# REPUBLIC OF KENYA

# THE NATIONAL TREASURY AND ECONOMIC PLANNING

# KENYA COVID-19 RECOVERY

# SUPPORTING ACCESS TO FINANCE AND ENTERPRISE RECOVERY (SAFER) PROJECT

# SOCIAL ASSESSMENT

**MARCH 2023**

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## Acronyms

| Acronym | Definition |
|---|---|
| **AMFIs** | Association of Micro Finance Institutions CBFI Community Based Financial Institutions |
| **CBK** | Central Bank of Kenya |
| **CGS** | Credit Guarantee Scheme |
| **CLF** | Centralized Liquidity Facility |
| **DOSH** | Directorate of Occupational Safety and Health |
| **ESF** | Environment and Social Framework |
| **FGD** | Focus Group Discussions |
| **ESS** | Environment and Social Standard |
| **FSSP** | Financial Sector Support Project |
| **GBV** | Gender-based Violence |
| **GDP** | Gross Domestic Product |
| **ILO** | International Labor Organization |
| **KIBT** | Kenya Institute of Business Training |
| **KII** | Key Informant Interviews |
| **KIE** | Kenya Industrial Estates |
| **KIRDI** | Kenya Industrial Research and Development Institute |
| **KNBS** | Kenya National Bureau of Statistics |
| **KBA** | Kenya Bankers Association |
| **LMP** | Labor-Management Procedures |
| **MoITED** | Ministry of Industry, Trade and Enterprise Development |
| **MSMEs** | Micro, Small, and Medium Enterprises |
| **MFB** | Micro-finance Banks |
| **MSEA** | Micro and Small Enterprises Authority |
| **NGEC** | National Gender and Equality Commission |
| **NT** | National Treasury |
| **OHS** | Occupational Health and Safety |
| **PCC** | Project Coordination Committee |
| **PFM** | Public Finance Management Act |
| **PwDs** | Persons With Disabilities |
| **SACCO** | Savings and Credit Co-operative Society |
| **SASRA** | Sacco Societies Regulatory Authority |
| **SAFER** | Supporting Access to Finance and Enterprise Recovery |
| **SEA/SH** | Sexual Exploitation and Abuse/Sexual Harassment |

| | |
|---|---|
| **SEP** | Stakeholder Engagement Plan |
| **OSHA** | Occupational Health and Safety Act |
| **WHO** | World Health Organization |
| **WIBA** | Work Injury Benefits Act |

# 1 INTRODUCTION

## 1.1 Project Background Information

The SAFER Project is meant to benefit Medium Small and Micro Enterprises (MSMEs) in all counties to better adjust to and recover impacts of COVID-19 on their businesses, especially their limited access to credit and other financial services. Some of the MSMEs in the country are operated by marginalized and minority groups or people that depend overwhelmingly on natural resources for their livelihoods. According to Article 260 of the Constitution of Kenya (CoK), these groups are described as minorities, marginalized and vulnerable groups (VMGs) and the World Bank's Environmental and Social Framework (ESF) ESS7 covers them as 'Indigenous Peoples/sub-Saharan African Historically Underserved Traditional Local Communities (IP/SSAHUTLC). ESS7 requires that a social assessment is carried out complete with consultations with the VMGs to ascertain how the project specifically affects them as VMGs, how best to mitigate any negative impacts, and how to enhance benefits to them.

The Constitution of Kenya 2010 defines marginalized communities as one or more of the following:

a) A community that, because of its relatively small population or for any other reason, has been unable to fully participate in the integrated social and economic life of Kenya as a whole.
b) A traditional community that, out of a need or desire to preserve its unique culture and identity from assimilation, has remained outside the integrated social and economic life of Kenya as a whole.
c) An indigenous community that has retained and maintained a traditional lifestyle and livelihood based on a hunter or gatherer economy; or pastoral persons and communities, whether they are:
    i. nomadic or
    ii. a settled community that, because of its relative geographic isolation, has experienced only marginal participation in the integrated social and economic life of Kenya as a whole.

Kenya is characterised by marginalisation and inequality, exacerbated by the low -level standards of living and insecurity. The constitution addresses the issue on marginalisation through affirmative action programmes and policies that are designed to redress any disadvantage suffered by individuals or groups because of past discrimination.

The Commission of Revenue allocation identified Turkana, Marsabit, Mandera, Lamu, Wajir, Isiolo, Samburu, Tana River, West Pokot, and Garissa are the most marginalised counties in Kenya and in each of the 47 counties there is at least one marginalised area, community, or group. On the other hand, Environmental and Social Standard 7 for Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities, or referred to as minority and marginalized groups in Kenya, possesses the following characteristic in varying degrees:

1. Self-identify as members of a distinct indigenous social and cultural group and recognition of this identify by others; and
2. Collective attachment to geographically distinct habitats, ancestral territories, or areas of seasonal use or occupation, as well as to the natural resources in these areas; and
3. Customary cultural, economic, social or political institutions that are distinct or separate from those of the mainstream society or culture and
4. A distinct language or dialect, or often different from the official language or languages or the country of region in which they reside.

## 1.2 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 percent of all businesses in the country, create 91percent of the jobs annually and contribute 34 percent 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 Program unveiled by President Kenyatta on 23rd May 2020. This element focuses on enhancing liquidity to MSMEs through provision of affordable credit in an efficient and structured manner.

## 1.3 Project Components

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

### *1.3.1 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 micro-enterprises will range between KES 7,000 and KES 150,000 and for small enterprises will range between KES 150,001 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 $25 million) and window 2 ($30 million). Window 1 will provide lines of credit to MSMEs through Savings and Credit Co-operatives (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.

### *1.3.2 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.

### *1.3.3 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 sub-component 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 sub-component 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 the replicability of success stories. These will support the Project through a demonstration effect and contribute to mobilizing 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.

## 1.4 Project Activities

Under Component 1 the project will focus on the following activities:

1. Identify an Apex Institution to channel lines of credit to MSMEs
2. Work with the Apex Institution to identify appropriate SACCOs and Micro Finance Banks through which credit lines will be channeled to MSMEs
3. Work with the Apex Institution to drive innovation targeting informal sector MSMEs

This component will be implemented by an Apex Financial Institution, who will work with participation Financial Institutions.

