



# **Extractive Industries for Sustainable Development in Kenya**

**2013-2015**

**United Nations Development Programme  
(UNDP)**

## KENYA



## I. SUMMARY OF THE INITIATIVE

<b>Title:</b>	Extractive Industries for Sustainable Development in Kenya		
<b>Expected Outcome:</b>	The extractive sectors of Kenya are governed in more participatory, equitable and sustainable ways to ensure that they contribute to peace and sustainable human development.		
<b>Expected Outputs:</b>	<ol style="list-style-type: none"> <li>1. Participatory decision-making fora established to institutionalize representation of communities in decisions on extractive industries and to safeguard their rights and mitigate against growing tensions between communities and investors.</li> <li>2. Public institutions, the private sector and civil society have systems to ensure transparent, accountable and inclusive management of revenues from extractive industries.</li> <li>3. Legal, policy frameworks and institutional capacity is in place to effectively support sustainable management of the extractive sector</li> </ol>		
<b>Executing and Implementing Agency:</b>	UNDP		
Programme Period:..... <u>18 month- 2 year start-up phase</u> Key Result Area (Strategic Plan):..... Atlas Award ID:..... Start date:..... End Date:..... Date:..... Management Arrangements:.....	Total resources estimated: \$2,833,450.00 USD Total allocated resources: Country Office: BCPR: \$500,000 Donor: Government: Unfunded budget: In-kind Contributions:		

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## II. OVERVIEW AND SITUATION ANALYSIS

The management of extractive industries is one of the most critical challenges facing many resource-dependent developing countries today. Rather than stimulating broad-based economic development, reliance on resource extraction has tended to concentrate wealth and power in the hands of a few, exacerbate corruption and inequalities, lead to environmental degradation and pollution, while doing little to reduce poverty, economic disparities and generate employment. Worse still, in many countries extractive resources have fuelled violent conflicts<sup>1</sup>. Beyond these social and political impacts, the economic impacts of dependence on resource extraction loom large. First, the volatility of prices of mineral commodities exhibited in international markets leads to the volatility of exports and fiscal revenues, affecting public investment. Second, the rapid growth of extractive industries tends to depress the growth of other export-oriented sectors – manufacturing, agriculture and services. This phenomenon, known as the Dutch disease, limits the possibilities for resource-dependent countries to diversify their economies in the long-term, and thereby to achieve sustained economic growth and poverty reduction.

In such contexts, sustainable development becomes almost impossible and gains made over years of progress with respect to meeting the Millennium Development Goals (MDGs) and democratic reforms can easily be undone.

But the negative impacts of resource extraction are not inevitable. Development of extractive industries can bring much-needed resources to finance infrastructure, education and health, generate jobs and raise incomes and spread wealth beyond the usual capitals. A number of countries have managed their extractive industries successfully in recent decades, diversifying their economies, managing governance deficits and conflicts, and investing in human development and infrastructure for the betterment of the people and the nation at large.

As Kenya undergoes political, economic and social transition underpinned by a progressive Constitution, it has great opportunity to learn from mistakes of others, harnessing the benefits and avoiding the resource curse and negative impacts of extractive industries. The Government of Kenya recognises this priority and has included responsible governance of the extractive sector as a key priority in Kenya's Vision 2030 and the Mid Term Plan II (MTP2), to which UNDP Kenya is closely aligned.

The April 2013 announcement of oil discovery and other minerals has propelled Kenya as a new player in the global market for hydrocarbon and valued minerals. The International Monetary Fund (IMF) projects that oil production in Kenya is expected to start in six to seven years from now, giving the country time to prepare to manage its endowment to the achieve its development goals as stipulated in the 2030 Vision. In addition to oil, Kenya is also rich in gas, rare earth metals, coal, iron ore, gold, limestone, gypsum, soda ash, gemstones, manganese ore, fluorspar, diatomite, titanium, zircon, chromite, niobium and silica sand. Most recently, Cortec Mining Kenya Limited has announced that Mrima Hills in Kwale County has one of the largest rare earth mineral deposits in the world with a potential in-ground value of up to US \$62.4 billion dollars.

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<sup>1</sup> Nicholas Shaxson (2007) *Poisoned Wells: The Dirty Politics of African Oil*

These discoveries are made on the backdrop of low human development and high levels of poverty and inequality in Kenya. In 2012, Kenya ranked 145th out of 194 countries by its Human Development Index. According to 2005/2006 household budget survey, 47 per cent of Kenyans lived in poverty<sup>2</sup>, while the income inequality was significantly higher than in Tanzania and Ethiopia. Kenya's non-renewable resources have been discovered in areas with high levels of poverty, cyclical droughts, insecurity and inhabited by minority communities who have historically been marginalized.

An evident aspect of inequality in the extractive sectors is gender disparities. Generally speaking, men tend to have greater access to benefits and opportunities from extractive industries, while women bear more of the social, environmental and economic impacts.<sup>3</sup> For example, reallocation of land away from agriculture for extractive sector development can lead to increased food insecurity, reduced employment opportunities and severe environmental impacts, such as soil and water contamination. Women tend to be particularly vulnerable to such impacts, due to their gender roles as caretakers for children, the disabled and the elderly, and their largely resource-based livelihoods. In addition, the exploitation of extractive resources can have substantial social effects, such as increased demand for commercial sex and higher rates of sexually transmitted diseases.<sup>4</sup> Consequently, promoting and working toward greater inclusiveness is key to ensuring that high-value resources as the extractive sector can provide sustainable livelihood opportunities for men and women equally.

Overall, it is not surprising that Kenya's newly found status as a country with proven reserves in oil and minerals has raised expectations about the financial and material benefits that oil and minerals would bring. Given the long gestation period of extractive projects, these expectations are not realistic in the short term, creating potential to ferment conflict unless carefully managed. Early signs of the need to ensure a strong sense of social responsibility by investors as well as the need for community dialogue have emerged as being paramount. The recent cases of communities shutting down a Canadian oil company operating on the border of the Isiolo and Garissa counties and Tullow Oil in Turkana demonstrate that these issues are not being adequately addressed. At the same time, discoveries of new resources generate concerns about sustainability of extractive industries-driven development, its impacts on non-extractive sectors, impacts on the livelihoods of the poor, and the potential for conflict. These concerns are particularly strong among Civil Society Organizations (CSOs) and local communities.

