



THE NATIONAL TREASURY AND PLANNING

**KENYA COVID-19 RECOVERY
SUPPORTING ACCESS TO FINANCE AND ENTERPRISE
RECOVERY (SAFER) PROJECT**

STAKEHOLDER ENGAGEMENT PLAN (SEP)

June 2021

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Abbreviations

AMFIs	The Association of Micro Finance Institutions
CBFI	Community Based Financial Institutions
CBK	The Central Bank of Kenya
CGS	credit guarantee scheme
CLF	Centralized Liquidity Facility
FSSP	Financial Sector Support Project
ESF	Environment and Social Framework
GDP	Gross Domestic Product
MoITED	The Ministry of Industry, Trade and Enterprise Development
NT	National Treasury
PCC	Project Coordination Committee
PFM	Public Finance Management Act
SACCO	Savings and Credit Co-operative Society
SASRA	The Sacco Societies Regulatory Authority
SAFER	Supporting Access to Finance and Enterprise Recovery
SEP	Stakeholder Engagement Plan
MSMEs	Micro Small and Medium Enterprises
MFB	Microfinance banks
MSEA	Micro and Small Enterprises Authority
KIE	Kenya Industrial Estates
KIBT	Kenya Institute of Business Training
KIRDI	Kenya Industrial Research and Development Institute
KNBS	Kenya National Bureau of Statistics
KBA	Kenya Bankers Association
PwDs	Persons With Disabilities

1. Introduction

This document is the Stakeholder Engagement Plan (SEP) has been prepared by the National Treasury for the Kenya Covid-19 Recovery: Supporting Access to Finance and Enterprise Recovery (SAFER) Project. It establishes the general framework for the effective participation of all the stakeholders, actors and parties. The SEP also presents the activities, schedule, responsible parties, the mechanism for handling complaints and claims, monitoring and reporting activities.

The SAFER Project is being prepared under the World Bank's Environment and Social Framework (ESF). As per the Environmental and Social Standard ESS 10 Stakeholders Engagement and Information Disclosure, the implementing agencies should provide stakeholders with timely, relevant, understandable and accessible information, and consult with them in a culturally appropriate manner, which is free of manipulation, interference, coercion, discrimination and intimidation.

2. Project Description

Micro Small and Medium Enterprises (MSMEs) play a critical role in accelerating economic development, investment as well as the creation of employment opportunities in the country. According to the 2020 Economic Survey, MSMEs constitute about 98% of all business in the country, create 91% of the jobs annually and contribute 34% of the GDP. However, most of these enterprises experience limited access to credit partly because of the perceived risk by financial institutions. The situation has been worsened by the impact of COVID-19 pandemic and requires immediate interventions.

The objective of the Supporting Access to Finance and Enterprise Recovery (SAFER project is to increase access to financial services, enhance the capabilities, and support the post Covid-19 recovery of MSMEs in Kenya. The project seeks to address market failures in the provision of finance to MSMEs, which have been exacerbated by the negative impact of COVID-19. The project contributes to the implementation of the third element of the 8-Point Economic Stimulus Programme unveiled by H.E The President on 23rd May, 2020. The third element focuses on enhancing liquidity to MSMEs through provision of affordable credit in an efficient and structured manner.

1. The project has three components, namely:
 - i. Innovation and Liquidity support to MSMEs through Community Based Financial Institutions and digital channels
 - ii. De-risking lending to MSMEs; and
 - iii. Technical assistance to build resilience

1. Component 1: Innovation and Liquidity support to MSMEs (US\$ 55 million).

This component aims to provide liquidity support to MSMEs through regulated financial intermediaries (especially regulated retail lending financial institutions that have limited liquidity) with a focus on MSME banking, including those innovating with digital channels (hereinafter referred to as participation financial institutions (PFIs). In addition, support will target MSMEs that were previously financed but are now facing constraints in addition to those that are considered bankable but have not been able to access credit. The indicative size of loans to individual

microenterprises will range between KES7,000 and KES 150,000 and for small enterprises will range between KES150,001 and KES 250,000. Tenor for microloans is expected to not exceed 18 months, and for small loans to not exceed three years. Maximum grace period of six months may apply for both micro and small loans. These aspects will be further defined in the project operations manual. This component will have two windows: window 1 (US \$25million) and window 2 (\$ 30 million). Window 1 will provide lines of credit to MSMEs through Savings and Credit Co-operative (SACCOs) and Micro Finance Banks through an apex institution that will wholesale the lines of credit and in line with government policies and regulation. The apex institution will be an entity, which may include a financial intermediary, identified by the National Treasury. Window 2 under this component, which will also be managed by the apex institution, will help drive innovation targeting informal sector MSMEs by leveraging digital channels to extend offering by PFIs to micro and small firms.

