Investing in rural people

Executive Board
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President's report
Proposed loan
Republic of Kenya
Integrated Natural Resources Management Programme (INReMP)

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Action: The Executive Board is invited to approve the recommendation contained in paragraph 53.

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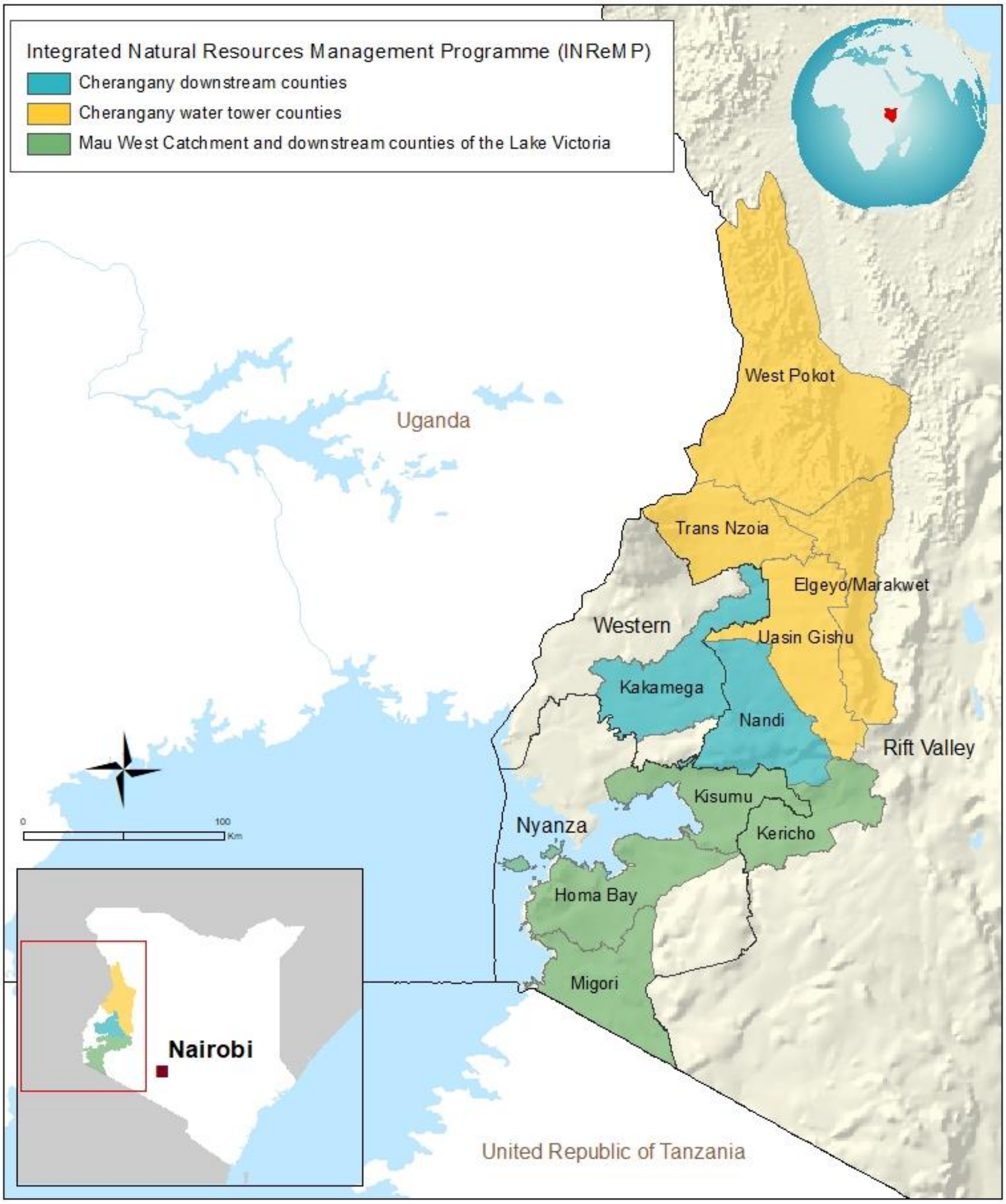
Map of the programme area



IFAD

The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

Map compiled by IFAD | 07-08-2023

Financing summary

Initiating institution:	IFAD
Borrower/recipient:	Republic of Kenya
Executing agency:	Ministry of Agriculture and Livestock Development
Total cost:	US$262.678 million
Amount of IFAD loan:	US$126.8 million
Terms of IFAD loan:	Blend, with a maturity period of 25 years, including a grace period of 5 years, with a service charge of 0.75 per cent and an interest rate of 1.25 per cent per annum in special drawing rights (adjustments for single-currency loans)
Cofinanciers:	Green Climate Fund, Global Environment Facility, private sector
Amount of cofinancing:	Green Climate Fund: US$40.0 million Global Environment Facility: US$7.139 million Private sector: US$10.1 million
Terms of cofinancing:	Green Climate Fund: Loan Global Environment Facility: Grant Private sector: Loan
Contribution of borrower/recipient:	US$23.5 million
Contribution of beneficiaries:	US$8.0 million
Financing gap:	US$47.0 million
Amount of IFAD climate finance:	US$98.5 million
Cooperating institution:	Directly supervised by IFAD

I. Context

A. National context and rationale for IFAD involvement

National context

1. Kenya has a population of 54 million. It is categorized as a lower-middle-income economy and had a GDP of US$113.42 billion in 2022.[1] Its economy is the fourth largest in sub-Saharan Africa and one of the region's most diverse, with a vibrant services sector.[2] Kenya's economy relies on a balanced mix of agriculture, industry and services, with these sectors contributing 53 per cent, 29 per cent and 18 per cent respectively.[3] The country's key development challenges include poverty, inequality, youth unemployment, inadequate transparency and accountability, climate change, weak private sector investment, and vulnerability of the economy to internal and external shocks.

2. Around 53 per cent of the population is employed in agriculture. Crop production accounts for 82 per cent of agricultural GDP and 94 per cent of the earnings from agricultural export. Vulnerability to food and nutrition insecurity in Kenya arises from a combination of factors, including: (i) rapid population growth; (ii) climate change; (iii) stagnating agricultural production; (iv) inefficient food systems; and (v) socioeconomic challenges such as poverty, unemployment and income inequality (which play a significant role).[4]

3. The Kenya Vision 2030 is the country's long-term development blueprint, which aims to achieve sustainable development, poverty reduction and inclusive growth. The Vision is implemented through a series of five-year plans focused on three pillars: economic, social and political. Kenya has committed to building prosperity through inclusive, innovative, collaborative and dynamic food systems following the United Nations Food Systems Summit.

Special aspects relating to IFAD's corporate mainstreaming priorities

4. In line with IFAD's mainstreaming commitments, the programme has been validated as:

   ☒ Including climate finance

   ☒ Gender-transformational

   ☒ Nutrition-sensitive

   ☒ Youth-sensitive

   ☒ Including adaptive capacity

5. **Gender.** Challenges in implementing laws at the national and county level, along with entrenched sociocultural norms and attitudes continue to disadvantage women. Women farmers in rural areas have limited access to credit, resources, productive assets and inadequate access to and control over land. Women are poorly represented in leadership roles and bear a heavy workload on the farm and at home. They are actively engaged in environmental management, farming, livestock husbandry and marketing of produce; however they have limited control over those resources.

6. **Youth.** Kenya's population is largely young; 35.7 million Kenyans (75.1 per cent) are under 35 years of age and form a dynamic workforce that is highly adaptable and promises a high uptake of technological innovations. Nevertheless, the rate of youth unemployment is high, at 35 per cent. The key challenges faced in involving young people in agriculture are a negative perception of agriculture; inadequate

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[1] World Bank, Kenya-at-a-Glance.
[2] Economist Intelligence Report, 3 February 2024.
[3] Economy of Kenya - Wikipedia.
[4] https://kippra.or.ke/.

skills, knowledge and information; limited agricultural innovation; and insufficient access to finance and resources such as land.

7. **Indigenous Peoples and marginalized groups.** An estimated 79,000 people identify as Indigenous Peoples in Kenya and are found among the pastoralist communities of the Turkana, the Rendille, the Borana, the Maasai, the Samburu, the Ilchamus, the Endorois, the Gabra, the Pokot and Somali.

8. **Climate change and environment.** Kenya is recognized as highly vulnerable to climate change impacts and changing weather events, and is ranked 152nd out of 181 countries on the 2019 Notre Dame Global Adaptation Initiative (ND-GAIN) Country Index.[5] Climate events have the potential to change habitats, the interaction among species and the timing of key biological actions, leading to significant transformations in existing ecosystems and food chains. The nexus between food security vulnerability, climate change and environmental degradation is a critical issue in Kenya.

Rationale for IFAD involvement

9. The combination of Kenya's good economic performance and the country's high population growth rate is increasing demand for agricultural products, putting pressure on natural resources. The Government of Kenya considers agriculture as the backbone of the economy as it contributes significantly to both income and employment. Although the country has several areas with high agricultural potential, yields have been declining over time, largely due to poor natural resources management practices and the impacts of climate change.

10. IFAD's experience with the Upper Tana Catchment Natural Resource Management Project (UTaNRMP), the Kenya Cereal Enhancement Programme – Climate-Resilient Agricultural Livelihoods Window, and the Upper Tana-Nairobi Water Fund (UTNWF) funded by the Global Environment Facility has shown that: (i) natural resources can be sustainably managed by communities, while achieving improved livelihoods and sustaining food and nutrition security; (ii) supporting communities with irrigation facilities has a highly transformational impact in the agricultural sector, enabling communities to have three to four cropping cycles in a year; (iii) the private sector can contribute to ensuring sustainable natural resources management; and (iv) with support, communities can increase their resilience to climate change impacts and improve their livelihoods.

B. Lessons learned

11. Integrated natural resources management (NRM), as applied under the UTaNRMP and UTNWF projects, has been shown to have positive impacts on productivity, food security, livelihood diversification, income generation and soil health.[6] Integrated NRM can be enhanced through catchment-level planning to ensure coordination of investments among communities and counties, as has been the case in other countries in the region.

12. Consolidating resources in a limited number of counties by leveraging ongoing interventions can increase impact. In line with the recommendations of the country strategy and programme evaluation (2019), INReMP builds on IFAD's comparative advantage, and retains the focus on selected themes and geographical areas. Under the completed UTaNRMP, greater impact was achieved by focusing interventions in only six counties over a longer implementation period (10 years). Similarly, INReMP will be implemented in only 10 counties over an eight-year period.

[5] A project of the University of Notre Dame Global Adaptation Initiative that summarizes a country's vulnerability to climate change and other global challenges on the one hand, and its readiness to improve resilience on the other.
[6] UTaNRMP project completion report, section D.2. Rural poverty impact. March 2023.

II. Programme description

A. Objectives, geographical area of intervention and target groups

13. INReMP's goal is to contribute to improving the food, nutrition and income security of rural households within a sustainable and resilient ecosystem. Its development objective is to enhance integrated natural resources management, increase resilience to climate change and improve beneficiaries' livelihoods, particularly for women, youth and other vulnerable groups.

14. INReMP will be implemented in the Cherangany Hills and South-West Mau water towers, focusing on 10 counties: (i) the Cherangany Hills water tower upstream counties of Elgeyo-Marakwet, West Pokot and Trans-Nzoia; (ii) Cherangany downstream counties of Uasin Gishu, Nandi and Kakamega (with cofinancing from the Global Environment Facility [GEF]); and (iii) one upstream county of the South-West Mau catchment – Kericho – and the three downstream counties of the Lake Victoria basin – Kisumu, Homa Bay and Migori.

15. INReMP will directly benefit an estimated 407,176 vulnerable rural households (2,035,880 people). These will be selected from the following target groups: (i) food-insecure and vulnerable farmer households (20 per cent of the target group); (ii) moderately food-insecure farmer households (40 per cent of the target group); (iii) food-secure households of medium-scale farmers with semi-structured and structured activities (30 per cent); and (iv) micro, small and medium-sized enterprises (10 per cent).

B. Components, outcomes and activities

16. The programme will have the following components: (i) community-led enhanced environment and integrated natural resources management (INRM), ecosystem services and climate action; (ii) improved, inclusive and sustainable rural livelihoods; and (iii) strengthened policies and institutions for INRM and coordination of rural activities.

Component 1: Community-led enhanced environment and INRM, ecosystem services and climate action

17. This component will support beneficiaries in sustainably managing key natural resources within their communities. It will focus on five key natural resources identified across all 10 target counties during the INReMP design mission: (i) forests; (ii) rangelands; (iii) arable land; (iv) wetlands; and (v) water resources (groundwater, springs, rivers, streams and lakes).