Kenya's improving political and democratic trajectory offers it a better opportunity to manage its newly discovered resources. However, it will require concerted actions at all levels of society as well as the support of the international community. Initial signs at the community levels are mixed. In Kitui, Marsabit and Turkana counties, large tracts of community lands have been allocated to the investors often with very little community consultations – heightening community-investor tensions. The allocation of 100,000 acres and 50,000 acres of community land in Mount Kulal and Bubisa areas in Marsabit County has generated further tensions and court injunctions. However, experiences on

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<sup>2</sup> Although there is evidence that since 2005/06, poverty might have declined. Source: World Bank (2008) Kenya Poverty and Inequality Assessment.

<sup>3 3</sup> World Bank. (n.d.). *Women and the Extractive Industries*. Factsheet. World Bank: Washington, DC.

<sup>4 4</sup> Gender Action. (n.d.). *Gender Action Comments: The EITI's Strategy Working Group Public Consultation Integrated Gender Dimensions*. Gender Action: Washington, D.C.

community engagement and dispute resolution in Kwale shows that parts of Kenya are already pioneering good lessons that could be replicated in other parts of the country.

Building on more than four decades of work with marginalized communities in the Arid and Semi Arid Lands (ASALs) of Kenya which constitute almost 80 per cent of the country (these are now the newly discovered resource rich areas as well), UNDP Kenya is well positioned and networked with local communities to scale up the governance of the extractive sector for the benefit of the people of Kenya. Most recently in partnership with the United Kingdom's Department for International Development (DfID) and the Government of Kenya, UNDP has championed the establishment of a National Peace Architecture in Kenya and has directly supported the setting up of District Peace Committees (DPC's) over the last 3 years, which directly supported peaceful elections in March 2013. The Country Office is well established in terms of its work in the conflict prevention, conflict and dialogue mediation at community level and overall support to the National Reconciliation Agenda and enabling rural community's access their rights under the new constitution.

UNDP as the primary UN Development Partner of the Government of Kenya typically proposes integrated and multi-sectoral interventions described in this document to ensure Kenya's natural endowments become a source for inclusive and equitable sustainable human development, rather than a curse as is the case for so many African resource rich countries.

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### III. RATIONALE FOR UNDP'S ENGAGEMENT

UNDP's Draft Corporate Strategic Plan 2014-2017 highlights the effective management of extractive industries for sustainable human development as a key priority. UNDP also recently approved its Extractive Industries Global Strategy to systematise and scale-up its work in this area. From this Strategy, the ***"Global Initiative on Extractive Industries for Sustainable Development"*** was developed to operationalize the Strategy and to respond to growing demands in extractive Industry work in a systematized and timely manner. At the regional level UNDP has already brought together policymakers and legislators to harmonize legal frameworks on extractive industries in East Africa. Furthermore, an upcoming Regional Bureau for Africa (RBA) programme titled ***"Harnessing Extractive Industries for Human Development in Sub-Saharan Africa"***, based in Addis Ababa, aims to reinforce the African Peer Review Mechanism to support governance, accountability and transparency of extractive industries. The programme will also build the capacity of the African Union's African Minerals Development Centre by operationalizing a Rapid Response Facility to provide demand driven support to meet countries' financial and technical assistance needs.

Apart from UNDP's Global and Regional knowledge in Extractive Industries, UNDP Kenya has many years of experience working with the vulnerable communities impacted by the extractive sector. In the area of governance, the UNDP Amkeni Wakenya Programme, established in 2008 to support citizen's engagement in democratic governance has engaged over 10 million people indirectly, while about 1 million were directly reached by 220 Amkeni Wakenya civil society implementing partners. The programme has supported civic education and other emerging governance issues and processes. UNDP Kenya also has a programme with strong focus on women's development across the country,

implemented by the Maendeleo ya Wanawake Organization. UNDP Kenya will be able to use these networks to enhance citizen awareness on extractives and ensure community participation in decision-making.

In terms of peace building, UNDP has been on the ground for many years. Recently UNDP supported the government to develop and operationalize a robust early warning and response center and a functional Situation Room to respond timely to conflict situations. UNDP also assisted in the recruitment of 155 peace monitors who operate in all the 47 counties, including 25 regional response centres. The peace monitors are tasked with alerting the government on any conflict potential for appropriate response measures. Due to the localized nature of the conflict, UNDP has also built capacities of over 80 DPCs and 20 District Task Forces on Small Arms and Light Weapons (SALWs) and trained 100 mediators to be dispatched to conflict prone areas in the country. This in addition to holding inter-faith dialogue and mediation in identified hotspots. UNDP will work with these groups to ensure appropriate grievance mechanisms are developed at community levels to discuss the impact of extractive industries.

UNDP Kenya also works on resilience, recovery and stabilization of livelihoods of drought-affected communities in Northern Kenya and other ASALs in Turkana and Garissa districts, where oil has recently been discovered. Targeting communities hosting refugees, displaced populations, women and men, through the National Drought Management Authority (NDMA), UNDP aims to consolidate peace in pastoralist areas, increasing access to natural resources, and to improve inter-communal and cross border relations through shared peace dividend projects such as vocational skills trainings for youths and reformed warriors for inclusive economic growth. As extractive industries enter these regions, competition and conflicts for natural resources will intensify. UNDP will be present to promote dialogue, consensus building, capacity development of county level actors in mediation and negotiation, improve transparency and information sharing and ensure that marginalized communities benefit from the extractive sector.

UNDP's global mandate of poverty reduction and promotion of human development, together with successful implementation of numerous initiatives at the national and local level in Kenya, has made it a trusted partner of the Government of Kenya. As the field of extractives is intensely contested and the boundaries between public and private interests sometimes become blurred, UNDP Kenya's value-added as an impartial partner and knowledge broker, makes the organization an ideal convener of multi-stakeholder dialogues that serve to advance national development goals.

