilización de USD 80 millones, a través del Sistema de Garantía de Crédito Rural por valor de USD 20 millones, que se cuadruplicarían mediante el apalancamiento; ii) la cofinanciación de USD 5 millones para las inversiones del Fondo de Financiación Verde, y iii) USD 737 000 en cofinanciación de los costos de servicios de apoyo técnico y de innovación. La contribución presupuestada del Gobierno será de USD 24 millones en efectivo y en especie, lo que cubre el 18 % del costo total del proyecto. Se prevé que la parte cofinanciada por los asociados en la ejecución no gubernamentales ascenderá a USD 2,3 millones, es decir, el 2 % del costo del proyecto.

Desembolso

25. Las principales categorías de desembolso corresponden a los fondos de garantía y crédito, que juntos representan el 68 % de la financiación del FIDA. Otras categorías de gastos importantes corresponden a bienes, servicios e insumos, capacitación y gastos recurrentes; esta última constituye el 2 % del costo total del proyecto. En los cuadros 1, 2 y 3 se expone el desglose de los gastos por categoría de desembolso, entidad financiadora y año. Los fondos aportados por el FIDA se recibirán en una cuenta designada de la Tesorería Nacional en el Banco Central de Kenya. Todas las instituciones asociadas que recibirán fondos de la Unidad de Gestión del Proyecto (UGP) tendrán subcuentas del proyecto para poder contabilizar por separado los fondos recibidos. Para los desembolsos se prevé aplicar un enfoque basado en la presentación de informes.

Resumen de los beneficios y análisis económico

26. Como parte del diseño del proyecto se crearon 19 modelos ilustrativos de explotaciones y empresas a fin de examinar cómo podrían beneficiarse los distintos interesados al mejorar el alcance de los servicios financieros y la eficiencia conexas. Se concluyó que todos los modelos eran viables desde el punto de vista financiero y que podrían obtener fondos adicionales respaldados por el Mecanismo de Inclusión Financiera para las Zonas Rurales de Kenya. La obtención de mayores rendimientos a partir del trabajo constituye un buen incentivo para que los hogares incrementen la producción y/o la productividad. La tasa interna de rendimiento económico (TIRE) general del mecanismo es del 23 %. La relación costo-beneficio de 2:38 indica una rentabilidad de USD 2,38 por cada dólar invertido. Estos resultados ponen de relieve que el proyecto es una inversión sólida que arroja una tasa de rendimiento positiva, porque la TIRE es superior a la tasa mínima requerida (13 %) y el valor actual neto es superior a cero.

Estrategia de salida y sostenibilidad

27. La estrategia de salida del Mecanismo de Inclusión Financiera para las Zonas Rurales de Kenya es parte integral del diseño de los instrumentos del proyecto. Los objetivos que persigue el componente 1 (servicios de apoyo técnico y de innovación) son garantizar la continuidad a largo plazo de los modelos de financiación rural proporcionados por las instituciones financieras participantes, la sostenibilidad de las inversiones de los pequeños productores y las mipymes y la viabilidad comercial de los modelos de servicios. Los instrumentos de inversión del componente 2 —la Garantía de Crédito Rural y el Fondo de Financiación Verde— serán administrados por entidades permanentes que se espera continúen sus operaciones y respalden la intermediación financiera en el ámbito rural durante mucho tiempo después del cierre de las operaciones llevadas a cabo en el marco de este mecanismo. En cuanto al subcomponente 3.1 (entorno propicio para la financiación rural), el principal resultado y estrategia de salida será la sostenibilidad de las operaciones de esos dos instrumentos durante el período del proyecto y posteriormente.

III. Riesgos

A. Riesgos y medidas de mitigación

28. En el apéndice III —Integrated project risk matrix— se explican en detalle los riesgos del proyecto y las medidas de mitigación correspondientes. Los principales riesgos previstos se refieren a las posibles perturbaciones en la economía y el medio ambiente y a problemas vinculados a la capacidad de ejecución. En el cuadro 4 se presenta un resumen de los riesgos inherentes y residuales.

Cuadro 4

Riesgos y medidas de mitigación (Calificación general de los riesgos)

<i>Riesgos</i>	<i>Calificación del riesgo inherente</i>	<i>Calificación del riesgo residual</i>
Contexto nacional	Considerable	Moderado
Estrategias y políticas sectoriales	Considerable	Moderado
Medio ambiente y clima	Considerable	Moderado
Alcance del proyecto	Moderado	Bajo
Capacidad institucional de ejecución y sostenibilidad	Alto	Moderado
Gestión financiera	Considerable	Moderado
Adquisiciones y contrataciones	Considerable	Moderado
Impacto ambiental, social y climático	Considerable	Moderado
Partes interesadas	Moderado	Moderado
Riesgo general	Considerable	Moderado

B. Categoría ambiental y social

29. En función de los Procedimientos del FIDA para la Evaluación Social, Ambiental y Climática, la clasificación ambiental y social que corresponde al Mecanismo de Inclusión Financiera para las Zonas Rurales de Kenya es B. Esta clasificación reconoce que los riesgos ambientales y sociales a que pueden dar lugar las actividades del proyecto —especialmente las inversiones finales de los pequeños productores y mipymes— pueden evitarse y/o minimizarse aplicando medidas adecuadas. El marco de gestión ambiental y social del Mecanismo incluye medidas para su aplicación por parte de las mipymes y los pequeños productores, con el respaldo de la creación de capacidad necesaria.

C. Clasificación del riesgo climático

30. En cuanto al riesgo climático, el Mecanismo de Inclusión Financiera para las Zonas Rurales de Kenya se considera de riesgo “moderado”, dado que los beneficiarios objetivo, sus medios de vida y sus actividades económicas están expuestos a riesgos vinculados al clima tales como inundaciones, sequías y brotes de plagas y enfermedades. Estos fenómenos vinculados al clima ya han afectado negativamente la productividad agrícola de los pequeños productores y la rentabilidad de los agronegocios. Por consiguiente, en el marco del Mecanismo, se tomarán en cuenta las previsiones relativas al cambio climático como parte del proceso de diligencia debida realizado para las inversiones a mediano y largo plazo. El diagnóstico del riesgo climático se incorporará al sistema de gestión ambiental y social para las instituciones financieras participantes y a las normas ambientales, sociales y de gobernanza para las mipymes.

D. Sostenibilidad de la deuda

31. En mayo de 2020, el Fondo Monetario Internacional y la Asociación Internacional de Fomento del Banco Mundial determinaron que Kenya enfrentaba un riesgo elevado de sobreendeudamiento. Se espera que la consolidación fiscal planificada ayude a resolver las vulnerabilidades de la deuda, que se han agravado con la crisis mundial ocasionada por la COVID-19. No obstante, el riesgo de sobreendeudamiento sigue considerándose elevado.

IV. Ejecución

A. Marco organizativo

Gestión y coordinación del proyecto

32. El principal organismo de ejecución del Mecanismo de Inclusión Financiera para las Zonas Rurales de Kenya será la Dirección de Asuntos Presupuestarios, Fiscales y Económicos de la Tesorería Nacional y Planificación; dicha Dirección está a cargo de un director general que depende del Secretario General de Tesorería Nacional y Planificación. Se conformará un comité directivo con representantes de los ministerios, los organismos públicos y las principales organizaciones de las partes interesadas del sector privado. Se establecerá una UGP especial que responderá a dicho comité y funcionará en el seno del Departamento de Asuntos Sectoriales dentro de Tesorería Nacional y Planificación. Los principales componentes y subcomponentes de inversión serán llevados a cabo por intermediarios o instituciones de inversión asociadas.

