# Transforming Livelihoods through Climate Resilient, Low Carbon, Sustainable Agricultural Value Chains in the Lake Region Economic Bloc, Kenya

**Key results:**

- *Reduced greenhouse gas emissions of 1.3 million tons CO2 equivalents and improved climate resilience of 572,000 people (of which 286,000 women).*
- *Six climate-resilient, low carbon value chains are sustained financially and upscaled by the adoption of new business models and practices among farmers and value chain actors*
- *130 cooperatives and 14 counties in the Lake Region Economic Bloc will be strengthened in supporting the upscaling of the six climate-resilient, low carbon, sustainable value chains*

**Justification for support:**

- *The Lake Region is one of the most densely populated regions of Kenya with 14.9 million people which constitute about 31% of the population*
- *This region faces high population density, multidimensional poverty, and limited adaptive capacity, increasing the vulnerability of farmers to climate-related risks such as erratic rainfall, prolonged droughts, and soil degradation*
- *Denmark's co-funding of this project is well aligned with the current Strategic Framework for the Danish-Kenyan partnership and contributes to one of its three pillars aiming at green, sustainable and inclusive growth*

**Major risks and challenges:**

- *Delayed implementation by the FAO and Agriterra. This risk will be mitigated by close monitoring by the Royal Danish Embassy, especially in the inception phase*
- *Decreasing national budget and impetus for the climate change agenda*
- *Challenges in coordination between a multitude of partners and stakeholders in the project.*

| **File No.** | 25/16957 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Country** | Kenya | | | | | | | |
| **Responsible Unit** | RDE Nairobi | | | | | | | |
| **Sector** | Agriculture | | | | | | | |
| **Partner** | FAO | | | | | | | |
| *DKK million* | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | Total |
| **Commitment** | 40.0 | | | | | | | |
| **Disbursement** | 10.0 | 10.0 | 10.0 | 10.0 | 0 | 0 | 0 | 40.0 |
| **Duration** | November 2025 to June 2031 | | | | | | | |
| **Previous grants** | None | | | | | | | |
| **Finance Act code** | 06.32.01.11 Kenya | | | | | | | |
| **Head of unit** | Stephan Schønemann | | | | | | | |
| **Desk officer** | Philip Akello | | | | | | | |
| **Reviewed by CFO** | ~~NO~~ / YES: Charlotte Rosen | | | | | | | |

**Relevant SDGs** *[Maximum 1 – highlight with grey]*

| | | | | | |
|---|---|---|---|---|---|
| No Poverty | No Hunger | Good Health, Wellbeing | Quality Education | Gender Equality | Clean Water, Sanitation |
| Affordable Clean Energy | Decent Jobs, Econ. Growth | Industry, Innovation, Infrastructure | Reduced Inequalities | Sustainable Cities, Communities | Responsible Consumption & Production |
| Climate Action | Life below Water | Life on Land | Peace & Justice, strong Inst. | Partnerships for Goals | |

**Objective**

*To foster the emergence of climate-resilient, low-carbon, environmentally sustainable, and financially viable agriculture value chains. This will be done by accelerating the transfer of technology, knowledge, assets, and services with a focus on agri-food cooperatives as key agents to leverage rural change.*

**Environment and climate targeting - Principal objective (100%); Significant objective (50%)**

| | **Climate adaptation** | **Climate mitigation** | **Biodiversity** | **Other green/environment** |
|---|---|---|---|---|
| **Indicate 0, 50% or 100%** | **100%** | **50%** | | **100%** |
| **Total green budget (DKK)** | **40,000,000** | **20,000,000** | | **40,000,000** |

**Justification for choice of partner:**

*As part of the comprehensive project preparation for Green Climate Fund approval, the relevant stakeholders were identified and analysed. The choice of partners in Kenya stems from the mandate of the public institutions involved. FAO and Agriterra are co-implementing partners and have developed the project proposal for the Green Climate Fund.*

**Summary:**

*The project aims to contribute to a transformative change towards low-carbon, climate resilient agricultural value chains in the Lake Region of Western Kenya. The project has a total budget of USD 50 million over six years, including a grant of USD 29.2 million from the Green Climate Fund which will be supplemented with funding from the FAO and the Government of Kenya, in addition to this co-funding of DKK 40 million from Denmark. The project will be delivered through the FAO (Kenya) as an entity accredited to the GCF, with the FAO and Agriterra as co-executing entities. Government of Kenya will execute the activities that they are co-financing.*

**Budget** (engagement as defined in FMI)**:**

| | |
|---|---|
| Transforming Livelihoods through Climate Resilient, Low Carbon, Sustainable Agricultural Value Chains in the LREB | DKK 40,000,000 |
| **Total** | **DKK 40,000,000** |

Ministry of Foreign Affairs of Denmark

# Project Document

# Transforming Livelihoods through Climate Resilient, Low Carbon, Sustainable Agricultural Value Chains in the Lake Region Economic Bloc, Kenya

## 2025-2031

# Contents

## Abbreviations

| | |
|---|---|
| BETA | Bottom-Up Economic Transformation Agenda |
| CIDPs | County Integrated Development Plans |
| $CO_2$ | Carbon dioxide |
| CRLCSA | Climate-resilient low-carbon agricultural value chains |
| DAFC | Danish Agriculture and Food Council |
| DANIDA | Danish International Development Assistance |
| DKK | Danish Kroner |
| EEs | Executing Entities |
| FAO | Food and Agriculture Organization |
| FIRR | Financial Internal Rate of Return |
| FPIC | Free, Prior and Informed Consent |
| GCF | Green Climate Fund |
| GDP | Gross domestic product |
| G-FLLOCA | Government Financing Locally-Led Climate Action Programme |
| GRM | Grievance Redress Mechanism |
| HRBA | Human Rights-Based Approach |
| IFAD | International Fund for Agricultural Development |
| KIAMIS | Kenya Integrated Agricultural Management Information System |
| LNOB | Leaving No One Behind |
| LREB | Lake Region Economic Bloc |
| M&E | Monitoring & Evaluation |
| MEL | Monitoring, Evaluation and Learning |
| MESPT | Micro Enterprises Support Programme Trust |
| MFA | Ministry of Foreign Affairs of Denmark |
| MOU | Memoranda of Understanding |
| NAP | National Adaptation Plan |
| NDC | Nationally Determined Contribution |
| OECD/DAC | Organisation for Economic Co-operation and Development's Development Assistance Committee |
| PAP | Process Action Plan |
| PMU | Project management Unit |
| PSC | Project Steering Committee |
| PTCC | Project Technical Coordinating Committee |
| RDE | Royal Danish Embassy, Nairobi |
| RIMA-II | Resilience Index Measurement and Analysis - II |
| SACCO | Savings and credit cooperative |
| SDGs | Sustainable Development Goals |
| ToC | Theory of Change |
| ToR | Terms of Reference |
| USD | United States dollar |

# 1. Introduction

The present project document outlines the background, rationale and justification, objectives and management arrangements for development cooperation concerning Transforming Livelihoods through Climate Resilient, Low Carbon, Sustainable Agricultural Value Chains in the Lake Region Economic Bloc, Kenya as agreed between the FAO office in Kenya and the Royal Danish Embassy in Kenya, Ministry of Foreign Affairs of Denmark. The project document is an annex to the legal agreement with the implementing partner regarding Denmark's co-funding of this project and constitutes an integral part hereof together with the documentation specified below.

"The Documentation" refers to the partner documentation for the supported intervention, which is the Funding Proposal for the project *Transforming Livelihoods through Climate Resilient, Low Carbon, Sustainable Agricultural Value Chains in the Lake Region Economic Bloc, Kenya,* including annexes.

The project aims to contribute to a transformative change towards low-carbon, climate resilient agricultural value chains in the Lake Region of Western Kenya. The project has a total budget of USD 50 million over six years, including a grant of USD 29.2 million from the Green Climate Fund (GCF) which will be supplemented with funding from the FAO and the Government of Kenya, in addition to this co-funding of DKK 40 million from Denmark. The project will be delivered through the FAO (Kenya) as an entity accredited to the GCF, with the FAO and Agriterra as co-executing entities. Government of Kenya will execute the activities that they are co-financing.

# 2. Context, strategic considerations, rationale and justification

## 2.1 Political and economic context

Kenya's political and economic landscape is critical to the success of initiatives aimed at transforming agricultural value chains towards low-carbon, climate-resilient pathways. Kenya has implemented significant political and economic reforms, contributing to sustained economic growth, social development, and political stability over the past decades. The approval of a new constitution in 2010 and relatively peaceful elections in 2013 marked significant milestones in Kenya's political transition, but Kenya has experienced challenges related to centralisation and abuse of power, leading to a prolonged constitutional review process and episodes of post-election violence. At the county level, the devolved system of government established by the 2010 constitution grants counties autonomy in certain functions, including agriculture. This devolution aims to enhance local governance and service delivery. However, some counties face challenges such as inadequate infrastructure, limited access to markets, and governance issues. Kenya has recently witnessed youth-led protests against economic challenges, including high taxes and corruption. These movements, amplified by social media, reflect widespread frustration among young people towards the ruling political class and highlight the need for inclusive economic policies.

Economically, Kenya is the largest and most diversified economy in East Africa. For the last ten years, the economy achieved broad-based growth at around 5% per year (except during and just after Covid-

19), aligning with the lower middle-income country average and surpassing the Sub-Saharan Africa average. This growth has been driven by public investment, smallholder agricultural production, and incentives for private industrial investment.

Kenya is a key player in international agricultural supply chains, particularly in tea and coffee production. The country's commitment to the Paris Agreement and Sustainable Development Goals (SDGs) underscores the urgency of transitioning to low-carbon, climate-resilient agricultural systems. Global trade policies and consumer preferences for sustainable products present opportunities for Kenyan farmers.

At the national level, Kenya's economy is highly reliant on agriculture, which contributes 26% of the GDP and 65% of exports. The agricultural sector remains vulnerable to climate variability, with rain-fed production dominating smallholder farming systems. The national policy framework, including the Kenya Climate Smart Agriculture Strategy and Vision 2030, supports climate adaptation efforts in agriculture. However, governance gaps at the county level create challenges for implementation. Population growth and urbanisation are increasing food demand and putting further strain on agricultural systems.

The Lake Region is one of the most densely populated regions of Kenya with 14.9 million people which constitute about 31% of the population in Kenya. The Lake Region Economic Bloc (LREB) comprising the County governments of Bomet, Bungoma, Busia, Homa Bay, Kakamega, Kericho, Kisii, Kisumu, Migori, Nandi, Nyamira, Siaya, Trans Nzoia and Vihiga, was established in 2015 as an economic bloc and brought into inception on 26th March 2018 to enable the counties to benefit from economies of scale and facilitate the development, management and utilisation of cross boundary economic resources and infrastructure. The LREB is one of Kenya's primary agricultural zones, accounting for a significant share of smallholder farming activities. 72% of the population relies on agricultural output for food security and livelihoods. This region faces high population density, multidimensional poverty, and limited adaptive capacity, increasing the vulnerability of farmers to climate-related risks such as erratic rainfall, prolonged droughts, and soil degradation. According to the LREB Blueprint *Unlocking Economic Potential of the LREB* and the Counties' *Integrated Development Plans,* climate change is generally a highly prioritised issue, and some counties have strengthened the institutional framework introducing a county climate change fund climate information services and climate change planning committees.