2. Component 2: De-risking Lending to MSMEs (US\$ 30 million)

This component aims to unlock lending to MSMEs during the COVID-19 crisis and beyond to support recovery and growth of enterprises. This component would ramp up support to the partial credit guarantee scheme (CGS) that has been set up by The National Treasury as an emergency COVID-19 response measure both in the interim and support the establishment and capitalization of the Credit Guarantee Company (CGC). The CGC will be established to operate according to the Principles of Public Credit Guarantee Schemes as a sustainable mechanism of de-risking MSMEs.

3. Component 3: Technical Assistance to Build Resilience (US\$ 15 million)

This component will provide technical assistance to build resilience capacity of the MSME finance ecosystem beyond the lifecycle of SAFER. During the life of the Project, the component will support NT, CBK, SASRA and PFIs in the delivery of component 1 and 2 and ensure overall growth of the MSME lending market.

- a. Sub-component 3a: TA to NT in setting up the CGC (US\$5 million).** Support to the CGC will include support to CBK to develop prudential regulations for the company. Once the CGC has been established, the project will provide support to build its operational capacity to ensure it effectively delivers its mandate.
- b. Sub-component 3b: TA to Participating Financial Institutions (PFIs) (US\$ 2 million)**

This subcomponent will support PFIs (SACCOs, MFBs and financial intermediaries involved). The support will target strengthening of governance arrangements, risk management capacity, business models, and operational efficiency. The majority of the SACCOs and MFB, especially the smaller ones, face numerous challenges including limited staff capacity with limited funds to invest in capacity building.

- c. Sub-component 3c: Technical Assistance to financial sector regulators to strengthen the regulatory environment and enhance the financial infrastructure (US\$ 6 million)**

This subcomponent will support follow-on TA activities related to strategic initiatives started under the Kenya Financial Sector Support Project (FSSP) that are tied to underlying structural weaknesses holding back improved financial intermediation and improvement in liquidity

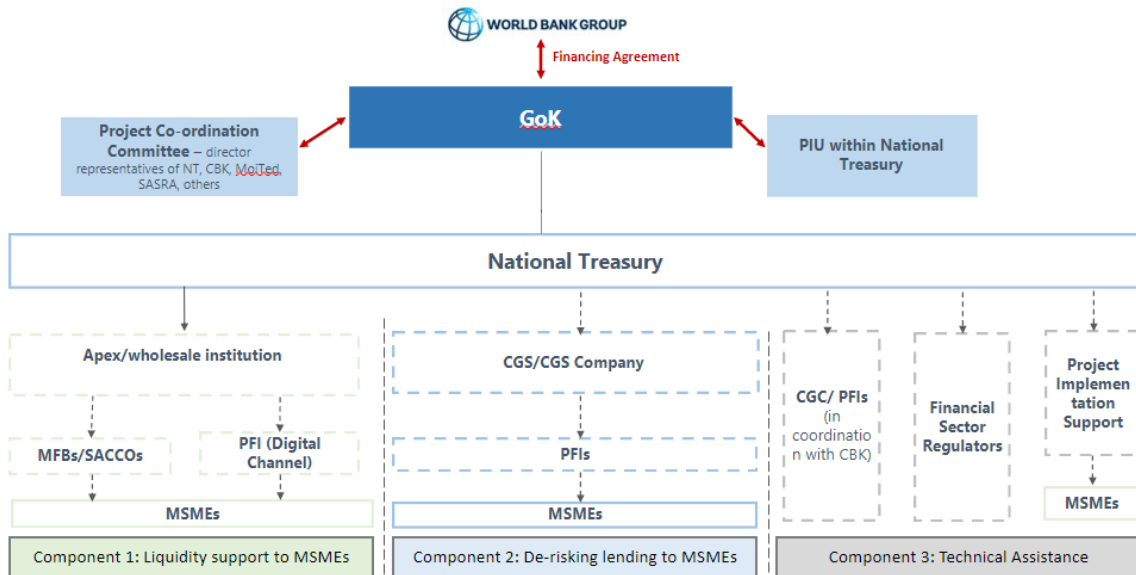
distribution and asset-liability management (ALM). These activities will include: the implementation of a shared digital services platform for Saccos (i.e. SACCO Central initiative by SASRA), which will also establish a mechanism for a centralized liquidity facility similar to the inter-bank market to aid liquidity distribution and asset-liability management in the SACCO sector; implementation of the informal sector micro pension scheme by NT, and; added support for the central securities depository (CSD) initiative by CBK.

d. Sub-component 3d: This component will also support Project Management by NT (US\$ 2 million)

The objective would be to provide resources for: (i) workshops and outreach to facilitate diffusion and replication of lessons and promising innovations from the project, (ii) monitoring and evaluation (M&E) analyses to ensure the implementation and sustainability of the Project's activities, (iii) develop environmental and social operational and training manuals for PFIs and MSMEs; and (iii) project implementation support, through key functions forming part of the Project Implementation Unit (PIU).