Under Component 2 the project will carry out activities as follows:

1. Establish a Credit Guarantee Company (CGC) to operate credit guarantee schemes
2. Build the systems and capacity for the CGC

This component will be implemented by National Treasury.

Under component 3 the project will:

1. Provide Technical Assistance to the CGC to operationalize the institution to lead in robust credit guarantee schemes especially for MSMEs in Kenya
2. Provide Technical Assistance to Participating Financial Institutions (PFIs)
3. Provide Technical Assistance to financial sector regulators
4. Support the project management at the National Treasury (NT) including developing a project communication strategy, setting up a project implementation unit (PIU) and resourcing it, among others.

This Component will be implemented by NT and an Apex financial intermediary that will be selected by NT.

## 1.5 Justification for the Social Assessment

ESS7 contributes to poverty reduction and sustainable development by ensuring that projects supported by the World Bank enhance opportunities for IP/SSAHUTLC to participate in, and benefit from, the development process in ways that do not threaten their unique cultural identities and wellbeing. In Kenya, the VMGs are among the most economically marginalized and vulnerable groups and in many cases they do not receive equitable access to project benefits or benefits are not devised or delivered in a form that is culturally appropriate. They may not always be adequately consulted about the design or implementation of project that would profoundly affect their lives or communities.

The social assessment involves engaging VMGs in a process of free, prior, and informed consultation to seek broad community support of indigenous people before deciding to develop any project that targets or affects indigenous communities. In this case the focus was MSMEs operated by VMGs, whether or not they were registered. The aim was to identify impacts and risks that may result due to project activities and to identify strategies for mitigating negative impacts and entrenching the SAFER Project in those MSMEs.

## 1.6 Objectives of the Social Assessment

The social assessment sets out to characterize the VMGs and MSMEs in the project areas by analyzing their socio-economic and cultural characteristics, the nature of MSMEs, their level of access to financial services, and evaluate the project’s potential positive and adverse impacts on the MSMEs and VMGs.

Specifically, the objectives of the assignment include:

1. To enhance SAFER's ability to provide opportunities for VMGs and specifically MSMEs operated by the VMGs in Kenya in ways that do not threaten their unique cultural identities and well-being.
2. To prepare a plan for averting potential negative impacts from project interventions on VMGs and their MSMEs. Where not possible or feasible, the assessment sought to provide measures to mitigate or compensate such adverse impacts or examine project alternatives where adverse effects may be significant.

# 2. METHODOLOGY

The social assessment was conducted as a standalone study using three main approaches, namely, (1) literature and documents review mainly to capture secondary data, (2) consultation with MSME operators in VMG areas, (3) qualitative data collection contemporaneous with consultations in focus group discussions (FGDs) and key informant interviews (KIIs).

## 2.1 Sampling of Counties and VMGs

The VMGs in Kenya constitute two broad categories of people, (a) pastoralists essentially living is Arid and Semi-arid Lands (ASALs), and (b) originally hunter-gatherer communities transitioning from foraging in forests to mixed livelihoods straddling forest and farm/livestock activities.

In order to include both categories of VMGs in the sample it was necessary to look into the literature and apply experience to purposively sample a county with VMGs in both categories. It was important to sample one such county because of time constraints and the urgency with which this SA report was required to move the SAFER project forward.

Considering the aforementioned criteria, Nakuru County was sampled because in it live the Ogiek People - a well-known Indigenous People and recognized VMG that traditionally constituted a hunter-gatherer community that is transitioning into forest-based bee-keeping and honey production, and farm/livestock/business livelihoods. In the county pastoralists such as Masai, Samburu, and Turkana reside and are also transitioning in farm/livestock and business-based livelihoods.

The table below shows the sites and VMGs that were sampled and engaged in Nakuru County.

Table 1: VMGs Sampled in Nakuru County

| Constituency | Sub-county | VMG Consulted |
|---|---|---|
| Njoro | Njoro | Ogiek |
| Gilgil | Gilgil | Masai, Samburu, Turkana |
| Naivasha | Satellite | Masai |

## 2.2 Methods

### *2.2.1 Literature and Documents Review*

A detailed review of planning and policy documents focusing on Nakuru county such as the County Integrated Development Plans (CIDPs) were reviewed. Relevant project documents such the ‘Rironi - Mau Summit PPP Project VMG Framework’, ‘Rironi - Mau Summit PPP Project ESIA Report’, and the ‘Itare Dam Project ESIA Report, were also reviewed in detail. The aim of these reviews was to identify the socio-economic characteristics of the VMGs in Nakuru County.

2.2.2 Focus Group Discussions

Focus Group Discussions (FGDs) were conducted with operators of MSMEs from the various VMGs in Nakuru County. The FGDs constituted between three and nine participants. The numbers were kept low because of the prevailing COVID-19 situation and therefore, to protect participants from possible infections. The consultant facilitated the FGDs and took the notes to avoid introducing an additional person from outside the VMG communities during the COVID pandemic.

*Figure 1: FGD with Masai, Turkana and Samburu MSME Operators in Kongasis, Gilgil, Nakuru County.*

*Figure 2: FGD with Ogiek MSME operators in Nassuit, Njoro, Nakuru County*

*Figure 3: FGD with Masai MSME Operators from Namuncha and Kitingini Villages, Naivasha Sub-county, Nakuru*

### *2.2.3 Key Informant Interviews*

Key informant interviews were conducted with some of the MSME operators to delve in their interactions with financial services, the services they consumed, and the challenges encountered. Four key informants were interviewed, one from each of the sites namely Nassuit, Kongasis, and Maimahiu.

*Figure 4: A Key Informant, Ogiek MSME Operator in his Shop at Nassuit, Njoro, Nakuru County*

*Figure 5: An Ogiek Kiosk Attendant Displays A Container of Honey Outside their Kiosk*

# 3. KEY FINDINGS OF SOCIAL ASSESSMENT

## 3.1 Socio-economic Profile of the Study Area

### *3.1.1 Overview of Nakuru County Demographic Characteristics*

This section focuses on the socio-economic profile of Nakuru County as a background to the VMGs that live in the county. According to the Nakuru CIDP (2018), the County is among the 14 Counties within the Rift Valley region. The major economic activities include agriculture, tourism and financial services. Nakuru is an agriculturally rich County whose background was shaped by the early white settlement schemes. The County human settlement has been shaped by major transport infrastructure, i.e., early colonial rail network and road A104. The poverty level for the County is at 29.1 percent.