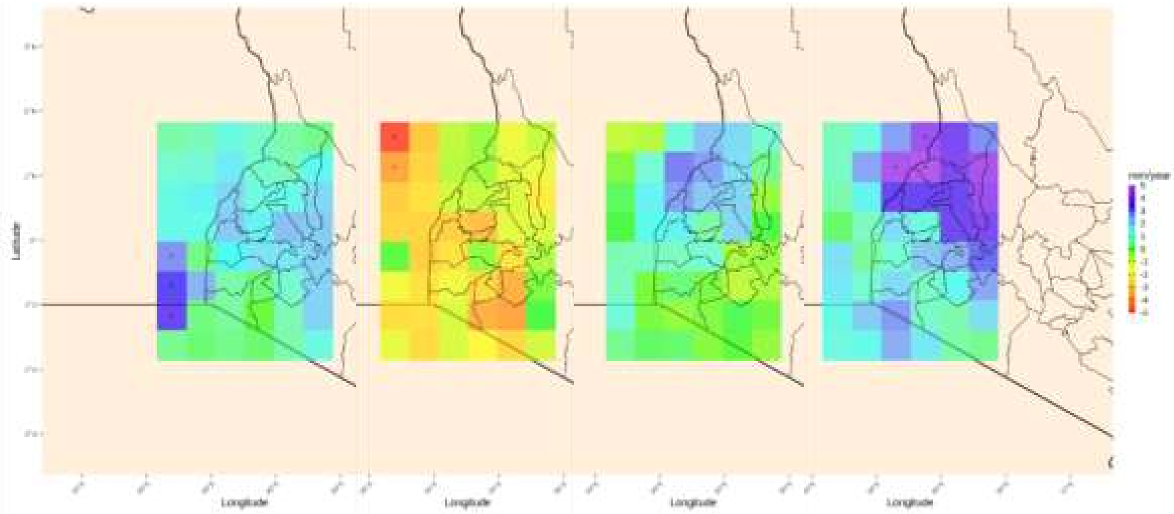
The low adoption rates of climate-smart technologies due to financial and knowledge barriers constitute a constraint to economic development. The main challenges in relation to the adoption of climate-resilient, low-carbon agricultural practices include limited infrastructure and market access, constraining farmers' ability to commercialise climate-resilient crops. Policy and institutional bottlenecks also delay climate adaptation and mitigation efforts. Financial resources are often insufficient to support widespread implementation of climate-smart agriculture, requiring additional investments and funding mechanisms. There is also a need for stronger enforcement of land use and environmental policies to prevent further degradation.

## 2.2 Climate vulnerability analysis

The climate vulnerability analysis of the Lake Region Economic Bloc (LREB) highlights the critical risks posed by climate change to agricultural systems and rural livelihoods in the region. The population experiences a considerable variation in annual rainfall patterns and extreme weather events become more frequent, including prolonged droughts, heatwaves, heavy rainfalls and floods. Temperatures are rising, leading to increased evapotranspiration.

The agricultural sector in LREB is predominantly rain-fed, making smallholder farmers highly vulnerable to erratic precipitation patterns. While annual rainfall trends show an overall increase since 1981 in northern counties of the LREB, the disaggregation of rainfall trends by season shows decreasing rainfall during the March-April-May season by up to 14% and increasing trends during the October-November-December season by up to 25% from 1981 to 2010 (Figure 1). The changes in rainfall patterns between seasons upsets the engrained agricultural calendar and represent uncertainties for farmers. Furthermore, prolonged dry spells reduce yields and lead to crop failures, while excessive rainfall increases the risk of soil erosion, flooding, and post-harvest losses. The dairy and poultry industries are also impacted by climate stress, with heat stress reducing livestock productivity and increasing disease prevalence.

**Figure 1: Total annual precipitation changes by season in the Lake Region Economic Bloc (1981-2010)**



*Note: From left to right: (1) January-February, (2) March-April-May, (3) June-July-August-September (4) October-November-December.*
*Source: GCF Funding Proposal*

Deforestation and land degradation further contribute to climate vulnerability in LREB, reducing the resilience of ecosystems that support agriculture. Unsustainable land-use practices, including overgrazing and poor soil management, exacerbate soil fertility loss and make agricultural lands more susceptible to climate shocks. The degradation of wetland areas and water catchments has also affected water availability for irrigation and livestock, further constraining farmers' adaptive capacity.

If no action is taken, the region will face increased crop and livestock losses due to climate stress, soil degradation leading to lower agricultural productivity, and rural poverty exacerbation as farming becomes unsustainable. Water scarcity will intensify, leading to competition over resources. Mitigation measures include implementing drought-tolerant crops and climate-smart irrigation systems, scaling up soil conservation techniques and agroforestry, and strengthening financial services and insurance schemes for farmers.

### 2.3 Strategic framework and linkages

Denmark's co-funding of this project is well aligned with the current Strategic Framework for the Danish-Kenyan partnership and contributes to one of its three pillars aiming at green, sustainable and inclusive growth. This initiative has close thematic linkages to two other initiatives funded by Denmark:

- The project *Green employment in agriculture* implemented by the Micro-Enterprise Programme Trust (MESPT) 2021-2025, which aims to strengthen agriculture value chain stakeholders. Some of the farmer groups and cooperatives supported by MESPT in the LREB may be eligible for support under this project. MESPT provides loans to SACCOs and MFIs but not direct loans to cooperatives. The project should explore how this potential links to SACCOs or MFIs could be of use to the farmers supported.
- The strategic sector cooperation between Denmark and Kenya in relation to *Greening of the Kenyan Food System through prevention of food loss along the value chain by improving food and feed control systems*. Reducing food losses reduces carbon emissions and increases incomes for value chain actors. The project is in its third phase and aims to strengthen food safety regulations and the capacity of food business operators in relation to food safety. There are clear linkages to the value chains supported under this project, especially in relation to poultry.

The idea for this project was initially conceptualised by the Danish Agriculture and Food Council (DAFC) in cooperation with its sister organisations in the Netherlands and in Finland, and it was on their initiative – with an initial commitment of Danish co-funding – that the FAO developed the funding proposal for GCF. DAFC has been closely engaged in the project preparation, which has lasted more than five years, and Danish experts under the DAFC will be engaged as a demand-driven pool of technical assistance (so-called Agripoolers) during the project implementation. The project thus has strong linkages to the Danish resource base.

The project aligns with relevant Kenyan policies and plans and contributes to the development and climate change goals of the Government of Kenya. This includes the National Climate Change Act and Strategy, as well as laws and policies in the agriculture, land, water, and environment sectors, existing institutional frameworks for climate risk and disaster risk management as well as their equivalent at county level. This includes the Kenya Climate-Smart Agriculture Strategy (2017-2026), which promotes climate-resilient and low-carbon growth in the agricultural sector. The project also supports the implementation of Kenya's National Adaptation Plan (NAP) and Nationally Determined Contribution (NDC).

By focusing on enhancing smallholder productivity and fostering inclusive growth, the project actively contributes to the implementation of Kenya's Bottom-Up Economic Transformation Agenda, which prioritises grassroots economic empowerment. Furthermore, the project's interventions align with County Integrated Development Plans (CIDPs) for the target counties and will therefore contribute to addressing county priorities for agricultural development.

Each county will nominate a focal point from the county government to participate in the project implementation. The focal point will coordinate county Departments in Agriculture, Environment, Trade/Cooperatives and Finance in designing and executing the implementation plans.

Agriterra involves local stakeholders to utilise existing experience and networks, like the County Cooperative Extension Officers during the scoping, assessment and project implementation phase. CECs are invited to join trainings to give input and participate in action plan development and execution. Agriterra is leveraging existing networks of the Cooperative Association Kenya, KENAFF and EAFF to find ambitious cooperatives and share information. Furthermore, local banks and service providers are involved during the assessment process of cooperatives.

### 2.4 Past results and lessons learned

This being a new project, there is no past experience specifically from this project but Denmark, as well as FAO and Agriterra, have experience from working with cooperatives and with county extension departments.

The cooperative sector in Kenya is gaining importance. Agricultural cooperatives play a significant role in Kenya's agricultural development with approximately 7 million members. Playing various roles, agricultural cooperatives help access inputs, improve members' position in the market chain, help farmers achieve economies of scale, increase production and productivity of members, provide extension support services, and market access for small-scale farmers, help households diversify livelihoods and crops, all of which contribute to boosting farmer resilience.

With Danish funding, MESPT has worked with counties, farmer organisations and cooperatives over a number of years. Based on their experience and the information gathered during the formulation, the following lessons are highlighted:

- MESPT support was initially primarily focused on agricultural-technical aspects, but they had to realise that leadership and management issues in farmer groups and cooperatives can often be in the way of creating sustainable results. The organisational elements of cooperative strengthening have therefore become more important. Agriterra has gained similar experience, which has resulted in an approach that includes a careful selection of cooperatives, primarily based on organisational and financial management aspects. Agriterra continues to work with enhancing organisation of cooperatives and includes triggers for additional support, which are dependent on the governance and transparency of the cooperatives supported.
- The extension system of the counties involves in principle one extension officer per ward, but these are often not provided with much support, including means of transport. Depending on the county extension system for project sustainability is therefore a risk. Furthermore, there is a quick rotation (sometimes with no replacement) of county officers, whereby sustaining knowledge and experience can be challenging. MESPT has found that engaging directly with lead farmers is more sustainable. This is also the approach of the farmer field schools applied by FAO as an important element in this project, which will be implemented in partnership with the counties.

- The counties play an important role in coordinating between different departments at local level, especially in the climate change coordination forums. It is furthermore important to consider political issues and divides at local level, which should be taken into consideration when planning interventions and selecting sub-counties to work in.
- The cost sharing element with farmer groups and cooperatives is important to demonstrate commitment and priorities of the beneficiaries. This principle is emphasised both by MESPT and by Agriterra.

### 2.5 Climate, poverty, human rights and gender

In accordance with OECD/DAC guidelines, the project is scored as “principal” in relation to climate adaptation, because the climate change adaptation objective is explicitly indicated, there are specific project measures targeting climate adaptation and there are specific indicators measuring the progress towards this goal. This means that 100% of the budget is reported as contributing to climate adaptation. With an expected mitigation outcome of a greenhouse gas reduction of 1.3 tons CO2-equivalent during the project’s duration (and 4.2 tons over 20 years), the project is furthermore marked as 50% on climate mitigation.

The project takes a multi-faceted approach to poverty reduction, combining agricultural productivity, financial inclusion, job creation, market access and social benefits. By focusing on climate-resilient and low-carbon agricultural practices, the initiative ensures long-term economic and environmental sustainability for smallholder farmers in Kenya. By promoting sustainable agricultural practices, the project will also contribute indirectly to biodiversity conservation. It is anticipated that especially the component implemented by FAO targeting small-scale farmers directly using a Farmer Field School approach will include some of the poorest farmers engaged in the six value chains, whereas many cooperative members (targeted by Agriterra) may be on average in a better economic position.

Climate change exacerbates gender inequalities, as women have less access to resources and are more vulnerable to food insecurity and economic shocks. Women also play a crucial role in environmental stewardship and resilience building. The project integrates gender-responsive strategies, promoting women's leadership in cooperatives and ensuring equitable access to technologies and financial services As part of the project preparation, a gender assessment was undertaken by the FAO. It documented the current state of women in relation to Kenyan agriculture and rural households, as well as how gender intersects with age, disability status and other factors to influence participation and benefit from agricultural value chains. The project’s Gender Action Plan addresses these gender inequalities across the six value chains, including in relation to participation, workload, access and use of productive resources and collective action.