This subcomponent will finance the design and implementation of an overall Project communications strategy, information disclosure and dissemination tools to inform stakeholders on the Project's progress and facilitate replicability of success stories. These will support the Project through a demonstration effect and contribute to mobilize added private capital and broader capacity building. Finally, this subcomponent will support the establishment of the Project Implementation Unit (PIU), which will be responsible for the day-to-day management of the project, with a multilayer implementation and oversight structure. The PIU would consist of NT staff and consultants/experts that would need to be hired to boost PIU capacity. The core PIU staff will include a Project Coordinator, a Procurement Specialist, a Project Accountant, and an M&E consultant. Since the social and environmental risks are deemed to be substantial, the PIU will also recruit a full-time environmental and social (E&S) safeguards consultant.

3. Overall Program Implementation and Institutional Arrangements



The project will be supervised by a Project Coordination Committee (PCC) chaired by the National Treasury. The core members of the Committee will include the Central Bank of Kenya, the Ministry of Industry, Trade and Enterprise Development, of the SACCO Regulatory Authority. The PCC will leverage the existing CGS project steering committee that is chaired by NT. Other Ministries/Associations may be invited to participate as needed by the PCC. The PCC shall be responsible for, inter alia: a) providing strategic and policy guidance for project implementation; and b) resolving any Project coordination and implementation bottlenecks that may arise. The PCC will host a quarterly Project Review meeting to review the project results, discuss key issues, and agree on key milestones over the following 6 months. The review meeting will be based on a technical review conducted and led by the World Bank team. This report will also form the main technical outcome of the WB project implementation support missions.

4. Objective of the SEP

The purpose of the stakeholder consultation process within the project is to inform the stakeholders about the project and to listen to their contribution to inform the design of the project. The SEP defines a program for stakeholder engagement, including public information disclosure and consultation throughout the entire project cycle. The SEP outlines the ways in which the project team will communicate with stakeholders and includes a mechanism by which people can raise concerns, provide feedback, or make complaints about project and any activities related to the project. The involvement of the local population is essential to the success of the project in order to ensure smooth collaboration between project staff and local communities and to minimize and mitigate environmental and social risks related to the proposed project activities.

5. Brief Summary of Previous Participation Activities under the Project

National Treasury has had initial discussions with various stakeholders on the project design for SAFER. Feedback received by NT contributed to the revision of the project design appropriately. NT engaged with the following agencies: World Bank, NT Public, Private Partnership Unit, Central Bank of Kenya (CBK), Capital Markets Authority (CMA), Credit Reference Bureau (CRB), Deposit-Taking Savings and Credit Cooperative Organization, Safaricom, Ministry of Industry, Trade and Enterprise Development, SACCO Societies Regulatory Authority (SASRA), Association of Micro Finance Institutions, Kenya Bankers Association (KBA), Micro and Small Enterprise Authority (MSEA), Ministry of Industrialization, Trade and Enterprise Development (MoITED), Cooperative Bank, UNAITAS SACCO, AFYA SACCO, STIMA SACCO, AMICA SACCO, Tower SACCO, ECO Bank and ABC Bank. Participants showed interest in the project, and their opinion can be summarized in the following points:

- a. The project is timely due to the impact of Covid-19 on micro, small and medium enterprises in Kenya.
- b. There was interest in accessing credit for MSMEs.
- c. SASRA needed clarification on funds flow through SACCOs and provide suggestions on how the process could be improved due to the limitation based on their mandate under the co-operative act.
- d. Mobile network provider/Safaricom and commercial banks were ready to support the project.
- e. The opinion received during the initial consultations were taken into account to define the eligibility criteria for the beneficiary PFI and MSMEs.

The World Bank conducted a pre-appraisal mission with the key stakeholders from 5th-9th October 2020, to inform the design of the proposed project. The stakeholders comprised The National Treasury; the Ministry of Industry, Trade and Enterprise Development (MITED); Micro and Small Enterprises Authority (MSEA), the Sacco Societies Regulatory Authority (SASRA), Kenya Bankers Association (KBA), Association of Micro Finance Institutions (AMFI) and Safaricom. A team from the Financial and Sectoral Affairs Department of the National Treasury joined The World Bank team on the project pre-appraisal mission of the proposed components of the SAFER initiative.