Gestión financiera, adquisiciones y contrataciones y gobernanza

33. Los fondos aportados por el FIDA se recibirán en una cuenta designada de la Tesorería Nacional en el Banco Central de Kenya. Todas las instituciones asociadas que recibirán fondos de la UGP tendrán subcuentas del proyecto para poder separar los fondos recibidos. Una vez que se cumplan las condiciones pertinentes, los fondos de la Garantía de Crédito Rural serán depositados y garantizados en una cuenta del Banco Central de Kenya o en un banco comercial

- fiable con el acuerdo del FIDA. Las instituciones financieras participantes podrán acceder a la reserva de garantía solo después de que se hayan materializado las posibles pérdidas, se haya informado al respecto y estas se hayan aprobado. El Fondo de Financiación Verde se transferirá a la institución financiera anfitriona tras el cumplimiento de las condiciones pertinentes.
34. Se presentarán informes financieros mensuales a la UGP para el seguimiento de las operaciones de las subcuentas y la consolidación. La información financiera comprenderá: i) un informe financiero general del proyecto, y ii) un informe separado sobre el desempeño financiero de la Garantía de Crédito Rural y del Fondo de Financiación Verde. Los informes sobre el desempeño financiero de la Garantía serán recopilados por la institución anfitriona del Fondo de Financiación Verde y se remitirán a la UGP periódicamente. El Mecanismo de Inclusión Financiera para las Zonas Rurales de Kenya y la Tesorería Nacional firmarán un convenio de financiación con la institución anfitriona seleccionada, que incluirá los requisitos para la presentación de informes financieros intermedios y anuales a la UGP. Los desembolsos de fondos a la Garantía de Crédito Rural, la institución anfitriona del Fondo de Financiación Verde y cualquier otro asociado en la ejecución se realizarán en tramos tras el cumplimiento de las condiciones acordadas que se estipulen en los convenios subsidiarios y/o memorandos de entendimiento.
 35. Las directrices detalladas para la gestión del Mecanismo de Inclusión Financiera para las Zonas Rurales de Kenya se establecen en el manual de ejecución del proyecto.
 36. Los auditores internos de la Tesorería Nacional se encuentran bajo la supervisión directa del Auditor Interno General de dicha Tesorería. El Departamento de Auditoría Interna depende del Comité de Auditoría del Ministerio, que debe reunirse trimestralmente. Los miembros de dicho Comité son independientes del Ministerio y se designan con arreglo a la ley de gestión de las finanzas públicas de 2012. El personal de finanzas de la UGP realizará exámenes de seguimiento financiero periódicos en los organismos de ejecución, lo cual contribuirá a garantizar que los gastos se hagan y se justifiquen según lo previsto y que se realicen actividades de creación de capacidad en las esferas en que se determine necesario. El Mecanismo de Inclusión Financiera para las Zonas Rurales será sometido a auditoría de forma anual, y los estados financieros auditados se remitirán al FIDA en un plazo de seis meses a partir del fin del ejercicio económico, con arreglo a la ley de gestión de las finanzas públicas del país y las directrices de auditoría del FIDA.
 37. En lo concerniente a las adquisiciones y contrataciones, en su fase de diseño, el proyecto presenta un riesgo inherente bajo de 2,69. No obstante, en la práctica, tanto la ejecución como el cumplimiento con los sistemas nacionales y los requisitos del FIDA en la materia han presentado deficiencias en el pasado, por lo que en este caso, en lugar de las medidas aplicables a un proyecto de riesgo bajo, se aplicarán las medidas de mitigación que normalmente se aplicarían a un proyecto de riesgo medio. Si bien la UGP —dentro de la Tesorería Nacional— llevará a cabo algunas actividades de adquisición y contratación, la mayor parte serán realizadas por las instituciones financieras participantes y otros asociados coinversores. Se tomarán todas las medidas necesarias para garantizar que sus marcos para la realización de adquisiciones y contrataciones se ajusten al marco del FIDA en la materia. Cuando sea necesario, se recomendará el uso obligatorio de los documentos normalizados para las tareas de adquisiciones y contrataciones y el Manual sobre la adquisición de bienes y la contratación de obras y servicios del FIDA.

Participación y observaciones del grupo objetivo del proyecto y resolución de reclamaciones²

38. La participación del grupo objetivo tendrá lugar a diferentes niveles, y reunirá a las instituciones financieras participantes, así como a los beneficiarios finales. Dichas instituciones participarán a través de sesiones de sensibilización y seguimiento periódico y del examen de los informes. Se proporcionarán canales de comunicación entre las instituciones financieras participantes y la UGP para permitir que se reciba sistemáticamente la retroinformación y se comunique el seguimiento de las medidas adoptadas.

Resolución de reclamaciones

39. El mecanismo de resolución de reclamaciones del Mecanismo de Inclusión Financiera para las Zonas Rurales de Kenya garantizará que las quejas que puedan surgir durante la fase de ejecución del proyecto se registren y se resuelvan sin demoras y de forma transparente, sin consecuencias negativas (costo, discriminación) para las personas afectadas por el proyecto que las presenten. Este mecanismo funcionará dentro de los marcos jurídicos y culturales existentes, y ofrecerá una posibilidad adicional para resolver las reclamaciones a nivel local. Cada una de las instituciones financieras participantes que recibirá respaldo por medio del Mecanismo deberá establecer mecanismos de resolución de reclamaciones propios, específicos para los tipos de prestatarios a quienes atienden, adoptando sistemas locales y basados en las instituciones.

B. Planificación, seguimiento y evaluación, aprendizaje, gestión de los conocimientos y comunicaciones

40. La formulación de los planes de trabajo y los presupuestos para el Mecanismo de Inclusión Financiera para las Zonas Rurales de Kenya se guiará por el marco lógico del proyecto. La planificación y la presupuestación se integrarán en los procesos y ciclos del Gobierno y se basarán en los planes operacionales anuales (POA). Durante el período previo al proyecto e inmediatamente después de su entrada en vigor, se elaborará un sistema de seguimiento y evaluación (SyE) sólido para el Mecanismo con arreglo a los requisitos del FIDA y del Gobierno. Los sistemas de SyE para las distintas actividades del proyecto se integrarán plenamente entre sí a fin de garantizar la agregación de datos para los informes sobre todas las actividades y la prestación de la orientación adecuada al personal de gestión del proyecto. Las actividades de gestión de los conocimientos se guiarán por un plan robusto con el fin de mejorar las prácticas de aprendizaje, gestión de los conocimientos y comunicación dentro del proyecto. Se ha incluido un plan de gestión de los conocimientos exhaustivo en el manual de ejecución del proyecto. Una importante medida de la eficacia alcanzada en materia de gestión de los conocimientos será la amplitud de la aplicación fuera del proyecto de las enseñanzas extraídas documentadas, las mejores prácticas y, especialmente, los métodos de financiación verde del proyecto.

Innovación y ampliación de escala

41. Con objeto de respaldar la meta general de lograr la transformación rural, se impulsará la innovación en los distintos niveles de las operaciones del Mecanismo de Inclusión Financiera para las Zonas Rurales de Kenya. En la capacitación de los pequeños productores se fomentará la adopción de nuevas tecnologías agrícolas y la diversificación para contribuir al incremento de los ingresos. Las actividades de creación de capacidades de las instituciones financieras participantes promoverán una cultura que propicie la innovación proactiva de los productos rurales y del desarrollo de productos. Las posibilidades para la ampliación de escala de las principales actividades de inversión del mecanismo son prometedoras. Varias

² Véase el "Marco para recabar las opiniones y observaciones de las partes interesadas sobre cuestiones operacionales". Disponible en <https://webapps.ifad.org/members/eb/128/docs/spanish/EB-2019-128-R-13-Rev-1.pdf>.

entidades financiadoras internacionales han expresado interés en invertir en la ampliación de escala de este mecanismo realizando inversiones adicionales en el Fondo de Financiación Verde y la Garantía de Crédito Rural y prestando apoyo a las operaciones de creación de capacidad conexas.

C. Planes para la ejecución

Preparación para la ejecución y planes para la puesta en marcha

42. Como parte del proceso de diseño del Mecanismo de Inclusión Financiera para las Zonas Rurales de Kenya, se ha preparado un borrador del manual de ejecución del proyecto. Además, se ha elaborado un borrador del POA y del plan de adquisiciones y contrataciones para los primeros 18 meses de la ejecución. Estos documentos tienen por finalidad garantizar que se dé inicio a la ejecución sin retrasos innecesarios durante el primer año del proyecto. Asimismo, tras la aprobación del proyecto por el FIDA y el Gobierno, se prevé comenzar inmediatamente con varias actividades previas, como la preparación de documentación para los acuerdos de asociación y la presentación de licitaciones por parte de proveedores de servicios técnicos.

Supervisión, examen de mitad de período y planes de finalización

43. El Mecanismo de Inclusión Financiera para las Zonas Rurales de Kenya será supervisado directamente por el FIDA, con misiones de supervisión anuales, complementadas por misiones más breves de apoyo a la ejecución organizadas con la participación del Gobierno. Puesto que el proyecto tendrá una duración de seis años, se realizará un examen de mitad de período hacia el final del tercer año de ejecución. Al término del período de ejecución, el Gobierno, en colaboración con el FIDA, llevará a cabo un examen final del proyecto para informar sobre los resultados y el impacto de las actividades.

V. Instrumentos jurídicos y facultades

44. Un convenio de financiación del proyecto entre la República de Kenya y el FIDA constituye el instrumento jurídico para la concesión de la financiación propuesta al prestatario/receptor. Se adjunta como Apéndice I una copia del convenio de financiación negociado.
45. La República de Kenya está facultada por su legislación para recibir financiación del FIDA.
46. Me consta que la financiación propuesta se ajusta a lo dispuesto en el Convenio Constitutivo del FIDA y en sus Políticas y Criterios en materia de Financiación.