The Leaving No One Behind (LNOB) principle is integrated into the project by establishing quotas for participation and providing targeted training and resources. The project will target 50% women, and 25% youth participation and will apply Gender Action Learning Systems to empower women in decision-making. Gender focal points will be identified in counties, and in each executing entity, as well as within farmer organisations. At the start of the project, staff in the executing entities, project coordination unit, and counties will receive mandatory training in the prevention and management of

Sexual Exploitation, Abuse, and harassment, Gender-Based Violence and in the application of the FAO Grievance and Redress Mechanism (GRM) to handle such incidents and ensure safe working conditions for women and vulnerable groups.

The project integrates a strong human rights approach, ensuring non-discrimination, gender equity, indigenous peoples' rights, and grievance redress. By upholding international human rights principles, it guarantees social inclusion, justice, and fair access to resources for vulnerable communities in Kenya.

The key human-rights-based related aspects include:

- Labour rights and decent work standards: The project will comply with international labour standards and include sensitisation and training on occupational health and safety, where relevant, thus emphasising safe working conditions and fair wages.
- Right to land and tenure security: The project aligns with FAO's Voluntary Guidelines on Responsible Governance of Tenure of Land, Fisheries, and Forests and includes protection of indigenous people's land rights through Free, Prior and Informed Consent.
- Social inclusion and non-discrimination: The project ensures equitable participation for women, youth, persons with disabilities and marginalised groups.
- Justice and grievance: The project establishes a Grievance Redress Mechanism (GRM) at the project or decentralized office levels for stakeholders to address their concerns about non-compliance with the Organization's environmental and social safeguards policies' as this will more clearly indicate the specific policies that are applicable and will form the basis for the review.

  A more comprehensive summary of the analysis of these issues is provided in Annex 1.

## 3. Project Objective and outcomes

Through a holistic approach, the project aims to reduce economic losses due to climate change, enhance smallholder resilience, and contribute to global and national climate adaptation and mitigation goals. With the funding mobilised from the Green Climate Fund, the Government of Denmark, the FAO and the Government of Kenya, the project targets in total 572,000 direct beneficiaries. According to the Funding Proposal, the financial model includes a 23% financial internal rate of return (FIRR) with a break-even point after nine years under projected climate change scenarios.

The overall objective of the project is:

> To foster the emergence of climate-resilient, low-carbon, environmentally sustainable, and financially viable agriculture value chains. This will be done by accelerating the transfer of technology, knowledge, assets, and services with a focus on agri-food cooperatives as key agents to leverage rural change.

The project focuses on six priority agricultural value chains: dairy, poultry, coffee, tea, fruit trees, and African leafy vegetables. These value chains were selected based on their economic potential, vulnerability to climate change, and capacity for resilience-building and emissions reduction.

**The expected key outcomes of the project include:**

Outcome 1: Enhanced public agro-climate services support farmer-led proactive adaptation and mitigation actions.

Under this outcome, capacity of the 14 counties in the LREB will be strengthened in supporting the upscaling of the six climate-resilient, low carbon, sustainable agricultural (CRLCSA) value chains. This will require addressing the capacity constraints of county government stakeholders in the extension and cooperatives departments, adding to climate information flows and knowledge systems, and filling the remaining technical capacity gaps in line with devolution and the climate change priorities. The outcome furthermore includes development and testing of methodologies for decentralised carbon accounting. Based on the available research and past experience, the project will test and develop a positive list of climate solutions for the targeted value chains.

Outcome 2.1: Reduced emissions from and increased adaptive capacity of agriculture, forestry and land use and Outcome 2.2: Increased ecosystem resilience to climate change.

Under these two related outcomes, FAO will provide technical assistance support to each county government towards the development of a climate resilient, low-carbon landscape management strategy and action plan, which will then be brought together in a LREB-wide integrated landscape management strategy. The vision for resilient, low carbon agriculture landscapes developed by the counties will inform future land use planning and land allocation based on climate change impact and risk assessments.

Outcome 3: Increased climate resilience of smallholders' livelihoods using climate-resilient, low carbon technologies.

The outcome includes the promotion of adaptation and mitigation technologies towards farmers in the six value chains. The FAO and the counties will approach farmers through Farmer Field Schools. Agriterra will work through the cooperatives, targeting 130 carefully selected cooperatives within the six value chains in the 14 counties. The process envisaged for this activity follows a tried and tested process of technology transfer already piloted in Kenya by Agriterra, in which cooperatives receive multi-year support according to their needs and business plans, through a milestone-based action plan. Agriterra will benefit from the climate risk assessments conducted by counties. Training will be provided by Agriterra staff, service providers and so-called agripoolers[1]. The project may assist a cooperative in acquiring technology or processing or packaging material, provided it will benefit the entire membership of the cooperative.

> **Farmer Field Schools**
>
> Farmer Field Schools (FFS) is a group-based adult learning approach that teaches farmers how to experiment and solve problems independently. Sometimes called "schools without walls", in FFS groups of farmers meet regularly with a facilitator, observe, talk, ask questions, and learn together. The approach was initially developed by the FAO in relation to sustainable rice production in a number of Asian countries. FAO has implemented over 11,000 Farmer Field Schools in Kenya.

Outcome 4: Climate resilient, low carbon value chains are sustained financially and upscaled by the adoption of new business models and practices among farmers and value chain actors.

Profitability of adopting climate resilient, low-carbon technologies will be key. The project will work on the demand side of the value chain to increase uptake of CRLCSA commodities produced by project

[1] Agripoolers include a network of agricultural technical experts from Denmark, the Netherlands and Finland.

beneficiaries, thereby creating conditions for long-term sustainability of the project. Fair trade, organic coffee and tea, and vegetables fetch a higher price on both local and international markets. The project will work with certification schemes and with accessing carbon credit markets and attaining premiums from buyers through carbon insetting. Through established agreements with Kenya Commercial Bank, the Cooperative Bank of Kenya and Equity Bank, the project will strengthen their capacity to engage in climate-resilient, low-carbon value chains through the development of relevant financial products and training.

# 4. Theory of change and key assumptions

### 4.1 Theory of Change

The Theory of Change for the project is built upon the recognition that smallholder farmers in the Lake Region Economic Bloc (LREB) are particularly vulnerable to the effects of climate change due to multiple interrelated factors. The climate analysis confirms this by showing that the anticipated changes in climate would make smallholder farmers more vulnerable by reducing production and productivity, and that these farmers are already experiencing vulnerability and climate risks from current variability. Furthermore, the drive to increase production in response to climate risks could, under the business-as-usual scenario, lead to increased emissions from extensification and land use change, including deforestation. Therefore, a transformative approach is required to shift the agricultural sector towards climate resilience and low carbon pathways.

Adaptive mechanisms exist that, if effectively scaled, could significantly enhance smallholder farmers' resilience to climate change. Among these, cooperatives play a crucial role in risk-sharing, knowledge transfer, and market access. Additionally, county governments in Kenya have been enhancing their capacity to respond to climate risks, and they provide an institutional framework for localised adaptation measures.

Why is this not happening today? The following barriers have been identified during the project preparation for smallholder farmers to adopt practices that are more appropriate in view of the envisaged climate changes:

- The public services offered to farmers and cooperatives are insufficient (in quality and quantity) to enable value chain transformation
- The counties are not sufficiently integrating climate resilience and low carbon strategies into land use planning and landscape management
- Smallholders have limited knowledge and capacity to access productive assets and face risks in adopting climate resilient, low-carbon technologies
- There is a mismatch between supply and demand of finance to support smallholders and their organisations in the transition towards climate resilience/low carbon pathways.

In relation to the latter point on finance, the formulation process has identified that cooperatives may in some cases have access to short-term credit without having to put collateral (based on their banking history) but the interest rates are prohibitive.

The project's Theory of Change is grounded in the idea that empowering smallholder farmers, leveraging cooperative structures, strengthening local governance, and promoting sustainable value chain transformation will drive long-term climate resilience and emissions reduction in Kenya's agricultural sector. The integration of adaptation and mitigation strategies ensures that climate action is both economically viable and environmentally sustainable, thus securing food security, rural livelihoods, and ecosystem integrity in the LREB.

Therefore, **if** vulnerable smallholders and value chain actors have access to technologies, markets and finance to support production, processing and marketing of targeted value chains, and are supported by improved climate information, extension, and climate-resilient landscapes, **then** they will become more resilient to the impacts of climate change and emissions from the agriculture, forestry and land use sector will be reduced **because** the priority value chains will be reoriented towards climate-resilient and low-carbon pathways, and farmer-led adaptation and mitigation actions will be supported by adequate gender-responsive public agro-climate services and public and private investment.

### 4.2 Key assumptions

The following assumptions have been identified by the FAO and Agriterra in relation to the realisation of the project outcomes:

Outcome 1:

- The Kenya meteorology Department continues to decentralise its services.
- Climate data is available free of charge from government.
- Cell phone and internet connectivity rates increase at annual rate of 2%
- County governments continue to prioritise climate change in local budgets and to provide operational budgets for extension services
- Government of Kenya disbursements to counties are conducted in accordance with laws and regulations.

Outcome 2:

- There are continued budgets for the improved management of public lands
- No major forest fire or natural disaster occurs that would destroy large areas of land in LREB
- Population growth and migratory patterns remain unchanged
- Counties continue to implement their climate laws and programs according to plans

Outcome 3:

- Land tenure regimes do not change and there is no influx of migrants
- Climate resilient, low carbon technologies are made available without infringement on intellectual property rights

Outcome 4:

- Sales are recorded by farmer groups and project activities do not feed into the informal or grey market

- No sudden price changes, drastic price fluctuations or demand of the targeted products occur during project implementation

None of these assumptions have been included as risks in the GCF Funding Proposal, which means that the assumptions are generally expected to hold true. The DMFA generally agrees with this assessment but expects that the assumption mentioned under outcome 4 related to price stability is least likely to hold for the project duration. Price fluctuations on internationally traded goods, such as tea and coffee should be expected. The current high prices of coffee will most likely not continue, which will change the farmer incentives in relation to the coffee value chain. These are not detrimental to the project but will change farmer priorities and will be taken into consideration when working in the value chains, especially coffee.

## 5. Summary of the results framework

For results-based management, learning and reporting purposes Denmark will base the actual support on progress attained in the implementation of the project as described in the Funding Proposal. Progress will be measured through the project's monitoring framework focusing on progress towards the project outcomes and corresponding outputs and their associated indicators.