According to the CIDP (2018) the County covers an area of approximately 7,498.8 km$^2$ and is located between Longitudes 35.41° East or 35° 24’ 36” East and 36.6° East or 36°36’ 0” East and Latitude 0.23° North or 0° 13’ 48” North and 1.16° South or 1° 9`36” South. The County headquarters is Nakuru Town.

The CIDP (2018) shows that the County has 11 sub-counties/constituencies, namely Naivasha, Nakuru Town West, Nakuru Town East, Kuresoi South, Kuresoi North, Molo, Rongai, Subukia, Njoro, Gilgil and Bahati. There are 55 wards in the County. Nakuru County is home to 2.1 Million people as per the Kenya National Bureau of Statistics (KNBS) projections for 2017. The County’s two major towns are; Nakuru Town which is the County’s headquarters and Naivasha town which is popular for both local and international tourism because of its proximity Nairobi the capital city of Kenya. Nakuru and Naivasha towns are complemented by other urban centres spread across the County that include; Molo, Njoro, Gilgil, Mai Mahiu, Subukia, Salgaa and Rongai.

The CIDP (2018) points out that the dominant communities include Kikuyu and Kalenjin. Other communities present in the County include Abagusii, Luo, Luhya, Maasai, Kamba, and Meru among others. Not all these non-dominant communities are VMGs. The main VMGs are Masai, Turkana, and Samburu, who are traditionally pastoralists, and Ogiek, who are traditionally hunter-gatherers.

### *3.1.2 Land Ownership and Landlessness*

Nakuru is historically a large-scale agricultural county having inherited the status from the colonial settlers who controlled most of the arable land. Nakuru County has a few large-scale land owners holding approximately 263 Hectares (Ha) of land on average. On the other hand, the County is dotted with many small-scale land owners with mean landholding size of 0.77 Ha. The bulk of the land holdings in the County are small-scale and are found mainly in the high potential agricultural areas. The medium and large-scale farms account for a small per cent of the holdings but cover the largest area under farming. The mean holding size for land ownership in urban areas is 0.05 Ha on average.

Nonetheless, the CIDP (2018) points out that slightly less than 20 per cent of the households are considered to be landless. Some of these landless persons are Post Election Victims settled in camps for Internally Displaced Persons, while others are slums dwellers and immigrants either in employment or engaged in business activities. There are also incidences of landlessness affecting those who were evicted from the Mau Forest.

#### *3.1.3 VMG Livelihoods*

##### *3.1.3.1 Ogiek of Nassuit, Marioshoni*

Marioshoni ward of Molo constituency is home to the largest proportion of Ogiek people in Kenya. The land they inhabit was forest land and has been cleared for settlement in the last twenty years. The Ogiek claim this land as their traditional territory as hunters and gatherers over several generations. However, this claim has been contested and a court case has progressed through Kenyan courts over the years and landed in the African Court on Human and People's Rights where it was decided in favor of the Ogiek on May 26, 2017. The African Court ruled *inter alia* that the Mau forests are the ancestral home of the Ogiek peoples and stated that the most salient feature of indigenous societies is their unhindered access to and use of their traditional land. Even after the court ruling however, the Ogiek continue to live on the land without title deeds.

The Ogieks' livelihoods revolve around bee keeping and honey. According to Kang'ethe, Ontita and Mwangi (2000) honey is critical to their religion and belief systems and is a central item in their rituals and ceremonies. They have placed beehives in the forests around them and on their farms. They sell the surplus honey through cooperatives and self-help groups. They also grow maize, beans, vegetables, and potatoes for domestic consumption and for sale of surpluses to the rest of the country through middlemen who transport it. The Ogiek rear dairy cattle and sell most of the milk in Njoro and Nakuru towns. Some of them conduct business activities in the trading centres in their territory and beyond.

The Ogiek are a patriarchal society. They have a strong council of elders that holds sway in most community-wide decisions. All members of the council are men, but women participate in local community meetings and contribute to discussions without hindrance. Other representative organizations of the Ogiek include churches, self-help groups organized around honey production and sales, the NGO Ogiek Peoples Development Program (OPDP) and several Community-Based Organizations (CBOs).

The Ogiek business people, bee keepers' cooperatives or groups, and farmers reported that they accessed credit mainly from mobile phone lending companies. Some of them banked with Equity Bank in Njoro Town and accessed credit from the bank. They complained of high interest rates on both bank loans and mobile phone credit.

##### *3.1.3.2 The Masai Maai-Mahiu*

The Maai-mahiu Area is in Naivasha Sub-county of Nakuru County. This sub-county borders Narok County to the south-east and east, and Narok County is predominantly occupied by the

Masai People. Therefore, the Masai in Maai-mahiu are in a contiguous traditional Masai Territory that spreads from Kajiado through Narok into Nakuru County.

In Maai-mahiu, the Masai people practice nomadic pastoralism as the main means of livelihood. They move their livestock seasonally into Narok and Kajiado counties in the east and into Nyandarua and Laikipia counties in the north in search of pasture and water. Nonetheless, in Maai-mahiu they own private land where they have built their permanent homes to which they return with their livestock when pasture and water is available.

The Masai supplement their livestock economy with sand and building stone harvesting and trade. They have local groups that supply sand and ballast to construction sites. In the Masai villages in the two areas, herbalists practice traditional medicine. They fetch medicinal herbs from different forests and prepare them at home. In good seasons, the Masai grow maize, beans, vegetables, and other horticultural crops such as bananas, onions, and tomatoes to supplement their income and improve food security.

There are a few people in the areas that were involved in livestock trade. They buy livestock in the villages and transport them in lorries to Nairobi where they sell at a profit. Some bought livestock locally, slaughtered in Suswa or Maai-mahiu slaughterhouses, and supply meat to hotels in Nakuru and Nairobi.

In the villages, women are involved in caring for small stock such as calves, goats, and sheep. Besides, they made ornamental beads for the market. Buyers visited the villages to buy and sell in the highways in the rest of the country or export to the western world where Masai attire and souvenirs sell at good prices.