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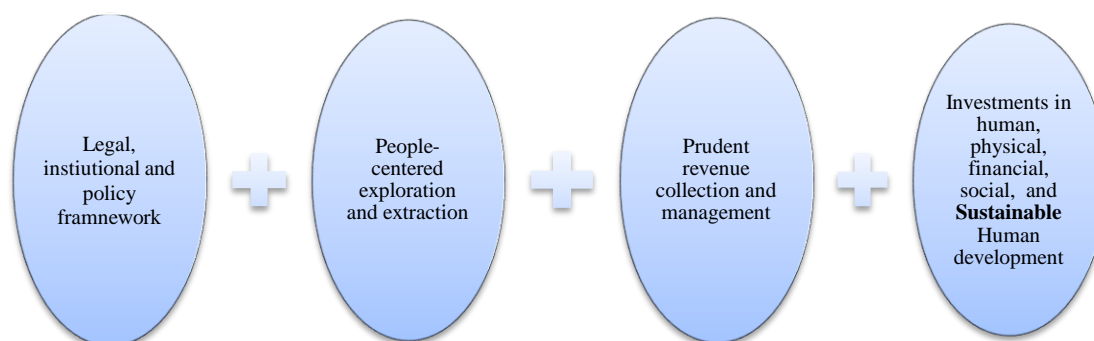
#### **IV. STRATEGIC INTERVENTION AREAS**

UNDP's strategic choices and approach in the extractive sector in Kenya is informed by UNDP's new Country Programme Document (CPD) 2014-17 based on Kenya's Vision 2030 and the Mid Term Plan II (MTP2), as well as UNDP's Strategy ***"Supporting Sustainable and Equitable Management of the Extractive Sector for Human Development"*** released in December 2012 (hereinafter referred to as "UNDP's Strategy on Extractive Industries").

The proposed intervention below will contribute to three strategic outcome areas proposed in UNDP'S new CPD currently being prepared: *a) Inclusive Sustainable Growth and Human Development; b) Transformative Governance; and c) Risks and Impacts of Conflict, Violence and Disasters Reduced and Managed at National and County Levels.*

The approach of the proposed programme is informed by UNDP'S Strategy on Extractive Industries, which envisages four overlapping and yet distinct components or stages of resource-rich countries. Although not always sequential, the approach recognizes linkages and synergies among the different phases of the extractive process. For instance, where the legal framework is weak in defining land and property rights and enforcing environmental standards; conflict is likely to emerge during exploration and extraction stages. Similarly, if local communities do not give consent for exploration and extraction, the risk of conflict increases. And, if contracts are negotiated opaquely, without transparency, misappropriation of funds will limit the amount of fiscal revenues available for financing development.

**Figure 1: A Four Stages Framework for Extractive Industries Management**



In the context of Kenya, because UNDP will not intervene in all areas, this approach encourages partnerships and is based on the premise that overall success will depend on close partnership with other organisations such as the World Bank, ADB, INGO, CSOs, led by a coordinated governance mechanism set by the Government of Kenya. Thus, the programme proposes the following three outputs, linked to the above components of the framework of UNDP'S Strategy on Extractive Industries:

**Output 1:** Participatory decision-making fora established to institutionalize representation of communities in decisions on extractive industries, to safeguard their rights and reduce or prevent growing tensions between communities and investors.

The visioning of the development of extractive sector should incorporate the perspectives of different stakeholders, particularly local communities whose stakes are highest – those who stand to lose or benefit the most from the development of extractive industry. Leveraging the extensive network of civil society organizations with which UNDP Kenya has a long history of engagement, UNDP Kenya will raise

awareness and manage expectations among communities, while also providing fora and strengthening their capacity for their engagement in decision-making and participation in social accountability mechanisms to ensure benefit sharing. UNDP also has worked extensively with governments and other stakeholders to develop national development visions, plans and strategies, mostly in the context of MDG-based development planning.

At this critical juncture, UNDP Kenya will also support the GoK in organization of participatory fora and mechanisms to make the process of setting a vision for extractive industries and related policy-making processes more inclusive, thereby enhancing inclusion of various interest groups and gender balance. UNDP will assist partners to widen and deepen the national discourse on extractive industry development by disseminating information, strengthening communicators, generating documentation, fostering public debate and building linkages between government, communities, private sector and extractive companies through dialogue, training and technical support.

UNDP Kenya will also help develop the capacity of existing civil society organizations, as well as unorganized movements and community groups to meaningfully engage in consultations regarding vision, policies, legislation and other decisions related to extractive industries. For this purpose, UNDP will develop the capacity of research institutions and civil society organizations to access, use, analyse and communicate data and information.

UNDP Kenya will promote community dialogue and grievance and dispute resolution mechanisms, including Alternative Dispute Resolution (ADR) mechanisms, safeguarding the rights of communities and countering the potentially negative impact of extractive industries on county-level conflict dynamics, social cohesion and integration programmes. Under the devolved governance system, UNDP will support capacities of county assemblies, planners and key technical sector staff.

UNDP Kenya will implement the following activities:

**Access, use, analyze and communicate information:**

1. Conduct a study on existing legislation, policy and formal and informal mechanisms for community participation; Undertake a detailed study on community engagement of Tiomin/ Base Titanium in Kwale to inform nationwide community engagement frameworks and guidelines; Conduct a study on the impact of extractive sector development on women, in particular on land rights and tenure security, gender-based violence, and income-earning opportunities.
2. Carry out conflict risk analyses to identify drivers of conflict, peace capacities, traditional and non-traditional dispute resolution mechanisms to inform pre-extraction decisions of government and companies as well as linkages between the extractive industry and marginalized groups (i.e. women, specific ethnic groups, communities etc.)
3. Develop information dissemination mechanisms to population in general, as well as targeting the communities in counties with oil, gas and mineral resources, over the extraction life-cycle, using traditional and non-conventional systems of communication.

**Develop capacities:**

4. Develop capacities of communities, including women's advocacy organizations and minority groups, to act as watchdogs by raising awareness and enhancing their participation in decision-making.
5. Conduct collaborative leadership training for key leaders from Arid and Semi-Arid Lands (ASALs) on conflict-sensitive approaches to extractive industries
6. Conduct training in conflict mitigation and consensus building for private sector companies in the extractive sector.

**Organize and institutionalize participatory fora:**

7. Organize participatory dialogues involving government, community and private sector, to resolve conflicts early and constructively, to maximize the positive impact of extractives and to inform the national vision on the development of the extractive industry. The participatory dialogues will be conducted at national and local levels.
8. Support establishment of regular dialogue between governments, communities and companies through multi-stakeholder groups at the national and local levels.
9. Based on good practices in participatory fora, support incorporation of public hearings and other mechanisms, particularly at the local level, into legislation and institutional arrangements.