Denmark's financial contribution to the project is ear-marked to the following activities under outcome 3 and 4 implemented by Agriterra:

- Activity 3.1.2: Disseminate CRLCSA technology, knowledge and assets to cooperative members through peer-to-peer networks and exchanges
- Activity 3.1.3: Support smallholder farmer aggregation into cooperatives and other business units as climate risk reduction and risk sharing mechanisms
- Activity 4.2.2: Support smallholders and their business units in the development of bankable business plans, with particular focus on social inclusion and gender-based access
- Activity 4.2.3: Facilitate smallholders access to financial incentives schemes for agroforestry

Agriterra's activities under outcome 3 and 4 will therefore be subject to enhanced focus of the Royal Danish Embassy's monitoring and reporting of the project. See detailed results framework, including output-level indicators, in Annex 3. The Results Framework below encompasses the entire project.

| | | | |
|---|---|---|---|
| Project | | Transforming Livelihoods through Climate Resilient, Low Carbon, Sustainable Agricultural Value Chains in the Lake Region Economic Bloc, Kenya | |
| Project Objective | | To foster the emergence of climate-resilient, low-carbon, environmentally sustainable, and financially viable agriculture value chains. | |
| Impact indicator | | Greenhouse gas emissions reduced, avoided or removed/sequestered | |
| Baseline | Year | 2025 | 0 |
| Target | Year | 2031 | 1,287,589 tons $CO_2$ equivalents |
| Impact indicator | | Direct and indirect beneficiaries reached | |
| Baseline | Year | 2025 | 0 |
| Target | Year | 2031 | Direct beneficiaries: 572,000 people, of which 286,000 women<br>Indirect beneficiaries: 2,098,140 people, of which 1,049.070 women |
| Impact indicator | | Hectares of natural resources brought under low-emission or climate-resilient management practice | |
| Baseline | Year | 2025 | 0 |
| Target | Year | 2031 | 30,540 ha. |

| | |
|---|---|
| Baseline | Farmers in the LREB are vulnerable to climate variability and climate change impacts. There has to date been limited dissemination and penetration of best practices in terms of low carbon, climate resilient agriculture among local farmers in the LREB. |

| | | | |
|---|---|---|---|
| **Outcome 1** | | **Enhanced public agro-climate services support farmer-led proactive adaptation and mitigation actions** | |
| Outcome indicator | | Number of men and women benefiting from improved knowledge, extension and climate services | |
| Baseline | Year | 2025 | Less than half of smallholders receive extension services, which are limited in scope, not easily understandable, or not timely, and not suited to climate risk management |
| Target | Year | 2031 | 143,000 people (50% women) receive improved or new extension and climate services |
| **Outcome 2.1** | | **Reduced emissions from the agriculture, forestry and land use sector** | |
| Outcome indicator | | Tons $CO_2$-eq removed through improved agricultural practices in crop and livestock production, land use management and landscape restoration | |
| Baseline | Year | 2025 | 0 |
| Target | Year | 2031 | 1,287,589 (4,268,492 if extended beyond project lifetime) |
| **Outcome 2.2** | | **Increased ecosystem resilience to climate change** | |
| Outcome indicator | | Hectares of natural resources brought under low-emission or climate-resilient management practice | |
| Baseline | Year | 2025 | 0 |
| Target | Year | 2031 | 30,540 ha. |
| **Outcome 3** | | **Increased climate resilience of smallholders' livelihoods using climate-resilient, low carbon technologies** | |
| Outcome indicator | | Number of beneficiaries showing an improvement of the resilience score | |
| Baseline | Year | 2025 | 0 |
| Target | Year | 2031 | 295,000 |
| **Outcome 4** | | **Climate resilient, low carbon value chains are sustained financially and upscaled by the adoption of new business models and practices among farmers and value chain actors** | |
| Outcome indicator | | Percentage income increase among project beneficiaries (men and women) after implementation of project activities | |
| Baseline | Year | 2025 | 0 |
| Target | Year | 2031 | 143,000 people (40% women) are reporting a minimum 15% increase in income |

Impact Measurement and Resilience Indicators

- Emission reductions will be tracked through the establishment of decentralised carbon accounting in each county, supported by remote sensing imaging
- The project will conduct an initial Household Resilience Survey which functions as a baseline study to measure project effects. Number of people reached will be tracked through cooperative census and resilience survey of project beneficiaries. The project will furthermore measure resilience using a Resilience Index based on FAO's Resilience Index Measurement and Analysis (RIMA-II) and the IPCC AR6 Climate Risk and Vulnerability Framework, adapted for local conditions.
- Area under improved and more climate-friendly management will be tracked through the County Landscape Management Strategies' Implementation Reports

## 6. Budget

**Table 1: Annual budget by project outcome (USD and DKK)**

| Outcomes | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Total |
|---|---|---|---|---|---|---|---|
| 1. Enabling local government support | 790,739 | 355,179 | 434,371 | 244,053 | 310,998 | 305,793 | 2,441,133 |
| 2. Sustainable Resilient Agricultural Landscapes | 354,920 | 201,267 | 3,255,867 | 3,218,513 | 3,431,713 | 3,150,000 | 13,612,279 |
| 3. Resilient livelihoods | 2,544,942 | 5,106,257 | 5,701,287 | 6,118,389 | 3,883,969 | 2,282,529 | 25,637,374 |
| 4. Scaling through markets and finance | 228,442 | 393,010 | 995,305 | 903,677 | 873,747 | 770,493 | 4,164,674 |
| Project Management Cost | 470,646 | 412,046 | 394,799 | 394,799 | 412,046 | 416,796 | 2,501,131 |
| Monitoring and Evaluation | 292,661 | 184,277 | 301,111 | 251,175 | 221,481 | 384,941 | 1,635,646 |
| **Grand Total (USD)** | **4,682,351** | **6,652,035** | **11,082,740** | **11,130,606** | **9,133,954** | **7,310,552** | **49,992,238** |
| **Danish contribution (DKK)** | **2,806,588** | **6,655,790** | **7,699,652** | **8,365,101** | **6,451,371** | **7,625,459** | **39,603,960** |

**Note: The correct exchange rate has been included*

A detailed budget for the Danish contribution is included in Annex 5.

**Table 2: Financing information (USD)**

| Budget component | USD | DKK |
|---|---|---|
| 5011 Salaries Professional | 213,610 | 1,389,319 |
| 5014 Contracts | 5,375,635 | 34,963,129 |
| 5027 Technical Support Services | 26,424 | 171,862 |
| 5028 General Operating Expenses | 650 | 4,228 |
| 5029 Support Costs | 398,357 | 2,590,913 |
| 5040 General Operating Expenses - external common services | 74,494 | 484,509 |
| **Sub Total** | **6,089,170** | **39,603,960** |
| Coordination Levy 1% | 60,892 | 396,040 |
| **Budget Total** | **6,150,062** | **40,000,000** |

**Note: The rate is in line with the OSP cleared version*

Other in-kind contributions include material assets, land, and current operational expenditures of the cooperatives themselves (an estimated amount of 14,000,000 USD).

The project also leverages up to USD 10 million in loans from Cooperative Bank, Kenya Commercial Bank and Equity Bank in support of farmers, value chain actors and cooperatives.

The Danish contribution will mainly be funding technical assistance and approximately 30% is provisionally budgeted for co-funding of equipment and materials for cooperatives (see Annex 5).

# 7. Management arrangements

The project presents a significant scaling up of operations for both FAO and Agriterra in Kenya. Agriterra anticipates hiring 15 national and international staff for the implementation of the project. With its current funding, Agriterra is working with 34 cooperatives in Kenya in 2024. This project includes funding for 130 cooperatives, and Agriterra will on-board 20-40 cooperatives per year and work with each cooperative for three years. An overview is presented in Table 3, below.

Table 3: Number of cooperatives and Agriterra cooperative advisers

| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 |
|---|---|---|---|---|---|---|---|
| New coops supported | 20 | 40 | 40 | 30 | 0 | 0 | 0 |
| Agriterra coop advisors | 6 | 8 | 8 | 9 | 9 | 8 | 5 |

A Project management Unit (PMU) will be established and hosted by FAO Nairobi with an office in Kisumu. The PMU will be responsible for overall project management and coordination, including financial management and procurement.

DMFA will fund a part-time operation officer (2 months/year) in FAO for the Project Management Unit. Other personnel in the PMU includes National Project Coordinator, Regional Project Coordinator, drivers, part-time HR assistant, Finance Officer, Logistic Officer, Compliance Officer. All these positions are paid by the GCF funding and are position in FAO. The GCF project will finance a full time Finance and Administration Officer for Agriterra.

## 7.1 Governance

A Project Steering Committee will be established and meet once a year with the following responsibilities:

- Provide overall guidance and direction to the project,
- address project issues as raised by the national project coordinator,
- monitor project risks and the effectiveness of mitigation measures,
- review the project progress, and provide direction,
- review and agree with annual work plan and provide strategic guidance for its implementation,
- assess the annual project implementation report,
- make recommendations for subsequent work plans to build on achievements and address any shortcomings, and
- provide ad hoc direction and advice for exceptional situations.

The Project Steering Committee will, according to the GCF Funding Proposal, consist of:

- The Principal Secretary (representative) from the Ministry of Cooperative Development & Marketing,
- The Principal Secretary (representative) from the Ministry of Environment
- The Chair of Agriculture Committee Council of Governors
- The Chair of Climate Change Committee Chair of the Council of Governors
- The Chief Executive of the Lake Region Economic Bloc and
- The Representative of FAO in Kenya.
- Royal Danish Embassy in Kenya

*The DMFA has been given assurance from the FAO that a representative of the Royal Danish Embassy in Nairobi can become member of the Project Steering Committee.*

Furthermore, a Project Technical Coordinating Committee will meet semi-annually, chaired by FAO Kenya, and supported by representatives from the Ministry of Environment, Ministry of Agriculture, and the Ministry of Cooperatives, Agriterra, the Cooperative Partnership, Royal Danish Embassy in Kenya and representatives from private sector and civil society, including a representative of indigenous peoples.

### 7.2 Monitoring and reporting

FAO has established a robust Monitoring, Evaluation, and Learning (MEL) Plan for the entire project that aligns with FAO standards and the Green Climate Fund (GCF) Performance Measurement Framework. The MEL system will utilize a vigorous database managed by the M&E officer, enabling systematic tracking of indicators and project progress. Regular field supervision and validation processes conducted by technical specialists and M&E officers further enhance the reliability of the data collected, ensuring that it accurately reflects the project's outcomes.

The annual progress reporting and documentation on monitoring and evaluation will be the basis for continued support and development of new work plans, as well as for continuous assessment of and adjustments to risks. In order to assist in planning the second half of the programme period and adapt the programme to changing circumstances, DMFA/RDE participation in a mid-term review is envisaged. After the termination of the project, the DMFA/RDE Nairobi reserves the right to carry out evaluations.

The PMU will prepare an inception report and subsequently semi-annual progress report for the project based on input from the executing entities. An annual progress report will be prepared for and discussed in the Project Steering Committee. Furthermore, annual financial reports will be submitted, including information compiled from the executing entities on expenditures against targets, including expenditures from all sources of co-financing. The annual report will follow the calendar year and will be submitted to the Steering Committee in February each year. DMFA/the Danish Embassy will receive the same project reporting as the GCF. The exact timing and annual cycle of the reporting will be prepared in the inception phase.

In case there are changes in the implementation (activities, outputs, budget allocation or timing), these changes will be presented in the Steering Committee for approval. The is also the case for budget reallocations.

## 8. Risk Management

A risk assessment has been conducted for the project, including an evaluation of financial, technical, operational and institutional risks that may prevent the project from achieving its objectives. An environmental and social risk assessment has also been conducted. FAO has carried out due diligence screening for reputational risks of project partners and executing entities. FAO confirms that none of the activities, counterparties, beneficiaries, executing entities, co-financiers or implementing partners are subject to or impacted by any United Nations Security Council Sanctions. This will be reviewed annually on the basis of updated lists of sanctioned entities, during the Annual Project Performance Review.