VI. Recomendación

47. Recomiendo a la Junta Ejecutiva que apruebe la financiación propuesta de acuerdo con los términos de la resolución siguiente:

RESUELVE: que el Fondo conceda un préstamo en condiciones muy favorables a la República de Kenya por un monto de seis millones doscientos cuarenta mil euros (USD 6 240 000), conforme a unos términos y condiciones que se ajusten sustancialmente a los presentados en este informe.

RESUELVE ADEMÁS: que el Fondo conceda un préstamo en condiciones combinadas a la República de Kenya por un monto de doce millones seiscientos sesenta mil euros (EUR 12 660 000), conforme a unos términos y condiciones que se ajusten sustancialmente a los presentados en este informe.

Gilbert F. Hougbo
Presidente

Negotiated financing agreement: "Rural Kenya Financial Inclusion Facility (RK FINFA)"

(Negotiations concluded on 25 November 2021)

Loan No: _____

Loan No: _____

Project name: Rural Kenya Financial Inclusion Facility ("RK FINFA"/ the "Project")

The Republic of Kenya (the "Borrower")

and

The International Fund for Agricultural Development (the "Fund" or "IFAD")

(hereinafter referred to each as a "Party" and collectively as the "Parties")

WHEREAS the Borrower has requested a loan from the Fund for the purpose of financing the Project described in Schedule 1 to this Agreement;

WHEREAS, the Fund has agreed to provide financing for the Project;

NOW THEREFORE, the Parties hereby agree as follows:

Section A

1. The following documents collectively form this Agreement: this document, the Project Description and Implementation Arrangements (Schedule 1), the Allocation Table (Schedule 2) and the Special Covenants (Schedule 3).

2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, amended as of December 2020, and as may be amended hereafter from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein, unless the Parties shall otherwise agree in this Agreement.

3. The Fund shall provide two Loans (the "Financing") to the Borrower, which the Borrower shall use to implement the Project in accordance with the terms and conditions of this Agreement.

Section B

1. A. The amount of the Loan on highly concessional terms (Loan 1) is six million two hundred and forty thousand Euro (EUR 6 240 000).

The Loan granted on highly concessional terms shall be free of interest but shall bear a fixed service charge as determined by the Fund at the date of approval of the Loan by the Fund's Executive Board, payable semi-annually in the Loan Service Payment Currency. The Loan shall have a maturity period of forty (40) years, including a grace period of ten (10) years starting from the

date of approval of the Loan by the Fund's Executive Board. The principal of the Loan granted on highly concessional terms will be repaid at four and half per cent (4.5 per cent) of the total principal per annum for years eleven (11) to thirty (30), and one per cent (1 per cent) of the total principal per annum for years thirty-first (31) to forty (40).

- B. The amount of the Loan on blend terms (Loan 2) is twelve million six hundred and sixty thousand Euro (EUR 12 660 000).

The Loan granted on blend terms shall be subject to interest on the principal amount outstanding and a service charge as determined by the Fund at the date of approval of the Loan by the Fund's Executive Board. The interest rate and service charge determined will be fixed for the life cycle of the loan and payable semi-annually in the Loan Service Payment Currency. The Loan shall have a maturity period of twenty five (25) years, including a grace period of five (5) years starting from the date of approval of the Loan by the Fund's Executive Board. The principal of the Loan granted on Blend terms will be repaid in equal instalments.

2. The Loan Service Payment Currency shall be in Euro (EUR).
3. The first day of the applicable Fiscal Year shall be 1st July.
4. Payments of principal, interest and service charge shall be payable on each 15 June and 15 December.
5. A Designated Account for the exclusive use of the Project shall be held by the National Treasury at the Central Bank of Kenya to receive funds from IFAD. The Borrower shall inform the Fund of the officials authorized to operate the Designated Account.
6. A dedicated project operational account in Kenya Shillings (KES) will be managed by the PMU.
7. The Borrower shall provide counterpart financing for the Project in an amount equivalent to approximately USD 24 million, of which taxes and duties account for USD 44,000, (0.2 per cent), cash for USD 23 million (99.5 per cent) and in-kind contributions for USD 72,000 (0.3 per cent). Government co-financing will mostly be provided through support to the Rural Credit Guarantee Scheme (R-CGS) and the Green Finance Facility. Government will also allocate counterpart funds to capacity building of the PFIs and project coordination.

Section C

1. The Lead Implementing Agency of RK-FINFA will be the Directorate of Budget, Fiscal and Economic Affairs in the National Treasury and Planning (NT&P).
2. A Mid-Term Review will be conducted as specified in Section 8.03 (b) and (c) of the General Conditions; however, the Parties may agree on a different date for the Mid-Term Review of the implementation of the Project.
3. The Project Completion Date shall be the sixth anniversary of the date of entry into force of this Agreement and the Financing Closing Date shall be 6 months later, or such other date as the Fund may designate by notice to the Borrower.

4. Procurement of goods, works and services financed by the Financing shall be carried out in accordance with the provisions of the Borrower's procurement laws, namely, Public Procurement and Asset Disposal Act, 2015 and the Regulations made thereunder as may be amended from time to time, to the extent such are consistent with the IFAD Procurement Guidelines. For procurement activities to be carried out by co-investing/implementing partners, the applicable procurement framework will be determined by a due diligence exercise carried out according to IFAD's Project Procurement Framework and will be included in the related agreements subject to IFAD's No-Objection.

Section D

1. The Fund will administer the Loans and supervise the Project.

Section E

1. The following are designated as additional grounds for suspension of this Agreement.

- (a) The Project Implementation Manual (PIM) and/or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior agreement of the Fund and the Fund, after consultation with the Borrower, has determined that it has had, or is likely to have, a material adverse effect on the Project.
- (b) The Project Coordinator and the Financial Controller have been appointed, transferred or moved from the PMU without the non-objection of the Fund;

2. The following are designated as additional specific conditions precedent to withdrawal:

- (a) The first Annual Work Plan and Budget (AWPB) shall have received IFAD's non-objection;
- (b) The Designated Account shall have been opened by the Borrower;
- (c) The Project Coordinator, the Financial Controller and the Project Procurement Specialist within PMU shall have been appointed with terms of reference and qualification acceptable to the Fund;
- (d) The PIM as described in Section II of Schedule 1, shall have been finalised in form and substance satisfactory to the Fund; and
- (e) The Project Steering Committee (PSC) shall have been established.

3. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Borrower:

Cabinet Secretary
The National Treasury and Planning
P.O. Box 30007-00100
Nairobi
Kenya

For the Fund:

The President

International Fund for Agricultural Development
Via Paolo di Dono 44
00142 Rome, Italy

This Agreement, [dated _____], has been prepared in the English language in two (2) original copies, one (1) for the Fund and one (1) for the Borrower.

REPUBLIC OF KENYA

Ukur Yatani E.G.H
Cabinet Secretary
National Treasury and Planning

Date: _____

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

Gilbert F. Houngbo
President

Date: _____

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. *Target Population.* The Project will benefit 190,000 rural Kenyan households, including both direct and indirect clients. This includes direct financial and technical services to 68,000 households/micro-small-and-medium enterprises (MSMEs), covering: (i) an estimated 66,000 economically active smallholder households; and (ii) 2,000 rural MSMEs engaged in smallholder-inclusive value chains (VCs). Indirect outreach of the project includes: (i) estimated 32,000 persons, through employment in the RK-FINFA supported agribusinesses and farms; and (ii) 90,000 smallholder households, through participation in the VCs, strengthened by the supported agribusinesses. The targeting focus is on low-income, economically active rural households, with overall Project targets on 50 per cent of women and 30 per cent of youth participation.

2. *Project area.* The geographic coverage of RK-FINFA, once fully operational, will be nationwide (*the "Project Area"*). For an effective project start-up, the entry point for the RK-FINFA outreach will be the 14 counties in which at least two IFAD-supported projects operate with agricultural value chains. With this approach, RK-FINFA and its Participating Financial Institutions (PFIs) will benefit from synergies with ongoing IFAD-supported agriculture and agribusiness development activities on diversified value chains. After the RK-FINFA capacity building and initial financing cycle of two years, or another time agreed between the Parties, the PFIs can expand their targeted area of investments with RK-FINFA resources to any rural county in Kenya. The PFIs will identify these expansion areas based on their market opportunities and capabilities while continuing to apply the agreed targeting principles of the project.

3. *Goal.* RK-FINFA's project goal is: "*poverty reduction, climate change resilience and improved livelihoods in rural areas*".

4. *Objectives.* The objective of the Project is increased rural financial inclusion and green investments by agriculture value chain stakeholders, leading to equitable employment opportunities, innovative and resilient production systems, and increased incomes for smallholders, poor and marginalised rural households, women and youth.