Component 2: Improved, inclusive and sustainable rural livelihoods

18. This component is essential for the success of component 1. It seeks to support communities and households in improving their livelihoods and incomes using interventions that are beneficial to the management of the natural resource base. These activities will serve as incentives for the communities to conserve the environment in which they live in a sustainable manner.

Component 3: Strengthened policies and institutions for INRM and rural coordination

19. This will be a cross-cutting component servicing the technical components and facilitating pathways for the effective and efficient implementation of INReMP activities. It will strengthen institutions to manage the programme's investments sustainably. Policy support will facilitate the development, review and update of policies and strategies in areas identified as essential for INRM.

C. Theory of change

20. INReMP's theory of change is based on the view that rural households within the Cherangany and South-West Mau water towers ecosystem face challenges that

make them highly vulnerable to the ever-increasing adverse impacts of climate change. These communities have limited market systems, weak private sector involvement in conservation activities and in certain value chains, weak institutional capacity and an inadequate regulatory framework for policy development, and community institutions with insufficient capacity to support INRM and livelihood improvement. In addition, there is limited access to incentives, especially for youth, women and Indigenous Peoples, to participate in conservation activities and improve their livelihoods. Lessons learned from implementation of similar interventions have shown that empowering communities can enhance the environment and INRM, promote ecosystem services and climate action, and inclusive and sustainable rural livelihoods. INReMP will thus support environment, natural resources and ecosystem restoration through community-led approaches. The programme will also support: inclusive, efficient climate-smart production and productivity; the agribusinesses of selected value chains for better INRM; and enhanced resilience and sustainable food and nutrition security for equitable economic empowerment, reduced poverty and enhanced social cohesion among rural communities.

D. Alignment, ownership and partnerships

21. INReMP is aligned with the Sustainable Development Goals (SDGs) and the attainment of its development objective will contribute to the achievement of SDGs 1, 2, 5, 6, 12 and 13. The programme is aligned with the relevant national policies, priorities and strategies and will directly contribute to their realization. The programme will also contribute to the objectives of the country strategic opportunities programme 2020–2025.

22. The involvement of the Government in the design process will ensure country ownership. A team comprising representatives from key ministries and institutions has been set up, with whom IFAD has worked in close consultation to ensure that the views of the key stakeholders (particularly the target group and their institutions) and relevant government institutions were captured and used to shape the programme's focus and activities.

23. INReMP will be integrated with the regional dairy intervention for mitigation and adaptation, which is being jointly developed by IFAD, the Food and Agriculture Organization of the United Nations and the Global Dairy Platform. IFAD will submit INReMP for funding by the Green Climate Fund (GCF) in 2025.

E. Costs, benefits, and financing

24. The financing gap of US$47 million may be sourced through subsequent performance-based allocation system cycles and/or through the Borrowed Resource Access Mechanism (under financing terms to be determined and subject to internal procedures and subsequent Executive Board approval), or by cofinancing to be identified during implementation.

25. Components 1 and 2 are partially counted as climate finance. As per the multilateral development banks' methodologies for tracking climate change adaptation and mitigation finance, the total amount of IFAD climate finance for this programme is estimated at US$98.5 million.

Programme costs

26. The estimated cost of INReMP, including base costs, and price and physical contingencies, is US$262.6 million over an eight-year implementation period. Investment costs are estimated at US$230.9 million (88 per cent of total costs), and recurrent costs at US$31.7 million (12 per cent). Subcomponent 1.2 (improve environmental sustainability, INRM and ecosystem services) fully contributes towards IFAD climate finance, with a total allocation of US$26 million (15 per cent of IFAD financing).

Table 1
Programme costs by component, subcomponent and financier
(Thousands of United States dollars)

	IFAD loan		Financing gap		GCF		GEF		Beneficiaries			Borrower/recipient			Private sector		Total	
Component/subcomponent	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Cash*	*In-kind*	*%*	*Cash*	*In-kind*	*%*	*Amount*	*%*	*Amount*	*%*
1. Community-led enhanced environment and INRM, ecosystem services and climate action																		
1.1. Community empowerment, youth and gender-transformative approaches	5 933	70	2 506	30	-	-	-	-	-	-	-	-	-	-	-	-	8 439	3
1.2. Improve environmental sustainability, INRM and ecosystem services	25 399	40	604	1	38 210	60	-	-	-	-	-	-	-	-	-	-	64 213	24
2. Improved, inclusive and sustainable rural livelihoods																		
2.1. Improve production and productivity of selected nutrition-sensitive value chains and nature-based enterprises	49 690	52	29 742	31	1 790	2	-	-	-	5 150	5	-	8 772	9	-	-	95 143	36
2.2. Improve value addition and market linkages of selected value chains and nature-based enterprises	23 125	47	4111	8	-	-	6 660	13	-	2 850	6	-	2 820	6	10 172	21	49 738	19
3. Strengthened policies and institutions for INRM and rural coordination																		
3.1. Institutional strengthening and policy support	4 420	85	395	8	-	-	-		-	-	-	414	-	8	-	-	5 229	2
3.2. Programme coordination and implementation support services	18 233	46	9 642	24	-	-	479	1	-	-	-	11 323	239	29	-	-	39 916	15
Total	**126 800**	**48**	**47 000**	**18**	**40 000**	**15**	**7 139**	**3**		**8 000**	**3**	**11 736**	**11 831**	**9**	**10 172**	**4**	**262 678**	**100**

Table 2
Programme costs by expenditure category and financier
(Thousands of United States dollars)

	IFAD loan		Financing gap		GCF		GEF		Beneficiaries			Borrower/recipient			Private sector		Total	
Expenditure category	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Cash*	*In-kind*	*%*	*Cash*	*In-kind*	*%*	*Amount*	*%*	*Amount*	*%*
Investment costs																		
1. Goods, services and inputs	36 504	70	11 621	22	2 880	6	-	-	-	1 215	2	102	25	0.2	-	-	52 348	20
2. Equipment and materials	3 130	92	50	2	-	-	-	-	-	-	-	-	217	6	-	-	3 395	1
3. Consultancies	13 155	83	2 332	15	-	-	-	-	-	-	-	311	-	2	-	-	15 799	6
4. Training	5 541	71	1 867	24	413	5	-	-	-	-	-	-	-	-	-	-	7 821	3
5. Civil works	56 968	38	22 734	15	36 707	24	6 660	4	-	6 785	5	-	11 589	8	10 172	7	151 616	58
Total investment costs	**115 299**	**50**	**38 604**	**17**	**40 000**	**17**	**6 660**	**3**	**-**	**8 000**	**4**	**414**	**11 830**	**5**	**10 172**	**4**	**230 979**	**88**
Recurrent costs																		
1. Operations and maintenance	3 323	38	2 983	34	-	-	479	6	-	-	-	1 978	-	23	-	-	8 763	3
2. Salaries and allowance	8 178	36	5 412	24	-	-	-	-	-	-	-	9 346	-	41	-	-	22 937	9
Total recurrent costs	**11 501**	**36**	**8 396**	**27**	**-**	**-**	**479**	**2**	**-**	**-**	**-**	**11 323**	**-**	**36**	**-**	**-**	**31 700**	**12**
Total	**126 800**	**48**	**47 000**	**18**	**40 000**	**15**	**7 139**	**3**	**-**	**8 000**	**3**	**11 736**	**11 831**	**9**	**10 172**	**2**	**262 678**	**100**

Table 3
Programme costs by component, subcomponent and programme year (PY)
(Thousands of United States dollars)

	PY1	*PY2*	*PY3*	*PY4*	*PY5*	*PY6*	*PY7*	*PY8*	*Total*
Component/subcomponent	*Amount*	*Amount*	*Amount*	*Amount*	*Amount*	*Amount*	*Amount*	*Amount*	*Amount*
1. Community-led enhanced environment and INRM, ecosystem services and climate action									
1.1. Community empowerment, youth and gender-transformative approaches	87	1 173	1 790	1 835	1 049	1 004	792	709	8 439
1.2. Improve environmental sustainability, INRM and ecosystem services	1 958	4 503	12 612	10 871	13 004	12 210	8 740	315	64 213
2. Improved, inclusive and sustainable rural livelihoods									
2.1. Improve production and productivity of selected nutrition-sensitive value chains and nature-based enterprises	3 100	6 832	5 317	18 450	27 979	31 830	1 016	618	95 143
2.2. Improve value addition and market linkages of selected value chains and nature-based enterprises	406	3 254	8 052	14 075	17 158	4 510	1 313	971	49 738
3. Strengthened policies and institutions for INRM and rural coordination									
3.1 Institutional strengthening and policy support	288	2 116	2 429	395	-	-	-	-	5 229
3.2. Programme coordination and implementation support services	6 454	4 713	4 479	4 636	5 118	4 674	4 790	5 053	39 916
Total	**12 293**	**22 591**	**34 679**	**50 262**	**64 308**	**54 228**	**16 651**	**7 666**	**262 678**

Financing and cofinancing strategy and plan

27. INReMP will be financed mainly through an IFAD loan and cofinancing from the GCF and GEF. The IFAD loan amounts to US$126.8 million. The programme has been designed with a financing gap of US$47 million, which may be covered by subsequent cycles of the performance-based allocation system (under financing terms to be determined and subject to internal procedures and Executive Board approval). Should those resources materialize, it would bring the total IFAD contribution to US$173.8 million, which is equivalent to 66 per cent of the total cost. Cofinancing from GCF and GEF amounts to US$40 million and US$7 million respectively (15 per cent and 3 per cent of the total cost).

28. Additionally, the Government will provide an estimated US$23.5 million in the form of in-kind contributions, including duties and taxes (equivalent to 9 per cent of the total cost). The beneficiaries' contribution is estimated at US$8 million (3 per cent), and cofinancing from the private sector is estimated at US$10 million (4 per cent).

Disbursement

29. The INReMP disbursement categories are as follows: (i) goods, services and inputs; (ii) equipment and materials; (iii) consultancies; (iv) training; (v) civil works; (vi) operations and maintenance; and (vii) salaries and allowances. The associated costs will be allocated across IFAD and the Government. Overall recurrent costs account for 12 per cent of the total programme cost. For IFAD financing, recurrent costs are 11 per cent of total IFAD funds, which is within acceptable limits.

Summary of benefits and economic analysis

30. INReMP will benefit about 407,172 households, equivalent to 2,035,880 beneficiaries, with a cost per household of US$647 and per individual of US$129. INReMP is projected to yield an internal rate of return of 24 per cent, with a positive net present value of US$89.05 million (equivalent to 12.3 billion Kenyan shillings). The economic analysis implies that INReMP is feasible. A sensitivity analysis has been undertaken to test the robustness of the overall programme analysis and measure different variations due to unforeseen factors and risks presented in the integrated programme risk matrix. The sensitivity analysis indicates that the programme is economically and financially viable under the various assumptions considered.

Exit strategy and sustainability

31. INReMP will be implemented through existing government institutions at the national and, especially, county level which ensures an in-built exit strategy. Using a bottom-up approach, the programme will reach out to target communities during the preparation of annual workplans and budgets (AWPBs) so that they oversee activity implementation and monitor implementation progress. Community-led environmental protection will be a key feature of implementation to ensure ownership of sustainable land management practices. The landscape approach, including regenerative agriculture and watershed management activities and climate-resilient infrastructure development will promote the environmental sustainability of programme interventions. To ensure the financial sustainability of the supported groups, the programme will promote business training and market linkages. Policy-related interventions will help ensure that the needed supportive environment is in place both during and after programme implementation.

III. Risk management

A. Risks and mitigation measures

32. Certain risks could have a negative impact on the implementation of INReMP and its development objective. These risks and the associated mitigation measures are presented in table 4 below. (A more detailed account of the risk profile is presented in annex III.)

Table 4
Overall risk summary

Risk areas	*Inherent risk rating*	*Residual risk rating*
Country context	Moderate	Moderate
Sector strategies and policies	Low	Low
Environment and climate context	Substantial	Moderate
Project scope	Moderate	Low
Institutional capacity for implementation and sustainability	Moderate	Low
Financial management	Substantial	Substantial
Project procurement	Moderate	Low
Environment, social and climate impact	Substantial	Moderate
Stakeholders	Low	Low
Overall	**Moderate**	**Moderate**

B. Environment and social category

33. Environmental and social screening shows that INReMP’s environmental and social risk is substantial. The major risks identified are linked to emissions from dairy production, inappropriate land use practices, deforestation, water pollution, siltation, land and catchment degradation, encroachment of wetlands, conflict over resource utilization and teenage pregnancies due to gender-based violence. The Social, Environmental and Climate Assessment Procedures (SECAP) standards – particularly biodiversity conservation, resource efficiency and pollution prevention, cultural heritage aspects and Indigenous Peoples, labour and working conditions, and community health and safety – have been used to assess, in an inclusive and equitable manner, all possible issues related to the working conditions, health and safety of communities so as to develop management measures to mitigate the risks for community members. Some of the risks are site-specific and would not cause irreversible harm. Any potential negative impacts will be addressed through the environmental, social and climate management plans and other mitigation measures.