**Establish grievance mechanisms:**

10. Support the establishment of grievance mechanisms, including ADRs, to address conflicts between communities and companies or within communities over extraction activities.

**Output 2:** Public institutions, the private sector and civil society have systems to ensure transparent, accountable and inclusive management of revenues from extractive industries.

Exploitation of natural resources often results in unprecedented inflows of revenues to state coffers, both in foreign exchange and tax receipts. These financial flows bring unique opportunities, but also challenges. Prudent revenue collection and management requires capacity to manage revenues over time, take remedial actions against trade mispricing and misappropriation of funds, as well as designing and implementing public investment and expenditure programmes that respond to needs of communities. These capacity gaps are particularly severe at the local government levels - in county assemblies and executive branches of government in the devolved governance context in Kenya. Corporate Social Responsibility Initiatives also require coordination and planning of investments in infrastructure and social services.

UNDP Kenya will work to contribute toward improving transparency of revenues from extractive industries and accountability of responsible government institutions to ensure that resource revenues are used effectively for alleviating absolute poverty, addressing social and gender inequalities,

environmental sustainability, and compensating communities affected by exploration and extraction. In this regard, UNDP will support the capacities of both governmental and non-governmental actors, particularly at the local level in managing revenues from extractives in a transparent and accountable manner.

Realizing potential benefits from extractive industries for employment generation and poverty reduction requires developing supply linkages between small and middle-sized enterprises and large extractive companies, and investing in skills development.

UNDP Kenya will support dialogue and partnerships between extractive companies, small- and middle-sized enterprises, artisanal and small-scale miners and local communities to build new and enhance existing supply linkages, develop training and apprenticeship programs, and to foster formation of associations and cooperatives among suppliers.

UNDP Kenya will implement the following activities:

#### **Undertake studies**

1. Develop capacity of research institutes to generate and analyze data and information to inform civil society organization, government and companies on revenues from extractives; develop and use information dissemination mechanisms to inform communities at large, particularly communities where oil, gas and mineral resources are being developed.
2. Utilizing UNDP best practice knowledge networks, conduct review of experiences with community investment funds in other countries, including both successful and less successful ones in order to identify lessons.
3. Carry out supply chain analysis to inform the development of small- and medium-size enterprises as suppliers to the extractive industry, drawing on lessons from countries with more mature extractive sectors.

#### **Capacity development and anti-corruption activities**

4. Support development of corruption risk mitigation systems against transfer pricing and misappropriation of funds.
5. Develop and deliver training to civil society to enhance their capacity to fulfil their oversight/watchdog roles over revenue management.
6. Carry out capacity assessments of institutions playing a key role in the governance of extractive industries at the national and country levels focusing on transparency and accountability.

#### **Partnership building**

7. Organize dialogues with companies and communities to ensure community consultations, strengthening capacities of businesses to implement conflict-sensitive business practices, align their CSR activities with national and local development plans, meet human rights and labor rights standards, establishment and management of local development funds.

8. Building on Corporate Social Responsibility initiatives of extractive companies, facilitate public-private dialogues and training workshops for building supply linkages between with local small- and middle-sized enterprises.
9. Foster partnerships with companies to initiate apprenticeship programmes to develop skills and employment opportunities for local communities, with a focus on women.

**Output 3: Legal, policy frameworks and institutional capacity are in place to effectively support sustainable management of the extractive sector.**

Hopes and expectations are running high in Kenya that in the years to come, the economy will be further boosted by extraction of the recently discovered oil, coal and other mineral and hydrocarbon resources. The Government of Kenya seeks to ensure that appropriate institutions and legal frameworks and policies are in place in order to translate the vision for sustainable management of extractive industries development into concrete actions.

UNDP Kenya will support informed decision making and development of legal and policy frameworks by conducting or commissioning a number of *studies and assessments* – in the process, also supporting the capacity of national research institutions. UNDP will support the GoK in exchanging knowledge globally and regionally to identify best practices and potential impacts of the extractive sector on human development, drawing on the global expertise sourced through the Global Initiative on Extractive Industries for Sustainable Development.

UNDP Kenya will also contribute to the implementation of these policies and legislation by *supporting the capacity of relevant government institutions*, such as ministries and government agencies at the national level and corresponding institutions and departments at the county level. The activities will primarily focus on: 1) environmental assessment, environmental regulation; 2) ASM (artisanal and small-scale mining) regulation.

In terms of environmental assessment and regulation, UNDP will work with the GoK to build national capacity to monitor and enforce environmental standards, conduct or commission environmental and social impact assessments of extractive industries at the national and county level. In doing this, UNDP will expand and build on the past history of collaboration with the two key GoK agencies responsible for setting and enforcing environmental laws and regulations - the Ministry of Environment, Water and Natural Resources and the National Environment Management Authority (NEMA).

In terms of ASM, UNDP Kenya will work with the GoK to conduct studies on ASM, develop a legal regulatory and/ or legal framework, and establish and build capacity of institutions to regulate ASM.

UNDP Kenya will implement the following activities:

**Commission and/ or conduct assessments and studies:**

1. Undertake studies on artisanal and small-scale mining to identify the economic and job creation potential of this sector, particularly for youth and women.

**Develop institutional capacity:**

2. Support the capacity of the Ministry of Environment, Water and Natural Resources and the National Environmental Management Authority (NEMA) in monitoring and enforcement of environmental standards (including environmental deposit bonds), laws and regulations, such as development of procedures, institutional incentives and stakeholder engagement.
3. Support the capacity of NEMA, research institutions and environmental service providers to conduct Strategic Environmental and Social Impact Assessments of the extractive sector development at the national and county levels.
4. Support the establishment and operation of parliamentary commissions on extractive industries and provide guidance and training on the extractive sector to parliamentarians.
5. Support capacity development for regulation of artisanal and small-scale mining at national and local levels.
6. Organize training workshops, seminars and study tours to facilitate cross-country and cross-regional sharing of knowledge on extractive sector management.