A detailed risk management matrix is included in Annex 4. The main risks identified by FAO during the project formulation are:

Contextual risks:

- Decreasing national budgets for management of natural resources
- Changes in financial policy hinder financial institutions' ability to lend to beneficiaries
- Limited collaboration between Government stakeholders

Programmatic risks:

- Land tenure, land ownership or land conflict
- Market reorientation and supply chain constraints in selected value chains
- Resistance on women's participation and empowerment

Institutional risk:

- Money laundering and countering the financing of terrorism

These have all been addressed by mitigating actions rendering them less likely. The additional risks identified for the DMFA include:

- By using international technical assistance through the Agripoolers, the post-project sustainability is at risk. This should be mitigated by, as a principle, having the Agripoolers to work in tandem with Kenyan experts. These localisation efforts will be emphasized through the RDE's participation in the Steering Committee.
- The project represents a considerable scale-up of Agriterra's activities in Kenya and the plan to on-board 20-40 cooperatives annually is ambitious, even with the staff increase envisaged. There are risks of delays in this on-boarding, which should be monitored.
- Delayed implementation by the FAO and Agriterra. This risk will be mitigated by close monitoring by the Royal Danish Embassy, especially in the inception phase, and subsequent active participation in the Project Steering Committee.

- Misuse and corruption of project funds: This risk will be mitigated through adherence to DMFA's financial management procedures and by close monitoring by the Royal Danish Embassy.

# 9. Sustainability and exit

The climate change adaptation measures introduced in this project will contribute to the development of resilient, low-carbon, sustainable, and competitive agri-food value chains over the long term. These measures can serve as a model for broader scaling, benefiting additional stakeholders within the same value chains or extending to other sectors and regions across the country.

There are activities specifically designed to facilitate this scaling, replication, and knowledge exchange. Under Outcome 1, innovative extension methods and climate information services, developed and delivered by county governments, can be readily shared with other counties through the Council of Governors or the Maarifa Center. Additionally, the decentralised carbon accounting methodologies designed under Outcome 1, along with the rapid climate risk assessment processes introduced in Outcome 2, can also be adopted by other counties.

Under Outcome 2, integrated climate-resilient, low-carbon landscape management strategies can be replicated in other counties, particularly as insights emerge on their impact on agricultural landscapes and productivity. Similarly, all climate technologies promoted under Outcome 3—whether through Farmer Field Schools or cooperatives—are adaptable and scalable.

The project operates on the premise that participating farmers will recognise and document the economic advantages of implementing these technologies, alongside their climate benefits. In many cases, economic gains may materialise even before climate benefits become evident. Non-participating farmers within the same value chains will also witness these advantages through the project's awareness-raising and research efforts. Furthermore, since the technology transfer mechanism established under Outcome 3 will remain functional beyond the project's duration, cooperatives and farmer organisations will continue to access these technologies and knowledge independently, albeit at a cost.

## Annexes:

**Annex 1: Context Analysis**

**Annex 2: Partner Assessment**

**Annex 3: Results Framework**

**Annex 4: Risk Management**

**Annex 5: Budget Details**

**Annex 6: List of Supplementary Materials**

**Annex 7: Plan for Communication of Results**

**Annex 8: Process Action Plan**

# Annex 1: Context Analysis

## 1. Poverty and Inequality Analysis

Kenya has experienced solid economic growth in recent years, generally outpacing the Sub-Saharan African average. After a strong rebound of 7.5% growth in 2021 following the COVID-19 shock, according to the World Bank Kenya's real GDP grew by 4.8% in 2022 and around 5.2–5.4% in 2023, driven by a recovery in agriculture and services, which is higher than the sub-Saharan Africa average. Kenya has maintained a more stable and faster-growing economy than many of its East African peers, contributing to its status as the largest economy in East Africa and an emerging tech and finance hub in the continent.

Economic growth has been broad-based across sectors – with services contributing the largest share – but Kenya's performance remains vulnerable to agriculture shocks (droughts) and global conditions. Going forward, Kenya's growth is according to the African Development Bank projected to stay around 5% in the medium term, assuming continued reforms – again outpacing the African continental forecast (~3.7% for 2024). However, sustaining this growth will require navigating challenges like fiscal pressures, climate shocks, and boosting private investment.

Food security in Kenya remains closely tied to climate variability, particularly rainfall patterns in the eastern drylands. Between 2020 and early 2023, the Horn of Africa, including Kenya, experienced an unprecedented drought, with six consecutive failed rainy seasons leading to severe food insecurity. This drought, the worst in 40 years, resulted in the deaths of approximately 2.4 million livestock in Kenya, significantly reducing food availability and income for pastoralist communities. Wikipedia

In early 2023, the region experienced above-average rainfall, leading to flooding in several parts of Kenya. In November 2023, northern Kenya faced the worst flooding observed in over a century, causing at least 170 fatalities, displacing over 600,000 people, and killing tens of thousands of livestock. These extreme weather events have further exacerbated food insecurity, as both droughts and floods have disrupted agricultural production and livelihoods.

The Lake Region Economic Bloc (LREB) is one of the most densely populated regions of Kenya with a total population of 14,944,943 including 7,239,652 males, 7,704,922 females, and 366 intersex. The population density is quite high in some counties, ranging from 958 people per km² in Kisii to 1,047 per km² in Vihiga. The basin population is growing at a rate of 3.5 % each year and doubles every 22 years.

The LREB population has high rates of multidimensional poverty but monetary poverty rate is lower than in some neighbouring counties. Regarding food security, the LREB counties and parts of central Kenya remain relatively protected thanks to continued water availability. However, they are closely watched, as agricultural productivity in those areas is also tied to rainfall. Food demand arising from the other regions is likely to create pressure on land use in the LREB.

The national urban-rural pattern of distribution in multidimensional poverty is repeated in the 14 LREB counties, all of which have over 50% of their populations experiencing multidimensional poverty as seen in the table below. Furthermore, there are considerable overlaps between monetary poverty and multidimensional poverty.

*Table: Percentage Population In The Lake Region Economic Bloc Suffering Multidimensional Poverty By County*

| County | Percent population suffering multidimensional poverty |
|---|---|
| Bomet | 84.7 |
| Busia | 87.6 |

| | |
|---|---|
| Bungoma | 87.9 |
| Homa Bay | 89.5 |
| Kakamega | 85.0 |
| Kericho | 63.2 |
| Kisii | 72.3 |
| Kisumu | 54.5 |
| Migori | 83.0 |
| Nandi | 61.1 |
| Nyamira | 81.1 |
| Siaya | 80.0 |
| Trans-Nzoia | 72.8 |
| Vihiga | 76.5 |

Most Kenyans work in the agriculture sector and 80% of the population is reliant on agricultural output for food security and livelihoods. Of Kenya's 47.6 million people, 38% are employed in the formal sector and 62% work in the informal sector, primarily in small-scale agriculture and pastoralism. Agriculture occupies 72 % of the total working population in the LREB. Most crop farmers are smallholders, meaning plots are usually no more than 0.2 to 1 hectare with chronically low productivity. Livestock farmers also have small herds (typically 3-4 animals) with limited coping capacity and low productivity. Developed cash crop value chains, such as tea and coffee are also practised by smallholders pooling their production through farmer organizations and cooperatives. Industrialized agriculture in the LREB is concentrated around sugar factories. As described in the 2015 Lake Region Economic Blueprint, the main challenges faced by the agricultural sector in LREB are: Declining yields, small size land holdings, increasing population that requires more land for housing and services, inadequate farming techniques and mismanagement and lack of title holding among smallholder farmers.

## 2. Stakeholder analysis

This project is the culmination of a long consultative process that involved the active participation of many partners at national and county levels. At national level, consultation involved all key sectoral ministries, central government agencies and development partners to ensure consistency of intervention with major policy orientation and synergies with other initiatives, in particular G-FLLOCA and the IFAD RK-FINFA program. A stakeholder mapping has been undertake and is included as an annex to the Funding Propopsal for the Green Climate Fund.

Stakeholders in the project fall in the following groups and categories:

***Farmers***: individual smallholder farmers involved in the six value chains namely coffee, tea, dairy, African leafy vegetables, fruit trees and poultry. Farmers are direct and indirect beneficiaries of the project. The project also identified vulnerable groups whose participation in project activities will be the object of particular attention: women, youth, persons living with disabilities, other vulnerable population persons.

***Farmer organizations & value chain actors***: this includes informal self-help groups, business units, farming groups, community forest associations, Indigenous Peoples associations, farmer field schools and cooperatives in the six value chains, as well as value chain actors not involved in production, such as buyers, transporters, wholesalers, input and service providers. Farmer organizations are also direct and indirect beneficiaries of the project. The project will target mainly smallholder farmers, it is not foreseen that Indigenous Peoples will be directly targeted

***County governments***: This includes county Council Assemblies, Governors, and public administration in all the devolved sectors. This also includes ward-level decentralized administration and services. Counties are direct beneficiaries of the project, as well as executing entities and implementing partners.

***Regional (LREB) institutions***: including the LREB secretariat and relevant caucuses such as agriculture, water and environment; LREB Centre of excellence in Agriculture and Water; the Lake Region Development Authority; Lake Victoria North and South Water Service Boards, as well as knowledge sharing platforms on various sectors. Regional institutions play a key role in upscaling and knowledge sharing.

***National Government Departments***: The National Treasury (NT); State department of Agriculture; State Department of Cooperatives; Ministry of Environment, Climate Change and Forestry; Kenya Meteorological Department, Kenya Agricultural and Livestock Research Organization (KALRO); Department of Resource Survey and Resource Survey, among others.

***Non-state actors****:* such as Non-Governmental Organizations, civil society organizations (CSOs), Faith Based Organizations, community leadership, associations, the private sector, academic and research institutions, and media.

***International organizations****:* This includes development partners working or implementing projects in the LREB (e.g. World Bank, IFAD, other UN agencies, The Government of Denmark, Netherlands, GEF, etc).

***Financial institutions***: This includes community-based credit and savings cooperatives, savings groups, as well as formal financial institutions (e.g. Banks and micro-finance institutions).

## 3. Human rights, gender and youth

**1. Participation: Barriers for Participation, Inclusion, and Empowerment**

- The project identifies significant barriers to participation, particularly for vulnerable groups like women, youth, and persons living with disabilities (PLWD). Barriers include limited access to resources, low representation in decision-making structures, and social-cultural norms that restrict active engagement.
- To overcome these barriers, strategies such as mandatory training for all project staff on gender and social inclusion, the establishment of gender focal points, and the application of inclusive targeting metrics have been adopted.
- Specific activities include promoting cooperative membership, improving cooperative management, and ensuring inclusivity in leadership roles through tools like the ITC My.Coop platform.

**2. Accountability Mechanisms**

- The project establishes a **Grievance Redress Mechanism (GRM)** at the project or decentralized office levels for stakeholders to address their concerns about non-compliance with the Organization's environmental and social safeguards policies' as this will more clearly indicate the specific policies that are applicable and will form the basis for the review ensuring rights holders can file grievances. Information on how to file the grievances will be widely disseminated during meetings and workshops.
- The **Project Management Unit (PMU)** will be responsible for addressing grievances related to environmental and social standards, documenting, and reporting them accordingly.
- Culturally appropriate communication methods will be used to ensure that marginalized communities are informed about the grievance processes.

**3. Non-Discrimination: Excluded Groups**

- The most under-represented and vulnerable groups identified are **female youth, female-headed households (including widows), and females living with disabilities**. The project employs intersectional equity principles to ensure equitable representation and benefits for these groups.

- Ethnic minority groups in targeted regions are also identified as potentially at risk of exclusion. Special strategies, including careful targeting and **Free, Prior, and Informed Consent (FPIC)**, are integrated to mitigate this.