The Masai are a patriarchal society where property is inherited by male children from their fathers. Women and girls have few economic chances because they do not own land or cattle, which must belong to men. Their economic and political power are thus largely limited. Nonetheless, change is occurring in a few areas because of women succeeding formal education. So, there are Masai women teachers, nurses, lawyers, and politicians, although the numbers are low relative to their population size in the country.

Traditionally men wield a lot of political and economic power. They are organized in age-sets based on year of circumcision. Each age-set has a chief that is widely respected by his age mates across Masai-land beyond his village and county of residence. There are elders who traditionally control of events including migration, going to war and peace agreements with neighboring ethnic groups and enemy clans. The elder are the custodians of indigenous knowledge and its practice. Reference is made to them in planning rituals and ceremonies.

#### *3.1.3.3 Masai, Samburu and Turkana of Kongasis, Ol Jorai*

Ol Jorai is in Elmentaita Ward, Gilgil Constituency. The Masai of Ol Jorai have lived in the area from time immemorial. The name of the place is from the Maa language. The Samburu and Turkana arrived in Ol Jorai around 1992. Previously they worked in farms in Solai and the Agricultural Development Corporation (ADC) farms in Nakuru County. In 1992 some of them bought land in Ol Jorai Settlement Scheme and settled there. Some became squatters in the private farms in the area. Therefore, while most of these people have title to the land, others have been squatters for over twenty years and are marginalized.

In terms of livelihoods, the Masai, Samburu and Turkana follow their traditions of rearing livestock including sheep, goats, and cattle. Nonetheless, they also grow maize, beans, peas, potatoes, vegetables, and fruits. They sell surpluses in the market. Their children attend local schools and a few travel to access education in Nakuru Town. The people also run businesses in local market centers such as Ol Jorai and Kongasis. These businesses include grocery shops, hardware shops and mobile cash transfer shops.

### *3.1.4 Impact of COVID-19 on VMG Operated MSMEs*

Participants of focus group discussions (FGDs) and Key informant said that their business activities had been affected by COVID-19 in different ways. They said that at the height of the pandemic in 2020/21, stock in grocery and clothes shops dwindled due to closure or slowed production in industries. Customers also shunned shops and business was very low, especially during lockdown periods. The bee keepers said that honey could not be sold during the pandemic because movement of people and goods was very low. Agricultural produce, especially potatoes and vegetable, went to waste and MSMEs that focused on aggregation and transportation of the produce to urban areas closed shop during the pandemic in 2020/21.

## 3.2 Policy, Institutional and Legal Frameworks

The rights of the VMG are anchored in the Constitution of Kenya (CoK) and in several institutions: these include Commissions, Ministry of Labor and Social Protection, Ministry of Public Service, Youth and Gender Affairs. These Ministries, Departments and Agencies (MDAs) are responsible for promoting and coordinating efforts around empowerment for the youth, women and people living with disabilities (PLWDs) in the country, while also ensuring gender equity.

The National Gender and Equality Commission is responsible for the mainstreaming issues related to minorities and marginalized groups while the National Cohesion and Integration Commission is responsible for preventing discrimination on the basis of race, ethnicity or other consideration and promoting cohesion among the many and diverse groups in the country.

The Constitution of Kenya (CoK) recognizes the socio-economic and cultural rights of all citizens as stipulated in Article 43. Article 21 requires State organs and public officers to address the needs of vulnerable groups within society including women, older members of society, persons with disabilities, members of minority or marginalized groups, and members of particular ethnic, religious or cultural communities that are deemed historically excluded.

The aforementioned definition is in line with provisions of ESS7 in the World Bank ESF. Like ESS7, the definition covers historical disadvantage, protection of identity and culture, and unique livelihoods most dependent in large measure on natural resources. Based on this recognition of marginalization in Kenya, the country have developed a number of policies and created institutions to address the special need of VMGs in the country.

In addition to the legal and institutional framework, there are some policy guidelines and documents which are relevant to the development and welfare of the VMG:

1. **Kenya Vision 2030:** has been designed to transform Kenya into a middle-income country by the year 2030. It has three pillars – economic, social, and political, of which the social and the economic pillars are the most relevant for the purpose of this report. The social pillar aims to "build a just and cohesive society with social equity in a clean and secure environment". It, therefore, presents comprehensive social interventions aimed at improving the quality of life of all Kenyans and Kenyan residents. This strategy makes special provisions for Kenyans with various disabilities (PWDs) and previously marginalized communities. The economic pillar aims at improving the prosperity of all Kenyans through an economic development programme, covering all the regions of Kenya. It aims to achieve an average Gross Domestic Product (GDP) growth rate of 10% per annum beginning in 2012.

2. **National Social Protection Policy:** developed in 2011, this policy is aimed at reducing poverty and the vulnerability of the population to economic, social, and natural shocks and stresses. The main objectives of the policy include; (i) protecting individuals and households from the impact of adverse shocks to their consumption that is capable of pushing them into poverty or into deeper poverty; and (ii) cushioning workers and their dependents from the consequences of income-threatening risks such as sickness, poor health, and injuries at work as well as from the threat of poverty in their post-employment life.

3. **National Land Policy:** though Kenya does not have a clearly defined or codified land policy, the 2009 version envisages the treatment of all people equitably, addressing itself to the various categories of VMGs including children, youth, pastoralists and minorities. In order to secure access to land and land-based resources for vulnerable groups generally, the policy proposes to a) develop mechanisms for identifying, monitoring and assessing the vulnerable groups; (b) establish mechanisms for redistribution of land and resettlement; (c) facilitate their participation in decision making over land and land-based resources; and (d) protect their land rights from unjust and illegal expropriation.
4. **Gender Policy, 2011:** This policy guarantees equality of men and women before the law in accessing economic and employment opportunities. It facilitates the review of laws that hinder women's access to and control over economic resources and improve vocational and technical skills of disadvantaged groups, notably unemployed youth, disabled women, poor urban and rural women, and street dwellers, for improved access to employment opportunities.

It should be noted that all the polices including the Kenya Vision 2030 speaks to both the financial protection and the value chain component since the focus is on building resilience of the vulnerable and marginalized groups in the drylands of Kenya.

