

# Eldoret-Iten Water Fund for Tropical Water Tower Conservation

**Review PIF and Make a recommendation**

## **Basic project information**

**GEF ID**

10209

**Countries**

Kenya

**Project Name**

Eldoret-Iten Water Fund for Tropical Water Tower Conservation

**Agencies**

IFAD

**Date received by PM**

4/9/2019

**Review completed by PM**

4/21/2020

**Program Manager**

Jaime Cavelier

**Focal Area**

Multi Focal Area

**Project Type**

FSP

## **PIF**

### **Part I – Project Information**

#### **Focal area elements**

**1. Is the project/program aligned with the relevant GEF focal area elements in Table A, as defined by the GEF 7 Programming Directions?**

#### **Secretariat Comment at PIF/Work Program Inclusion**

4-17-19

1. Although BD-1-1 is listed with \$1,000,000 there is no reference in the PIF to the expected investments in the PAs Aderdare, Cherangani Forest Hills Reserves and Shimba Hills. Please provide a full justification for the restoration of the 500 ha of Mangroves from the point of view of GEBs. Otherwise, remove.

2. The reference to CCM1-1 is not relevant. Please note that CCM resources cannot be used anymore for LULUCF and enhancement of carbon sequestration and emissions avoided as a result of vegetation recovery, avoided degradation, agro-forestry, etc. This option is only made possible under the Impact Program.

3. Based on the project concept, we recommend to potentially develop this project under LD1-1 (with 40,000 ha of SLM as a result), and LD1-3 (FLR restoration, with 3500 ha of agriculture lands restored, 500 ha of forests restored); Please, remove the mention of LD2-5 (enabling environment for LDN), which is mentioned on two lines.

3-30-20

Alignment with the BD 1-1. The project is supposed to be aligned with Biodiversity mainstreaming of biodiversity in production landscapes. Nevertheless, the following suggested interventions appear not to be in the proposal: i) Improved agricultural production practices (this is a SLM benefit); ii) Spatial and land use planning in freshwater wetlands, including biodiversity mapping (where is this mapping mentioned and for what is this being done?); iii) Control of invasive/alien species (mentioned only once) and iv) Development of policy and regulatory frameworks that provide incentives for biodiversity-positive land and resource use).

4-22-20

Please address the following two issues

1. Numbers in Table A and Table D do not match.

Kindly note that the LD portion in table D is higher than what is requested in the LoE. Please ensure that the amounts request in Portal are not higher than the amounts allocated and endorsed in the LoE.

**A. Indicative Focal/Non-Focal Area Elements**

Programming Directions	Trust Fund	GEF Amount(\$)	Co-Fin Amount(\$)
BD-1-1	GET	979,684	5,400,000
LD-1-1	GET	640,000	5,815,000
LD-1-3	GET	501,455	5,950,000
LD-2-5	GET	509,000	7,600,000
Total Project Cost (\$)		2,630,139	24,765,000

**D. Indicative Trust Fund Resources Requested by Agency(ies), Country(ies), Focal Area and the Programming of Funds**

Agency	Trust Fund	Country	Focal Area	Programming of Funds	Amount(\$)	Fee(\$)	Total(\$)
IFAD	GET	Kenya	Biodiversity	BD STAR Allocation	971,000	92,244	1,063,244
IFAD	GET	Kenya	Land Degradation	LD STAR Allocation	1,659,139	157,617	1,816,756
Total GEF Resources(\$)					2,630,139	249,861	2,880,000

Source of funds	GEF Agency	Focal area	Amounts (in USD)			
			Project Preparation	Project	Agency Fee	Total
GEFTF	IFAD	Biodiversity	34,016	979,684	96,300	1,110,000
GEFTF	IFAD	Land Degradation	57,308	1,650,455	162,237	1,870,000
<b>Total GEF Resources</b>			<b>91,324</b>	<b>2,630,139</b>	<b>258,537</b>	<b>2,980,000</b>

On section Coordination, the Execution will be carried out by TNC. Hence this should be amended in the *Project Information* for TNC to be the Executing Partner.