The mission discussed and agreed with the stakeholders that the proposed Project Development Objectives, that is, to increase access to financial services, enhance the capabilities, and support the post COVID-19 recovery of Micro, Small and Medium Enterprises (MSMEs) in Kenya, remains relevant and appropriate.

The Coronavirus (COVID-19) pandemic has adversely impacted MSMEs and lending institutions. With reduced turnover and disruptions in the market and supply chains, many MSMEs are unlikely to attract affordable and quality credit. The uncertainty on the duration of the economic shock as well as strained performance of the financial sector in post-Covid-19 pandemic period will affect livelihoods of the majority of Kenyans. The pandemic, therefore, makes urgent the need to enhance access to quality credit for MSMEs and fostering inclusive economic recovery.

6. Stakeholder Identification and Analysis

6.1 Introduction

According to the Environmental and Social Standard 9 of the World Bank, which recognizes the importance of open and transparent interaction between the implementing subject and the parties

interested in the implementation of a project, the participation of the interested parties is considered as an inclusive process that is carried out throughout the project cycle. Project stakeholders are defined as individuals, groups or other entities who:

- (i) Are benefited by the project and
- (ii) May have an interest in the project. They include individuals or groups whose interests may be affected by the project and who have the potential to influence the Project outcomes in any way.

Of interest to the project is the identification of interested parties that may be found in a situation of vulnerability, to ensure that these less favoured groups are not excluded from the opportunity offered by the project.

Cooperation and negotiation with the stakeholders throughout the project development often also require the identification of persons within the groups who act as legitimate representatives of their respective stakeholder group. Targeted MSMEs may provide helpful insight into the local settings and act as main conduits for the dissemination of the Project-related information and as a primary communication/liaison link between the project and targeted beneficiaries and their established networks. Verification of stakeholder representatives (i.e. the process of confirming that they are legitimate and genuine advocates of the community they represent) remains an important task in establishing contact with the beneficiaries. The legitimacy of the benefiting MSMEs can be verified by talking informally to a random sample of MSMEs and heeding their views on who can be representing their interests in the most effective way. This will be done closely with the Ministry of Industry, Trade and Enterprise Development and The Micro and Small Enterprises Authority.

6.2 Methodology

In order to meet best practice approaches, the project will apply the following principles for stakeholder engagement:

- *Openness and life-cycle approach*: public consultations for the project (s) will be arranged during the whole life-cycle, carried out in an open manner, free of external manipulation, interference, coercion or intimidation;
- *Informed participation and feedback*: information will be provided to and widely distributed among all stakeholders in an appropriate format; opportunities are provided for communicating stakeholders' feedback, for analyzing and addressing comments and concerns;
- *Inclusiveness and sensitivity*: stakeholder identification is undertaken to support better communications and build effective relationships. The participation process for the projects is inclusive. All stakeholders at all times encouraged to be involved in the consultation process. Equal access to information is provided to all stakeholders. Sensitivity to stakeholders' needs is the key principle underlying the selection of engagement methods. Special attention is given to vulnerable groups, in particular women, youth, elderly and the cultural sensitivities of diverse ethnic groups.

For the purposes of effective and tailored engagement, stakeholders of the proposed project (s) can be divided into the following core categories:

- **Benefiting Parties** – within the framework of the project, the beneficiary parties are considered to be financial institutions that are the Apex FI, PFIs as well as the MSMEs that meet the target segment for this credit line, namely commercial banks, SACCOs and MFI/MFB.
- **Other Interested Parties** – individuals/groups/entities that may not be direct beneficiaries but who consider or perceive their interests in the project and the process of its implementation in some way; and
- **Vulnerable Groups** – persons who may be disproportionately impacted or further disadvantaged by the project (s) as compared with any other groups due to their vulnerable status¹ and that may require special engagement efforts to ensure their equal representation in the consultation and decision-making process associated with the project. In this project, the vulnerable groups identified are women, youth, PwDs, minority and marginalized groups.

6.3. Beneficiaries by the Project

These institutions meet the eligibility criteria and terms of conditions for the line of credit and the Credit Guarantee Company. Beneficiary parties are the Apex FI and the Micro, Small and Medium Enterprises who will receive funds from the project. Specifically, the following individuals and groups fall within this category:

- Micro, Small and Medium Enterprises as defined under the Micro and Small Enterprises Act, 2012 and The Public Finance Management (Amendment) Act, No.2 of 2020.
- Youth and youth-led MSMEs
- Women and women-led MSMEs
- People with Disabilities and their MSMEs
- Apex Financial Institutions, i.e. SACCOs and Banks
- Participating financial institutions that include commercial banks and mobile network operators.
- Minority and Marginalized Groups

Financial institutions that include MFI/MFB, SACCOS and commercial banks and their regulators will be beneficiaries of the Credit Guarantee Company. They will be consulted under subcomponent 3a: setting up of the CGS company and receivables financing platform.