## V. RESULTS AND RESOURCES FRAMEWORK (TBD)

<b>Intended Outcome:</b> The extractive sector of Kenya is governed in more participatory, equitable and sustainable ways to ensure that they contribute to peace and sustainable human development.
<b>Outcome Indicators:</b>
1. Communities (especially women and communities in ASALs) effectively participate in decision making in extractive sector management.
2. Legal and institutional framework, policies and systems are in place to ensure transparent, accountable and inclusive revenue management from extractive industries
<b>Applicable Key Result (UNDP Strategic Plan 2008-2013):</b> <i>(to be updated, based on the forthcoming Strategic Plan)</i>
1. Inclusive Sustainable Growth and Human Development
2. Transformative Governance
3. Risks and Impacts of Conflict, Violence and Disasters Reduced and Managed at National and County Levels
<b>Partnership Strategy:</b> Partnership with Kenyan civil society organizations and research institutions established or established partnerships expanded
<b>Project title and ID (ATLAS Award ID):</b> Extractives Industries for Sustainable Development in Kenya
<b>Programme Period:</b> 2013-2015

INTENDED OUTPUTS & INDICATORS OF CHANGE	OUTPUT BASELINES & TARGETS FOR (YEARS)	INDICATIVE ACTIVITIES	RESPONSIBLE PARTNERS	COSTS (US\$)
<b>Output 1: Participatory decision-making fora established to institutionalize representation of communities in decisions on extractive industries, to safeguard their rights and reduce or prevent growing tensions between communities and investors.</b>				
<b>Output Indicators:</b> <ul style="list-style-type: none"> <li>Studies on existing legislation, policies and mechanisms for community participation and gender impact are conducted</li> <li>A study on conflict risk analysis conducted</li> <li>A public communication mechanism is established and operating within the responsible regulatory agency on extractive industries</li> </ul>	<b>Baseline:</b> <ul style="list-style-type: none"> <li>Limited capacity of civil society organizations in understanding implications from extractive industries' development</li> <li>Limited capacity of private sector companies to find a common understanding with local communities</li> <li>Absence of public hearings and consultations on specific and strategic implications of extractive industries</li> <li>Limited public communication and absence of a communication mechanism on extractive industries</li> <li>Absence of legal provisions and institutional frameworks enabling national and sub-national actors, communities and individuals to obtain compensation due to losses from extractive industries</li> <li>Absence of legal provisions enabling national and sub-national actors, communities and individuals to be informed and participate in decisions related to extractive industry development.</li> </ul>	<b>Access, use, analyze and communicate information:</b> <ol style="list-style-type: none"> <li>Conduct a study on existing legislation, policy and formal and informal mechanisms for community participation; undertake a detailed study on county and community engagement of Tiomin/ Base Titanium, oil and wind power in Kwale, Turkana and Marsabit Counties to inform nationwide community engagement frameworks and guidelines; conduct a study on the impact of extractive sector development on women, in particular on land rights and tenure security, gender-based violence, income-earning opportunities.</li> <li>Carry out conflict risk analyses to identify drivers of conflict, peace capacities, traditional and non-traditional dispute resolution mechanisms to inform pre-extraction decisions of government and companies as well as linkages between the extractive industry and marginalized groups (i.e. women, specific ethnic groups, communities etc.)</li> <li>Develop information dissemination mechanisms to population in general, as well as targeting the communities in counties with oil, gas and mineral resources, over the extraction life-cycle, using traditional and non-conventional systems of communication.</li> </ol>		\$ 20,600.00 \$ 36,750.00 \$ 117,000.00
<ul style="list-style-type: none"> <li>20 formal and informal civil society organizations trained in extractive industries issues and ways</li> </ul>	<b>Target for year 1:</b> <ul style="list-style-type: none"> <li>A study on conflict risk analysis</li> </ul>	<b>Develop capacities:</b> <ol style="list-style-type: none"> <li>Develop capacities of communities, including women's advocacy organizations and minority groups, to act as watchdogs by raising</li> </ol>		\$ 94,000.00 \$ 94,000.00 \$ 9,500.00

INTENDED OUTPUTS & INDICATORS OF CHANGE	OUTPUT BASELINES & TARGETS FOR (YEARS)	INDICATIVE ACTIVITIES	RESPONSIBLE PARTNERS	COSTS (US\$)
<i>of influencing policies</i> <ul style="list-style-type: none"> <li>At least 100 women and men from ASALs, including leaders, trained in conflict-sensitive approaches</li> <li>15 private sector companies' staff are trained in conflict mitigation and consensus building</li> </ul>	<i>conducted</i> <ul style="list-style-type: none"> <li>5 formal and informal civil society organizations trained in extractive industries issues and ways of influencing policies</li> <li>5 private sector companies' staff are trained in conflict mitigation and consensus building</li> <li>3 public hearings and consultations organized at the national level on extractive industries.</li> </ul>	awareness and enhancing their participation in decision-making and accountability mechanisms. 5. Conduct collaborative leadership training for key leaders, including women, from Arid and Semi-Arid Lands (ASALs) on conflict-sensitive approaches to extractive industries 6. Conduct training in conflict mitigation, mediation, negotiation and consensus building for private sector companies in the extractive sector.		
<ul style="list-style-type: none"> <li>10 public hearings and consultations organized in communities with mineral or hydrocarbon deposits and 3 at the national level.</li> <li>Governmental or non-governmental institution established (or mandate expanded) in 5 counties responsible for organizing public hearings and consultations</li> <li>Legal provisions adopted stipulating public information and consultation with communities prior to development of mineral or hydrocarbon deposits</li> </ul>	<ul style="list-style-type: none"> <li>Governmental or non-governmental institution established (or mandate expanded) in 1 county responsible for organizing public hearings and consultations</li> </ul> <p><b>Target for year 2:</b></p> <ul style="list-style-type: none"> <li>A public communication mechanism is established and operating within the responsible regulatory agency on extractive industries</li> <li>10 formal and informal civil society organizations trained in extractive industries issues and ways of influencing policies</li> <li>50 women and men from ASALs, including leaders, trained in conflict-sensitive approaches</li> <li>10 private sector companies' staff are trained in conflict mitigation and</li> </ul>	<p><b>Organize and institutionalize participatory fora:</b></p> 7. Organize participatory dialogues involving government, community and private sector, to resolve conflicts early and constructively, to maximize the positive impact of extractives and to inform the national vision on the development of the extractive industry. The participatory dialogues will be conducted at national and local levels. 8. Support establishment of regular dialogue between governments, communities and companies through multi-stakeholder groups at the national and local levels. 9. Based on good practices in participatory fora, support incorporation of public hearings and other mechanisms, particularly at the local level, into legislation and institutional arrangements.		\$ 100,500.00 \$ 144,000.00 \$ 12,000.00