5. *Components.* The Project will have the following components: (i) Component 1: Technical Support and Innovation Services (TSIS); (ii) Component 2: Rural Investment Instruments; and (iii) Component 3: Enabling Rural Finance Environment and Project Coordination

5.1 **Component 1: Technical Support and Innovation Services (TSIS).** Through two fully inter-linked sub-components, Component 1 will: (i) strengthen PFI capacities for innovation, rural outreach and green finance services in Kenya; and (ii) build MSME and smallholder sustainable investment capacities and financial literacy skills particularly tailored to reach women, youth and marginalized groups. Both aspects of the TSIS, supply and demand side, will be embedded into the rural growth strategies of PFIs to foster sustainability and effective use of the resources provided through the project investment instruments. A co-financing partner organization/organizations will be engaged to coordinate the TSIS component

5.1.1 *Sub-Component 1.1: PFI Capacity Building for Rural Outreach and Innovation* will build the capacity of participating commercial banks, MFBs and DT-SACCOs to provide rural and agriculture financial services, to implement green investment portfolios, and for effective ESM systems.

- 5.1.2 *Sub-component 1.2: Business Development Services for Agribusinesses and Smallholders* will build MSME and smallholder sustainable investment capacities and financial literacy skills particularly tailored to reach women, youth and marginalized groups. Both aspects of TSIS, supply and demand, will be embedded into the rural growth strategies of PFIs to foster sustainability and effective use of the resources provided through the project investment instruments.
- 5.2 **Component 2: Rural Investment Instruments.** The RK-FINFA will operate with two Rural Investment Instruments: (i) a Rural Credit Guarantee Scheme (R-CGS); and (ii) a Green Financing Facility (GFF). Both the R-CGS and the GFF will be designed as sustainable financing vehicles, which can utilize resources from the Government and from interested international financiers to unlock private investment into Kenya's agricultural and agribusiness sector at attractive market terms through Kenyan financial institutions.
- 5.2.1 *Sub-component 2.1: Rural Credit Guarantee Scheme (R-CGS)* provides risk sharing to promote rural outreach innovations and catalyze funding from Kenyan mainstream financial institutions into the rural and agriculture sector. Supported by the R-CGS guarantee amount of USD 20 million by IFAD and the Government of Kenya, the PFIs are expected to lend USD 80 million to rural MSMEs and smallholders in agriculture value chains. The RCGS will be established as part of an existing MSME credit guarantee scheme, hosted and managed by the National Treasury and the Central Bank of Kenya; the scheme has received technical assistance and seeks additional support from a coalition of international partners.
- 5.2.2 *Sub-component 2.2: Green Financing Facility (GFF)* will support the innovative and sustainable transformation of Kenya's rural economy. It is to be established with RK-FINFA's supported amount of USD 15 million by IFAD and the Government of Kenya. The GFF will contribute to the sustainable rural transformation, growth, and income generation through alleviating the liquidity constraints of non-bank financial institutions and Micro-Finance Banks that are the main financial service providers to smallholders and rural micro-enterprises, and by encouraging small-scale farmers and micro-firms to invest in climate-smart and environmentally friendly activities.
- 5.3 **Component 3: Enabling Rural Finance Environment and Project Coordination,** consisting of two sub-components. The aim of Sub-component 3.1. (Enabling Rural Finance Environment) is to promote policies and institutional arrangements that support the development of a more conducive operational environment for the R-CGS and the GFF, therefore, fostering their capacity to improve rural financial intermediation. Sub-component 3.2 (Project Coordination) covers the project implementation and coordination arrangements.

II. Implementation Arrangements

6. *Lead Project Agency.* The Lead Implementing Agency of RK-FINFA will be the Directorate of Budget, Fiscal and Economic Affairs in the National Treasury and Planning (NT&P). The Directorate is headed by a Director General who is answerable to the Principal Secretary of the NT&P.

7. *Project Steering Committee.* A Project Steering Committee (PSC) will be established, with representatives from the ministries, public agencies and apex representative organizations of the relevant sector private sector stakeholders.

8. *Project Management Unit.* Under the PSC, a dedicated Project Management Unit (PMU) will be established at the NT&P and housed in the Financial and Sectoral Affairs Department. The key investment components and sub-components are planned to be implemented by intermediaries or investing partner institutions.

9. *Implementing partners.* RK-FINFA will build partnerships with Kenyan FIs serving the rural market and other institutions active in the sector. The GFF will be established as a permanent facility at a selected Host Financial Institution to provide wholesale capital to rural financial institutions for on-lending to the smallholder sub-sector. The GFF Host Institution will be selected against standard financial performance criteria and determined capacity requirements on wholesale lending and green rural finance. The R-CGS, instead, will be established as part of an existing MSME credit guarantee scheme, hosted and managed by the National Treasury and the Central Bank of Kenya, which has received technical assistance and seeks additional support from a coalition of international partners. Furthermore, technical implementation partnerships with organizations from non-government sector will be established to introduce international best practices to the project implementation. All partnering institutions that will receive funds from the PMU will keep sub-project accounts for segregating the funds received. The sub-project accounts will be denominated in local currency and will be opened in a financial institution acceptable to IFAD. The R-CGS funds, after required conditions are met, will be deposited and ring-fenced at the Central Bank of Kenya or at a reputable commercial bank. Any interest generated should be used for the purposes of the R-CGS. The guarantee reserve is accessible to PFIs only after possible losses materialise and have been reported and approved. The GFF funds will be transferred to the host financial institution after required conditions are met. There will be monthly financial reports to the PMU for monitoring operations of sub-accounts and consolidation.

10. *Monitoring and Evaluation.* During the pre-project period and immediately after project effectiveness, RK-FINFA will develop a robust M&E system in compliance with IFAD and the Government requirements. The M&E system implementation for the various project activities will be fully integrated with one another, to ensure aggregation of data to the reports covering all activities, as well as the provision of appropriate guidance to management.

11. *Knowledge Management.* The project's Knowledge Management (KM) activities are guided by a robust KM plan, to improve learning, KM and communication practices within the Project. A comprehensive draft RK-FINFA KM Plan is incorporated in the PIM. The wider adoption outside the project of RK-FINFA's documented lessons learnt, best practices and especially green financing methods will be an important measure of the project's success in KM.

12. *Project Implementation Manual.* A draft PIM has been prepared as a part of the RK-FINFA design process. In addition, a draft AWPB and a draft procurement plan (PP) have been prepared for the first 18 months of project implementation. These documents aim to ensure that implementation starts without unnecessary delays during the first year of the project. Furthermore, various pre-project activities, including the preparations for the documentation of the partnership agreements and for the tendering of the technical service providers, are planned to start immediately after the project approval by IFAD and the Government. The PIM should be finalised as part of start-up processes.

Schedule 2

Allocation Table

1. *Allocation of Loan Proceeds.* (a) The Table below sets forth the Categories of Eligible Expenditures to be financed by the Loans and the allocation of the amounts to each category of the Financing and the percentages of expenditures for items to be financed in each Category:

Category	Loan 1 Amount Allocated (EUR)	Loan 2 Amount Allocated (EUR)	Percentage (net of tax)
I. Credit, guarantee funds	4 220 000	8 560 000	100%
II. Goods, services and inputs	670 000	1 370 000	100%
III. Training	230 000	470 000	100%
IV. Salaries and allowances	490 000	990 000	100%
Unallocated	630 000	1 270 000	
TOTAL	6 240 000	12 660 000	

(b) The terms used in the Table above are defined as follows:

(i) Goods, services and inputs includes equipment, materials and vehicles.

2. *Disbursement arrangements*

(a) *Start-up Advance.* Withdrawals in respect of expenditures for start-up costs incurred before the satisfaction of the general conditions precedent to withdrawal shall not exceed an aggregate amount of EUR 280,000 for expenditure in categories II and IV. Activities to be financed by start-up costs will require the no objection from IFAD to be considered eligible.