# 4 STAKEHOLDER AND INSTITUTIONAL ANALYSIS

This section identifies the various actors that have stakes in the socio-economic and political lives of the various VMGs and explains how those stakes play out and how such might be useful to the SAFER Project.

## 4.1 Farmers' Groups

In Nassuit and Kongasis areas the Ogiek and Masai, Samburu, and Turkana farmers had many farmers' groups. The groups formed the major avenues for accessing agriculture extension services, farm inputs such as fertilizers, aggregating produce such as potatoes and maize, and sales. The leaderships were informal and chosen through consensus. In some instances, group members shared seed and agricultural knowledge and practices among themselves. They also shared information on prevailing prices and the best times to sell their produce. These groups were identified in FGDs and by Key Informants as primary stakeholders in the SAFER project as they potentially would form a major information conduit for members.

## 4.2 Cooperative Societies

The Ogiek had cooperative societies that brought them together as beekeepers and honey producers. The cooperatives were formally registered with the Ministry of Cooperatives and often enjoyed training by Cooperative Officers from the National Government. The functions of the cooperatives included beekeeping and honey production, aggregation of honey, honey processing and packaging, warehousing, marketing, and banking members' returns. The leaderships were formal and in compliance with the Cooperatives Act. The Masai of Mai-mahiu also had cooperatives organized around sand harvesting and sales. These cooperatives organized labor for harvesting, loading and selling on behalf of members. They thus linked the members to the banks. Hence, FGD participants and key informants saw them as critical stakeholders in the SAFER Project.

## 4.3 Pastoralist Groups

The focus group discussions revealed that the Masai, Samburu, and Turkana had formed groups for the furtherance of their pastoralist livelihoods. Even those that were involved in business activities were also members of these groups that they used to market their livestock and to even take care of them. Therefore, the main functions of the groups include livestock production and marketing, dairy production, small-scale business, some crop production, and charitable activities such as gift exchange. The groups were mainly led by men who were chosen once and replaced after death or in very old age. These groups could form a major information channel for the SAFER project as per FGD participants.

## 4.4 County Government

The County Government was identified as a key stakeholder with potential extensive influence on the SAFER project. The County Government stakeholders include relevant line ministers who will have a significant role to play in this project and therefore must be engaged and consulted throughout the project phases. These include the licensing and enforcement departments in the County Government because they dealt with MSMEs on day-to-day basis. Veterinary services are devolved and were thus offered by county government, hence the latter’s influence and contact with pastoralist groups that identified the county government as critical to their livelihoods including livestock and meat trade.

## 4.5 National Government

The participants in the FGDs identified the National Government as a stakeholder in their MSMEs especially in terms of security provided by the Ministry of Interior and Coordination of national Government. The Ministry of Cooperatives was also identified as critical to the various cooperative societies that they operated as MSMEs. Overall, the SAFER project would need to engage with cooperative officers in the counties in the course of project implementation.

## 4.6 Commercial Banks

Key informants and FGD participants identified banks that provided financial services to their MSMEs. These included Kenya Commercial Bank (KCB), Cooperative Bank of Kenya, Equity Bank, and National Bank. The various FGD participants pointed out that they banked with one or two of the banks, although most of the participants had not taken loans from the lenders. Others accessed credit from mobile phone lenders, although they said loans were meagre and interest rates too high. They thus pointed out that in the SAFER project they would best be engaged through their banks as stakeholders.

## 4.7 Civil Society Organizations

As VMGs the Ogiek, Masai, Turkana, and Samburu had NGOs that spoke for them. The Ogiek had an NGO called Ogiek People’s Development Program (OPDP) that coordinates their affairs. The Masai, Samburu, and Turkana had the Pastoralists Development Network (PDN) that speaks for all pastoralists in the country. The FGD participants identified these two NGOs as their umbrella organizations that should be engaged along-side their MSMEs during the SAFER project implementation.

# 5. POTENTIAL POSITIVE AND NEGATIVE IMPACTS OF THE SAFER PROJECT

## 5.1 Potential Positive Impacts

Consultations in the FGDs and with key informants revealed that MSMEs were thriving in the VMG territories. However, the MSMEs faced several challenges. These included non-registration with relevant regulators such registrar of companies/business names, limited access to financial services, exclusion from banking services due to long distances to the banks, language barriers, and limited savings, and limited customer base.

The participants therefore identified the following as potential positive impacts of the SAFER Project:

1. Improved access to credit at low interest rates
2. Access to financial information close to their MSME premises
3. Training on financial services and management
4. Expansion of their MSMEs and improved marketing of their goods

Overall, the MSME participants consulted argued that the SAFER project would contribute to improved and expanded MSMEs in the VMG areas with better profits and inclusion of VMGs in financial services. This is also expected to spur diversification of livelihoods into business and value addition of local produce leading to stable income and food security. In particular, pastoralist group members hoped to grow their meat businesses and deliver more meat to markets outside their territories due to availability of capital through loans.

## 5.2 Potential Negative Impacts

The potential negative impacts of the SAFER project include (1) exclusion of the VMGs from the project. This is likely to result from the VMGs' current in-access to financial services such as loans due to inadequate awareness and inadequate savings and turnover. Therefore, if specific measures are not made to include VMG MSMEs in the project, exclusion is inevitable. (2) in the event that loans flow to the VMG MSMEs through the SAFER project there is a likelihood that businesses will flourish in those isolated areas and crime may set to harass emerging business people. FGD participants said that this negative impact will be mitigated through close working relationships with the representatives of the Ministry of Interior such as the chiefs and police officers to counter criminals.

## 6. CONCLUSIONS

The findings of the social assessment reveal that there exist MSMEs in VMG areas where the Ogiek, Masai, Samburu, and Turkana people live in Nakuru County. Some of these MSMEs are formal and registered while the majority of them are not. Some of the MSMEs bank with Equity, Co-operative, Kenya Commercial or National Bank. A few of the MSME operators that were banked also accessed credit from the banks, although they faced challenges of meagre loans and high interest rates. The rest of the MSMEs that accessed credit did so from lenders on mobile phones.

These MSMEs were negatively affected during the height of the COVID-19 pandemic in 2020/21. They did not access stock during lockdown periods. Moreover, business dwindled during the period, and recovery has been very slow.