**4. Transparency: Accessibility of Information**

- Information dissemination strategies include using diverse communication channels such as print, radio, public meetings, and workshops. Special attention is given to ensuring that marginalized groups receive information in accessible formats (including local language translations and pictorial content).
- Regular updates and tailored communication strategies are employed to ensure inclusivity and accessibility for groups like women, elderly, and low-literate farmers.

**5. Gender and Youth: Challenges, Opportunities, and Strategies**

- **Challenges**: Gender inequalities persist, especially in access to resources, decision-making, and leadership roles. Social-cultural norms are significant barriers to gender equality. Youth face challenges related to limited access to markets, credit, and leadership opportunities.
- **Opportunities and Strategies**:
    - Implementing the **Gender Action Plan (GAP)**, which aims to close gender gaps in participation, resource access, and leadership within agricultural value chains.
    - Providing leadership and entrepreneurship training, with a focus on gender-transformative concepts such as the **Gender Action Learning Systems (GALS)**.
    - Establishing quotas to ensure balanced participation (e.g., 50% women, 25% youth) in project activities.
    - Promoting women's and youth leadership roles in cooperatives and ensuring they benefit from agricultural activities beyond primary production.
    - Ensuring gender-responsive financial products and access to climate-resilient, low-carbon technologies.

This comprehensive approach ensures that the project's goals align with principles of participation, accountability, non-discrimination, transparency, and gender inclusion.

## 4. Inclusive growth, climate change and the environment

*In accordance with OECD/DAC guidelines, the project is scored as "principal" in relation to climate adaptation, because the climate change adaptation objective is explicitly indicated, there are specific project measures targeting climate adaptation and there are specific indicators measuring the progress towards this goal. This means that 100% of the budget is reported as contributing to climate adaptation.*

Climate change, biodiversity loss, and environmental degradation threaten poverty eradication and achievement of the SDGs by reducing agricultural productivity, increasing food insecurity, and degrading natural resources essential for livelihoods. In the **Lake Victoria Basin (LVB)**, 10% of the population already suffers from chronic food insecurity exacerbated by increasing rainfall variability.

While no large-scale displacements are documented, severe droughts and floods have caused significant loss of agricultural productivity and livelihoods, indirectly contributing to migration and displacement trends in vulnerable regions.

Kenya experiences economic losses equivalent to **8% of GDP every five years** due to climate impacts like droughts and floods. The project aligns with Kenya's **Vision 2030**, National Adaptation Plan, and Climate Smart Agriculture Strategy, emphasizing sustainable agricultural practices to mitigate these impacts. Kenya's commitment to **low-carbon pathways** provides opportunities for innovation in value chains, creating job opportunities, especially for women and youth.

Conflicts over natural resources appear all over Kenya, including land tenure conflicts that are prevalent and exacerbated by outdated registries, weak dispute resolution, and poor enforcement of land reforms.

Furthermore, expansion of agriculture into forests and wetlands due to population pressure has led to competition over natural resources, posing risks of future conflicts.

The project explicitly aligns with and supports the implementation of Kenya's **Nationally Determined Contributions (NDC)**. Key points regarding this linkage include:

- The project supports the achievement of Kenya's **2020 Updated NDC**, which targets a **32% reduction in greenhouse gas (GHG) emissions by 2030** relative to the business-as-usual scenario. The project is projected to mitigate approximately **4.2 million tons of $CO_2$** over its lifespan, contributing directly to this target.

- The project contributes to key national policies that underpin the NDC, including the **National Climate Change Act (2016)**, **National Adaptation Plan (2015–2030)**, and the **National Climate Change Action Plan (2018–2022)**.

- The project enhances Kenya’s climate resilience by promoting climate-smart agriculture and sustainable land use, which aligns with the NDC’s focus areas.

- Specific activities, such as reducing emissions in the agriculture, forestry, and other land use (AFOLU) sectors, and promoting low-carbon agricultural practices, are designed to meet Kenya’s NDC commitments

## 5. Synergies and Danish interests

Denmark’s co-funding of this project is well aligned with the current Strategic Framework for the Danish-Kenyan partnership and contributes to one of its three pillars aiming at green, sustainable and inclusive growth. This initiative has close thematic linkages to two other initiatives funded by Denmark:

- The project *Green employment in agriculture* implemented by the Micro-Enterprise Programme Trust (MESPT) 2021-2025, which aims to strengthen agriculture value chain stakeholders. Some of the farmer groups and cooperatives supported by MESPT in the LREB may be eligible for support under this project. MESPT provides loans to SACCOs and MFIs but not direct loans to cooperatives. The project should explore how this potential links to SACCOs or MFIs could be of use to the farmers supported.
- The strategic sector cooperation between Denmark and Kenya in relation to *Greening of the Kenyan Food System through prevention of food loss along the value chain by improving food and feed control systems*. Reducing food losses reduces carbon emissions and increases incomes for value chain actors. The project is in its third phase and aims to strengthen food safety regulations and the capacity of food business operators in relation to food safety. There are clear linkages to the value chains supported under this project, especially in relation to poultry.

The idea for this project was initially conceptualised by the Danish Agriculture and Food Council (DAFC) in cooperation with its sister organisations in the Netherlands and in Finland, and it was on their initiative – with an initial commitment of Danish co-funding – that the FAO developed the funding proposal for GCF. DAFC has been closely engaged in the project preparation, which has lasted more than five years, and Danish experts under the DAFC will be engaged as a demand-driven pool of technical assistance (so-called Agripoolers) during the project implementation. The project thus has strong linkages to the Danish resource base.

The project aligns with relevant Kenyan policies and plans and contributes to the development and climate change goals of the Government of Kenya. This includes the National Climate Change Act and Strategy, as well as laws and policies in the agriculture, land, water, and environment sectors, existing institutional frameworks for climate risk and disaster risk management as well as their equivalent at county level. This

| |
|---|
| includes the Kenya Climate-Smart Agriculture Strategy (2017-2026), which promotes climate-resilient and low-carbon growth in the agricultural sector. The project also supports the implementation of Kenya's National Adaptation Plan (NAP) and Nationally Determined Contribution (NDC). |

# Annex 2: Partner Assessment

## 1. Brief presentation of partners

The **Food and Agriculture Organization of the United Nations** (FAO)'s vision is "a Kenya free from hunger and malnutrition, where food and agriculture help to improve the living standards of all, especially the poorest, in an economically, socially and environmentally sustainable manner".

FAO works with and provides technical support to the Government through the structured framework espoused in the Country Programming Framework (CPF). FAO's Strategic Framework (2022-2031) seeks to support the 2030 Agenda for Sustainable Development through transformation to more efficient, inclusive, resilient and sustainable, agri-food systems for Better Production, Better Nutrition, a Better Environment, and a Better Life, leaving No One Behind.

The CPF articulates FAO's contribution to Government's Agriculture Sector Priorities in the Bottom-up Economic Transformation Agenda (BETA) and the Fourth Medium Term Plan of the Kenya Vision 2030 (MTP IV). The CPF will contribute to strengthening policies, institutions and investments for agrifood systems transformation within the scope of the Agricultural Sector Transformation and Growth Strategy (ASTGS) and the food systems transformation pathways at the national and county levels.

**Agriterra** is an agri-agency founded by farmers organisations in The Netherlands in 1997. It is the global expert in cooperative development with the mandate to strengthen farmer organisations and cooperatives that are business oriented and want to strengthen their position in value chains. Agriterra uses cooperative expertise and peer-to-peer advice from the Dutch agri-food sector, combined with the 3-track approach, to make cooperatives bankable, implement sustainable services and strengthen farmer organisation to lobby for an improved enabling environment. Agriterra is operating in 24 countries.

## 2. Summary of partner capacity assessment

### 2.1 FAO Kenya

FAO Kenya has provided a portfolio list. The majority of projects are relatively small projects. Thematically, most of the projects are related to this project and FAO should therefore have the necessary technical skills to implement the project.

**FAO Kenya portfolio 2022-2024**

| | 2022 | 2023 | 2024 |
|---|---|---|---|
| Number of new projects approved | 13 | 10 | 14 |
| Value of projects approved (USD million) | 38,2 | 4,6 | 13,8 |
| Number of projects above USD 10 million | 1 | 0 | 0 |

According to the portfolio overview provided by FAO Kenya, this project of USD 50 million will be the largest project approved over the last three years, and it will constitute an important component of the FAO Kenya office's portfolio. FAO Kenya has informed that they currently have 130 staff (of which 47 female), including 95 programme staff, 20 administrative staff, nine staff in operations, four in M&A and two in communication.

A Project Management Unit (PMU) will be established for the project implementation. The PMU will be led and managed by a project-recruited National Project Coordinator (NPC). The NPC will be appointed by FAO and will be responsible for overall project management and coordination with project stakeholders. The PMU will also include (part-time) a finance officer, operation officer, human resources & administration officer and procurement & contracting officer. In addition, the project PMU will mobilize the following specialists to deliver project outputs and outcomes: A Gender and Social Inclusion Specialist; M&E and knowledge management specialists; Regional project coordinators; Legal and contracting agents; Program Assistants and Logistics Support; Human Resources and recruitment specialists; an Environment and Social Management Framework specialist and ad hoc consultants and finance, administration and procurement officers.

FAO has Policies for gender equality, for Prevention of Sexual Exploitation and Abuse and Sexual Harassment and a Whistleblower policy, which will be applied to the project, including to Agriterra's part of the project.

### 2.2 Agriterra

See below the funding sources for Agriterra (entire organisation):

| **Source** | **2022** | **2023** | **2024** |
|---|---|---|---|
| DGIS (Farmer Focused Transformation and Acting Now Programme) | € 6,975,588 | € 12,484,868 | € 16,500,000 |
| 3RD PARTY FUNDING: USAID, IFAD, SNV, Cordaid, TechnoServe, IFDC, Rabobank Foundation, De Eik, Cargill, BLC, Enabel, EKN, DANIDA, FAO, RVO, ZOA, Small foundation BDS, GIZ, other contribution to FFT | € 6,717,074 | € 5,146,970 | € 4,486,475 |
| **Total** | **€ 13,692,662** | **€ 17,631,838** | **€ 20,986,475** |

Given its present and past portfolio in Kenya and globally, there is little doubt that Agriterra has the technical competencies for implementing the project. Agriterra is currently working with approximately 13 cooperatives in Kenya through other funding. With this project, another 130 cooperatives will be added to their portfolio, which is a significant increase. Agriterra has 18 staff in Kenya of which six are women. More staff will be recruited for the implementation of the project.