Schedule 3

Special Covenants

In accordance with Section 12.01(a)(xxiii) of the General Conditions, the Fund may suspend, in whole or in part, the right of the Borrower to request withdrawals from the Loan Account if the Borrower has defaulted in the performance of any covenant set forth below, and the Fund has determined that such default has had, or is likely to have, a material adverse effect on the Project:

1. *Anticorruption.* The Borrower shall comply with IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations. The Borrower ensures that the systems governing the expenditure from the project funds will be subject to its national and IFAD anti-corruption practices and in this regard, IFAD's anti-corruption policy shall be communicated as appropriate, including its concept of zero tolerance and the mechanisms for reporting suspected irregular practices.
2. *Anti-money Laundering and Countering the Financing of Terrorism (AML/CFT) Measures.* The Borrower ensures its commitment to combating money laundering and terrorism financing, consistent with IFAD's Anti-Money Laundering and Countering the Financing of Terrorism Policy in the Project Activities. The Borrower ensures that the systems governing the expenditure from the project funds will be subject to national laws and regulations as well as IFAD's Framework on this regard, which will be communicated to the Borrower. Further, the Borrower shall ensure that appropriate controls are included in the PIM and that the Participating Financial Institutions: (i) comply with applicable laws and regulations of the Borrower on AML-CFT and that the Financing proceeds are not used, directly or indirectly, in money laundering or financing of terrorism; (ii) formulate and implement internal control procedures, including due diligence procedures; and (iii) promptly inform the Borrower if there is any violation or potential violation of this paragraph. In the event that PFIs inform the Borrower of an alleged violations, PFIs shall cooperate in good faith with the Fund and its internal investigations.
3. *Compliance with the Social Environmental and Climate Assessment Procedures (SECAP).* The Borrower shall ensure that the Project will be implemented in compliance with IFAD's SECAP guidelines and Government of Kenya's Environmental Laws, and more specifically: in line with the Environment and Social Management Framework (ESMF), the Environmental and Social Management Plans, the basic climate risk analysis as included in the ESMF. The Borrower shall enhance positive environmental and social outcomes during project implementation and mitigate negative impacts. The Borrower will also ensure that the Free, Prior and Informed Consent Process will be followed to ensure active participation of indigenous in the project areas.
4. *Gender.* The Borrower shall ensure that a strategy for gender has been designed to contribute to the social and economic inclusion of youth, women and other vulnerable and marginalised groups and offer them an equal opportunity to participate and benefit from the project activities.
5. *Land tenure security.* The Borrower shall ensure that the land acquisition process has already been completed and that compensation processes were consistent with international best practice and free prior and informed consent principles.
6. *Marginalized Groups and Minorities.* The Borrower shall ensure that the concerns of Marginalized Groups and Minorities are given due consideration in implementing the Project and, to this end, shall ensure that:

- a. The Project is carried out in accordance with the applicable provisions of the relevant national legislation on the protection of Marginalized Groups and Minorities;
- b. Marginalized Groups and Minorities are adequately and fairly represented in all local planning for project activities;
- c. Marginalized Groups and Minorities' rights are duly respected;
- d. Marginalized Groups and Minorities participate in policy dialogue and local governance;
- e. The Project will not involve encroachment on traditional territories used or occupied by Marginalized Groups and Minorities.

7. *Sexual Harassment, Sexual Exploitation and Abuse.* The Borrower and the Project Parties shall ensure that the Project is carried out in accordance with the provisions of the IFAD Policy on Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse, as may be amended from time to time.

8. *Internal audit.* The NT&P, through the Directorate of Budget, Fiscal and Economic Affairs, shall identify internal auditors to audit the PMU and project counties once a year. Further these internal auditors shall review the internal audit processes performed by internal auditors at project counties. Internal audit reports may be requested by IFAD in a mutually acceptable manner.

9. *Audit Committee.* A NT&P Audit Committee shall be formed to review and ensure action is taken on internal and external audit findings and to review regular reports on budget execution.

10. *Final Audit.* Notwithstanding the timeline in which the Borrower prepares its year-end accounts for audit by the Office of the Auditor General of Kenya, the Borrower will ensure that the Project has a Final Audit by the Financial Closing Date of the Project. The Borrower will thus ensure that it will engage the Office of the Auditor General of Kenya to perform the Final Audit in order to comply with this term.

11. *Financial Reporting.* Within three months of entry into force of the Financing Agreement, the Borrower shall ensure that a financial reporting system meeting IFAD's requirements and International Accounting Standards is in place.

12. *Memoranda of Understanding.* Within six (6) months of entry into force of the Financing Agreement, the Project will enter into Memoranda of Understandings (MoU) with implementing partners that will structure the collaboration, define roles, responsibilities and duties with regards to implementation, financial management, auditing, accounting and reporting.

13. *Planning, Monitoring and Evaluation.* The Borrower shall ensure that a Planning, Monitoring and Evaluation (PM&E) system shall be established within twelve (12) months from the date of entry into force of this Agreement.

14. *Use of Project Vehicles and Other Equipment.* The Borrower shall ensure that:

- a. The types of vehicles and other equipment procured under the Project are appropriate to the needs of the implementation of the Project; and
- b. All vehicles and other equipment transferred to or procured under the Project are dedicated solely to project use.

15. *IFAD Client Portal (ICP) Contract Monitoring Tool.* The Borrower shall ensure that a request is sent to IFAD to access the Project Procurement Contract Monitoring Tool in the IFAD Client Portal (ICP). The Borrower shall ensure that all contracts, memoranda of understanding, purchase orders and related payments are registered in the Project Procurement Contract Monitoring Tool in the IFAD Client Portal (ICP) in relation to the procurement of goods, works, services, consultancy, non-consulting services, community contracts, grants and financing contracts. The Borrower shall ensure that the contract data is updated on a quarterly basis during the implementation of the Project.

16. The Key Project Personnel will include: Project Coordinator, Financial Comptroller, Rural Finance Specialist, M&E Specialist, Knowledge Management Officer, Project Procurement Specialist, Social Inclusion and Gender Specialist, and Environment and Climate Assessment Specialist. In order to assist in the implementation of the Project, the NT&P, unless otherwise agreed with IFAD, shall employ or cause to be employed, as required, key staff for the PMU whose qualifications, experience and terms of reference are satisfactory to IFAD. The recruitment of Key Project Personnel is subject to IFAD's prior review as is the dismissal of Key Project Personnel. Key Project Personnel are subject to annual evaluation and the continuation of their contract is subject to satisfactory performance. Any contract signed for Key Project Personnel shall be compliant with the national labour regulations or the ILO International Labour Standards (whichever is more stringent) in order to satisfy the conditions of IFAD's updated SECAP. Repeated short-term contracts must be avoided, unless appropriately justified under the Project's circumstances.

Logical framework

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
Outreach	1b. Estimated corresponding total number of households members				PMU quarterly report from project MIS	Annually	PMU	Project initiates its activities on expected timelines and all approvals and implementation arrangements are in place.
	Household members		127,840	319,600				
	1a. Corresponding number of households reached							
	Households		26,400	68,000				
	1 Persons receiving services promoted by the project							
	Females		13,200	34,000				
	Males		13,200	34,000				
	Youth		8,160	20,400				
	Under-employed people including vulnerable groups		2,640	6,600				
	MSME entrepreneurs		800	2,000				
	Female %		50%	50%				
	Male %		50%	50%				
Total		26,400	68,000					
Project Goal: Poverty reduction and improved livelihoods in rural areas	Incidence of poverty in the selected counties				KNBS Surveys	Baseline, Midline and End Line	Third Party Surveys	This is average poverty rate in the selected 14 counties
	Percentage (%)		33%	30%				
Development Objective: Increased rural financial inclusion and investments by agriculture value chain stakeholders, leading to equitable employment opportunities, resilient production systems and increased incomes for smallholders, poor and marginalized rural households, women and youth	Volume of formal credit to agricultural sector				KNBS Surveys and CBK Reports	Baseline, Midline and End Line	Third Party Surveys	Participating FIs fully engaged in the project
	Percentage		4%	6%				
	SF.2.1 Households satisfied with project-supported services				Surveys	Baseline, mid-term, completion	Third Party Surveys	Beneficiaries willing to take up financial services to expand operations
	Percentage (%)		80%	80%				
	Percentage of households reporting increase by at least 25% in income from among the recipient households				COI survey	Baseline, mid-term, completion	Third Party Surveys	
	Percentage		25%	60%				
	2.2.1 New jobs created				COI Surveys	Baseline, mid-term, completion	Third Party Surveys	
	Number		12,800	32,000				
3.2.2 Households reporting adoption of environmentally sustainable and climate-resilient technologies and practices				COI Surveys	Baseline, mid-term, completion	Third Party Surveys		
Number		8,160	20,400					
Outcome 1: Technical Support and Innovation Services	Number of PFIs reporting improved capacity to develop agricultural finance products and analyse agricultural loans disaggregated by commercial banks, MFBs and rural SACCOs		34	41	Outcome surveys	Baseline, mid-term and completion	PMU	Technical Assistance is rolled out in time 70% of MSMEs supported will prepare bankable proposals
	Number of bankable proposals developed by targeted businesses disaggregated by size (micro/small/medium)		1,200	1,500				
	Number of bankable proposals developed by targeted farmers disaggregated by age, gender and vulnerability		24,500	35,000				