It was also established through the social assessment that there is scope in using the SAFER project to provide loans to VMG MSMEs and catalyze their businesses. Among the Ogiek MSMEs for instance, there is scope to use the loans to increase bee hives, aggregate honey, process and package it for marketing beyond traditional local markets. Among the Masai, Turkana and Samburu the loans were expected to go into expanding meat and livestock businesses and markets beyond local butchery shops to increasing volumes shipped to urban areas.

The potential negative impacts of the SAFER project such as exclusion or further marginalization of the VMG MSMEs can be mitigated through concerted information provision and awareness creation on financial services and management in the VMG MSME catchments. Therefore, the SAFER project has room to influence business growth in VMG areas as long as their relatively isolated businesses, some of them informal are kept in view during project implementation.

## References


GoK (2010) Constitution of Kenya. Nairobi: Government Printers.

Nakuru County (2018) County Integrated Development Plan 2018 – 2022. Nakuru: County Government of Nakuru.

Nakuru County (2020) Nakuru County Annual Development Plan. Nakuru: Nakuru County Government.

Kang’ethe L., E. Ontita and E. Mwangi (2000) Forestry and Food Security in Kenya: The Case of South-West Mau Forest. Nairobi: Forest Action Network.

## Annex 1: FGD Guide

SUPPORTING ACCESS TO FINANCE AND ENTERPRISE RECOVERY (SAFER) PROJECT

FOCUS GROUP DISCUSSION GUIDE

Preliminaries
Prayer by a volunteer
Introductions
Brief on the SAFER Project

Focus Group Discussion Themes

a) What are the main sources of livelihood in this area? Probe for sources of income, food, social support and protection.
b) Business: When was this SACCO/Business Group started? How many members does it have? How many women/men? What are the main socio-economic and cultural characteristics of the members? Probe for IP characteristics.
c) Which goods/services do you offer in your business? Where do you source the goods and services? What value addition do you do here in the business premises?
d) What is the current capital outlay in your business? How did you put together the capital for the business? Probe for sources of funds.
e) Do you use Bank/Micro-finance Bank/Credit Society? Which financial services do you require for your business? Where do you access those services? What challenges do you face in accessing financials services? How do you overcome the challenges?
f) Have you ever taken loans for growing your business? If yes, when (year)? How did you use the loan proceeds? If no, why haven't you taken loans to expand your business?
g) What would you like done to enable your business access financial services including loans easily and fast? Probe for suggestions on size of loans, customer care, interest rates, grace period, and so on.
h) Who are the main stakeholders in your business? Probe for role of County Governments, Financial Institutions, National Governments, Farmers /Pastoralists /beekeepers.
i) How would a credit scheme to support MSMEs with credit to grow businesses in Kenya affect your IP businesses positively? Negatively? How do you suggest the negative impacts may be mitigated? By whom?
j) Any further comments?

Thanks for your participation in this discussion

## Annex 2: Key Informant Interview Guide

SUPPORTING ACCESS TO FINANCE AND ENTERPRISE RECOVERY (SAFER) PROJECT
KEY INFORMANT INTERVIEW GUIDE

Preliminaries
Prayer
Introduction and brief on the SAFER Project

Key Informant Interview Themes

a) What are the main sources of livelihood in this area? Probe for sources of income, food, social support and protection.

b) Business: When was this SACCO/Business Group started? How many members does it have? How many women/men? What are the main socio-economic and cultural characteristics of the members? Probe for IP characteristics.

c) Which goods/services do you offer in your business? Where do you source the goods and services? What value addition do you do here in the business premises?

d) What is the current capital outlay in your business? How did you put together the capital for the business? Probe for sources of funds.

e) Do you use Bank/Micro-finance Bank/Credit Society? Which financial services do you require for your business? Where do you access those services? What challenges do you face in accessing financials services? How do you overcome the challenges?

f) Have you ever taken loans for growing your business? If yes, when (year)? How did you use the loan proceeds? If no, why haven't you taken loans to expand your business?

g) What would you like done to enable your business access financial services including loans easily and fast? Probe for suggestions on size of loans, customer care, interest rates, grace period, and so on.

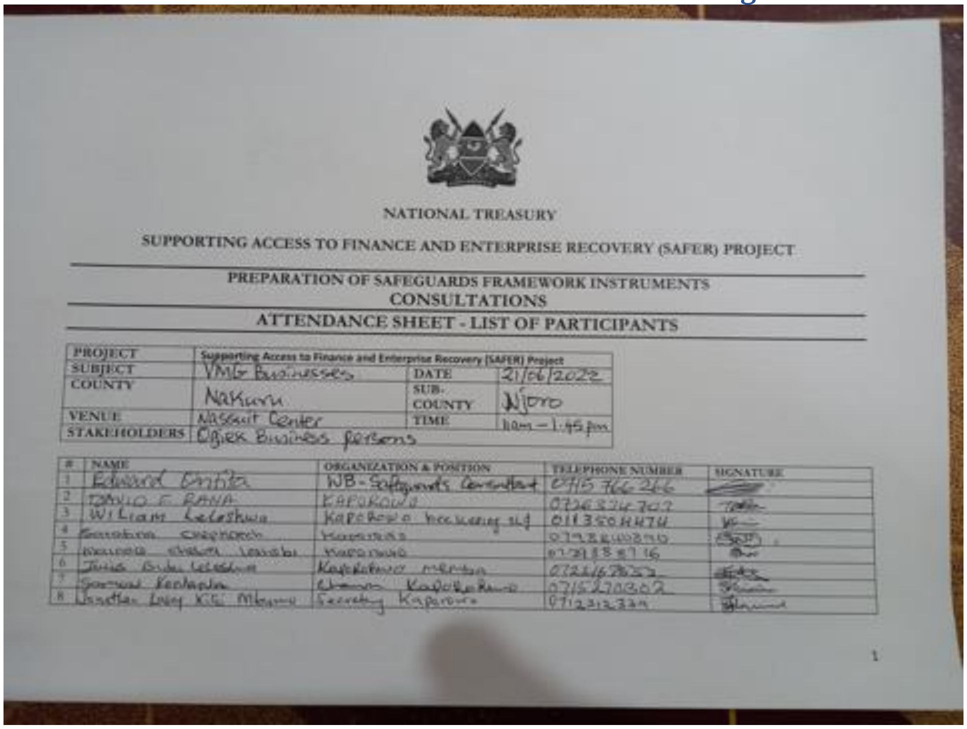
h) Who are the main stakeholders in your business? Probe for role of County Governments, Financial Institutions, National Governments, Farmers /Pastoralists /beekeepers.

i) How would a credit scheme to support MSMEs with credit to grow businesses in Kenya affect your IP businesses positively? Negatively? How do you suggest the negative impacts may be mitigated? By whom?

j) Any further comments?