## 3. Summary of key partner features

| **Name of Partner** | **Core business**<br>*What is the main business, interest and goal of the partner?* | **Importance**<br>*How important is the project/programme for the partner's activity-level (Low, medium high)?* | **Influence**<br>*How much influence does the partner have over the project (low, medium, high)?* | **Contribution**<br>*What will be the partner's main contribution?* | **Capacity**<br>*What are the main issues emerging from the assessment of the partner's capacity?* | **Exit strategy**<br>*What is the strategy for exiting the partnership?* |
|---|---|---|---|---|---|---|
| **FAO Kenya** | FAO has a core mandate to achieve food security for all and ensure that people have regular access to enough high-quality food to lead active, healthy lives.<br>As a member-based organisation, FAO also has a mandate to assist the member governments, in this case GoK to achieve food security. | Given its relative size in the project portfolio, the project is considered of medium-high importance for FAO Kenya.<br><br>The project is furthermore strategically important for FAO because it includes a grant from the Green Climate Fund, to which FAO is an accredited entity. | FAO Kenya has had high influence in the design phase of the project and will continue to maintain the possibility of high influence over project implementation, as the main executing entity. | The activities and outputs under FAO responsibility are clearly outlined in the Funding Proposal. FAO furthermore has management responsibility of the project, including the Danish funding, although Danish funding is ear-marked for Agriterra activities. | Anecdotal evidence from prior experience with FAO suggests a risk of delayed implementation. This factor is included as a project risk. RDE's position in the Project Steering Committee provides direct access to information regarding the progress in project implementation. | A range of approaches will be tested and scaled up in the LREB during the project period. FAO is especially responsible for the work directly with counties and their extension services. FAO will work towards embedding the technical project aspects and capacity strengthening with counties and their extension staff. |

| Name of Partner | Core business | Importance | Influence | Contribution | Capacity | Exit strategy |
|---|---|---|---|---|---|---|
| | | | | | | |
| **Agriterra** | Agriterra, a Dutch NGO, focuses on strengthening farmer-led businesses and cooperatives in developing countries. Their core mandate is to provide practical, high-quality advice, training, and exchange services to farmers' organizations and cooperatives with the potential for development and impact in rural areas. | Given its size and scope, this project will be of very high importance for Agriterra. It will constitute the largest project in Agriterra's portfolio, not inly in Kenya, but globally. | Agriterra has played a very active role in identifying the project, providing funding sources and facilitating its formulation. During implementation, it will to some extent depend on a smooth cooperation with FAO Kenya, since project funds will be channeled through FAO Kenya.<br>The project components implemented by Agriterra are relatively independent from the project components implemented by FAO and would in large part be able to continue despite delays on FAO's side. | The activities and outputs under Agriterra responsibility are clearly outlined in the Funding Proposal. Agriterra's role in the project is focused within the area that they already know well in relation to strengthening cooperatives. | As described above, Agriterra in Kenya is a relatively small organization and the project represents a considerable expansion of their work in Kenya.<br>There is a risk that project implementation at this scale requires organizational changes.<br>RDE's position in the Project Steering Committee provides direct access to information regarding the progress in project implementation. | A range of approaches will be tested and scaled up in the LREB during the project period.<br>Agriterra is especially responsible for working with the cooperatives and will work towards embedding the technical project aspects and capacity strengthening with cooperatives. |

## Annex 3: Results Framework

The results framework below is an extract of the overall project results framework from the GCF Funding Proposal with a focus on the outputs funded by Denmark. The full results framework is available in the GCF Funding Proposal.

Denmark's financial contribution to the project is ear-marked to the following activities under outcome 3 and 4 implemented by Agriterra:

Under output 3.1: Vulnerable smallholders adopt gender-responsive and socially inclusive climate resilient and low carbon production and processing practices, technologies, assets, and risk reduction mechanism

- Activity 3.1.2: Disseminate CRLCSA technology, knowledge and assets to cooperative members through peer-to-peer networks and exchanges
- Activity 3.1.3: Support smallholder farmer aggregation into cooperatives and other business units as climate risk reduction and risk sharing mechanisms

Under output 4.2: Vulnerable smallholders and their organizations have increased access to gender-responsive and socially inclusive financial products that support climate resilient, low carbon growth

- Activity 4.2.2: Support smallholders and their business units in the development of bankable business plans, with particular focus on social inclusion and gender-based access
- Activity 4.2.3: Facilitate smallholders access to financial incentives schemes for agroforestry

| | | | |
|---|---|---|---|
| Project | | Transforming Livelihoods through Climate Resilient, Low Carbon, Sustainable Agricultural Value Chains in the Lake Region Economic Bloc, Kenya | |
| Project Objective | | To foster the emergence of climate-resilient, low-carbon, environmentally sustainable, and financially viable agriculture value chains. | |
| Impact indicator | | Greenhouse gas emissions reduced, avoided or removed/sequestered | |
| Baseline | Year | 2025 | 0 |
| Target | Year | 2031 | -1,287,589 tCO2 equivalents |
| Impact indicator | | Direct and indirect beneficiaries reached | |
| Baseline | Year | 2025 | 0 |
| Target | Year | 2031 | Direct beneficiaries: 572,000 people, of which 286,000 women<br>Indirect beneficiaries: 2,098,140 people, of which 1,049.070 women |
| Impact indicator | | Hectares of natural resources brought under low-emission or climate-resilient management practice | |
| Baseline | Year | 2025 | 0 |
| Target | Year | 2031 | 30,540 ha. |
| Baseline | | Farmers in the LREB are vulnerable to climate variability and climate change impacts. There has to date been limited dissemination and penetration of best practices in terms of low carbon, climate resilient agriculture among local farmers in the LREB. | |

| | | | |
|---|---|---|---|
| **Outcome 1** | | **Enhanced public agro-climate services support farmer-led proactive adaptation and mitigation actions** | |
| Outcome indicator | | Number of men and women benefiting from improved knowledge, extension and climate services | |
| Baseline | Year | 2025 | Less than half of smallholders receive extension services, which are limited in scope, not easily understandable, or not timely, and not suited to climate risk management |

| | | | |
|---|---|---|---|
| Target | Year | 2031 | 143,000 people (50% women) receive improved or new extension and climate services |
| **Outcome 2.1** | | **Reduced emissions from the agriculture, forestry and land use sector** | |
| Outcome indicator | | Tons Co2-eq removed through improved agricultural practices in crop and livestock production, land use management and landscape restoration | |
| Baseline | Year | 2025 | 0 |
| Target | Year | 2031 | 1,287,589 (4,268,492 if extended beyond project lifetime) |
| **Outcome 2.2** | | **Increased ecosystem resilience to climate change** | |
| Outcome indicator | | Hectares of natural resources brought under low-emission or climate-resilient management practice | |
| Baseline | Year | 2025 | 0 |
| Target | Year | 2031 | 30,540 ha. |
| **Outcome 3** | | **Increased climate resilience of smallholders' livelihoods using climate-resilient, low carbon technologies** | |
| Outcome indicators | | A: Number of beneficiaries showing an improvement of the resilience score<br>B: GHG emissions reduced from introduction of climate resilient, low-carbon technologies | |
| Baseline | Year | 2025 | A: 0<br>B: 0 |
| Target | Year | 2028 | A: 100,000 people show an improvement of at least 30%<br>B: 643,794 tons Co2-equivalents removed/reduced |
| Target | Year | 2031 | A: 295,000 people (60% of all beneficiaries) showing an improvement of at least 30%<br>B: 1,287,589 tons CO2-equivalents removed/reduced |
| **Output 3.1** | | **Vulnerable smallholders adopt gender-responsive and socially inclusive climate resilient and low carbon production and processing practices, technologies, assets, and risk reduction mechanism** | |
| Output indicators | | A: Number of people participating in trainings provided by the project.<br>B: Number of people adopting climate resilient, low-carbon agriculture practices | |
| Baseline | Year | 2025 | A: 0<br>B: 0 |
| Target | Year | 2028 | A: 75,000 (of which 40% women)<br>B: 40,000 (of which 40% women and 30% youth) have adopted at least 1 new practice |
| Target | Year | 2031 | A: 143,000 (of which 40% women)<br>B: 85,800 (of which 40% women and 25% youth) have adopted at least 1 new practice |
| **Outcome 4** | | **Climate resilient, low carbon value chains are sustained financially and upscaled by the adoption of new business models and practices among farmers and value chain actors** | |
| Outcome indicator | | Percentage income increase among project beneficiaries (men and women) after implementation of project activities | |
| Baseline | Year | 2025 | 0 |
| Target | Year | 2031 | 143,000 people (40% women) are reporting a minimum 15% increase in income |
| **Output 4.2:** | | **Vulnerable smallholders and their organizations have increased access to gender-responsive and socially inclusive financial products that support climate resilient, low carbon growth** | |
| Output indicator | | Number of beneficiaries, farmer organizations and Cooperatives with improved capacity to access private sector finance | |
| Baseline | Year | 2025 | 15% of surveyed farmer organizations and cooperatives were able to access loans from financial institutions |
| Target | Year | 2028 | 25% of beneficiary farmer organizations and cooperatives have improved capacity to access loans from financial institutions |
| Target | Year | 2031 | At least 65% of beneficiary farmer organizations and cooperatives have improved capacity to access loans from financial institutions |

# Annex 4: Risk Management

**Contextual risk**

| Risk Factor | Likelihood | Impact | Risk response | Risk Ratings | Background to assessment |
|---|---|---|---|---|---|
| Decreasing national budgets for management of natural resources | Unlikely | Major | The project includes measures to build the county's capacity to understand the risks to natural resources posed by climate change and unsustainable use, and to also understand the economic and development value of the maintenance of ecosystem services | Low | Given the historical high level of commitment of the Government of Kenya to the protection of natural resources (regardless of political interests and orientation), there is a small risk that national and decentralised budgets for the improved management of natural resources and public lands could decrease. |
| Changes in financial policy hinder financial institutions' ability to lend to beneficiaries | Unlikely | Minor | Monitoring of changes in monetary policy and its potential impact on the ability of the institutions to deliver financing. | Low | There is a possibility that changes in monetary policy or rates will impact financial institutions' ability to lend to project beneficiaries. |
| Limited collaboration between Government stakeholders | Likely | Major | All actors have signed up for the project and will be engaged in the Project Steering Committee | Low | Relevant for e.g., Ministry of Agriculture - MoA, Ministry of Environment and the National Treasury as well as the county governments. |
| Fluctuations in commodity prices | Likely | Minor | In the work with farmers and cooperatives, it is emphasised that cultivating food crops should not be discontinued and price fluctuations should be expected. | Moderate | Profitability and farmer incentives in some value chains are depending on international price fluctuations of eg., coffee. |

**Programmatic risk**

| Risk Factor | Likelihood | Impact | Risk response | Residual risk | Background to assessment |
|---|---|---|---|---|---|
| Land tenure, land ownership or land conflict | Likely | Major | As part of outcome 2, there will be an identification of existing tenure rights and right holders, including for customary use of land. | Low | Outdated land registries, limited access to land registries and information, poor dispute resolution are common in Kenya. Insecure land tenure have proven to be a barrier to the adoption of new practices. |
| Market reorientation and supply chain constraints in selected value chains | Unlikely | Medium | Measures to mitigate this risk are embedded in the project by working directly with buyers.<br><br>The project also works with counties to monitor trends for value chains. | Low | There is a very low risk that the national food market would see a change in demand in the commodities targeted by this project |
| Resistance on women's participation and empowermen t | Unlikely | Low | The project will rely on participative community approach and on gender-transformative approach | Low | Gender action plan will be designed taking into account the possible constraints in relation to gender equality. |
| Delayed implementati on by the FAO and Agriterra. | Likely | High | The Royal Danish Embassy will be engaged in close monitoring of the project implementation, with an enhanced focus in the inception phase of the project. | Low | The Danish funding is earmarked to activities undertaken by Agriterra, thereby reducing the risk of implementation delays in FAO. The project represents a considerable scale-up of Agriterra's activities in Kenya and there are risks of delays in the on-boarding of co-operatives, which should be monitored. |

**Institutional risk**

| Risk Factor | Likelihood | Impact | Risk response | Residual risk | Background to assessment |
|---|---|---|---|---|---|
| Money laundering and countering the financing of terrorism | Unlikely | Major | FAO includes in the project agreement signed between FAO and the Government of Kenya clauses related to money laundering and financing of terrorism. | Low | Consistent with numerous United Nations Security Council resolutions adopted under Chapter VII of the UN Charter, the Government and FAO are firmly committed to the international fight against terrorism and, in particular, against the financing of terrorism. |
| Corruption and/or mismanagement of project funds | Likely | Minor | FAO's experience in project implementation in Kenya encompasses a set of rules and regulations mitigating the risk of misuse of funds and subsequent avenues for action in case that should happen. | Low | Misue of funds is not unlikely in isolated cases. |

# Annex 5: Budget Details

The following budget details indicates the expenditure categories and budgeted amount for the Danish-funded activities, which are implemented by Agriterra and the project management and overhead cost of FAO.