C. Climate risk classification

34. The climate risk assessment screening ranks INReMP as having substantial climate risk. An assessment of climate change adaptation capacity will therefore be integrated into the SECAP note, indicating the corresponding adaptation options. Given Kenya's ranking of 152nd out of 181 countries on the ND-GAIN Country Index, the programme is deemed highly vulnerable to climate change impacts.

D. Debt sustainability

35. The latest International Monetary Fund – World Bank Debt Sustainability Analysis indicates that Kenya is at a high risk of debt distress, with public debt estimated to have reached 73 per cent of GDP by the end of 2023 and with debt service consuming about 55 per cent of revenue. The decline in exports and economic growth in 2020–2022 required a strong fiscal response from the Government, which in turn increased budget deficits. Consequently, a number of debt indicators have worsened, leading to breaches of both solvency and liquidity indicators under the baseline scenario. Under that scenario, public debt is expected to peak at 67.6 per cent of GDP by 2029; however, Kenya's debt indicators are expected to improve as exports rebound, albeit gradually and over a sustained period. In general, Kenya has enjoyed strong access to the international capital markets, and the International Monetary Fund's projections assume that the country can tap into international financial markets to roll over maturing Eurobonds and optimize its external debt service profile, if market conditions are favourable. The debt sustainability analysis highlights the need for sustained fiscal consolidation in order to reduce the level of public debt to more prudent levels over the medium term.

36. Kenya is classified as a "blend country" by the World Bank, meaning that it has access to support from both the International Development Association and the International Bank for Reconstruction and Development. For this reason, Kenya is not eligible to receive support through the IFAD Debt Sustainability Framework.

IV. Implementation

A. Organizational framework

Programme management and coordination

37. Implementation of INReMP will be mainstreamed within the Government's system at both the national and the county level. The lead implementing agency will be the Ministry of Agriculture and Livestock Development.

38. A programme coordination and management unit (PCMU) responsible for day-to-day operations will be established, comprising a team of officers. A national programme steering committee, co-chaired by the Principal Secretaries of the State Department for Agriculture and the State Department for Environment and Climate Change, will be set up to provide overall policy and strategic guidance. A national technical advisory committee will be established to provide technical advice to the national programme steering committee.

Financial management, procurement and governance

39. The State Department for Agriculture, of the Ministry of Agriculture and Livestock Development – the lead implementing agency – will manage INReMP funds through a dedicated PCMU. The PCMU will release funds against approved the annual workplans and budgets, disburse funds to county governments and implementing agencies, and coordinate monitoring and financial reporting. Memorandums of understanding will be established between the National Treasury and the participating county governments, stipulating financial management requirements and responsibilities. Signing of the memorandums of understanding will be a condition for disbursements. The PCMU will conduct programme budgeting in accordance with IFAD's procedures and the public financial management regulations of the Government of Kenya. The disbursement mechanisms to be used include

advance withdrawal and direct payments. Disbursements from IFAD will be made by way of an advance to designated accounts, with subsequent quarterly replenishments based on interim financial reports and cash forecasts and aligned to the approved AWPB. To prevent commingling of funds, designated accounts for different financing sources will be established, with separate bank accounts in United States dollars for each cofinancier. INReMP will procure and install accounting software with the capacity to ensure that all funds are properly managed.

40. Procurement under INReMP will be carried out in accordance with the Government's Public Procurement and Asset Disposal Act (2015). National standard bidding documents will be used and will be amended in line with IFAD guidelines. Procurement involving the international market will use IFAD standard bidding documents. All procurement activities will be undertaken in compliance with the principles, ethical standards and rules set forth in the IFAD Procurement Handbook. To ensure compliance with the highest ethical standards, INReMP will be guided by IFAD's Policy on Preventing Fraud and Corruption in its Activities and Operations; IFAD's Policy to Prevent and Respond to Sexual Harassment, Sexual Exploitation and Abuse; the Anti-Money Laundering and Countering the Financing of Terrorism Policy; and SECAP

41. IFAD's anticorruption guidelines will be followed by the implementing entities to safeguard against fraud and corruption, collusive practices such as bribery, abuse of administrative positions and mis-procurement. To mitigate these risks, the following financial management measures will be implemented: (i) annual external audit reviews; (ii) approved financial management procedures; (iii) strong financial management arrangements; (iv) periodic interim financial reporting; (v) regular internal audit reviews; (vi) follow up by the Audit Committee; and (vii) independent reviews by IFAD.

Target group engagement and feedback

42. The PCMU will be responsible for implementing the engagement and feedback process based on the stakeholder engagement plan developed for this programme. The purpose of the engagement and feedback process is to promote effective stakeholder involvement and greater awareness and understanding of issues to ensure that that the programme is carried out effectively, within budget and on time. The goals of these public consultations are to: (i) provide stakeholders with sufficient opportunity to voice opinions, concerns and aspirations that may influence programme decisions; (ii) inform stakeholders of the implementation of identified measures; (iii) provide information and facilitate decision-making; and (iv) whenever possible, make specific recommendations and proposals.

Grievance redress

43. The implementation of INReMP may generate challenges and complaints, especially in relation to infringement of rights, unequal sharing of resources and exclusion. To address such complaints, and in the spirit of the continuous consultation process, a grievance redress mechanism has been developed for INReMP. This mechanism consists of three parallel systems: (i) a community-based system; (ii) a county system; and (iii) the IFAD complaints procedure.

B. Planning, monitoring and evaluation, learning, knowledge management and communications

44. The planning cycle will follow the Government's planning and budgeting cycle. The cycle will commence with preparation of the AWPB, as a key instrument for implementation and operational control. The programme will follow a bottom-up participatory planning process for the AWPB.

45. The logical framework will be the foundation of the programme's monitoring and evaluation system: it contains a set of defined programme-specific indicators and

core indicators selected from the IFAD core outcome indicators. These will be used to guide continuous performance assessment. The full programme monitoring and evaluation system will be developed in accordance with the requirements of IFAD and the Government and will be coordinated by the PCMU within the State Department for Agriculture and supported by the target counties.

46. Knowledge management will be guided by a knowledge management and communication strategy to be developed at the beginning of programme implementation.

Innovation and scaling up

47. The following are considered key innovative features of the programme: (i) partnering with selected institutions to encourage the target group to conserve the environment in which they live and benefit through carbon trading; (ii) the upstreaming of water from Lake Victoria to uphill reservoirs and collection points, and its release for irrigation and other purposes; (iii) the Green Roads for Water innovation, which incorporates water harvesting into road drainage structures; and (iv) the leveraging of digital technologies to support market-oriented production and business-to-business linkages through digital market platforms, and the usage of data to support market analytics.

C. Implementation plans

Implementation readiness and start-up plans

48. The following steps will be taken to address potential start-up delays: (i) preparation of a draft AWPB and associated procurement plan and a draft of the programme implementation manual as part of the design process; (ii) preparation of job descriptions for the various PCMU positions; and (iii) interim use of the programme management unit of the Kenya Cereal Enhancement Programme to support a smooth start for INReMP.

Supervision, midterm review and completion plans

49. The programme will be jointly supervised by IFAD and the Government to assess achievements and lessons learned. A midterm review will be undertaken halfway through implementation to evaluate whether the programme is on course to achieve its objectives. A programme completion review will be undertaken at completion to promote accountability, reflect on performance and elicit lessons learned to inform future programme and project design.

V. Legal instruments and authority

50. A financing agreement between the Republic of Kenya and IFAD will constitute the legal instrument for extending the proposed financing to the borrower. A copy of the negotiated financing agreement is attached as appendix I.

51. The Republic of Kenya is empowered under its laws to receive financing from IFAD.

52. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

VII. Recommendation

53. I recommend that the Executive Board approve the proposed financing in terms of the following resolution:

> RESOLVED: that the Fund shall provide a loan on blend terms to the Republic of Kenya in an amount of one hundred and twenty-six million eight hundred thousand United States dollars (US$126,800,000) and upon such terms and conditions as shall be substantially in accordance with terms and conditions presented herein.

Alvaro Lario
President

Negotiated financing agreement

Integrated Natural Resources Management Programme

(Negotiations concluded on 29 August 2024)

Loan No: __________

Project name: Integrated Natural Resources Management Programme ("the INReMP"/ "the Programme")

The Republic of Kenya (the "Borrower") represented by the Cabinet Secretary to The National Treasury and Economic Planning

and

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

(each a "Party" and both of them collectively the "Parties")

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

WHEREAS the Borrower has undertaken to provide additional support, financially or in kind that may be needed to the Programme;

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

NOW THEREFORE, the Parties hereby agree as follows:

Section A

1. The following documents collectively form this Agreement: this document, the Programme 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 2022, 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 a Loan (the "Financing") which the Borrower shall use to implement the Programme in accordance with the terms and conditions of this Agreement.

Section B

1. A. The amount of the Loan is one hundred and twenty-six million, eight hundred and ten thousand United States dollars (USD 126 810 000).

2. The Loan is granted on blend terms, and 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 of 1.41% and service charge of 1.39% d will be fixed for the life cycle of the loan and payable semi-annually in the Loan Service Payment Currency, and 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 will be repaid in equal instalments.

3. The Loan Service Payment Currency shall be in United States dollars (USD).

4. The first day of the applicable Fiscal Year shall be 1 July.

5. Payments of principal, interest and service charge shall be payable on each 15 June and 15 December.

6. There shall be a Designated Account denominated in USD, opened at the Central Bank of Kenya to receive resources from the IFAD Loan, for the implementation of the Programme. The Borrower shall inform the Fund of the officials authorized to operate the Designated Account.

7. A Designated Account for the exclusive use of the Programme 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.

8. There shall be two Project Operational Accounts in Kenya shillings (KES) to receive the proceeds of the Financing from the IFAD Designated Account, for the exclusive benefit of the Programme. One for the National Government (NG) and one for the County Governments (CG). A distinct operational account shall also be maintained in local currency to receive counterpart contributions from the Government of the Republic of Kenya.

9. Reporting: The Programme will be required to prepare quarterly and annual financial statement in accordance with the requirements of the PFM Act 2012 and IFAD's requirements.

10. Auditing: The Programme will be audited by the Office of the Auditor General.

11. The Borrower shall provide counterpart financing for the Programme in the amount of twenty-three million and five hundred thousand United States Dollars (23 500 000 USD) in the form of in-kind contribution and the value of exemption of taxes and duties.

12. All Goods and Services imported or purchased locally by the programme contractors, sub-contractors for the exclusive and direct use in the Programme shall be exempt from Excise Duty, Import Duty, Value Added Tax (VAT), Import Declaration Fee (IDF) and Railway Development Levy (RDL) in accordance with the applicable tax laws in Kenya.

13. Any income earned by contractors, consultants and experts using the programme funds shall be subject to income tax in accordance with the applicable tax laws in Kenya.

Section C

1. The Lead Programme Agency shall be the Ministry of Agriculture and Livestock Development under its State Department for Agriculture.

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 Programme.

3. The Programme Completion Date shall be the eighth (8th) 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 procurement laws and regulations, to the extent such are consistent with the IFAD Procurement Guidelines.

Section D

1. The Fund will administer the Loan and supervise the Programme.

Section E

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

   (a) The Programme 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 Programme.

   (b) Key Programme Coordination and Management Unit (PCMU) staff as described in Schedule 3 Section I.11 have been transferred or moved from PCMU without the non-objection of the Fund.

2. The following are designated as additional grounds for cancellation of this Agreement:

   (a) In the event that the Borrower did not request a disbursement of the Financing for a period of at least 12 consecutive months without justification subsequent to the first eighteen (18) months from entry in force of the Financing Agreement.

3. The following are designated as additional general conditions precedent to withdrawal:

   (a) The IFAD no objection on the first Annual Work Plan and Budget (AWPB) and Procurement Plan (PP) shall have been obtained.

   (b) The IFAD no objection to the Programme Implementation Manual (PIM) shall have been obtained.

   (c) Key Programme staff have been appointed: Programme Coordinator, Financial Controller, Procurement Specialist and Monitoring, Evaluation and Knowledge Management Specialist.

   (d) A suitable off-the-shelf accounting software shall have been procured and installed, to satisfy International Accounting Standards and IFAD requirements.

   (e) Designated Account(s) shall have been opened by the Borrower.

4. 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 Economic 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

____
"[Authorised Representative Name]"
"[Authorised Representative title]"

Date: ____________

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

____
"[Authorised Representative Name]"
"[Authorised Representative title]"

Date: ______________

Schedule 1

Programme Description and Implementation Arrangements

I. Programme Description

1. *Target Population*. INReMP's direct beneficiaries are estimated at 407,176 vulnerable rural households (2,035,880 million people). These will be selected from the following target groups: a) food insecure and vulnerable rural farmer households (20 per cent of programme target); b) Moderately food insecure rural farmer households (40 per cent of programme target); c) Food secure, semi-structured and structured medium farmer households (30 per cent of programme target); and d) Micro, small and medium scale enterprises (10 per cent of programme target).