6.4. Other Interested Parties

Other actors who could potentially have an interest in the development of the project. The projects' stakeholders also include parties other than the directly affected parties, including:

- The Ministry of Industry, Trade and Enterprise Development (MoITED)
- The Central Bank of Kenya (CBK)
- The Sacco Societies Regulatory Authority (SASRA)
- The Micro and Small Enterprises Authority (MSEA)
- Parliament

¹ Vulnerable status may stem from an individual's or group's race, national, ethnic or social origin, color, gender, language, religion, political or other opinion, property, age, culture, literacy, sickness, physical or mental disability, poverty or economic disadvantage, and dependence on unique natural resources.

- The Office of The Auditor General
- The Office of The Attorney General
- SME Advisor, Executive Office of The President
- Kenya Industrial Estates (KIE)
- Kenya Institute of Business Training (KIBT)
- Kenya Industrial Research and Development Institute (KIRDI)
- Kenya National Bureau of Statistics (KNBS)
- Mobile network providers
- Digital platforms
- Kenya Bankers Association (KBA)
- Commercial Banks
- Savings and Credit Co-operative Society (SACCO)
- The Association of Micro Finance Institutions (AMFIs)
- Members of the Project Coordination Committee that include the PS of the National Treasury, Governor of the Central Bank of Kenya, Permanent Secretary Ministry of Industry, Trade and Enterprise Development, CES of the SACCO Regulatory Authority and other Ministries/Agencies and Associations that may be invited to participate as needed.

6.5 Women, Youth, PwDs Minorities and Marginalized Groups

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

The project design aims to meaningfully integrate a gender lens and target a segment of the population that is vulnerable and has been hit harder during the pandemic. Given the digital divide, using digital platforms is likely to disadvantage women entrepreneurs. Complementing the project design with low-tech alternatives could support women's immediate access. Enabling women's access to digital products and mobile money presents an important long-term potential for increasing women's economic access in Kenya. With this in mind, Component 1 will make concerted efforts for a special outreach to women given women's lower access to finance and digital/mobile services and time constraints because of the burden of care, etc. Targeted communication showcasing photos of women beneficiaries can be put forward in order to encourage women to apply. Lastly, the requirement for a good credit rating based on credit history has led to more women being financially excluded from the formal financial system, so the project's intent to use alternative data scoring and psychometric testing to predict business success is expected to have meaningful results for women's participation.

Within the project, the vulnerable or disadvantaged groups may include and are not limited to the following:

- Financially excluded
- Informal business enterprises
- Marginalized communities
- Youth
- Women
- People Living with Disabilities

Vulnerable groups affected by the project will be further confirmed and consulted through dedicated means, as appropriate.

Description of the methods of engagement that will be undertaken by the project is provided in the following sections.

7. Stakeholder Engagement Program

7.1 Introduction

A communication strategy that will be implemented during the life of the project. As part of the communication strategy, NT will be in contact with the PFIs and PFIs who will in turn, be in contact with the MSMEs during the implementation phase which will facilitate the monitoring and evaluation activities, promote the dialogue with key stakeholders, and increase the level of engagement. NT will be responsible for defining and implementing a broad communication strategy. In the first phase, the communication strategy will be used to make information available to MSMEs and PFIs about the improved or new developed financial products that will be available for their access.

The communication strategy will also cover component 2 on the establishment of the Credit Guarantee Company (CGC) to operate according to the Principles for Public Credit Guarantee Schemes as a sustainable mechanism of de-risking MSMEs. Beneficiaries under this component will be financial institutions and their regulators in Kenya.

Communication material will be prepared and will be used to provide information about the characteristics of the products, how to apply, who is eligible to apply, what kind of activities can be financed, etc. In addition, under component 3, education material on climate co-benefits, climate change mitigation and adaptation aspects, and the application of best practices on environmental and social risks management will be part of the strategy.