**Detailed budget for the Danish ear-marked budget contribution (DKK):**

| Output | Activity | Cost Description | Amount Y1 (DKK) | Amount Y2 (DKK) | Amount Y3 (DKK) | Amount Y4 (DKK) | Amount Y5 (DKK) | Amount Y6 (DKK) | Total (DKK) |
|---|---|---|---|---|---|---|---|---|---|
| Output 3.1 | 3.1.2 | National Senior Coop Ad | 30,477 | 30,477 | 30,477 | 30,477 | - | 0 | 121,907 |
| Output 3.1 | 3.1.2 | National Junior Coop Adv | 35,892 | 35,892 | 35,892 | 35,892 | - | 0 | 143,566 |
| Output 3.1 | 3.1.2 | Local DSA | 16,243 | 16,243 | 16,243 | 16,243 | - | 0 | 64,974 |
| Output 3.1 | 3.1.2 | National Senior Coop Ad | 41,059 | 41,059 | 41,059 | 41,059 | - | 0 | 164,235 |
| Output 3.1 | 3.1.2 | National Senior Coop Ad | 474,081 | 474,081 | 474,081 | 474,081 | - | 0 | 1,896,324 |
| Output 3.1 | 3.1.2 | National Medior Coop Ad | 341,906 | 341,906 | 341,906 | 341,906 | - | 0 | 1,367,625 |
| Output 3.1 | 3.1.2 | Local Transport | 84,370 | 84,370 | 84,370 | 84,370 | - | 0 | 337,479 |
| Output 3.1 | 3.1.2 | Local DSA | 107,568 | 107,568 | 107,568 | 107,568 | - | 0 | 430,272 |
| Output 3.1 | 3.1.2 | National Medior Coop Ad | 116,004 | 116,004 | 116,004 | 116,004 | - | 0 | 464,016 |
| Output 3.1 | 3.1.2 | National Agripooler | 24,648 | 24,648 | 24,648 | 24,648 | - | 0 | 98,593 |
| Output 3.1 | 3.1.2 | International Agripooler | - | 83,666 | 83,666 | 83,666 | 83,666 | 83666.2008 | 418,331 |
| Output 3.1 | 3.1.2 | Local Transport | 49,380 | 49,380 | 49,380 | 49,380 | - | 0 | 197,521 |
| Output 3.1 | 3.1.2 | International Agripooler in | 5,876 | 8,814 | 8,814 | 8,814 | - | 0 | 32,318 |
| Output 3.1 | 3.1.2 | International flights | 26,770 | 40,155 | 40,155 | 40,155 | - | 0 | 147,234 |
| Output 3.1 | 3.1.2 | Local Agripooler logistics | 10,615 | 10,615 | 10,615 | 10,615 | - | 0 | 42,459 |
| Output 3.1 | 3.1.2 | Materials and Equipment | - | 1,685,652 | 1,685,652 | 1,685,652 | 1,685,652 | 1685652.06 | 8,428,260 |
| Output 3.1 | 3.1.2 | National Medior Coop Ad | - | 63,497 | 63,497 | 63,497 | 63,497 | 63496.8848 | 317,484 |
| Output 3.1 | 3.1.2 | Local Transport | - | 33,786 | 33,786 | 33,786 | 33,786 | 33786.4411 | 168,932 |
| Output 3.1 | 3.1.2 | National Junior Coop Adv | - | 86,140 | 86,140 | 86,140 | 86,140 | 86139.7896 | 430,699 |
| Output 3.1 | 3.1.2 | Local Transport | - | 152,928 | 152,928 | 152,928 | 152,928 | 152928.121 | 764,641 |
| Output 3.1 | 3.1.2 | Local Transport | - | 81,926 | 81,926 | 81,926 | 81,926 | 81926.4303 | 409,632 |
| Output 3.1 | 3.1.2 | National Cooperative Clin | 357,950 | 375,270 | 389,704 | 415,684 | 435,891 | 461871.201 | 2,436,371 |
| Output 3.1 | 3.1.3 | National Consultant | - | - | 63,521 | 63,521 | 63,521 | 63521.406 | 254,086 |
| Output 3.1 | 3.1.3 | National Cooperative Clin | 51,614 | 60,274 | 34,640 | 37,527 | 18,590 | 18582.3774 | 221,228 |
| Output 3.1 | 3.1.3 | materials and Equipment | - | 440,649 | 440,649 | 440,649 | 440,649 | 440648.676 | 2,203,243 |
| Output 4.2 | 4.2.2 | National Senior Coop Ad | - | 6,773 | 6,773 | 6,773 | 6,773 | 6772.58491 | 33,863 |
| Output 4.2 | 4.2.2 | Conference package | - | 598,511 | 598,511 | 598,511 | 598,511 | 598510.613 | 2,992,553 |
| Output 4.2 | 4.2.2 | Local DSA | - | 54,561 | 54,561 | 54,561 | 54,561 | 54561.1588 | 272,806 |
| Output 4.2 | 4.2.2 | Printing, Audio Visual and | - | 54,618 | 54,618 | 54,618 | 54,618 | 54617.6202 | 273,088 |
| Output 4.2 | 4.2.2 | Local Transport | - | 16,253 | 16,253 | 16,253 | 16,253 | 16253.3621 | 81,267 |
| Output 4.2 | 4.2.2 | National Senior Coop Ad | - | 67,726 | 67,726 | 67,726 | 67,726 | 67725.8491 | 338,629 |
| Output 4.2 | 4.2.2 | National Medior Coop Ad | - | 48,844 | 48,844 | 48,844 | 48,844 | 48843.7575 | 244,219 |
| Output 4.2 | 4.2.2 | National Junior Coop Adv | - | 57,427 | 57,427 | 57,427 | 57,427 | 57426.5264 | 287,133 |
| Output 4.2 | 4.2.2 | Printing, Audio Visual and | - | 5,477 | 5,477 | 5,477 | 5,477 | 5477.36706 | 27,387 |
| Output 4.2 | 4.2.2 | National Cooperative Clin | 193,409 | 202,069 | 213,615 | 228,049 | 239,596 | 251142.466 | 1,327,880 |
| Output 4.2 | 4.2.2 | National Medior Coop Ad | - | - | 476,227 | 476,227 | 476,227 | 476226.636 | 1,904,907 |
| Output 4.2 | 4.2.2 | Local Transport | - | - | 52,823 | 52,823 | 52,823 | 52823.4267 | 211,294 |
| Output 4.2 | 4.2.2 | Local DSA | - | - | 105,218 | 105,218 | 105,218 | 105218.1 | 420,872 |
| Output 4.2 | 4.2.2 | National Agri-Business E | - | - | 228,224 | 228,224 | 228,224 | 228223.627 | 912,895 |
| Output 4.2 | 4.2.2 | National Finance & Oper | 231,236 | 231,236 | 231,236 | 229,172 | 229,172 | 229171.777 | 1,381,224 |
| Output 4.2 | 4.2.2 | Local DSA | - | - | 105,218 | 105,218 | 105,218 | 105218.1 | 420,872 |
| Output 4.2 | 4.2.2 | International Legal, Cont | 69,426 | 73,106 | 76,981 | 81,061 | 85,357 | 89880.6913 | 475,811 |
| Output 4.2 | 4.2.3 | National Senior Coop Ad | - | - | - | 16,931 | - | 0 | 16,931 |
| Output 4.2 | 4.2.3 | Conference package | - | - | - | 180,204 | - | 0 | 180,204 |
| Output 4.2 | 4.2.3 | Local Transport | - | - | - | 56,540 | - | 0 | 56,540 |
| Output 4.2 | 4.2.3 | Printing, Audio Visual and | - | - | - | 163,853 | - | 0 | 163,853 |
| Output 4.2 | 4.2.3 | Local Transport | - | - | - | 4,876 | - | 0 | 4,876 |
| Output 4.2 | 4.2.3 | National Medior Coop Ad | - | - | - | 146,531 | - | 0 | 146,531 |
| Output 4.2 | 4.2.3 | National Cooperative Clin | - | - | 72,167 | 75,054 | 77,941 | 83714.1552 | 308,876 |
| M&E | M&E | Staff Costs | 81,287 | 85,596 | 90,132 | 94,909 | 99,939 | 105236.162 | 557,100 |
| PMC | PMC | Operational officer | 273,168 | 273,168 | 136,584 | 136,584 | 273,168 | 273168 | 1,365,840 |
| | | HR Services | | | | | | 23812.282 | 23,812 |
| | | Evaluation (HQ cost) | | | | | | 306696.915 | 306,697 |
| | | Reporting (HQ cost) | | | | | | 43205.11 | 43,205 |
| | | Operational support | | | | | | 35302.8624 | 35,303 |
| | | Cost of Environmental and Social Safeguards | | | | | | 118731.6 | 118,732 |
| | | TSS allocation | | | | | | 20263.5264 | 20,264 |
| | | Security services | - | - | - | - | - | 4287.53 | 4,288 |
| | | IT Services | | | | | | 104022.074 | 104,022 |
| | | Financial Services | | | | | | 387843.368 | 387,843 |
| | | | | | | | | | 37,013,047 |
| | | Project Support Costs 7% | | | | | | 2519233.9 | 2,590,913 |
| | | UN Levy @ 1% | | | | | | 385086.156 | 396,040 |
| | | | | | | | | | **40,000,000** |

## Annex 6: List of Supplementary Materials

- Green Climate Fund Funding Proposal, including annexes
- Lake Region Economic Bloc Blueprint: Unlocking Economic Potential of LREB
- County Integrated Development Plan (for the relevant counties)
- Strategic Framework Denmark-Kenya Partnership 2021-2025

# Annex 7: Plan for Communication of Results

**The plan for communication of results is going to be developed in the inception phase.**

## Annex 8: Process Action Plan

The formulation process included desk preparation and field work in Kenya 27-31 January. The draft project document is submitted to an independent appraisal and amended in accordance with the appraisal recommendations before submission to the Undersecretary of development Policy, which is planned for the month of November.

| Date (2025) | Activity | Responsible |
|---|---|---|
| 10 January | Submission of Inception note to RDE | Consultant |
| 13-24 January | Study of documentation and on-line interviews | Consultant |
| 13-24 January | Organisation of meetings and of field visit | RDE / consultant |
| 27-29 January | Field visit LREB | Consultant and RDE |
| 30-31 January | Meetings in Nairobi | Consultant and RDE |
| 7 February | First draft project document submitted to RDE | Consultant |
| 14 February | Written comments from RDE | RDE |
| 21 February | Second draft project document | Consultant |
| 13 March | Draft project document including annexes submitted for appraisal | Consultant |
| 10 April | Draft appraisal report | Appraisal team |
| 17 April | Final appraisal report | Appraisal team |
| April-November | Finalize project document and finance agreement | RDE/FAO |
| November | Final project document for submission to Undersecretary of Development Policy | Consultant/RDE |
| November | Registration of commitment | RDE |
| November | Signature of co-financing agreement between RDE and FAO | RDE/FAO |