2. *Programme area.* The Programme will be implemented in the Cherangany Hills and Mau West water towers focusing on the following ten counties: a) the Cherangany water tower counties of Elgeyo Marakwet, West Pokot, Trans Nzoia and Uasin Gishu; b) Cherangany downstream counties of Nandi and Kakamega (implementing the GEF funded Integrated Land and Water Management for Food, Water and Climate Security in the Dairy Food System to co-finance INReMP); and c) one upstream county of the Mau West Catchment and three downstream counties of the Lake Victoria basin of Kericho, Kisumu, Homa Bay and Migori *(the "Programme Area").*

3. *Goal.* The goal of the Programme is to contribute to improved rural households, food, nutrition, and income security in a sustainable and resilient ecosystem.

4. *Objectives.* The objective of the Programme is to enhance integrated natural resources management, increase resilience to climate change and improve beneficiaries' livelihoods, particularly for women, youth, and other vulnerable groups.

5. *Components*. The Programme shall consist of the following Components: (i) Community-led Enhanced Environment and INRM, Ecosystem Services, and Climate Action; (ii) Improved, Inclusive and Sustainable Rural Livelihoods; and (iii) Strengthened Policies and Institutions for INRM and Rural Coordination.

5.1 Component 1: **Community-led Enhanced Environment and INRM, Ecosystem Services, and Climate Action.**

This component will support target beneficiaries to sustainably manage key natural resources within their communities. It will focus on the following five key natural resources identified across all the ten counties during the INReMP design Mission: a) forests; b) rangelands; c) arable land; d) wetlands; and e) water resources (groundwater, springs, rivers/streams, and lakes) and f) watersheds.

Component 1 includes two sub-components: Sub-component 1.1 - *Community Empowerment, Youth and Gender Transformative Approaches; Sub-component 1.2 - Improve Environmental Sustainability, INRM, and Ecosystem Services*

5.2 Component 2: **Improved, Inclusive and Sustainable Rural Livelihoods**

This component is essential for the success of component 1. It seeks to support communities and households to improve their livelihoods and incomes using interventions that are beneficial to the management of the natural resource base. These activities will serve as incentives for the communities to sustainably conserve the environment in which they live.

Component 2 includes two Sub-components: **Subcomponent 2.1: Improve Production and Productivity of Selected Nutrition;** *Improve Value Addition and Market Linkages of Selected* **Value** *Chains and Nature-based Enterprises.*

5.3 Component 3: **Strengthened Policies and Institutions for INRM and Rural Coordination.**

This will be a cross-cutting component servicing the technical components and facilitating pathways for the effective and efficient implementation of INReMP interventions. It will strengthen institutions for sustainable management of investments under the Programme. Policy support will facilitate the development, review and update of policies and strategies in areas identified as essential for integrated natural resources management.

Component 3 includes two Sub-components: Subcomponent 3.1 - Institutional Strengthening and Policy Support; Sub-component 3.2 - Programme Coordination and Implementation Support Services.

II. Implementation Arrangements

6. *Lead Programme Agency*. The Lead Implementing Agency will be the State Department for Agriculture of the Ministry of Agriculture and Livestock Development.

7. *National Programme Steering Committee (NPSC)*. A NPSC under the co-chairmanship of the Principal Secretaries, State Department for Agriculture and State Department for Environment and Climate Change, will be set up to provide overall policy and strategic guidance to the Programme. The other members will be Principal Secretaries drawn from: a) National Treasury; b) State Department for Livestock Development; c) State Department for Water and Sanitation; d) State Department for Irrigation; e) State Department for the Blue Economy and Fisheries; f) State Department for Forestry; g) State Department for Cooperatives; h) State Departments for Gender and Youth; i) State Department for Internal Security and National Administration; and j) State Department for Environment and Climate Change, k) the CEO of the Council of Governors; l) Two County Executive Committee Members (CECM) from the Programme counties; m) Kenya National Farmers Federation, (KENAFF); n) A representative from National Alliance of Community Forest Associations (NACOFA); and o) a representative of Kenya Private Sector Alliance (KEPSA).

The main responsibility of the NPSC will be to ensure successful implementation of the Programme. The NPSC tasks will include, *inter alia*: a) policy and strategic guidance on the INReMP focus; and b) priority setting and institutional strengthening to ensure that the Programme achieves its objective and contributes to the higher-level sector policy and strategic goals. This will necessitate reviewing Programme progress against targets, assessing management effectiveness, appraisal of annual performance and recommending renewal of contracts of PCMU staff, deciding on corrective measures, where appropriate, identifying lessons learned and good practices, approving AWPBs

8*. National Technical Committee (NTC)* – A National Technical Committee shall be established to provide technical advice to the NPSC. The NTC shall consist of technical experts preferably at the Director/Commissioner level, appointed by the individual NPSC members. The membership in terms of institutional representation will therefore mirror that of the NPSC. The NTC shall provide technical advice on matters that require approval and/or discussion by the NPSC.

9. *Programme Coordination and Management Unit*. A Programme Coordination and Management Unit (PCMU) will be established comprising a team of officers recruited through a competitive process led by the State Department for Agriculture. In addition to the PCMU's core staff of Programme Coordinator, Financial Controller, Monitoring, Evaluation and Knowledge Management Specialist and Procurement Specialist, the PCMU will comprise technical officers and support staff as follows: NRM Specialist, Infrastructure Specialist, Agricultural Livelihood Specialist, Community Development, Gender and Youth Specialist, Nutrition and Social Inclusion Specialist, Agribusiness Development Specialist, Programme Accountants (2), Accounts Assistant, Knowledge Management Officer, M&E

Assistant, ICT Assistant, Programme Assistants (2), Office Assistant (2), Drivers (5). Detailed Terms of Reference (ToRs) for all PCMU positions are included in the PIM.

The PCMU responsibilities will include, *inter alia*, the: a) facilitation of a conducive environment for Programme activities, including the multiple partnerships required for effective implementation; b) implementation of the Programme activities in line with the AWPBs approved by the National Programme Steering Committee (NPSC) and provided with a 'No-Objection' from IFAD; c) development of operational strategies and establishment of effective tools for Programme implementation; d) financial and administrative management of Programme resources, preparation of AWPBs, mobilisation and coordination of implementation partners; e) monitoring, evaluation, knowledge management, learning and reporting implementation progress.

10. *Interim Start-up Team* –An Interim Start-up team will be constituted by the Lead Programme Agency to proactively take the lead in ensuring that all the identified key start-up activities are fulfilled within the stipulated time-frame to kickstart and ensure full integration of the start-up team to the design process. The Interim start-up team will function for a maximum period of not more than six months and subject to IFAD´s non-objection.

11. *At County level* – A multi-sectoral County Programme Steering Team (CPST) composed of the CECMs of relevant County Departments, County Commissioner and relevant National Government Agencies at the county level shall be established to work closely with the existing County Agricultural Sector Steering Committee (CASSCOM) to steer implementation of the Programme activities at the county level. The CPST shall be chaired by the CECM in charge of Agriculture. In addition, a County Programme Implementation Team (CPIT) with representation mirroring the CPST, composed of members at the level of a director will be established and will be responsible for the day-to-day implementation of Programme activities. Also, a dedicated programme coordinating team composed of a Coordinator, Accountant, Procurement Officer, and M&E Officer shall be seconded on a full-time basis by the county government for day-to-day coordination of the Programme activities at the county level. The coordinator shall be the head of the CPIT and the Secretary to the CPST. As much as possible, the coordinating team shall be ring-fenced to avoid interruption of Programme implementation.

12. *Implementing partners*. The Programme will assess and collaborate through a Memorandum of Understanding (MoUs) with Programme partners drawn from the private sector and relevant Government Agencies, such as the Kenya Agriculture Livestock and Research Organization (KALRO), National Environmental Management Authority (NEMA), Kenya Forest Service (KFS), Kenya Wildlife Service (KWS), Kenya Forest Research Institute (KEFRI), Kenya Water Towers Agency (KWTA), National Environment Trust Fund (NETFUND), Water Sector Trust Fund, Water Resources Authority, National Irrigation Authority, Kenya Meteorological Department, Kenya Marine & Fisheries Research Institute (KMFRI) and The Nature Conservancy. The MoU/contractual agreement shall clearly specify, the scope of the work to be undertaken, staffing and institutional arrangements, budget, reporting and fiduciary requirements, implementation records, and performance evaluation criteria, where relevant.

13. *Monitoring and Evaluation*. The logical framework will be the foundation of the Programme's M&E system and contains a set of defined Programme specific indicators and core indicators selected from the IFAD Core Indicators, to guide continuous performance assessment of the Programme. The full Programme M&E system will be developed in accordance with the requirements of IFAD and GoK and will be coordinated by the PCMU set up within the state department for Agriculture as the executing agency and supported by the CPITs. The M&E system will conform to IFAD's Operational Results Management System (ORMS), updated SECAP guidelines and Core Outcome Indicator Framework. The system will also conform to existing GoK M&E arrangements, including alignment with the recently developed Agriculture Sector-wide Monitoring and Evaluation framework and relevant integrated natural resource management frameworks at national and county

levels. The INReMP's M&E logical framework will also feed the County Integrated Monitoring and Evaluation System (CIMES) as well as Jaza Miti App, among others. The Resilience Design and Monitoring Tool (RDMT) will be embedded in the M&E system with RDMT questions included in the system to collect resilience data at the household level.

The Programme will develop an M&E Plan at the start of implementation. The objectives of this M&E Plan will be to guide the Programme management team during implementation and to ensure achievement of the set goal and development objective. The Plan will also be helpful in enabling accurate and timely reporting of Programme progress and performance to all stakeholders. The M&E system will rely on data from periodic monitoring but, more importantly, on specific outcome/impact measurement surveys which will be carried out by the PCMU, especially after the MTR.

The M&E strategy will use digital tools, such as Kobo Toolkit and a web-based Management Information System (MIS), and GIS to collect and analyse information about Programme outreach, and impact. The Programme will use data generated from the M&E system to continuously evaluate the Programme's theory of change and to inform knowledge generation and dissemination for enhanced impact.

The Programme will undertake a baseline survey (including Empowerment, Nutrition and youth modules) at the start of implementation and subsequent rigorous evaluations that seek to establish Programme impacts and provide lessons learned for enhanced Programme impacts. The Programme's evaluation strategy will use quantitative and qualitative methods to determine how it contributed to improved livelihoods and nutrition among beneficiaries, at baseline, mid-term, annual surveys, and end-line with a control group as per the IFAD COI guidelines.

14. *Knowledge Management*. Knowledge Management in the Programme will be guided by a Knowledge Management and Communication Strategy (KMCS) to be developed at the beginning of Programme implementation or build on existing ones where applicable. The Programme M&E system will form the foundation of KM&L system and will, thus, be a primary instrument of information capture and storage. KM activities will ensure that the Programme implementation is a continuous learning process during which quantitative and qualitative data will be compiled, analysed, and disseminated as lessons learned, thematic studies and stories from the field. The lessons and experiences will be systematized and utilised as part of the policy engagement activities undertaken by the undertaken by the Programme.

15. *Programme Implementation Manual*. A Programme Implementation Manual with the associated annexes will be finalized at Programme inception, approved by the National Programme Steering Committee and subjected to IFAD's no objection. Any amendment to the PIM must receive an IFAD's no objection prior to it becoming effective.

Schedule 2

Allocation Table

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

Component		IFAD Loan Amount Allocated (expressed in USD)	Percentage (net of taxes)
I.	Community led Enhanced Environment and INRM Ecosystem Services	32 150 000	100%
II.	Improved, inclusive and Sustainable Rural Livelihoods	71 960 000	100%
III.	Institutional strengthening, policy support and program coordination	22 700 000	100%
Total		**126 810 000**	

(b) Reallocation. The Borrower may request reallocation amongst components for prudence and to enhance food and nutrition security, community and environment centric impact for IFAD´s non objection.

2. *Disbursement arrangements*

(a) *Start-up Costs*. Withdrawals in respect of expenditures for start-up costs for Components III incurred before the satisfaction of the general conditions precedent to withdrawal shall not exceed an aggregate amount of five hundred thousand United States dollars (USD 500 000) activities to be financed by Start-up Costs will require the no objection from IFAD to be considered eligible.

Schedule 3

Special Covenants

I. General Provisions

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/Grant 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 Programme:

1. Within 6 months of entry into force of the Financing Agreement, the Programme will procure and install a customize accounting software as it is the practice in IFAD on-going supported projects, to satisfy International Accounting Standards and IFAD's requirements.