**6. Coordination**

Outline the institutional structure of the project including monitoring and evaluation coordination at the project level. Describe possible coordination with other relevant GEF-financed projects and other initiatives.

The Government of Kenya (GoK) as the recipient of GEF funding and represented by the Ministry of Environment and Forestry (MoEF), delegates project execution responsibility to The Nature Conservancy (TNC) as the lead project executing agency, with disclosure to the National Treasury.

ETWF will be executed by The Nature Conservancy (TNC) through a grant agreement with IFAD. TNC will be supported by a number of collaborating and implementing partners, notably, the Kenya Water Towers Agency, Kenya Forest Service, Water Resources Authority (WRA), Water Services Regulatory Board (WASREB) and the National Environment Management Authority (NEMA). Furthermore, TNC will contract service providers to offer requisite technical assistance. The public and private sector partners will constitute the Board of Trustees to oversee the operations of the WF.

**Part I: Project Information** 

<b>GEF ID</b> 10209		<b>Project Type</b> FSP
<b>Type of Trust Fund</b> GET	<b>CBIT/NGI</b> <input type="radio"/> CBIT <input type="radio"/> NGI	<b>Project Title</b> Eldoret-Iten Water Fund for Tropical Water Tower Conservation
<b>Countries</b> Kenya		<b>Agency(ies)</b> IFAD
<b>Other Executing Partner(s)</b> The Nature Conservancy, Kenya Water Towers Agency		<b>Executing Partner Type</b> Government
<b>GEF Focal Area</b> Multi Focal Area		<b>Taxonomy</b> Focal Areas, Biodiversity, Protected Areas and Landscapes, Productive Landscapes, Community Based Natural



The Amounts in Table A and D are now the same for both BD ( ) and LD (\$1,650,455)

### **Agency Response**

1) Funds from the BD FA will be used for the rehabilitation of degraded areas in the PAs, including forests and for improving and diversifying ground cover. Tree nurseries by schools, Kenya Water Towers Agency and Kenya Forest Service as well as Water Resource Users Associations (WRUAs) will support Forest Landscape Restoration. About 1, 5 million trees will be grown in the degraded parts of the forest reserves together with 500,000 indigenous, non-invasive bamboo shoots planted along riverbanks to improve cover, reducing erosion risk and improving water quality. The county authorities will update and improve Forest Management Plans and further protect forest lands from degradation. Already over 100 gold standard athletes from both counties have signed up to promote climate change mitigation through afforestation, led by Mr Moses Kiptanui (former 3000m steeple chase world record holder). Further, local stakeholders and smallholders in the PAs and surrounding areas will be sensitized and trained in watershed management and conservation techniques, including; shade cropping, agroforestry and climate-smart agriculture, leading to mainstreaming BD issues within PAs and production landscapes. Leading to strengthened resilience of ecosystems through better land use planning, M&E for species diversity and restoration, and improvements in watersheds, estuaries and wetlands.

In addition, 20,000 ha of landscapes will be put under improved management to specifically benefit BD (increased from 10,000 ha), and an additional 20,000 ha will be under SLM practices, as specified in the core indicators 4.1 and 4.3, also providing improvements to ecosystem health and resilience. Please also refer to the amendments in the “proposed alternative scenario” section of the PIF.

The 500ha for Core Indicator 3.4 refer to restored wetlands within the target watersheds. Healthy and restored wetlands have important regulatory functions within catchments and contribute to water recharge capacity, quality and quantity (see also our response to the specifically wetland-related query further below).

Mangroves were never part of the proposal, there might have been a misunderstanding.

Two new outputs have been included in the PIF that clarify how PAs linked to the WF will be strengthened:

1.2.3 Policies for linking and harmonizing WF management with surrounding PA management drafted and adopted

2.1.3 Integration of the participatory management plans with the PA management plans for the Cherangani Hills PAs covering a total of 140,723 ha

2)

Thank you for this clarification, which unfortunately was unknown to us during PIF development. Also in line with your recommendation below, the project now has a stronger LD focus instead (see also tables A, D and E in the PIF). The OFP has made use of the marginal adjustment to increase resources from the LD focal area.