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

In order to address the specific constraints faced by women-owned businesses, subcomponent 3d will have dedicated outreach and tailored sessions for women entrepreneurs as well as the right community partners with deep networks who can get women involved from early on. Providing childcare can be an

important incentive for women to attend and complete such capacity building sessions. The TA would also support the creation of networks for women entrepreneurs (countrywide and in sub-groups) for exchange of information and communication on upcoming deadlines to apply for loans, etc. Among the specific capacity building sessions targeting women, the project is considering: coaching women on sector choice, which can be crucial to guide women who are crossing over to more male-dominated activities and sectors during the recovery phase; helping women-owned firms register through small incentives in combination with banking information sessions that can also boost their access to financial services; delivering personal initiative training, which teaches women entrepreneurs to be proactive and demonstrate perseverance, that can help them bounce back from the economic ramifications of COVID-19; and supporting women in ensuring that resources provided to them are indeed invested in their businesses and not diverted to other household needs.

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

7.2 Summary of Project Stakeholder Needs and Methods, Tools and Techniques for Stakeholder Engagement

Stakeholders Needs

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

The topics of interest to be communicated to the beneficiaries and interested parties.

Table 1: Topic of Interest for Beneficiaries and Interested Parties

Parties	Theme of Interest
NT, Kenya Bankers Association, SASRA	<ul style="list-style-type: none"> • Selection criteria and minimum eligibility criteria for the Apex Financial Institutions required the World Bank. • Financial products and productive lines of financing. • Initial Terms and Conditions for Component 1 on line credit. • The flow of funds and channel to institutions that are engaged in lending to MSMEs and where value could be added. • Sub-loans terms and conditions.

	<ul style="list-style-type: none"> • Modification of terms and conditions of the line of credit by National Treasury. • Pricing formular used by the NT to price line of credit to PFIs. • Principles for establishing the CGC for MSMEs. • Financial profits. • Periodic compliance reporting in accordance to the national legislations. • Communication strategy.
<p>Financial intermediaries that include MFB, MFI and Saccos</p>	<ul style="list-style-type: none"> • Selection criteria and minimum eligibility criteria required by the World Bank for the PFIs. • Financial products and productive lines of financing. • Initial Terms and Conditions for Component 1 on line credit • The flow of funds and channel to institutions that are engaged in lending to MSMEs and where value could be added. • Sub-loans terms and conditions. • Modification of terms and conditions of the line of credit by National Treasury. • Pricing formular used by the NT to price line of credit to PFIs. • Principles for establishing the CGC for MSMEs. • Financial profits. • Communication strategy. • ESMS and the environment and social risks and impacts for the project.
<p>MSMEs</p>	<ul style="list-style-type: none"> • Financial products and productive lines of financing. • Characteristics and approach of the project funding. • Promotion of project’s information and targeting for vulnerable groups. • Initial Terms and Conditions for Component 1 on line credit • The flow of funds and channel to institutions that are engaged in lending to MSMEs and where value could be added. • Sub-loans terms and conditions. • Modification of terms and conditions of the line of credit by National Treasury. • Pricing formular used by the NT to price line of credit to PFIs.

	<ul style="list-style-type: none"> • Principles for establishing the CGC for MSMEs. • Project communication strategy. • Financial products and productive lines of financing.
Regulators – Central Bank and SASRA	<ul style="list-style-type: none"> • Initial Terms and Conditions for Component 1 on line credit • The flow of funds and channel to institutions that are engaged in lending to MSMEs and where value could be added. • Sub-loans terms and conditions. • Modification of terms and conditions of the line of credit by National Treasury. • Pricing formular used by the NT to price line of credit to PFIs. • Principles for establishing the CGC for MSMEs.
Members of the Project Steering (Coordination) Committee that include the PS of the National Treasury, Governor of the Central Bank of Kenya, Principal Secretary Ministry of Industry, Trade and Enterprise Development, SME Advisor, Executive Office of the President, CEO of Saccos Societies Regulatory Authority (SASRA) and other Ministries/Agencies and Associations that may be invited to participate as needed.	<ul style="list-style-type: none"> • Characteristics and approach of project funding. • Program implementation and institutional arrangement. • Roles of the Project Coordination Committee.
Beneficiaries and other interested parties	<ul style="list-style-type: none"> • Credit Guarantee Company • Institutional framework • Funding • Prudential regulation • Leverage • Target groups • Type of finance targeted • Delivery modalities • Risk distribution – loss sharing and coverage ratio. • Fees/Premiums • Claim handling • Monitoring and evaluation
Parliament	<p>The impact of the project on the beneficiaries MSMEs whom they represent in parliament.</p> <p>The National Treasury shall submit an annual report to Parliament on the performance of the credit guarantee scheme funded by the project and submit Regular reports as and when requested by either house of parliament as</p>

	provided for in the Public Finance Management (Amendment) Act (No.2) of 2020.
Office of The Attorney General	<p>As legal advisor to the government, the Office of the Attorney General plays a critical role in ensuring that the project complies with the relevant laws.</p> <p>The Office of the Attorney General shall review and clear the service level agreements between The National Treasury and the participating financial institutions prior to execution.</p> <p>The Office of the Attorney General also plays a critical role in grievance redress.</p>
Office of The Auditor General	<p>Audit the impact of the project to ascertain if the project met its objectives in line with the provisions of the Public Audit Act, 2015.</p> <p>The National Treasury shall share the implementation documents with the Office of the Auditor General from the onset of the project and shall continue to engage the office periodically on audit assignments.</p>