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
	IE.2.1 Individuals demonstrating improvement in empowerment (reporting disaggregated by gender/age)		60%	80%	Outcome surveys	Baseline, mid-term and completion	PMU	TA rolled out in time and individuals are willing to participate
Output 1.1: PFI Capacity Building for Rural Outreach and Innovation	Number of financial service providers supported in delivering outreach strategies, financial products and services to rural areas especially for women, youth and vulnerable groups, disaggregated by commercial banks, MFBs and rural SACCOs		34	41	PMU Records	Annual	PMU	Technical Assistance is rolled out in time
Output 1.2: Business Development Services (BDS) for Agribusinesses and Smallholders	2.1.1 Rural enterprises accessing BDS 1.1.7 Persons in rural areas trained in financial literacy and/or use of financial products and services disaggregated by age, gender and under-employed persons disaggregated by - Male - Female (50%) - Young (30%) - Vulnerable groups (5%)		1,200	1,500	PMU Records	Annual	PMU	
Outcome 2: Rural financial instruments mobilized for improved access for agribusinesses and farmers	Leverage ratio achieved by Participating PFIs		2 times	4 times	COI surveys	Baseline, mid-term and completion	PMU	PFIs are willing to participate in the project
Output 2.1: Rural Credit Guarantee Scheme Mobilized	Number of PFIs contracted under the R-CGS		5	6	PMU Records	Annual	PMU	PFIs are willing to participate in the project
	Volume of credit disbursed by Commercial Banks		US\$ 32M	US\$ 80M				
	1.1.5 Persons in rural areas accessing financial services disaggregated by - Male - Female (30%) - Young (30%)		18,800	47,000				
	Number of women and youth specific products developed and deployed by Commercial Banks - Female - Youth		4	6				
Output 2.2: Green Financing Facility (GCF) Mobilized	Number of MFBs and rural SACCOs mobilized to access credit line		30	36	PMU Records	Annual	PMU	PFIs are willing to participate in the project
	Volume of wholesale finance disbursed by FI managing the Green Credit Line		US\$ 10M	US\$ 20M				
	Volume of credit disbursed by MFBs and SACCOs		US\$ 12.5M	US\$ 20M				
	1.1.5 Persons in rural areas accessing financial services disaggregated by		9,000	22,500				

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
	- Male - Female (50%) - Young (30%)							
	Number of women and youth specific products developed and deployed by SACCOs & MFBs under GCF		20	32	PMU Records	Annual	PMU	PFI's are willing to participate in the project
Outcome 3: Strengthened rural finance sector policies	No of rural finance sector policies developed		2	7	Outcome surveys	Baseline, mid-term and completion	PMU	The National Treasury facilitates the policy development process
	Policy 1 Policy-relevant knowledge products completed		5	10				
	SF.2.2 Households reporting they can influence decision-making of local authorities and project-supported service providers		75%	75%				

Integrated project risk matrix

Risk Categories and Subcategories	Inherent	Residual
Country Context		
Political Commitment	Substantial	Moderate
Risk(s): The GoK has reiterated its support to sound macroeconomic policies, as well as to agricultural and rural policies based on increased private-sector focus and much increased emphasis on smallholder participation in key agricultural value chains. Similarly, as discussed in SECAP in detail, the policy framework for CC and environmental policies as well as appropriate gender and youth policies is largely in place. However, the rapidly increased public debt, which has accelerated due to COVID-19, can be seen as a major risk for political commitment to implement the above policies in practice. The increased public debt, combined with the upcoming 2022 general elections, may impact the GoK ability to adhere to GoK commitments on counterpart funding. This can endanger the both the approval and subsequent implementation of loan-based development projects, including the IFAD-supported ones.		
Mitigations: During design, the GoK has repeated its full commitment to RK-FINFA, including to its relatively high financing share of the project costs. The Government sees RK-FINFA as an integral part of both the short-term COVID-19 recovery efforts in rural areas and as a long-term instrument to channel increased volumes of finance from FIs to agricultural and rural activities. In also sees the GFF, established with RK-FINFA support, as one of the entry points for PFIs to finance and for farmers to engage in climate smart production activities. For the guarantee operations, the initial GoK funding would come from the existing PROFIT reflows, and the framework for the future pipeline of state budget funds for GoK contributions has already been agreed on.		
Governance	Substantial	Moderate
Risk(s): Governance and transparency issues persist, as shown in 2019 Corruption Perceptions Index for Kenya, resulting in high Governance Risk and corruption-related risk rating. Lengthy Government processes to establish Project Management Units and conduct procurement have delayed start-up of projects. Despite improved systems, problems in effective monitoring and reporting by GoK persist.		
Mitigations: For RK-FINFA, the main responsibility for almost all the components has been contracted to intermediaries, with tested implementation guidelines and methods, supported by systematic development of eligibility rules and procedures for RK-FINFA project activities. The intermediaries are also responsible for largest part of small scale procurements, to avoid obstacles potentially emerging from GoK procurement and management processes.		
Macroeconomic	Substantial	Moderate
Risk(s): Over the past 10 years, Kenya economy has grown rapidly. The average GDP growth in 2010 – 2019 was 5.85 per cent, supported especially by a friendly business climate, strong public infrastructure spending and regional trade. However, maintaining the achieved economic growth levels during RK-FINFA period will be a challenge. The public debt has rapidly increased and currently surpasses the standard risk levels. Due to COVID-19 and environmental shocks, the economy contracted by 1.0 per cent in 2020. Recovery expected to take longer than initially assumed, affecting practically the whole RK-FINFA period.		
Mitigations: The GoK economic measures for recovery include tax reliefs, cash-transfers, suspension of loan default penalties, and bank debt restructuring. RK-FINFA contributes to the GoK efforts to implement counter-cyclical, pro-growth measures especially for the rural and agriculture sector. The longer-term impact of RK-FINFA support through R-CGS and GFF on growth and rural climate smart diversification can be significant, especially if other external financiers can be attracted to support these key RF-FINFA key investment instruments.		
Fragility and security	Moderate	Moderate
Risk(s): Kenya is prone to electoral violence and political and ethnic rivalry, as has been experienced in the aftermath of the 2007 elections and to a much lesser extent in 2013 and 2017. It is likely that the elections scheduled in 2022 could result in violence, given the current heightened political tensions in the country. Other factors contributing to the country's fragility include regular banditry and ethnic clashes in some ASAL counties, and terrorist attacks particularly in northern border areas.		
Mitigations: Issues of electoral and terrorism-related violence have been addressed through: (i) the 2010 Constitution which established a two-tier government at national and county levels, (ii) continuous sensitisation of the population in conflict prone counties to the need to cooperate with the authorities and to participate in the prevention of attacks; (iii) heightened border and internal security against terrorism; and (v) stronger enacted laws that give more powers and autonomy to the anti-corruption agency. While taking precautions for Kenya's security issues, RK-FINFA will avoid focusing its activities in areas where there are high levels of insecurity due to tribal clashes and terrorism. .		
Sector Strategies and Policies		
Policy alignment	Substantial	Moderate

Risk(s): Kenya's agricultural and financial sector policies are generally well aligned with IFAD's core policies. However, while a full police alignment between GoK and IFAD can be agreed on, the Government has adopted a more cautious approach in negotiating external debt. This has often resulted in long delays in signing of financing agreements with international financiers, which adversely affects the co-operation between GoK and international financiers, including IFAD.		
Mitigations: RK-FINFA fully follows the key GoK policies on rural transformation and financial sector development. It is also seen as a part of the GoK recovery programme. The financial arrangements for the projects are arranged in a manner (large private sector leverage, the use of PROFIT reflows) that supports a smoother co-operation with Government that has been the case in some earlier IFAD-supported projects.		
Policy development & implementation	Substantial	Moderate
Risk(s): As indicated above, the policy framework in relatively well developed and supportive for agricultural and inclusive financial sector development in Kenya. In reality, the implementation of many relevant policies suffers from lack of resources and capacities in the GoK structures to develop action plans and in practice implement these policies to diversify and modernize the rural sector.		
Mitigations: The key RK-FINFA investment components, R-CGF and GLL, and the related capacity building support directly support the implementation of key rural policies of the GoK. Importantly, potentially valuable support to policy development and implementation will be provided through Sub-component 3.1, which is solely geared to policy support in the observed gaps in the policy framework for the RK-FINFA support operations.		
Environment and Climate Context		
Project vulnerability to environmental conditions	Substantial	Moderate
Risk(s): Given that end line investments are targeted at smallholders and rural enterprises, land degradation, water availability etc. may adversely affect these investments.		
Mitigations: Environment and Social Management Systems (ESMS) will be established or strengthened in the PFIs. Capacity building of the beneficiaries and advisory services of the PFIs will inform the selection of environmentally friendly technologies and resources provided for these investments. The Environment and Social and Social management Framework (ESMF) will articulate measures to manage risks.		
Project vulnerability to climate change impacts	Substantial	Moderate
Risk(s): Climate shocks such as droughts and floods as well as incidence of pests and diseases will impact the end line investments, particularly those in the agricultural sector, by the smallholders and micro-enterprises. Climate change impacts can also affect loan repayments and thus the portfolio of the PFIs. The marginalization of women and youth beneficiaries, and persons with disabilities, who are more vulnerable to climate change because they face discrimination and inequalities in accessing land and water, markets, technologies, and credit.		
Mitigations: Climate change risk management will be incorporated in the ESMS of the PFIs. Training and advisory services will be provided for the target beneficiaries to enhance their resilience and financial resources provided for green investments. The products under the green financing will promote climate resilience. RK-FINFA targeting approach is that women comprise 50% of beneficiaries, youth comprise 30% and a minimum of 5% of beneficiaries will be from vulnerable groups (marginalized groups including persons with disabilities and persons with HIV).		
Project Scope		
Project relevance	Moderate	Low
Risk(s): The relevance risk for the designed project instruments includes: (i) targeted potential PFIs will not agree with the proposed RK-FINFA guarantee scheme terms and conditions, (ii) the PFIs will continue business as usual regardless the guarantees provided, (iii) the TSIS service providers have limited skills to offer meaningful support to the PFIs and MSMEs and smallholders, and (iv) PFIs, MSMEs and rural households have less than anticipated demand for the green investment products.		
Mitigations: The project instruments of RK-FINFA have been assessed as highly relevant for Kenya, through comprehensive stakeholder consultations. The mitigations include: (i) the rural credit guarantee scheme terms and conditions have been discussed and vetted with potential PFIs; seven banks have already signed the overall guarantee framework, (ii) the eligibility criteria for investments under guarantee protection, as well as the respective monitoring system, have been detailed, (iii) the TSIS service providers will be selected from private markets and the identification is done jointly with PFIs, (iv) demand for green investment products has been confirmed during the project design mission and through a background study, and furthermore, during the first two project years while building green investment pipeline the PFIs are allowed to utilize 50% of GFF resources to normal rural and agricultural investment targets.		
Technical soundness	Moderate	Low