2. Within twelve (12) months of entry into force of the Financing Agreement, the Programme will enter into Memorandum of Understandings (MoU) with implementing partners that will structure the collaboration, define roles, responsibilities and duties with regards to implementation, financial management, accounting and reporting.

3. *Planning, Monitoring and Evaluation*. The Borrower shall ensure that (i) 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.

4. Affirmative Action: 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 programme activities

5. Marginalized Groups and Minorities. The Borrower shall ensure that the concerns of Marginalized Groups and Minorities are given due consideration in implementing the Programme and, to this end, shall ensure that:

(a) the Programme 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 Programme activities;
(c) Marginalized Groups and Minorities’ rights are duly respected;
(d) Marginalized Groups and Minorities communities, participate in policy dialogue and local governance;
(e) The Programme will not involve encroachment on traditional territories used or occupied by Marginalized Groups and Minorities.

6. *Land tenure security.* In the event there is land acquisition, the Borrower shall ensure that this land acquisition process has already been completed and that compensation processes were consistent with international best practice and free prior and informed consent principles.

7. *Anticorruption Measures*. The Borrower shall comply with IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations.

8. Sexual Harassment, Sexual Exploitation and Abuse. The Borrower and the Programme Parties shall ensure that the Programme 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.

9. Use of Programme Vehicles and Other Equipment. The Borrower shall ensure that:

(a) all vehicles and other equipment procured under the Programme are allocated to the State Department for Agriculture and other Implementing Agencies for Programme implementation;

(b) The types of vehicles and other equipment procured under the Programme are appropriate to the needs of the Programme; and

(c) All vehicles and other equipment transferred to or procured under the Programme are dedicated solely to Programme use.

10. 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 Program.

11 The Key Project Personnel are: Programme Coordinator, Financial Controller, Procurement Specialist and Monitoring, Evaluation and Knowledge Management Specialist. In order to assist in the implementation of the Project, the [PCMU], unless otherwise agreed with IFAD, shall employ or cause to be employed, as required, key staff whose qualifications, experience and terms of reference are satisfactory to IFAD. Key Project Personnel shall be seconded to the [PCMU] in the case of government officials or recruited under a consulting contract following the individual consultant selection method in the IFAD Procurement Handbook, or any equivalent selection method in the national procurement system that is acceptable 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 Programs’s circumstances.

II. SECAP Provisions

1. For programmes presenting high or substantial social, environmental and climate risks, the Borrower shall carry out the implementation of the Programme in accordance with the measures and requirements set forth in the Environmental and Social Impact Assessments (ESIAs)/Environmental, Social and Climate Management Frameworks (ESCMFs) and/or Resettlement Action Plans/Frameworks (RAPs/Fs) and Environmental, Social and Climate Management Plans (ESCMPs) for high risk projects and Abbreviated ESIAs and/or Abbreviated RAP/F and ESCMPs for substantial risk projects and Free, Prior and Informed Consent (FPIC) Plans, FPIC Implementation Plans, Indigenous Peoples Plans (IPPs), Pesticide Management Plans, Cultural Resources Management Plans and Chance Finds Plans (the “Management Plan(s)”), as applicable, taken in accordance with SECAP requirements and updated from time to time by the Fund.

The Borrower shall not amend, vary or waive any provision of the Management Plan(s), unless: (i) agreed in writing by the Fund and (ii) Borrower has complied with the requirements applicable to the original adoption of the Management Plan(s).
2. The Borrower shall not, and shall cause the Executing Agency, all its contractors, its sub-contractors, and suppliers not to commence implementation of any works, unless all Programme affected persons have been compensated and/or resettled in accordance with the specific RAP/Abbreviated RAP, FPIC and/ or the agreed works and compensation schedule.

3. The Borrower shall disclose the draft and final ESIA reports and all other relevant Management Plan(s) with Programme stakeholders and interested parties in an accessible place in the Programme-affected area, in a form and language understandable to Programme-affected persons and other stakeholders. The disclosure will take into account any specific information needs of the community (e.g. culture, disability, literacy, mobility or gender).

4. The Borrower shall ensure or cause the Executing Agency and Implementing Agency to ensure that all bidding documents and contracts for goods, works and services contain provisions that require contractors, sub-contractors and suppliers to comply at all times in carrying out the Programme with the standards, measures and requirements set forth in the SECAP 2021 Edition and the Management Plan(s), if any.

5. This section applies to any event which occurs in relation to serious environmental, social, health & safety (ESHS) incidents (as this term is defined below); labor issues or to adjacent populations during Programme implementation that, with respect to the relevant IFAD Programme:

(i) has direct or potential material adverse effect;

(ii) has substantially attracted material adverse attention of outside parties or create material adverse national press/media reports; or

(iii) gives rise to material potential liabilities.

In the occurrence of such event, the Borrower shall:

- Notify IFAD promptly;
- Provide information on such risks, impacts and accidents;
- Consult with Programme-affected parties on how to mitigate the risks and impacts;
- Carry out, as appropriate, additional assessments and stakeholders' engagements in accordance with the SECAP requirements; and
- Adjust, as appropriate, the Programme-level grievance mechanism according to the SECAP requirements; and
- Propose changes, including corrective measures to the Management Plan(s) (if any), in accordance with the findings of such assessment and consultations, for approval by IFAD.

Serious ESHS incident means serious incident, accident, complaint with respect to environmental, social (including labor and community), health and safety (ESHS) issues that occur in the context of the loan or within the Borrower's activities. Serious ESHS incidents can comprise incidents of (i) environmental; (ii) occupational; or (iii) public health and safety; or (iv) social nature as well as material complaints and grievances addressed to the Borrower (e.g. any explosion, spill or workplace accident which results in death, serious or multiple injuries or material environmental contamination, accidents of members of the public/local communities, resulting in death or serious or multiple injuries, sexual harassment and violence involving Programme workforce or in relation to severe threats to public health and safety, inadequate resettlement compensation, disturbances of natural ecosystems, discriminatory practices in stakeholder consultation and engagement (including the right of indigenous peoples to free, prior and informed consent), any allegations that require intervention by the police/other law enforcement authorities such as loss of life, sexual violence or child abuse, which (i) have, or are likely to have a material adverse effect; or (ii) have attracted or are likely to arouse substantial adverse attention of outside parties or (iii) to create substantial adverse media/press reports; or (iv) give, or are likely to give rise to material potential liabilities).

6. The Borrower shall ensure or cause the Executing Agency, Implementing Agency, contractors, sub-contractors and suppliers to ensure] that the relevant processes set out in IFAD´s SECAP 2021 Edition as well as in the Management Plan(s) (if any) are respected.

7. Without limitation on its other reporting obligations under this Agreement, the Borrower shall provide the Fund with:

- Reports on the status of compliance with the standards, measures and requirements set forth in IFAD´s SECAP 2021 Edition, ESCMPs and the management plan (if any) on a semi-annual basis - or such other frequency as may be agreed with the Fund;
- Reports of any social, environmental, health and safety incidents and/accidents occurring during the design stage, the implementation of the Programme and propose remedial measures. The Borrower will disclose relevant information from such reports to affected persons promptly upon submission of the said reports; and
- Reports of any breach of compliance with the standards, measures and requirements set forth in IFAD´s SECAP 2021 Edition and the Management Plan(s) (if any) promptly after becoming aware of such a breach.

8. In the event of a contradiction/conflict between the Management Plan(s), if any, and the Financing Agreement, the Financing Agreement shall prevail.

Logical framework

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
Outreach Number of persons receiving services promoted or supported by the project (CI-1)	**1 Persons receiving services promoted or supported by the project**				Progress reports/MIS	Annually	PMU	1) 40% of persons receiving project support are women 2) 60% of persons receiving project support are men 3) 30 % of persons receiving project support are the youth (50% of them are women). A youth is defined as a person aged between 18 and 35 (inclusive). Proportion of midterm targets for INReMP PWDs, IPs and other vulnerable groups are assumed to be 5% of the target group HHs that receive project support are 30% female headed 5 members on average in one HH
	Males - Males	0	74538	244306				
	Females - Females	0	49692	162870				
	Young - Young people	0	37269	122153				
	Total number of persons receiving services - Number of people	0	124230	407176				
	Persons with disabilities - Number	0	6211	20359				
	1.b Estimated corresponding total number of households members				Progress reports/MIS	Annually	INReMP -PCMU	
	Household members - Number of people	0	621147	2035880				
	1.a Corresponding number of households reached				Progress reports/MIS	Annually	INReMP -PCMU	
	Women-headed households - Households	0	37269	122153				
	Non-women-headed households - Households	0	86961	285023				
	Households - Households	0	124229	407176				
Project Goal Project Goal: contribute to improved rural households' food, nutrition, and income security in a sustainable and resilient ecosystem	**Households reporting improved food, nutrition, and income security**				Outcome and Impact surveys	Baseline, Midline and Completion	INReMP -PCMU	Persistent Cross boundary community and natural resources related conflicts in some counties(R)Unstable Macro-economic environment (R)
	Households - Number	0	69879	229037				
	Households - Percentage (%)	0	23	75				
	Household members - Number	0	349395	1145183				
	Households with acceptable Food Composition Score				Food consumption score surveys	Baseline, Midline and Completion	INReMP -PCMU	
	Households - Percentage (%)	0	23	75				
	Households - Number	0	93172	305382				
	Households Members - Number	0	465860	1526910				
Development Objective Development Objective: Enhance integrated natural resources management, increase resilience to climate change and improve beneficiaries' livelihoods, putting particular emphasis on women, youth, and other vulnerable groups'	**IE.2.1 Individuals demonstrating an improvement in empowerment**				COI Surveys	Baseline, Midline and Endline	INReMP -PCMU	Households are willing to change their nutrition behaviours(A); Inclusive activities to ensure full participation of persons with disabilities, youth and women(A); Community leaders and institutions embrace gender transformative approaches(A)
	Total persons - Percentage (%)	0	31	100				
	Total persons - Number of people	0	124230	407176				
	Females - Percentage (%)	0	12	40				
	Females - Females	0	49692	162870				
	Males - Percentage (%)	0	18	60				
	Males - Males	0	74538	244306				
	Number of Households with increased combined resilience				Resilience Scorecard Tool (RDMT) surveys	Baseline, Midline and endline survey	INReMP -PCMU and IFAD-ECG	
	Total Persons - Percentage (%)	0	23	75				
	Female - Number	0	47518	155745				
	Male - Number	0	46586	152691				
	Female - Percentage (%)	0	16	51				
	Male - Percentage (%)	0	15	49				
	Total Persons - Number	0	93172	305382				
	Total Household - Number	0	93172	305382				
	Value of household incomes from project supported VCs				EFA		INReMP -PCMU	

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
	Average net margins for Dairy VC (USD) - Money (USD' 000)	0	3166	9594		Baseline, Midline and Endline		
	Average net margins for tree crops VC(USD) - Money (USD' 000)	0	409	1238				
	Average net margins for horticulture crops VC(USD) - Money (USD' 000)	0	357	1082				
	Average net margins for Poultry VC (USD) - Money (USD' 000)	0	350	1060				
	Average net margins for nature-based enterprises (USD) - Money (USD' 000)	0	6409	19422				
	Average household income (USD/hh) - Money (USD' 000)	0	2138	6479				
Outcome Outcome 1: Community-led Enhanced Environment and INRM, Ecosystem Services, and Climate Action	**3.2.1 Tons of Greenhouse gas emissions (tCO2e) avoided and/or sequestered**				FAO EXACT Tool	Baseline and Completion	IFAD ECG and FAO	Communities willing to adopt technologies and practices promoted (A)
	Hectares of land - Area (ha)	0	0	169600				
	tCO2e/20 years - Number	0	0	0				
	tCO2e/ha - Number	0	0	0				
	tCO2e/ha/year - Number	0	0	0				
	3.2.2 Households reporting adoption of environmentally sustainable and climate-resilient technologies and practices				COI Surveys	Baseline, Midline and Completion	INReMP -PCMU	
	Total number of household members - Number of people	0	465860	1526910				
	Households - Percentage (%)	0	23	75				
	Households - Households	0	93172	305382				
	1.2.9 Households with improved nutrition Knowledge Attitudes and Practices (KAP)							
	Women-headed households - Households		27952	91615				
	Households (number) - Households		69879	229039				
	Households (%) - Percentage (%)		23	75				
	Household members - Number of people		349395	1145183				
Output Output 1.1: Inclusive community capacity for INRM and climate action developed	**3.1.1 Groups supported to sustainably manage natural resources and climate-related risks**				Progress Reports/MIS	Annual	INReMP -PCMU	Assuming group sizes of 30 members per group. Target communities embrace therelevant trainings (A)
	Total size of groups - Number of people	0	124230	407176				
	Groups supported - Groups	0	4141	13573				
	Males - Males	0	74538	244306				
	Females - Females	0	49692	162870				
	Young - Young people	0	37269	122153				
	Persons with disabilities - Number	0	6211	20359				
	Number of Community Action Plans				Progress Reports/MIS	Annually	INReMP -PCMU	Assuming group sizes of 30 members per group. Target communities embrace the relevant trainings (A)
	#CAPs - Number	0	4141	13573				
Output Output 1.2: Environmental Sustainability, INRM, and Ecosystem Services improved	**3.1.3 Persons accessing technologies that sequester carbon or reduce greenhouse gas emissions**				Progress Reports/MIS	Annually	INReMP-PCMU	Assuming 40% of the outreach will be supported with such interventions (minimum requirement for a climate finance project)
	Males - Males	0	29815	97722				
	Females - Females	0	19877	65148				
	Young - Young people	0	14908	48861				
	Total persons accessing technologies - Number of people	0	49692	162870				
	Persons with disabilities - Number	0	2485	8144				
	Beneficiaries accessing Digital Advisory Services				Progress Reports/MIS	Annually	INReMP-PCMU	Assuming 60% of beneficiaries will be able to access and use digital advisory services
	"Total persons accessing technologies " - Number	0	74538	244306				
	Male - Number	0	44723	146583				
	Female - Number	0	29815	97722				
	Young - Number	0	22361	73292				