INTENDED OUTPUTS & INDICATORS OF CHANGE	OUTPUT BASELINES & TARGETS FOR (YEARS)	INDICATIVE ACTIVITIES	RESPONSIBLE PARTNERS	COSTS (US\$)
<ul style="list-style-type: none"> <li>Legal provisions adopted addressing compensation to households and communities affected by development of mineral or hydrocarbon deposits</li> </ul>	<p><i>consensus building</i></p> <ul style="list-style-type: none"> <li>5 public hearings and consultations organized in communities with mineral or hydrocarbon deposits and 3 at the national level.</li> <li>Governmental or non-governmental institution established (or mandate expanded) in 3 counties responsible for organizing public hearings and consultations</li> </ul> <p><b>Target for year 3:</b></p> <ul style="list-style-type: none"> <li>20 formal and informal civil society organizations trained in extractive industries issues and ways of influencing policies</li> <li>100 women and men from ASALs, including leaders, trained in conflict-sensitive approaches</li> <li>15 private sector companies' staff are trained in conflict mitigation and consensus building</li> <li>10 public hearings and consultations organized in communities with mineral or hydrocarbon deposits and 3 at the national level.</li> <li>Governmental or non-governmental institution established (or mandate expanded) in 5 counties responsible for organizing public hearings and consultations</li> <li>Legal provisions adopted stipulating public information and consultation with communities prior to development of mineral or</li> </ul>	<p><b>Establish grievance mechanisms:</b></p> <p>10. Support the establishment of grievance mechanisms, including ADRs, to address conflicts between communities and companies or within communities over extraction activities.</p>		<p>\$ 103,000.00</p>

INTENDED OUTPUTS & INDICATORS OF CHANGE	OUTPUT BASELINES & TARGETS FOR (YEARS)	INDICATIVE ACTIVITIES	RESPONSIBLE PARTNERS	COSTS (US\$)
	<p><i>hydrocarbon deposits</i></p> <ul style="list-style-type: none"> <li>• <i>Legal provisions adopted addressing compensation to households and communities affected by development of mineral or hydrocarbon deposits</i></li> <li>• <i>ADR mechanisms at national and county levels operationalized</i></li> </ul>			
<b>Output 2: Public institutions, the private sector and civil society have systems to ensure transparent, accountable and inclusive management of revenues from extractive industries.</b>				
<p><b>Output indicators:</b></p> <ul style="list-style-type: none"> <li>• <i>Capacity of an institution in research and training in extractive industries in Kenya enhanced</i></li> <li>• <i>Study on community investment funds conducted</i></li> <li>• <i>Study on supply chain analysis conducted</i></li> </ul>	<p><b>Baseline:</b></p> <ul style="list-style-type: none"> <li>• <i>Absence of research and training institutions specializing in extractive industries</i></li> <li>• <i>Limited capacity of civil society institutions to analyse and communicate implications of extractive industries on revenues</i></li> <li>• <i>Limited opportunities for employment for local communities</i></li> <li>• <i>Limited linkages between extractive companies and local enterprises.</i></li> </ul> <p><b>Target for year 1:</b></p> <ul style="list-style-type: none"> <li>• <i>Institutions assessed and a partnership agreement is made with a research/ training institution to develop its research/ training capacity on extractive industries</i></li> <li>• <i>A study on community investment funds conducted</i></li> <li>• <i>Capacities of extractive industries regulatory authorities and multi-stakeholder mechanisms at national</i></li> </ul>	<p><b>Undertake studies</b></p> <ol style="list-style-type: none"> <li>1. Develop capacity of research institutes to generate and analyze data and information to inform civil society organization, government and companies on revenues from extractives; develop and use information dissemination mechanisms to inform communities at large, particularly communities where oil, gas and mineral resources are being developed.</li> <li>2. Utilizing UNDP best practice knowledge networks, conduct review of experiences with community investment funds in other countries, including both successful and less successful ones in order to identify lessons.</li> <li>3. Carry out supply chain analysis to inform the development of small- and medium-size enterprises as suppliers to the extractive industry, drawing on lessons from countries with more mature extractive sectors.</li> </ol>	UNDP	<p>\$ 711,500.00</p> <p>\$ 34,200.00</p> <p>\$ 28,200.00</p>

INTENDED OUTPUTS & INDICATORS OF CHANGE	OUTPUT BASELINES & TARGETS FOR (YEARS)	INDICATIVE ACTIVITIES	RESPONSIBLE PARTNERS	COSTS (US\$)
	<p><i>and county levels are assessed</i></p> <ul style="list-style-type: none"> <li>• 4 tri-partite consultation meetings (companies, communities, government) are organized at the national and local level</li> <li>• 4 dialogues and training workshops are conducted for local small- and middle-sized enterprises</li> </ul>			
<ul style="list-style-type: none"> <li>• Legal provisions safeguarding against or reducing the risk of transfer pricing and misappropriation of funds adopted</li> <li>• 10 civil society organizations are trained on analysis of public revenue management, and communications</li> <li>• Capacities of extractive industries regulatory authorities and multi-stakeholder mechanisms at national and county levels are assessed</li> </ul>	<p><b>Target for year 2:</b></p> <ul style="list-style-type: none"> <li>• A study on supply chain conducted</li> <li>• 5 civil society organizations are trained on analysis of public revenue management, and communications</li> <li>• 8 tri-partite consultation meetings (companies, communities, government) are organized at the national and local level</li> <li>• 8 dialogues and training workshops are conducted for local small- and middle-sized enterprises</li> <li>• 250 women and men trained in key trades for enhanced employment opportunities related to extractive industries</li> </ul>	<p><b>Capacity development and anti-corruption activities</b></p> <p>4. Support development of corruption risk mitigation systems against transfer pricing and misappropriation of funds.</p> <p>5. Develop and deliver training to civil society to enhance their capacity to fulfill their oversight/watchdog roles over revenue management.</p> <p>6. Carry out capacity assessments of institutions playing a key role in the governance of extractive industries at the national and country levels focusing on transparency and accountability.</p>		<p>\$ 46,200.00</p> <p>\$ 33,000.00</p> <p>\$ 36,400.00</p>
<ul style="list-style-type: none"> <li>• 12 tri-partite consultation meetings (companies, communities, government) are organized at the national and local level</li> <li>• 12 dialogues and training workshops are conducted for local small- and</li> </ul>	<p><b>Target for year 3:</b></p> <ul style="list-style-type: none"> <li>• 10 civil society organizations are trained on analysis of public revenue management, and communications</li> <li>• Legal provisions safeguarding against or reducing the risk of transfer pricing and misappropriation of funds adopted</li> <li>• 12 tri-partite consultation meetings</li> </ul>	<p><b>Partnership building</b></p> <p>7. Organize dialogues with companies and communities to ensure community consultations, strengthening capacities of businesses to implement conflict-sensitive business practices, align their CSR activities with national and local development plans, meet human rights and labor rights standards, establishment and management of local</p>		<p>\$ 60,000.00</p> <p>\$ 219,000.00</p> <p>\$ 44,000.00</p>