7.3 Proposed Strategy for Information Disclosure

The stakeholder engagement process during the project preparation phase and promotion has been done through working meetings between NT, financial institutions and their regulators and other interested parties to present the financial product to MSMEs. In terms of methodology, it will be important that the different activities are inclusive and culturally sensitive, thereby ensuring that the vulnerable and marginalized groups outlined above will have the chance to participate in the project benefits.

Monitoring process during the project implementation will also consist of the execution of interviews with PFIs to monitor the financial performance, as well as environment and social risk management processes. It will also include the collection of information with the end-users of the credits to document successful experiences, which will be presented in material for communication.

Formal calls and records of participation will be kept and reports that detail the event log in terms of place, date, time, topics covered, information transmitted, criteria received, number of participants and an analysis of how the criteria are integrated or how the different actors responded.

The project will thereby have different components aimed at reaching the different marginalized groups. The component on Liquidity support to MSMEs through Community Based Financial Institutions and digital channels will be designed to target the informal MSMEs and those that are financially excluded. All the components will have a provision to ensure at least 30% of the credit extended to MSMEs goes to Women, Youth and People with Disabilities.

The main means of dissemination will be:

1. Website: NT through its website, will have a link direct to obtain specific information about the project, the small as will be available throughout the project preparation and implementation phase. The World Bank will also disclose all the documents related to the project that will include the SEP, ESRS and LMP.
2. Email: NT and Apex FIs will provide the FIs with information on the project design and component, and this will be done on a regular basis.
3. Communication materials: videos, printed or digital information material photographs will be prepared by NT, Apex FI and PFIs.
4. Telephone calls, video calls: NT and Apex FIs will provide the FIs with information on the characteristics of the project and will receive feedback
5. Social networks: NT will provide information on the project and its components and receive feedback via Facebook, Twitter, Instagram. The official NT social media accounts and platforms will be used.
6. News channels and media: NT will broadcast in the media the characteristic of the project and benefits to MSES and FIs.

7.4. Proposed Feedback Strategy

NT is committed to having meaningful dialogue with the project stakeholders using different mechanisms and space for feedback. The PFI will also open up channels for receiving feedback from beneficiaries, MSMEs and women led MSMEs. With this NT and PFI will seek to include comments and suggestions, relevant and feasible, that allow a better implementation of the project in general and the NT dissemination and feedback mechanisms.

7.5. Stakeholder Engagement Plan

Project stage	Topic of consultation/message	Method used	Target stakeholders	Responsibilities
After appraisal	Risk communication strategy Review and clearance of the service level agreements prior to execution	Key informant discussions Forwarding of the agreement template to the Office of The Attorney General	<i>Media experts and information users including women, youth and VMGs</i> <i>The Office of The Attorney General</i>	NT communication expert and the E&S consultant. NT
Implementation	Implementation updates. Risks Complaints about service provision	Prudential supervision by Regulators – CBK and SASRA	<i>Receivers of information and services</i>	NT, CBK and SASRA MoITED

		Engagement with The Ministry of Industry, Trade and Enterprise Development		
Quarterly evaluation and feedback survey	Feedback of effectiveness of different channels of communication	Survey	Different stakeholders and VMG groups	NT Communications

7.6. Future of the Project

Stakeholders will be kept informed as the project develops, including reporting on project environmental and social performance and implementation of the stakeholder engagement plan and grievance mechanism.

8. Resources and Responsibilities for Implementing Stakeholder Engagement Activities

8.1. Resources

Implementation of the SEP which is a sub-activity of component 3 of the SAFER project will cost approximately USD 300,000, subject to approval of the Project Steering Committee. The National Treasury will be responsible for the stakeholder engagement activities.

8.2. Management Functions and Responsibilities

The project will be implemented by The National Treasury and selected implementing entities for the liquidity and de-risking support to MSMEs. The project will be supervised by a Project Steering (Coordination) Committee (PCC) chaired by the PS of the National Treasury. The PCC will have the following main roles: a) coordinate policy actions to oversee implementation of the lines of credit, Credit Guarantee Scheme, and technical assistance to MSMEs; b) provide guidance and support to the program management team, and c) act as the main focal point for interaction with Financial Intermediaries and other stakeholders on behalf of the project. The core members of the Committee will include representatives of beneficiary GoK agencies such as the Central Bank of Kenya, Ministry of Industry, Trade and Enterprise Development, SME Advisor, Executive Office of the President and SASRA. Other Ministries/Associations may be invited to participate as needed by the PCC. The National Treasury will enter into subsidiary agreements with selected implementing entities for liquidity and de-risking support facilities.