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
	PWDs - Number	0	3727	12215				
	3.1.4 Land brought under climate-resilient practices				Progress Reports/MIS	Annually	INReMP-PCMU	
	Hectares of land - Area (ha)	0	51745	169600				
Outcome Outcome 2: Improved inclusive and sustainable rural livelihoods	**1.2.8 Women reporting minimum dietary diversity (MDDW)**				COI Surveys	Baseline, Midline and Endline	INReMP -PMU	Assuming in improvements in dietary behaviour Alternative livelihood interventions acceptable to communities in target areas (A)Women, Youth, IPs, PLWHAs and PWDs have access to incentives for economic and livelihood diversification(A) Private sector is willing to partner with communities and smallholder farmers on ecosystem restoration. Youth willing to participate in programme interventions (A)
	Women (%) - Percentage (%)	0	12	40				
	Women (number) - Females	0	27952	91615				
	Households (%) - Percentage (%)	0	23	75				
	Households (number) - Households	0	69879	229037				
	Household members - Number of people	0	349395	1145183				
	Women-headed households - Households	0	27952	91615				
	1.2.4 Households reporting an increase in production				COI Surveys	Annually	PMU	
	Total number of household members - Number of people	0	465860	1526910				
	Households - Percentage (%)	0	23	75				
	Households - Households	0	93172	305382				
	2.2.1 Persons with new jobs/employment opportunities				COI Surveys	Baseline, Midline and Endline	INReMP -PCMU	
	Males - Males	0	7454	24431				
	Females - Females	0	4969	16287				
	Young - Young people	0	3727	12215				
	Total number of persons with new jobs/employment opportunities - Number of people	0	12423	40718				
	2.2.2 Supported rural enterprises reporting an increase in profit				COI Surveys	Baseline, Midline and Endline	INReMP -PCMU	
	Number of enterprises - Enterprises	0	311	1018				
	Percentage of enterprises - Percentage (%)	0	23	75				
Output Output 2.1: Production and productivity of selected value chains and nature-based enterprises improved	**1.1.8 Households provided with targeted support to improve their nutrition**				Progress reports/MIS	Annually	INReMP -PCMU	SBCC messaging provided to and accessed by all potential beneficiaries Rural producers willing to access promoted technological packages Mainly irrigated infrastructure for vegetable production and multiple water point use. Assuming 0.3ha per farmer for vegetable production, and an estimated 9000ha to be irrigated under multipurpose water points
	Total persons participating - Number of people	0	93172	305382				
	Males - Males	0	55903	183229				
	Females - Females	0	37269	122153				
	Households - Households	0	93172	305382				
	Household members benefitted - Number of people	0	465860	1526910				
	Young - Young people	0	27952	91615				
	Number of persons with disabilities - Number	0	4659	15269				
	1.1.3 Rural producers accessing production inputs and/or technological packages				Progress reports/MIS	Annually	INReMP -PCMU	
	Males - Males	0	74538	244306				
	Females - Females	0	49692	162870				
	Young - Young people	0	37269	122153				
	Total rural producers - Number of people	0	124230	407176				
	Persons with disabilities - Number	0	6211	20359				
	1.1.2 Farmland under water-related infrastructure constructed/rehabilitated				Progress Reports/MIS	Annually	INReMP -PCMU	
	Hectares of land - Area (ha)	0	4271	14000				
Output Output 2.2: Value Addition and Market Linkages of Selected Value Chains and	**2.1.6 Market, processing or storage facilities constructed or rehabilitated**				Progress reports/MIS	Annual	INReMP -PCMU	Assuming 2 per county Assuming 10% of the supported
	Total number of facilities - Facilities	0	18	60				
	Market facilities constructed/rehabilitated - Facilities	0	6	20				
	Processing facilities constructed/rehabilitated - Facilities	0	6	20				
	Storage facilities constructed/rehabilitated - Facilities	0	6	20				

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
Nature-based Enterprises improved	**2.1.1 Rural enterprises accessing business development services**				Progress Reports/MIS	Annually	INReMP -PCMU	beneficiaries are organised in such enterprises
	Rural enterprises - Enterprises	0	414	1357				
	2.1.5 Roads constructed, rehabilitated, or upgraded				Progress Reports/MIS	Annually	INReMP -PCMU	
	Length of roads - Km	0	61	200				
Outcome Outcome 3: Strengthened policies and institutions for INRM and rural coordination	**Policy 3 Existing/new laws, regulations, policies or strategies proposed to policy makers for approval, ratification or amendment**				National Government and County Records	Completion	INReMP -PCMU	New agriculture, rural development and climate action policies are approved (A)
	Number - Number	0	2	6				
	SF.2.1 Households satisfied with project-supported services				COI Surveys	Baseline, midline and endline	INReMP -PCMU	New agriculture, rural development and climate action policies are approved (A) Efficient and effective devolved government structures (A)
	Household members - Number of people	0	465860	1526910				
	Households (%) - Percentage (%)	0	23	75				
	Households (number) - Households	0	93172	305382				
	SF.2.2 Households reporting they can influence decision-making of local authorities and project-supported service providers				COI Surveys	Baseline, midline and endline	INReMP -PCMU	
	Household members - Number of people	0	465860	1526910				
	Households (%) - Percentage (%)	0	23	75				
	Households (number) - Households	0	93172	305382				
Output Output 3.1: Institutional and policy capacity for rural development and coordination strengthened	**Policy 1 Policy-relevant knowledge products completed**				Progress Reports/MIS	Annual	INReMP -PCMU	Assuming research outputs delivered in partnership with universities and research institutions
	Number - Knowledge Products	0	2	8				
Output Output 3.2: Efficient and Effective Project Management and coordination	**Supported Government Institutions**				Progress Reports/MIS	Annual	INReMP -PCMU	
	Number of Institutions - Number	0	3	10				

Integrated programme risk matrix

Risk Categories and Subcategories	Inherent	Residual
Country Context		
Political Commitment	**Moderate**	**Moderate**
Risk(s): In the recent past, the Government has reiterated its commitment to macroeconomic policies, aimed at maintaining public debt at a sustainable level, containing inflation within the target range, and preserving external stability. The Debt-to-GDP ratio stood at 63% in 2022 and while planned fiscal consolidation will help address debt, the risk of debt distress continues to be assessed as high. As a result, the Government has adopted a more robust and cautious approach in negotiations regarding external debt, sometimes resulting in delays in signing of financing agreements.		
Mitigations: ICO will continue to support government's efforts to mobilize co-financing in the form of grants from other development partners. In addition, partnership with FAO is being explored to provide parallel financing through a proposed GCF investment. These efforts are geared towards reducing overall cost of finance of the project to the Government. Besides, proposed programme is well aligned to the Government priorities e.g., the Presidential directive of accelerating to 30% National Tree cover by 2032 and improving access to water for irrigation.		
Governance	**Substantial**	**Substantial**
Risk(s): There are aspects related to transparency, corruption, and lengthy and bureaucratic processes at the National and County Government levels. In addition, national and county governments have limited resources especially financial and personnel capacity to fully undertake their mandates particularly in respect to extension services and ecosystem restoration. Also, changes in government after elections in the past have resulted into change of project personnel. These may hamper implementation of programme activities especially at the county level.		
Mitigations: The proposed implementation arrangement involves a number of key institutions both at the national and county levels including the private sector for complementarity of roles. Furthermore, the programme will sign MoUs with counties to ring-fence personnel as much as possible to avoid interruptions especially during transitions. The Lead Implementing Agency will also delegate the day to day running of the Programme to the PCMU in order to avoid lengthy and bureaucratic processes at the line Ministry, with a similar arrangement established at the county level.		
Macroeconomic	**Substantial**	**Substantial**
Risk(s): Kenya's economic recovery has been dampened by the recent drought and price shocks. GDP is expected to grow by 5.5% on average in 2023–24 on the assumption of robust growth of credit to the private sector, recovery in agricultural production, and high commodity prices favourable to Kenyan exports. While it is forecasted that the economy will continue to recover given the prospects of favourable rainfall and a strong performance in agriculture, the persistence of tight fiscal and monetary policies, and a fragile global context, present downsides, often resulting to		

austerity measures and budget cuts by the Government that also affect projects financed by development partners.		
Mitigations: The Government has indicated commitment to provide substantial counterpart funding to the Programme based on the discussions so far with the National Treasury and Economic Planning. This in addition to exempting the Programme from budget cuts so long as absorption is at acceptable level, with cemented in the Financing Agreement. Moreover, the proposed Programme has a strong focus on private sector led growth in the selected counties and value chains including promoting access to finance by value chain actors through on-going RK-FINFA and the proposed ARCAFIM projects, which are expected to crowd in blended finance to the sectors/counties where the programme will be intervening.		
Fragility and security	**Substantial**	**Substantial**
Risk(s): In addition to natural hazards such as floods drought, there are security threats, ethnic clashes, social conflicts, and cattle rustling/attacks in some of the proposed counties. These may hamper implementation of programme activities in the affected areas.		
Mitigations: Efforts will be made to select Wards that are secure for project implementation. Adequate stakeholder engagements will be promoted to reduce the risk of social conflicts especially over natural resources.		
Sector Strategies and Policies		
Policy alignment	**Low**	**Low**
Risk(s): While supportive sector policies exist and the programme aligns with Government priorities, such as the Presidential directive of accelerating to 30% National Tree cover by 2032 and improving access to water for irrigation, there will be need to continue assessing the policy environment to maintain alignment to new/changing Government priorities and policies.		
Mitigations: Proposed interventions will be aligned to the various sector strategies and Government priorities. The Programme implementation will continuously scan the policy environment to ensure alignment to new/changing Government priorities and policies.		
Policy development & implementation	**Moderate**	**Moderate**
Risk(s): Certain policy gaps exist such as inadequate and weak Water resources utilization policies, fragmentation of water resources regulation and management in different government agencies and overlaps of mandates and functions on certain activities across government agencies or with county governments. These may affect project implementation especially as regards roles and responsibilities of certain activities.		
Mitigations: Programme will support policy (under Subcomponent 3.1) to address identified gaps as well as support coordination between different government agencies identified and potential implementing partners and county governments. In addition, MoUs will be signed with the identified agencies clarifying scope and roles.		
Environment and Climate Context	**Substantial**	**Moderate**
Programme vulnerability to environmental conditions	**Substantial**	**Substantial**
Risk(s): Kenya experiences environmental and land degradation in most parts of the country. Catchments within and around the		