INTENDED OUTPUTS & INDICATORS OF CHANGE	OUTPUT BASELINES & TARGETS FOR (YEARS)	INDICATIVE ACTIVITIES	RESPONSIBLE PARTNERS	COSTS (US\$)
<i>middle-sized enterprises</i> <ul style="list-style-type: none"> <li>500 women and men trained in key trades for enhanced employment opportunities related to extractive industries</li> </ul>	<i>(companies, communities, government) are organized at the national and local level</i> <ul style="list-style-type: none"> <li>12 dialogues and training workshops are conducted for local small- and middle-sized enterprises</li> <li>500 women and men trained in key trades for enhanced employment opportunities related to extractive industries</li> </ul>	development funds. 8. Building on Corporate Social Responsibility initiatives of extractive companies, facilitate public-private dialogues and training workshops for building supply linkages between with local small- and middle-sized enterprises. 9. Foster partnerships with companies to initiate apprenticeship programmes to develop skills and employment opportunities for local communities, with a focus on women.		
<b>Output 3: Legal, policy frameworks and institutional capacity is in place to effectively support sustainable management of the extractive sector.</b>				
<b>Output indicators:</b> <ul style="list-style-type: none"> <li>Studies on artisanal and small-scale mining conducted.</li> </ul>	<b>Baseline:</b>	<b>Commission and/ or conduct assessments and studies:</b> <ol style="list-style-type: none"> <li>Undertake studies on artisanal and small-scale mining to identify the economic and job creation potential of this sector, particularly for youth and women.</li> </ol>		\$ 34,600.00
<ul style="list-style-type: none"> <li>50 staff of the Ministry of Environment, Water and Natural Resources and NEMA are trained in environmental standards, laws and regulations</li> <li>50 staff of the Ministry of Environment, Water and Natural Resources and NEMA are trained in EA and SEA</li> <li>A parliamentary commission on extractive industries is established;</li> <li>20 parliamentarians receive training and information on the</li> </ul>	<b>Target for year 1:</b> <ul style="list-style-type: none"> <li>10 staff of the Ministry of Environment, Water and Natural Resources and NEMA are trained in environmental standards, laws and regulations</li> <li>10 staff of the Ministry of Environment, Water and Natural Resources and NEMA are trained in EA and SEA</li> <li>10 parliamentarians receive training and information on the extractive industries</li> <li>20 government officials, civil society representatives and academia trained in extractive sector management</li> </ul>	<b>Develop institutional capacity:</b> <ol style="list-style-type: none"> <li>Support the capacity of the Ministry of Environment, Water and Natural Resources and the National Environmental Management Authority (NEMA) in monitoring and enforcement of environmental standards (including environmental deposit bonds), laws and regulations, such as development of procedures, institutional incentives and stakeholder engagement.</li> <li>Support the capacity of NEMA, research institutions and environmental service providers to conduct Strategic Environmental and Social Impact Assessments of the extractive sector development at the national and county levels.</li> <li>Support the establishment and operation</li> </ol>		\$ 68,100.00 \$ 56,500.00 \$ 25,400.00 \$ 96,000.00 \$ 386,000.00

INTENDED OUTPUTS & INDICATORS OF CHANGE	OUTPUT BASELINES & TARGETS FOR (YEARS)	INDICATIVE ACTIVITIES	RESPONSIBLE PARTNERS	COSTS (US\$)
<p><i>extractive industries</i></p> <ul style="list-style-type: none"> <li>• <i>A unit established for regulating artisanal and small-scale mining; corresponding changes in legal framework in effect.</i></li> <li>• <i>20 government officials, civil society representatives and academia trained in extractive sector management</i></li> </ul>	<p><b>Target for year 2:</b></p> <ul style="list-style-type: none"> <li>• <i>25 staff of the Ministry of Environment, Water and Natural Resources and NEMA are trained in environmental standards, laws and regulations</i></li> <li>• <i>25 staff of the Ministry of Environment, Water and Natural Resources and NEMA are trained in EA and SEA</i></li> <li>• <i>10 parliamentarians receive training and information on the extractive industries</i></li> <li>• <i>12 government officials, civil society representatives and academia trained in extractive sector management</i></li> </ul> <p><b>Target for year 3:</b></p> <ul style="list-style-type: none"> <li>• <i>50 staff of the Ministry of Environment, Water and Natural Resources and NEMA are trained in environmental standards, laws and regulations</i></li> <li>• <i>50 staff of the Ministry of Environment, Water and Natural Resources and NEMA are trained in EA and SEA</i></li> <li>• <i>A parliamentary commission on extractive industries is established;</i></li> <li>• <i>20 parliamentarians receive training and information on the extractive industries</i></li> <li>• <i>A unit established for regulating</i></li> </ul>	<p>of parliamentary commissions on extractive industries and provide guidance and training on the extractive sector to parliamentarians.</p> <p>5. Support capacity development for regulation of artisanal and small-scale mining at national and local levels.</p> <p>6. Organize training workshops, seminars and study tours to facilitate cross-country and cross-regional sharing of knowledge on extractive sector management.</p>		