Thanks for your participation in this discussion

## Annex 3: Attendance Sheet for the Nassuit FGD for Ogiek Business Persons



NATIONAL TREASURY

SUPPORTING ACCESS TO FINANCE AND ENTERPRISE RECOVERY (SAFER) PROJECT

PREPARATION OF SAFEGUARDS FRAMEWORK INSTRUMENTS
CONSULTATIONS

ATTENDANCE SHEET - LIST OF PARTICIPANTS

| | | | |
|---|---|---|---|
| PROJECT | Supporting Access to Finance and Enterprise Recovery (SAFER) Project | | |
| SUBJECT | VMG Businesses | DATE | 21/06/2022 |
| COUNTY | Nakuru | SUB-COUNTY | Njoro |
| VENUE | Nassuit Center | TIME | 11am – 1:45 pm |
| STAKEHOLDERS | Ogiek Business Persons | | |

| # | NAME | ORGANIZATION & POSITION | TELEPHONE NUMBER | SIGNATURE |
|---|---|---|---|---|
| 1 | Edward Ontita | WB-Safeguards Consultant | 0715 766 266 | |
| 2 | DAVID E RANA | KAPOROWO | 0726374707 | |
| 3 | WILLIAM Keleshwa | KAPOROWO beekeeping sh | 0113504474 | |
| 4 | [illegible] | [illegible] | [illegible] | |
| 5 | [illegible] | [illegible] | [illegible] | |
| 6 | [illegible] | Kaporowo member | [illegible] | |
| 7 | Samuel Kenlanda | Chairman Kaporowo | 0715270302 | |
| 8 | [illegible] | Secretary Kaporowo | [illegible] | |

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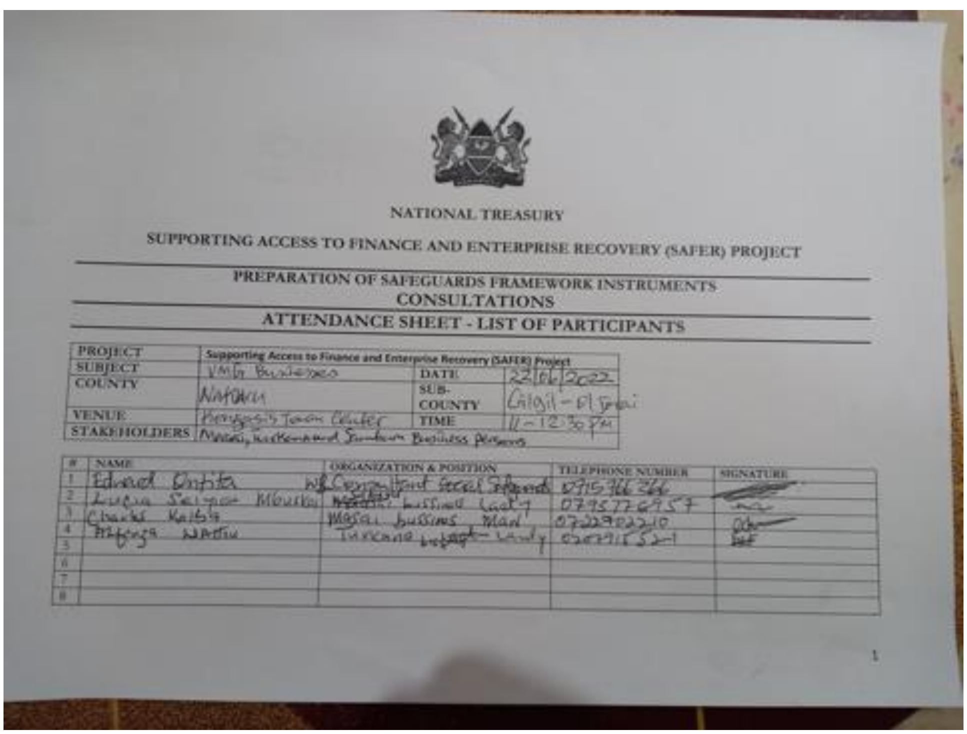
Annex 4: Attendance Sheet for the Kongasis FGD for Samburu, Masai and Turkana Businesspersons



NATIONAL TREASURY

SUPPORTING ACCESS TO FINANCE AND ENTERPRISE RECOVERY (SAFER) PROJECT

PREPARATION OF SAFEGUARDS FRAMEWORK INSTRUMENTS
CONSULTATIONS

ATTENDANCE SHEET - LIST OF PARTICIPANTS

| | | | |
|---|---|---|---|
| PROJECT | Supporting Access to Finance and Enterprise Recovery (SAFER) Project | | |
| SUBJECT | VMG Businesses | DATE | 22/06/2022 |
| COUNTY | Nakuru | SUB-COUNTY | Gilgil – El [illegible] |
| VENUE | Kongasis Town Center | TIME | 11 – 12:30 PM |
| STAKEHOLDERS | Masai, Turkana and Samburu Business persons | | |