Risk(s): The proposed project structure is based on experiences and lessons learned from similar projects in Kenya and the ESA region. Based on experiences from these projects, key inherent risks include: (i) processes and approvals of RK-FINFA investment instruments are delayed, which results in loss of momentum by PFIs, (ii) the conditions provided to the PFIs are not attractive and results in loss of momentum by PFIs, (iii) reluctance by smallholders and agribusiness entrepreneurs to borrow through the supported channels, (iv) non-repayment risk in the lending provided to smallholders and agribusinesses, and (v) elite capture of project resources.		
Mitigations: Key mitigations include: (i) RK-FINFA instruments and implementation mechanism built on the institutional capacity developed during PROFIT, which together with intensive IFAD start up support will minimize delays, (ii) seven financial institutions have agreed to the conditions provided by the guarantee scheme and its soundness was vetted during the design mission consultations, (iii) demand mapping has been conducted by the Financial Sector Deepening Kenya, WB, and by the RK-FINFA design mission, and demand for lending through the supported channels has been confirmed, (iv) the TSIS will ensure that all IFAD resources will target productive investments through sustainable and suitable lending products, which will reduce NPLs; the grass root PFIs making loans to end-beneficiaries carry the full GFF non-repayment risk; the guarantee scheme non-repayment risk is expected to reduce the guarantee pool up to 2% annually, and (v) the project will provide technical services to the participating FIs to enable them to develop financial products suitable for RK-FINFA target groups in the agriculture value chains and to monitor the investments, and provide BDS and financial literacy services to RK-FINFA target groups to ensure they have sufficient capacity to access the developed financial services.		
Institutional Capacity for Implementation & Sustainability		
Implementation arrangements	High	Moderate
Risk(s): IFAD-supported projects in Kenya have suffered from less than optimal GoK performance in project implementation. Due to the Government's debt situation and decreased fiscal space, GoK continues to cut back on spending, often putting ceilings on AWP/Bs of projects and potentially further lowering the implementation capacities in government institutions. PMUs showed limited capacity to successfully implement rural finance projects unless adequately supported.		
Mitigations: The whole RK-FINFA implementation approach is based on engagement of intermediaries in the implementation of key investment components. These include an operational CGF unit in NT, private financial institutions as well as consultancy companies and experienced local and international NGOs. With ring-fenced financing, these arrangements aim to significantly improve the changes of successful and cost-efficient implementation of RK-FINFA. Centres of excellence in rural finance will support the implementation of critical project activities.		
M&E arrangements	Substantial	Moderate
Risk(s): IFAD experience has shown that most FIs are weakly motivated to invest time or money to monitor the social aspects of project implementation progress, outputs, and outcomes. The lack of commitment to monitoring by key implementing partners could risk the appropriate measurement of the project's performance and its successes or failures.		
Mitigations: Effective monitoring and accurate reporting will be critical in the R-CGS and GFF schemes, under which the issuing of the client loans is carried out by the selected PFIs. The improvement of the MIS systems of the PFIs is a core target function of Component 1 technical support activities. Most of the required performance reporting data will be automatically available from the IT-based accounting/management information systems of the CBK or SASRA-regulated PFIs. This data will be electronically submitted by the PFIs to the NT and GFF Host, which will aggregate it to be able to periodically present the whole scheme level data. The estimation of the development impact of the R-CGS and GFF interventions on supported projects, including the smallholder households, will be surveyed by the RK-FINFA through specific, sample-based baseline studies and then through repeat studies after the supported projects/investments are fully implemented.		
Procurement		
Legal and regulatory framework	Moderate	Moderate
Risk(s): The key weaknesses of the Kenyan procurement system lie mainly at accountability and transparency of the processes. The corruption perception index score and existence of only one body with debarment authority are major shortcomings in the system. Standard bidding documents are in place for local shopping and NCB, but no bidding documents exist for ICB.		
Mitigations: Procurement for two components in RK-FINFA will follow GoK procurement procedures in so far as they are consistent with IFAD guidelines. GoK bidding documents will be used except for ICB where IFAD bidding documents will be adopted. The project design defines the final implementing arrangements, which propose to include project procurement being carried out by third parties for Component 2 subject to a full due diligence being confirmed and a prior NO to implementing arrangements being submitted to IFAD. This arrangement would have a considerable impact on the risk assessment provided and would allow a lower overall risk rating.		
Accountability and transparency	Moderate	Moderate
Risk(s): The Country Corruption Perception Index score assigned by Transparency International is high at 31 (in a scale from 0 to 100). Country's Public Procurement Regulatory Authority is the sole		

authority for debarment. There exists a constitutional Ethics and Anti-Corruption Commission to handle corruption yet reported corruption cases are common.		
Mitigations: RK-FINFA will adopt IFAD's accountability and transparency principles that aim to safeguard the integrity of project procurement and contract execution. The Revised IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations shall apply to all RK-FINFA activities. Major parts of procurement will be carried out by co-investing implementation partners, which increases transparency and accountability. All IFAD self-certification forms will be adopted in their entirety.		
Capability in public procurement	Substantial	Moderate
Risk(s): The overall Government capacity of the NT proved to be less than optimal in the closed PROFIT programme, leading to overall slow procurement processes with major delays.		
Mitigations: The project will hire a qualified procurement professional to handle all procurement activities in the PMU, while in cases where co-investing partners are delegated to carry out procurement activities, agreed methods and thresholds as well as the use of SPDs and IFAD's Handbook, will be detailed in the PIM. The two large investment instruments of RK-FINFA (R-CGF and GFF) do not involve procurement activities.		
Public procurement processes	Moderate	Moderate
Risk(s): Prior experience with GoK Implementing Agency shows long and cumbersome internal processes causing major delays in project implementation.		
Mitigations: Processes will be led both by the Borrower through the lead agency, but risk will also be diversified by outsourcing the majority of procurement to relevant partners as assessed through a robust due diligence. All activities are advertised on a dedicated project website and the project will adopt IFAD's Contract Monitoring Tool (ICP) where all contracts will be posted.		
Financial Management		
Organization and staffing	Moderate	Moderate
Risk(s): While PMU is expected to comprise of qualified personnel with appropriate expertise in their chosen fields, there could be a lack of familiarity by PMU staff of IFAD procedures.		
Mitigations: IFAD FMD will provide capacity building training to the Finance Staff who will selected competitively. The capacity building will include familiarization with IFAD procedures on financial reporting, expenditures categorizations across components, categories, and alignment with Government chart of accounting, financial reporting timelines and other financial management related to the project.		
Budgeting	Moderate	Moderate
Risk(s): There may be a risk that annual work plans and budgets are not prepared or revised on a timely basis, and not executed in a coherent manner, resulting in funds not being available when needed, ineligible costs and reallocation of project funds and slow implementation progress. There is also a risk that the Participating Financial Institutions (PFIs) do not budget and contribute their co-financing of TSIS costs which are designed at a minimum of 20% for the commercial banks, 15% for the MFBs and 10% for SACCOs. This may affect the execution of TSIS activities.		
Mitigations: The Financial Controller in the PMU will coordinate the budget preparation processes with close coordination with Project Coordinator and TSIS Coordinator. The expected contributions will be embedded in the MoU with the PFIs and monitored regularly by TSIS Coordinator to ensure they are well met and do not impact on project execution.		
Fund flow/disbursement arrangements	Substantial	Moderate
Risk(s): There is a risk of commingling of funds at the entity which will be provided with advances for the implementation of project activities. These includes National Treasury which will receive advances from IFAD and TSIS Coordinator(s) for handling TSIS activities which will be agreed with them. Also, in addition to IFAD financing, there are finances expected estimated at USD 29 million and USD 105.75 million from GoK and PFIs, respectively. There is a risk of other financiers not meeting their committed amounts.		
Mitigations: To mitigate on risks of commingled funds and ease of accounting of any advance provided, funds will be held in Project dedicated accounts for which there will be monthly bank accounts reconciliation and financial reports. There will be one designated account held by the National Treasury at the Central Bank of Kenya that would receive funds from IFAD which will have a corresponding dedicated project operational account in Kenya Shillings (KES). All partnering institutions that will receive funds from the PMU will sub-project accounts for segregating the funds received. The sub-project account will be denominated in local currency (KES) and will be opened in financial institutions acceptable to IFAD. There will be monthly financial reports to PMU for monitoring operations of sub-accounts and consolidation. All partnering institutions will sign MoU with Government of Kenya clearly highlighting the requirements for a separate bank account and financial reporting requirements. In order to mitigate on risk of other financiers not meeting their contributions, IFAD will continue to build strong relations with NT and partners and also monitor the flow of funds from NT to the Project to assess any deviations from the planned contribution.		