project areas have over the years experienced severe land degradation resulting from deforestation, unsustainable farming practices, pollution, soil erosion, water abstraction and forest fires.		
Mitigations: INReMP will invest in catchment rehabilitation efforts, sustainable land management practices, agroforestry, and sustainable water management, soil erosion control, riparian conservation, wetland conservation and operationalisation of a payment for ecosystems services, e.g., establishment of water funds, among other interventions.		
Programme vulnerability to climate change impacts	**Substantial**	**Substantial**
Risk(s): Kenya is highly vulnerable to climate change and extreme weather events such as unpredictable rainfall patterns, droughts, heat waves, floods, and landslides. Future climate projections show that the country will continue to experience increases in temperatures, unreliable rainfall patterns and more frequent and intense extreme events, such as droughts and floods.		
Mitigations: Promotion of improved and resilient crop and livestock varieties and breeds, climate insurance, irrigation and water harvesting, climate-smart agriculture (CSA), agroforestry and reforestation, nature-based solutions, climate-proofing of infrastructure, access to climate financing, nature-based enterprises, renewable energy, manure management, efficient feed, fodder conservation, carbon markets, and payment for ecoservices (PES). The project will undertake an Ex-ante and Ex-post EXACT analysis to show the reduction in GHG emissions among others.		
Project Scope		
Programme relevance	**Low**	**Low**
Risk(s): The likelihood that INReMP's objectives and activities are not well aligned with national development or IFAD priorities, and/or are not sufficiently relevant or responsive to the needs and priorities of the intended target group throughout the project's lifespan.		
Mitigations: The process of conceptualization and design is being very consultative of the key stakeholders – IFAD, Government of Kenya (national and counties) and the target beneficiaries; this ensures that INReMP is relevant with IFAD and the Government's policies, strategies, and acts. It also ensures that INReMP is consistent with the socio-politico-economic conditions of the target beneficiaries. At the mid-term review, steps will be undertaken to establish and ensure INReMP's continued relevance with the requirements of the three key stakeholders.		
Technical soundness	**Moderate**	**Moderate**
Risk(s): The likelihood that INReMP ends up being a complex project that seeks to do too many things and ending up not doing any of them well. It could also be a risk of being overambitious (or lack sufficient ambition), limited or no innovativeness, inadequate incorporation of lessons learned and best practices.		
Mitigations: INReMP is a second/follow-on phase of a very successfully executed project – UTaNRMP. There are other projects (KCEP/CRAL and UTNWF) whose implementation has also been quite successful. Accordingly, INReMP's design and implementation will make use of all the lessons of experience (good and bad) generated by all these projects. The design has also ensured to limit the number of subcomponents to minimize the likelihood for complexity. Also, the design has developed a		

flexible framework that is not very prescriptive to allow adaptation, where needed, during the course of implementation.		
Institutional Capacity for Implementation & Sustainability		
Implementation arrangements	**Low**	**Low**
Risk(s): The risk that the project executing agency does not have adequate resources, processes and/or systems to manage the project effectively (in accordance with the Financing Agreement and all relevant IFAD basic legal documents) towards achievement of the envisaged project development objective. This includes the project executing agency's lack of experience with IFAD (or other multilateral development bank) projects/procedures and lack of capacity to coordinate/support implementation arrangements that may involve several government agencies, different levels of government (or non-government entities), or multiple donor/financing agencies with different procedures and/or reporting requirements.		
Mitigations: The project will have a dedicated Project Management Unit at the central level and County teams at the County levels. Programme implementation structures have been aligned with the existing Government structures to ensure continuity. As and when needed, capacity building activities will be provided to the project staff to ensure compliance with IFAD (or other involved multilateral development partners) projects/procedures. In addition, implementation support missions will ensure proactiveness in resolving any implementation challenges that may develop.		
M&E arrangements	**Moderate**	**Moderate**
Risk(s): The following are potential risks: a) lack of personnel at county level to support M&E for the project. INReMP would need different specialists to guide appropriate implementation of different activities; b) limited staff capacity at county level that may undermine the quality of M&E of the project; and c) newly recruited project staff who may not be conversant with the IFAD ORMS requirements.		
Mitigations: a) INReMP will use seconded staff at the county level that will dedicate their fulltime attention the Programme to ensure a sound and timely implementation. For sustainability, efforts will be made to use existing structures; b) roles and responsibilities of staff will be defined in the PIM; and c) all staff will be exposed to IFAD-specific procedures at start up and during implementation. Implementation support missions will also be planned and fielded.		
Procurement	**Moderate**	**Moderate**
Part A of the PRM:	Moderate	Moderate
Pillar I: Legal, Regulatory and Policy Framework	Moderate	Moderate
Risk(s): • PPADA Provision 118 provides for request for proposal through advertisement without REOI. • Provision 131 sets a condition for BAFO procedures to include the lowest evaluated price is in excess of available budget, but without a probity Auditor for BAFO procedures. • Minimum period for International tender advertising provided as seven days in Regulation 83. • PPADA provision 157 provides for participation of candidates in preference and reservation. It requires that for the purpose of ensuring sustainable promotion of local industry, a procuring entity shall have in its tender documents a		

mandatory requirement as preliminary evaluation criteria for all foreign tenderers participating in international tenders to source at least forty percent of their supplies from citizen contractors prior to submitting a tender. • PPADA Provision 151 permits for exclusive preference to national contractors and provision 163 provides thresholds for exclusive preference. This may be interpreted that International based suppliers are excluded from IFAD financed procurements within the thresholds of KSh 1 billion for Work and KSh 500 million in respect of Goods and Services. • In practice, reviewed activities for Goods and Works contain allocation of scores, and preliminary evaluation requirements akin to post qualification requirements. • There are no ICB documents for Works/Goods, though documents can be customized for international competition. • In practice, reviewed documents revealed use of contract forms and provisions not originally disclosed in bidding documents. • There is no procurement manual. • No Social/Labour or Environmental considerations of SPP. The same is not a requirement in the prequalification and bidding processes. • Regional agreements are not specifically reflected in procurement policy.		
Mitigations: • Use of REOI for IFAD operations open market approaches. Adherence to IFAD's procurement guidelines and SPD provisions when approaching the international market. • BAFO not be used for reason of exceeding available budget and projects to put in place rigorous cost estimation procedures based on informed market research and defined in updated PPS. • Allow minimum 45 days for ICB. • Preliminary evaluations to be consistent with IFAD guidelines and no barriers to competition for openly advertised procurement activities. • Internationally based suppliers/consultants/service providers be permitted to participate in open national procurement opportunities so long as they adhere to the set conditions of tender. • Adequate customization of solicitation documents. Application of prescribed procedures for evaluation of Goods and Works, and disclosure of procedures in use at the stage of publishing invitations to bid and REOI. • A copy of the record of Bid/Proposal opening promptly sent to all Bidders/Proposers/ Consultants whose Bids/Proposals were opened and, where subject to prior review also sent to IFAD. • Use of IFAD SPDs for international competitive procedures. • Development of Procurement Manual and Contract Management procedures. • The specifications of the procurement requirements, bidders' qualifications and bid evaluation criteria must comply with IFAD SECAP standards. • Linkage to be established between regional economic integration and procurement policies.		

Pillar II: Institutional Framework and Management Capacity	Moderate	Moderate
Risk(s): • Financial Procedures are in place, but in practice, project procurement payments are delayed and beyond contracted payment terms. • PPRA is dependent for its resources on the state finances, and it is not clear if the available finances ensure the function's independence and proper staffing. • Despite a provision in law, the actual functioning of a centralized contracting body does not exist. • There lacks a system whereby analysis of information is routinely carried out, published, and fed back into the public procurement system. • The professional body's independence (KISM) is compromised due to budget allocation from the Ministry.		
Mitigations: • Monitor timely payment of invoices and in case of delays interest for delayed payment to be made, not just penalty to the officer who delays or refuses to pay without reasonable ground. • There is a need to create sources of finances that provide some degree of independence to the PPRA to ensure proper staffing and resources to keep the services at the level of quality desired and to fulfil the mandate in the PPADA. • Make use of organization level framework agreements for common user items on condition they reflect current market prices. • Incorporate OCDS for structured data dissemination to facilitate transparency and citizen engagement and support better use of data in policy decisions. • Use of IFAD's procurement guidelines will require publication of contract awards on platforms where they were initially advertised such as UNDB online. • A sustainable and intensive training program to be instituted to train key actors in procurement, in particular private sector and CSOs. These training should include integrity training programs. • The Association of Procurement Professionals needs to be financially independent and sustainable.		
Pillar III: Procurement Operations and Market Practices	Moderate	Moderate
Risk(s): • No appropriate market research that informs the choice of methods and strategies. • There are no contract implementation plans or internally documented procedures. The contract monitoring is undertaken as required for periodic reporting to PPRA. • In practice, contracts experience delays in implementation. • Lack of a formal mechanism on partnership and absence of ethics and integrity related training programs • In practice, there is absence of fair payment provisions as a constraint as it does not help offset cost of doing business with the government. There is a preference for lowest cost providers even where these are significantly below budget.		

• No evidence of sector market analysis to determine sector specific risks and government's scope to influence specific market segment.		
Mitigations: • Market research to be mandated to guide procurement strategy irrespective of method of procurement adopted (including competitive methods). • Use of REOI for IFAD funded open market approaches. • Adherence to IFAD procurement guidelines and SBDs when approaching the international market. • Improve capability of contract officers on contract management and sector market analysis for determining optimum contract size and to analyse if contractors fail due to their capacity to deliver, to improve capability of local construction companies, removing constraints of delayed payment, instituting a formal system of contract. • Adoption of contract implementation plans for key contracts. • Establish a formal mechanism and enhance its dialogue and partnership with private sector through training programs tailored to the needs of small businesses as well as to support supplier diversity. It should include a module on ethics and integrity in public procurement. • More outreach and training of private sector participants is needed. Policy level discussion with private sector associations on constraints faced by them and take corrective measures to improve competition. • Adopt a Project Procurement Strategy (PPS) that will be updated annually and inform procurement approaches for key project procurement activities.		
Pillar IV: Accountability, Integrity, and Transparency of the Public Procurement System	Moderate	Moderate
Risk(s): • Lack of programmes to build the capacity of relevant stakeholders to understand, monitor and improve public procurement. • Not all contracts are publicized. • The legal framework does not provide for citizens engagement in planning, selection, and implementation phases of procurement. • In practice, only few public institutions are sampled for procurement audits. • There is a lack of specific guidance on how and when poor contract performance may lead to debarment, and debarment grounds linked to criminal activities and corruption are insufficiently specified. • Transparency International's 2023 Corruption Perceptions Index, Kenya scored 31. Kenya ranked 126th among the 180 countries in the Index, where the country ranked first is perceived to have the most honest public sector. • Mechanism for identification and detection of corruption risk and mitigating these in the procurement cycle is not available. • There is no evidence that civil society contributes to shape and improve integrity of public procurement. Neither is there any evidence that suppliers and business associations actively support integrity and ethical behaviour in public procurement, e.g., through internal compliance measures.		

• There is no mention of reporting mechanism for prohibited practices or unethical behaviour in the PPADA or PPADR. Neither is there a disclosed reporting mechanism in the standard bidding documents.		
Mitigations: • Government to take measures to enhance consultations. • Adherence to contract award publication requirements • Allow citizens to participate in the planning of their activities. In the execution of the contract, citizens/CSOs should be invited to monitor the execution of the works contracts including through application of innovative techniques like geo-tagging and social audits. • PPRA and the OAG to carry out procurement audit (both on compliance and performance) which are coordinated and mutually reinforcing. • Specific guidance needed to reduce discretion on these aspects and need to be addressed in the Regulations and/or user's guide for transparency and certainty. • Periodic training to project staff on IFAD project procurement principles and monitoring how they are integrated in the procurement cycle during project supervision. • Invitations to Bid for all procurement for IFAD funded operations to identify the source of funding, the applicable rules, and the reporting channels for prohibited practices. • Include as part of the solicitation documents, a secure mechanism for reporting prohibited practices or unethical behaviour. • Use of the IAFD's SPD forms and contact addresses to report prohibited practices for project procurement solicitation documents.		
Part B of the PRM:	Moderate	Moderate
ASESSMENT OF PROJECT COMPLEXITY	Moderate	Moderate
Risk(s): • The procurement profile features largely standard items, though some activities could be unfamiliar to some procuring entities with limited project procurement such as Counties. • The procurement profile for the first 18 months features consulting services for feasibilities, construction design, and project management a challenge to sampled entities. • There are a number of procuring entities that will be relied upon in development of specifications and processing procurement of items at evaluation and contract management stages. Some agencies are new to IFAD project procurement.		
Mitigations: • Use of procurement methods prescribed in the IFAD guidelines and handbook, and adherence to good specification practices. • IFAD Implementation support to lay emphasis on effective processing of consultancy services. • Procurement for beneficiary organization will be limited to non-complex items and approaches such as RFQ. International approaches and consolidated procurements will be implemented by the PCMU.		
ASSESSMENT OF IMPLEMENTING AGENCY CAPACITY	Moderate	Moderate