INTENDED OUTPUTS & INDICATORS OF CHANGE	OUTPUT BASELINES & TARGETS FOR (YEARS)	INDICATIVE ACTIVITIES	RESPONSIBLE PARTNERS	COSTS (US\$)
	<i>artisanal and small-scale mining. Corresponding changes are made in the legal framework.</i> <ul style="list-style-type: none"> <li>20 government officials, civil society representatives and academia trained in extractive sector management</li> </ul>			
<b>TOTAL for Output 1</b>				<b>\$ 731,350.00</b>
<b>TOTAL for Output 2</b>				<b>\$ 1,212,500.00</b>
<b>TOTAL for Output 3</b>				<b>\$ 666,600.00</b>
<b>Extractive Industries Expert</b>				<b>\$ 223,000.00</b>
<b>GRAND TOTAL</b>				<b>\$ 2,833,450.00</b>
		<b>Of which:</b>	<b>Country office</b>	<b>???</b>
			<b>BCPR</b>	<b>\$500,000.00</b>
			<b>Other Partners</b>	<b>???</b>

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## **VI. PARTNERSHIPS**

To effectively achieve the objectives of project, UNDP aims to establish strategic partnerships with key partners that are active in Kenya. This will help avoid duplication of work and to achieve important synergies, which will enhance the impact of our interventions. The key partners include: international organizations and donors, civil society networks and organizations, private sector associations.

Kenya has an existing inter-ministerial coordination mechanism on extractive industries, as well as a multi-stakeholder consultation group (NAFFAC, or the National Fossil Fuels Advisory Committee). UNDP will support the Government of Kenya and other stakeholders in its process of establishing and leading an effective and inclusive multi-stakeholder consultation group.

In this regard, UNDP Kenya enjoys a privileged working relationship various stakeholders. Partnerships with the Government of Kenya, civil society and private sector have been cultivated over four decades. UNDP currently manages the largest capacity development programme for civil society, within the UN System.

In terms of donor coordination, UNDP has recently begun to work closely with development partners in the area of extractive industries. For the past twelve months, UNDP has collaborated with The African Development Bank (ADB) in its capacity to coordinate the Extractive Industries Secretariat, which provides information on the extractive sector through electronic newsletters, a website, round-table discussions and workshops. UNDP has also worked closely with DFID on the study of the extractive sector in Kenya undertaken by Adam Smith International. Furthermore, UNDP has been a part of regular donor roundtable meetings with the World Bank, AusAid, DFID, ADB and CIDA to discuss and harmonize support to the Government of Kenya. UNDP Kenya will also explore further partnerships with philanthropic organizations, especially those covering corporate and social responsibility.

UNDP Kenya will also forge partnerships with Kenyan research and training institutions to support development of more specialized expertise and training capacity of regulators, private sector representatives, the civil society and the media. This approach will be important in developing the long-term domestic capacity in policy-making, regulations, operations, oversight and monitoring of extractive industries activities.

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## **VII. MONITORING FRAMEWORK AND EVALUATION**

Project monitoring and evaluation will be conducted in accordance with established procedures of UNDP and the Government of Kenya by the project team. Monitoring and evaluation (M&E) is a key management tool with which to track implementation progress and improve project planning for impact.

In accordance with the programming policies and procedures outlined in the UNDP User Guide, the project will be monitored through the following:

### Within the annual cycle

- Day-to-day monitoring of implementation progress will be the responsibility of the project counterpart and UNDP country office. This will allow parties to take stock and to troubleshoot any

problems pertaining to the project in a timely fashion to ensure smooth implementation of project activities. The projects indicators will be fine-tuned in consultation with stakeholders at the inception workshop. Specific targets for the first year of implementation will form part of the Annual Work Plan and will be used to assess whether implementation is proceeding at the intended pace.

- The monitoring of the project implementation will be documented as follows:
  - On a quarterly basis, a quality assessment shall record progress towards the completion of key results, based on quality criteria and methods captured in the Quality Management table below.
  - An Issue Log shall be activated in Atlas and updated by the Project Manager to facilitate tracking and resolution of potential problems or requests for change.
  - Based on the initial risk analysis, a risk log shall be activated in Atlas and regularly updated by reviewing the external environment that may affect the project implementation.
  - Based on the above information recorded in Atlas, Project Progress Reports (PPR) shall be submitted by the Project Manager to the Project Board through Project Assurance, using the standard report format.
  - a project Lesson-learned log shall be activated and regularly updated to ensure on-going learning and adaptation within the organization, and to facilitate the preparation of the Lessons-learned Report at the end of the project
  - a Monitoring Schedule Plan shall be activated in Atlas and updated to track key management actions/events

### Annually

- Annual monitoring will occur through the following:
  - **On-site visits:** UNDP country office will conduct visits to the project field sites at least once a year and may conduct visits more frequently based upon schedules to be detailed in the Annual Work Plan. Any member of the multi-stakeholder group on Extractive Industries can also accompany the visit, as decided by the multi-stakeholder group. A field visit report will be prepared by the country office and circulated no later than one month after the visit to the project team, the UNDP country office and the multi-stakeholder group.
  - **Annual Project Report.** An Annual Project Report shall be prepared by the Project Manager and shared with the Project Board. As minimum requirement, the Annual Review Report shall consist of the Atlas standard format for the QPR covering the whole year with updated information for each above element of the QPR as well as a summary of results achieved against pre-defined annual targets at the output level.
  - **Project Board Review.** This is the highest policy-level meeting of the parties -signatories to the project. The Project Board Review Meeting will be convened at least once a year. The first such meeting will be held within the first 6 months of the start of the full implementation. The meeting is chaired by a senior representative of the National Implementing Agency. The Project Board Review ensures that all project parties review the progress of the project during the past year, address and solve any major issues that require high-level attention, and discuss and agree on any other actions that need to be taken. In addition to an annual Project Board Review meeting, Project Board Review meetings may be organized at the request of any of the project's parties.

- **The Terminal Project Review.** In the last year of the project, the Project Board Review will be a final assessment. This review is driven by the Project Board and may involve other stakeholders as required. It shall focus on the extent to which progress is being made towards outputs, and that these remain aligned to appropriate outcomes.