Internal controls	Substantial	Moderate
Risk(s): There may be a risk that appropriate controls over Project funds are not in place, leading to the inefficient or inappropriate use of project resources.		
Mitigations: Internal controls have been instituted in the whole framework of financial and administrative procedures. The identified controls range from: proper record keeping and posting, authorization of accounting, procurement, and administrative documents, balancing and checking, physical security of assets, double signing (approval) arrangements, to financial reporting and monitoring. These are prescribed in PIM act and further detailed in the finance and operation manual for the project. There will be internal audit function, as noted below, to check overall compliance to internal controls and provide support towards improving systems, procedures, and processes.		
Accounting and financial reporting	Substantial	Moderate
Risk(s): There is a risk of delays in implementation of the accounting system and full adoption of the same in accounting and generation of financial reports of the projects in line with IFAD requirements.		
Mitigations: To mitigate on this risk, acquisition of the accounting system has been proposed as an effectiveness condition. The selection of project finance staff will also consider their skills/agility to use computerised systems.		
External audit	Moderate	Low
Risk(s): The main risk is that independent and competent oversight of the Project financial statements is not in place or performed timely leading to delayed submission of financial reports and/or submission of unacceptable audit reports.		
Mitigations: External Audit will be carried out by the Office of the Auditor General (OAG) and audited financial statements submitted to IFAD within six months after the period end in accordance with IFAD guidelines. OAG has also been carrying out audits of other IFAD projects and has been rated as satisfactory at the portfolio level based on performance on the other existing projects.		
Environment, Social and Climate Impact		
Biodiversity conservation	Moderate	Low
Risk(s): Some of the project end beneficiary investments related to improving agricultural productivity e.g. increased use of agrochemicals, expansion of areas, water abstraction etc. may cause adverse effects on ecosystems services and biodiversity in their locations.		
Mitigations: The criteria for accessing project financing includes environmental management considerations and the green finance will be targeted at activities that improve environmental and natural resources management. The end line investments made by the beneficiaries will be monitored by the PFIs through their ESMS.		
Resource efficiency and pollution prevention	Moderate	Low
Risk(s): Some end line investments may result in sub-optimal use of agrochemicals, which may cause environmental pollution. Investments in post-harvest and processing facilities may also result in increased waste production and energy demands that would be met using diesel generators.		
Mitigations: Efficient resource use will be ensured through awareness raising, training, and monitoring of investment activities. Green investments will be promoted including renewable energy products and improved waste management at post-harvest facilities.		
Cultural heritage	Substantial	Moderate
Risk(s): Kenya has social cultural norms that perpetuate the unequal status of women through interlocking factors, affecting poverty, discriminatory treatment in the family including inheritance, and public life and decision-making. Men and women in Kenya have equal ownership rights to property, however, customary practices vary. For example, women's access to land ownership is at only about 5 per cent.		
Mitigations: RK-FINFA will use the GALS methodology to facilitate women and men at household level to address structural power imbalances affecting women, and influence change of attitudes towards more equitable access and control of incomes, increase women participation in decision making and balanced workloads for households participating in the project. The TSIS capacity building activities support this process.		
Indigenous Peoples	Moderate	Low
Risk(s): Kenya's population is a composite of over 40 ethnic communities. While there are some specific issues that are pertinent to these communities, many of the issues are especially relevant to marginalized populations. However, the common denominator among Kenya's excluded communities is poor access to resources and opportunities, insecurity of tenure and alienation from the state administration. Their weak voice in governance restricts their ability to address most of these issues and increases their vulnerability in the face of environmental, economic, and political problems.		
Mitigations: The RK-FINFA gender, youth and social inclusion strategies consider all vulnerable groups and communities and will inform project strategies to ensure the inclusion of all in project interventions.		

Community health and safety	Low	Low
Risk(s): Kenya’s community health system faces resource constraints and inconsistencies around quality of services. This situation has increased with COVID-19, adversely affecting health outcomes. Communities experience insufficient infrastructure (e.g., health delivery structures). In addition, there are planning and implementation gaps common due to challenges of devolution, inadequate capacity, and inadequate sustained community engagement.		
Mitigations: The COVID-19 experience has seen more efforts geared towards enhancement of community health and safety especially on Water, Sanitation and Hygiene. RK-FINFA and its implementing partners will seek to ensure that an appropriate COVID-19 response will be integrated through the project.		
Labour and working conditions	Substantial	Moderate
Risk(s): Women in Kenya generally fare worse than their male counterparts on most social and economic indicators, including wage equality, political participation, and literacy, although the situation is improving. Women are likely to work longer hours with less pay and mostly in agriculture and the informal sector. In addition, women bear the burden of child rearing and household and community chores due to unequitable gender roles. The majority of Kenyan women (over 70 per cent) are engaged in the agriculture sector but often on unpaid family basis. Women provide more than 80 per cent of the labour in food production and 50 per cent in cash crop production. Yet they hold only about 1 per cent of registered land titles in Kenya, and around 5 to 6 per cent of registered titles are held in joint names. Without title deeds, women are often unable to access cooperative membership, markets, and credit.		
Mitigations: RK-FINFA has a Gender, Youth and Social Inclusion Strategy and it will monitor the access to and impact of financial products and services on target groups, together with key gender equality outcomes. These will include increased access to finance and services with tailored products for women, with a special focus on women-owned micro-businesses. At the same time, the project will contribute to more equitable workloads between household members; and participation of women in decision-making and leadership roles in project activities is encouraged.		
Physical and economic resettlement	Low	Low
Risk(s): The project interventions will not result in physical or economic resettlement of project beneficiaries.		
Mitigations: No mitigations are envisaged in this area.		
Greenhouse gas emissions	Low	Low
Risk(s): The project may cause result in GHG emissions albeit minimal from synthetic fertilizer use, dairy investments, and land clearing.		
Mitigations: Capacity building and the advisory services can promote low emission technologies, agricultural practices, and disincentives for land clearing.		
Vulnerability of target populations and ecosystems to climate variability and hazards	Low	Low
Risk(s): The project is not expected to increase vulnerability of target beneficiaries and ecosystems in the geographic targeted areas.		
Mitigations: The project is expected to enhance resilience of the target beneficiaries and the ecosystems particularly through the green investments.		
Stakeholders		
Stakeholder engagement/coordination	Substantial	Moderate
Risk(s): Elite capture of the project resources due to skewed information availability on project services. PFIs operating in different target areas may apply different approaches for the project activities based on their own client selection policies.		
Mitigations: Targeting approach will include criteria to ensure wider reach of the project activities for the intended beneficiaries. Clear rules of engagement and transparent monitoring and reporting systems for the PFIs including joint review and planning sessions with the PMU will provide fora for coordination that engenders adaptive project management.		
Stakeholder grievances	Moderate	Low
Risk(s): Grievances registered by target beneficiaries and stakeholders may not be effectively addressed and corrective measures taken by the project due to lack of information or misinformation about the systems in place. Beneficiary grievance might escalate through litigation.		
Mitigations: The project will utilise existing grievance redress mechanisms (GRM) and have a dedicated officer in the PMU that will be responsible to ensure recorded grievances are addressed. Stakeholders will be informed about the GRM during project sensitization sessions.		