Risk(s): • There has not been a deliberate procurement strategy and evidence of limited market research to inform planning. • SDA has an internal audit. PPRA also undertakes annual audits but on a sample basis. • There are no prescribed thresholds for contract amendments. • In practice payments gone beyond the 30-day payment terms • There are reported instances of late payment especially by Counties. Suppliers may not claim interest for fear of being victimized. There are instances of late payment exceeding the contractually specified payment schedule. • There are key procurement and contract information missing from files such as contract awards, and contractual correspondence. • Contractual correspondence is kept separately from procurement file. • The increase procurement activity will require more space and office facilities. • There is need for sustained procurement training. • Procurement officers not certified. • Quality of procurement documents is mostly moderately satisfactory.		
Mitigations: • Need for emphasis in needs analysis, defining requirements and packaging procurements to ensure optimal packaging and costing. • Soon to be launched eGP system will ease sampling of public institutions for the procurement audits. Schedule the project for regular procurement audits and follow ups to ensure compliance under local framework. • Include contract amendment approval thresholds as part of the PIM and consistent with local framework. • Close contract monitoring and receipt of complete deliverables. • Ensure timely release of budget allocations to enable procuring entity to meet contractual obligations on payments. • Retain consolidated procurement files with contract management records. • Retain copies of contractual correspondence on file. • Ensure there are dedicated facilities for effective procurement. • IFAD BUILDPROC training and other procurement related trainings. • Training in customization of solicitation documents and use of IFAD project procurement framework.		
Financial Management	**Substantial**	**Substantial**
Organization and staffing	**Moderate**	**Moderate**
Risk(s):There are various administrative levels of implementation of the project namely the State Depart for Crops, PCMU, and the country governments would have fiduciary responsibilities. Previous IFAD funded projects implemented through similar structures have had issues with timeliness and quality of financial reports from some counties who were receiving funding. Another risk for INReMP the complexity due to multiple financiers. While PCMU shall be made up of qualified and experienced personnel with appropriate expertise in technical and financial management,		

there may be lack of staff familiarity with IFAD, GEF and GCF procedures.		
Mitigations:There will be MoUs between MoALD / National Treasury and participating county governments which will stipulate requirement on financial reporting. Any non-compliance by implementing counties may have their disbursements by PCMU suspended as a penalty for non-compliance. Regarding familiarity with IFAD, GEF and GCF procedures, FMD will provide capacity building training to the finance staff who will be selected competitively. The capacity building will include familiarization with procedures on financial reporting, expenditures categorizations across components, categories, financial reporting timeliness and other financial management related to the Project.		
Budgeting	**Substantial**	**Substantial**
Risk(s):The project has multiple financiers namely IFAD, GCF, GEF, Government and Beneficiaries contribution. There is a risk of co-mingling of funds in budgeting and expenditure allocations to these multiple financiers. There may also be a risk that annual work plans and budgets are not prepared with sufficient details or revised timely, 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. According to the public financial management laws of Kenya, annual programme budgets of donor projects are required to be approved into the national budget every year following a strict calendar. There is the risk the project may not submit annual work planning and budget on time due to long administrative procedures and the many counties involved in the project.		
Mitigations: The Cost-tables and PIM have adequate details on key activities are to be implemented and sources of finances to use. Subsequently, the AWPB will be prepared with adequate details by component, categories, and financiers to ensure adequate guidance to the accounting team in recording and summarizing financial expenditures. The IFAD AWPB budget template is sufficiently detailed budget by category, component, and financiers. The PCMU will coordinate the budget preparation processes by preparing a budget calendar that strictly follows the national budget timely lines and key deliverables. Budget monitoring will be carried out quarterly, semi-annually, and annually and any significant deviations discussed within the PCMU and project steering committee for remedial actions. Approved budget will be codified in the accounting system for ease of monitoring and control of expenditures during the year.		
Funds flow/disbursement arrangements	**Substantial**	**Substantial**
Risk(s):There is a risk of commingling of funds at the county government level which will be provided with advances for implementation of project activities. These includes National Treasury which will receive advances from IFAD, and transfer to PCMU under MoALD. The county governments would also receive funding from the National Treasury and report to IFAD through the PCMU. The flow of funds to the counties may delay implementation of activities because national government funding to project is often late and not according to approved budget. The government is expected to contribute both cash and in-kind to the project while beneficiaries are expected to contribute in-kind.		
Mitigations:To mitigate on risks of commingled funds and ease of accounting of any advance provided, funds will be held in Project		

dedicated accounts at the Central Bank of Kenya for which there will be monthly bank accounts reconciliation and financial reports. All counties receiving project funds would be required to have sub-project accounts for segregating the funds received. There will be monthly financial reports to PCMU for monitoring operations of sub-accounts and consolidation. All counties will sign MoUs clearly highlighting the requirements for a separate bank account and financial reporting requirements.		
Internal controls	**Substantial**	**Substantial**
Risk(s):There may be a risk that appropriate controls over Programme funds are not in place, leading to the inefficient or inappropriate use of Project resources. There is also the risk that where controls exist, they are not enforced strictly or are circumvented by staff by staff charged to keep the controls.		
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, physical security of assets, double signing (approval) arrangements, to financial reporting and monitoring. There will be internal audit function to check overall compliance to internal controls and provide support towards improving systems, procedures, and processes. The control environment will be monitored using both internal and external audit and oversight.		
Accounting and financial reporting	**Substantial**	**Substantial**
Risk(s):There is a risk of delays in consolidation of project financial reports at PCMU which will be preparing consolidated financial reports for the project and inaccurate financial reporting due to the complex nature of the project which has multiple financiers, categories, components, and multiple county governments as implementing partners. There is the risk of delays in receiving reports and support documentation from the implementing agencies and semi-autonomous government departments. There are also possibility of delays and inaccuracies in financial reporting due to improper coding of transactions and the multiple currencies that may be involved.		
Mitigations:To mitigate on risks on financial reporting, accounting software will be set-up and enhanced to have analysis code for reporting on component, categories, financiers, for reporting quarter, cumulative for the year and cumulative since start of the project. The project finance team would prepare a reporting calendar and train the accounting staff in the implementing agencies and government department on IFAD processes and expected reporting timeliness. The project would prepare quarterly interim financial reports (IFRs) and annual financial statements.		
External audit	**Substantial**	**Substantial**
Risk(s):There is a risks of inadequate audit coverage of the project audit considering there are various governments situated in a broad geographic location across the country. There is also the possibility that some high-risk expenditure categories may not be covered during audits.		
Mitigations:The auditor will prepare a work plan to ensure adequate coverage of the all the counties that receive project funds and cover all the major risk areas and adequate coverage as per coverage plan. IFAD finance Officer would share the IFAD audit terms of reference with the external auditors in advance to ensure all key elements are included in the audit TOR of the OAG.		

The details of audit requirements as stipulated in the IFAD Financial Management and Financial Control (FMFCL) Handbook would be shared with project finance staff and external auditors.		
Environment, Social and Climate Impact		
Biodiversity conservation	**Moderate**	**Moderate**
Risk(s):Agricultural land, forests and wetlands lands in the project sites are exposed to soil erosion and siltation. Deforestation is rampant as most households rely on wood for fuel. Loss of habitats to agricultural activities and human settlements is a major factor contributing to biodiversity loss. Poor farming practices especially on steeps slopes also lead to loss of vegetative cover and contribute to landslides.		
Mitigations:The project will promote agroforestry and reforestation, wetlands conservation, CSA, soil erosion control measures, fodder production and conservation, composting, circular economy approaches, nature-based enterprises, carbon markets and operationalisation of a water fund to conserve critical catchments in the project area		
Resource efficiency and pollution prevention	**Moderate**	**Moderate**
Risk(s):Inappropriate use of agrochemicals will potentially lead to pollution of soils and water bodies. Droughts and heat waves will result in water scarcity and inadequate fodder, resulting in low yields. Inadequate access to clean water affects livestock productivity, especially during the dry season. Poor manure and feed management may result to increased GHG emissions. Poor management of animal waste as well as waste produced in facilities such as slaughter houses can contaminate water and soil as well as result in the spread of zoonotic diseases. Inefficient use of water and energy may lead to wastage.		
Mitigations:Renewable energy use, water and energy efficient technologies, manure and feed management, water harvesting, circular approaches to solid waste management, treatment of effluent discharge from slaughter houses, integrated pests and disease management, precision agriculture technologies for water efficiency, improved livestock breeds, fodder conservation, and animal health and husbandry etc.		
Cultural heritage	**Low**	**Low**
Risk(s):INReMP interventions done in areas considered to be cultural heritage sites. The Programme may cause cultural or physical degradation, including threats to or the loss of resources of historical religious or cultural significance.		
Mitigations:Avoidance of sites considered to be of cultural heritage value, and in the unlikely event that this happens, chance find procedures will be applied in accordance with IFAD's SECAP procedures. Safeguards will be applied to prevent or mitigate effects of possible cultural or physical degradation, including threats to or the loss of resources of historical religious or cultural significance.		
Indigenous Peoples	**Moderate**	**Moderate**
Risk(s):Potential indigenous people living within project area. The project may cause adverse physical, social or economic impacts on indigenous peoples or threats to or the loss of resources of historical or cultural significance to them.		
Mitigations:Community consultations to ensure the voices of IPs are documented during the design if project area will include them.		

In case IPs in the project areas or any adverse physical, social or economic impacts or threats to or the loss of resources of historical or cultural significance to them, procedures will be applied in accordance with IFAD's SECAP procedures.		
Community health and safety	**Substantial**	**Substantial**
Risk(s):Increased agricultural productivity from the use of inorganic fertilisers and pesticides will result in increased use of agrochemicals. Poor agrochemical handling and application will increase the risks to the health of pesticide-exposed people and agricultural product consumers. Women's increased domestic workload continues to endanger their health and nutrition. This can be exacerbated by allowing women to participate in labour-intensive activities. There is a possible risk of gender-based violence.		
Mitigations:Promote use of organic fertilizers, integrated pest management and safe use of chemicals. The project will create awareness on GBV prevention, management and reporting and HIV and AIDS management using the protocols by working with the Ministry of Health. Communities will access education and awareness on nutrition education as part of other mainstream topics.		
Labour and working conditions	**Substantial**	**Substantial**
Risk(s):The risks of child labour due to high dropout rates in potential project areas, working during school holidays, heavy labour burden on women, occupational health/injuries risks during INRM works, and poor working conditions of workers working with partners and service providers.		
Mitigations:The ECSMP matrix provides for elaborate mitigation and monitoring/surveillance measures to prevent/limit child labour, occupational health, and safety as well as poor working conditions. The project will also be promoting the GALs methodology at household level to encourage equitable sharing of labour roles at farm and household levels, to reduce the burden on women and create awareness on GBV prevention.		
Physical and economic resettlement	**Low**	**Low**
Risk(s):INReMP's interventions will not lead to resettlement of farmers or project stakeholders. In exceptional cases, land maybe acquired from the community or farmers for infrastructure or other investments.		
Mitigations:FPIC will be undertaken, and consent will be documented, and appropriate compensation provided as per national laws.		
Greenhouse gas emissions	**Moderate**	**Moderate**
Risk(s):investments in the dairy sector are likely to result in increased GHG emissions due to poor manure and feed management, poor breeds, etc. GHG gases may also result from agrochemical use and the use of diesel or petroleum-based energy sources e.g., in processing, pumping water, cooling etc., GHG accounting at project design and completion stages, carbon credits markets.		
Mitigations:Renewable energy for processing, cooling, pumping etc., composting and manure management, IPM and bio fertilisers use, efficient feed management, and improved breeds.		

Vulnerability of target populations and ecosystems to climate variability and hazards	**Substantial**	**Substantial**
Risk(s):Climate scenarios suggest that objectives and activities aimed at ecosystem conservation and development of value chains, and to increase income and food and nutritional security of the project's target communities, may be at risk. One of the main factors may be related to reduced precipitation and extended events of droughts, which results in water scarcity and increased risk of low agricultural and dairy productivity.		
Mitigations:The risks related to potential impacts of climate change were considered during the design and incorporated as an essential aspect of the ToC. Investments foreseen in infrastructure, water resources, production diversification, environmental restoration, and adaptive and innovative practices to the beneficiary population (such as agroforestry systems) shall contribute to enhance resilience of targeted beneficiaries to climate change		
Stakeholders		
Stakeholder engagement/coordination	**Low**	**Low**
Risk(s):Government and stakeholders relevant to the project could feel they have been insufficiently consulted resulting in disagreement with some of the approaches employed by the project. Further, some social groups e.g., indigenous people, may report being excluded from accessing project opportunities and interventions		
Mitigations:Stakeholders were consulted extensively during the concept note and programme design preparation process. The project has developed a preliminary stakeholder engagement plan (SEP) that will guide identification of stakeholders, their means of engagement, areas of engagement and when to be engaged. All the counties have strong foot hold in the implementation areas which is going to be leveraged to build multi-dimensional stakeholder engagement and synergy. An FPIC and IPAP will be developed to inform the engagement of indigenous people.		
Stakeholder grievances	**Low**	**Low**
Risk(s):There are multiple activities in the project portfolio that may lead to stakeholder grievances, including engagement of IPs, targeting of households and inclusion of project beneficiaries, choice of counties, and selection of implementing partners etc.		
Mitigations:INReMP will train programme staff and senior County representatives to effectively engage stakeholders and provide feedback on IFAD investments. A triple-level grievance redress mechanism (GRM) has been developed to address and resolve grievances raised by various stakeholders in the project at community, county, and national level. Stakeholders will be informed about the GRM and sensitized on how to log in complaints and follow up of the resolution of these grievances.		