| # | NAME | ORGANIZATION & POSITION | TELEPHONE NUMBER | SIGNATURE |
|---|---|---|---|---|
| 1 | Edward Ontita | WB Consultant Social Safeguards | 0715 766 266 | |
| 2 | Lucia Seipai Mburu | Samburu business lady | 0795776957 | |
| 3 | Charles Kaisa | Masai bussines man | 0722902210 | |
| 4 | [illegible] | Turkana business lady | [illegible] | |
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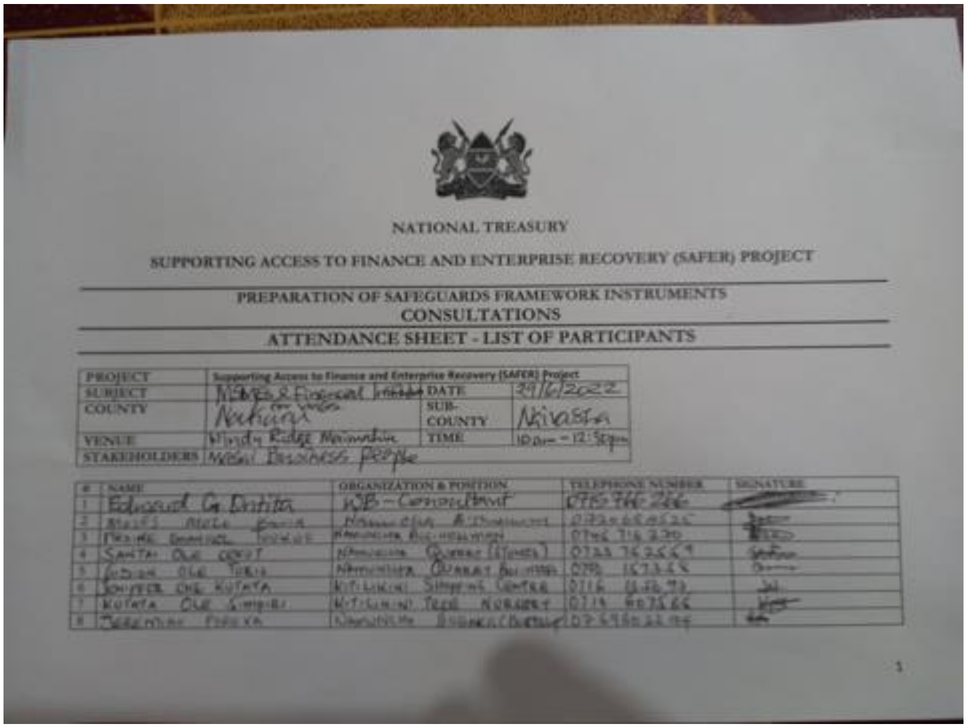
Annex 5: Attendance Sheet for the Mai-mahiu FGD for Masai Businesspersons



NATIONAL TREASURY

SUPPORTING ACCESS TO FINANCE AND ENTERPRISE RECOVERY (SAFER) PROJECT

PREPARATION OF SAFEGUARDS FRAMEWORK INSTRUMENTS
CONSULTATIONS

ATTENDANCE SHEET - LIST OF PARTICIPANTS

| | | | |
|---|---|---|---|
| PROJECT | Supporting Access to Finance and Enterprise Recovery (SAFER) Project | | |
| SUBJECT | MSMEs & Financial [illegible] | DATE | 29/6/2022 |
| COUNTY | Nakuru | SUB-COUNTY | Naivasha |
| VENUE | Windy Ridge Maimahiu | TIME | 10am – 12:30pm |
| STAKEHOLDERS | Masai Business People | | |

| # | NAME | ORGANIZATION & POSITION | TELEPHONE NUMBER | SIGNATURE |
|---|---|---|---|---|
| 1 | Edward G. Dritita | WB – Consultant | [illegible] | [illegible] |
| 2 | [illegible] | [illegible] | [illegible] | [illegible] |
| 3 | [illegible] | [illegible] | [illegible] | [illegible] |
| 4 | [illegible] | [illegible] | [illegible] | [illegible] |
| 5 | [illegible] | [illegible] | [illegible] | [illegible] |
| 6 | [illegible] | Kitilikini Shopping Centre | [illegible] | [illegible] |
| 7 | [illegible] | [illegible] | [illegible] | [illegible] |
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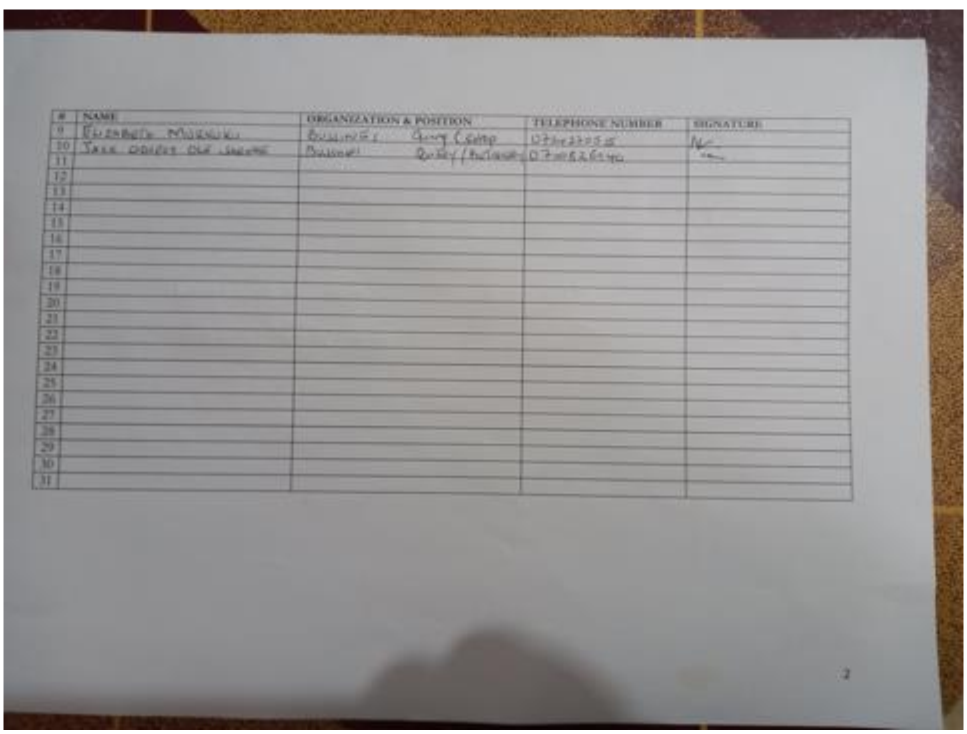

| # | NAME | ORGANIZATION & POSITION | TELEPHONE NUMBER | SIGNATURE |
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| 9 | [illegible] | [illegible] | [illegible] | [illegible] |
| 10 | [illegible] | [illegible] | [illegible] | [illegible] |
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