9. Grievance Mechanism

9.1 Background

The main objective of a Grievance Redress Mechanism (GRM) is to assist in resolving issues, concerns, complaints and grievances in a timely, effective and efficient manner that satisfies all parties involved.

Specifically, it provides a transparent and credible process for fair, effective and lasting outcomes. It also builds trust and cooperation as an integral component of broader community consultation that facilitates corrective actions. Specifically, the GRM:

- Provides project beneficiaries and interested parties people with avenues for making a complaint or resolving any dispute that may arise during the course of the implementation of projects;
- Ensures that appropriate and mutually acceptable redress actions are identified and implemented to the satisfaction of complainants; and
- Avoids the need to resort to judicial proceedings.

9.2 Description of the Existing Grievance Redress Mechanism

The National Treasury Citizens' service delivery charter provides for mechanisms for grievance redress. Any complaints are reported directly to the Cabinet Secretary and or the Commission Secretary, Commission on Administrative Justice through the physical address, email address and telephone numbers provided. The charter also states that the turnaround time for resolution of complaints is seven days.

9.2.1 Responsibilities

The chairperson of the project coordination committee will be responsible for the grievance redress mechanism. The E&S coordinator will be responsible for the day to day running of the GRM as well as follow up to ensure that timelines for grievance resolution are observed and maintained. The PPC will be the first level of escalation of grievances.

Issues, concerns, complaints and grievances from the general public can be raised through various channels; (i) email, telephone or letter sent to the Cabinet Secretary and or the commission secretary/chief executive officer, Commission on Administrative Justice ; ((iii) call to the national complaints 24-hour toll-free hotline which are provided for by the market regulators that is CBK and SASRA. The hotline has staffed trained grievance handlers (which will be increased depending on demand) who speak Swahili, English and if possible other languages from those communities that may have limited Swahili and have experience of hard to reach counties. A protocol for handling complaints including staff complaints and confidential, e.g. GBV complaints, will be outlined in the ESMS in line with existing Laws.

The GRM will include the following steps:

Step 0: Grievance received, sorted and directed to the concerned institution.

Step 1: Grievance discussed with the participating financial institution

Step 2: Grievance raised with the respective Regulator that is SASRA or CBK

Step 3: Grievance discussed by the project coordination committee

Step 4: Appeal to the Project Management Team, The National Treasury and/or the Commission on Administrative Justice (CAJ) and/or Nairobi International Centre for Arbitration

Once all possible redress has been proposed and if the complainant is still not satisfied, then they should be advised of their right to legal recourse. The service level agreements with the financial institutions will include a clause on the requirement to set up an effective grievance redress mechanism.

The public hotlines which are already in existence will have a selection option for complaints including for workers and confidential complaints such as incidences of GBV. This will be guided by a complaints

protocol which all the operators will be trained on. The project communication strategy will provide information on how to register grievances.

10. Monitoring and Reporting

The SEP will be periodically revised and updated as necessary in the course of project implementation in order to ensure that the information presented herein is consistent and is the most recent and that the identified methods of engagement remain appropriate and effective in relation to the project context and specific phases of the development. Any major changes to the project related activities and to its schedule will be duly reflected in the SEP. Quarterly summaries and internal reports on public grievances, enquiries and related incidents, together with the status of implementation of associated corrective/preventative actions will be collated by responsible staff and referred to the senior management of the project.

The quarterly summaries will provide a mechanism for assessing both the number and the nature of complaints and requests for information, along with the project's ability to address those in a timely and effective manner. Information on public engagement activities undertaken by the project during the year may be conveyed to the stakeholders in two possible ways:

- Publication of a standalone annual report on project's interaction with the stakeholders.
- A number of Key Performance Indicators (KPIs) will also be monitored by the project on a regular basis.

Further details will be outlined in the updated SEP, to be prepared within 1 month of effectiveness.

10 Information Disclosure

NT, Apex FIs, PFIs as well as CGC will disclose on their websites the projects ESMS and environmental and social instruments. PFIs will require MSMEs to disclose project-related documents related; (a) by application of the ESSs; (b) environment and social monitoring reports. NT, Apex FIs and PFIs will in writing permit the World Bank to disclose on the Bank's website a summary of each of the elements of the these ESMSs.