3)

04/15/2020

Thank you. The PIF is now substantially expanded to better explain its alignment with BD-1-1 and the resulting GEB. This argumentation is spread across the entire PIF to be consistent with its structure, it is therefore repeated in the attached 3-pager focusing on BD only.

Thank you for this recommendation. The project now has a stronger focus on agro-ecosystem services through SLM (LD1-1), as well as reducing pressures and increasing resilience of landscapes from competing land uses (LD1-4) and enabling and mainstreaming SLM and LDN (LD2-5).

**Response 23 April 2020:**

point 1:

Thank you for pointing to this error, now corrected in Table D.

point 2:

The Nature Conservancy (TNC) is mentioned as EA, together with Kenya Water Towers Agency (KWTA) and Kenya Forest Service (KFS) as co-executing agencies. However, the next portal field on 'executing partner type' was not ticked correctly, which is now rectified.

**Indicative project/program description summary**

**2. Are the components in Table B and as described in the PIF sound, appropriate, and sufficiently clear to achieve the project/program objectives and the core indicators?**

**Secretariat Comment at PIF/Work Program Inclusion**

4-16-19

1. Project Objective. In the body of the PIF, please briefly describe how the WFs are used as tools for "sustainable finance". Where do the funds come from, who uses the funds, for what and under what conditions? This information is needed for those not familiar with the mechanism.

2. Component 1. What are examples of the incentives for the private sector? Please refer to examples from the existing GEF-6 project.

3. Component 2. (i) Can "Community-led land use planning results in healthier and more resilient ecosystems" . Please elaborate how that works; (ii) what are the proposed improvements on food value chains? Of what products? (iii) This component refers to restoration of degraded catchment and wetland restoration ecosystems and improved production practices and food value chains. The GEFSEC still needs to understand how wetland restoration is eligible with GEF funds, what the baseline situation is, and what co-financing resources are available. It is not clear for this aspect of wetland restoration; (iv) P24, about the component 2, the sentence is cut. We cannot understand the "how".

3-30-20

Objective. It is unclear how the project aims at delivering the first part of the Objective of the project: "*Conserve globally significant biodiversity*". It is not even clear what these benefits are. Although the project has shifted toward an LD project, there are still significant BD resources for which a justification is needed.

Component 1. Some of the issues of the financials that remain unresolved. There is no explanation on the structure of the "public-private partnership platforms". What are the Private sector stakeholders interested in the project?

Component 2. The GEF does not support afforestation. Remove. The restoration part of the project does not render BD Benefits so it can not be used as a justification for the use of these resources.

4-20-20

## **Agency Response**

1)

Thank you for pointing this out. The sustainable finance elements of the WF are now further highlighted in the “proposed alternative scenario” section. An additional output on this has also been added to the PIF:

1.1.3 Sustainable finance secured from water-reliant entities in the public and private sectors

2)

The description of component 1 is now improved in line with the query.

3)

i)

Outcome 2.1 is now slightly reformulated (community-based instead of community-led), and the description of component 2 in the PIF body extended to better explain how local resource users can contribute to healthier and more resilient ecosystems. An output has been added to strengthen the link to PA management and healthier and more resilient ecosystems:

2.1.3 Integration of the participatory management plans with the PA management plans for the Cherangani Hills PAs covering a total of 140,723 ha

ii)

Examples of products and value chain improvements are included in above-mentioned extended description of the PIF: Engaging private companies in upstream catchment management aims at improved food value chains, e.g. through coffee certification opportunities or longer-term horticulture contracts for export markets such as green beans and other vegetables, leading to improved livelihoods and foreign exchange earnings. These in turn provide further incentives for locally engaging in sustainable catchment management.

In addition, a PIF output has been added on value-chains:

2.2.4: Pro-poor and climate-smart food value-chains benefit 5,000 households (22,500 persons, 55% male and 45% female) with 20% rise in farm production

iii)

Thank you for identifying this weakness in the project description. Wetlands have important regulatory functions within catchments and contribute to water recharge capacity, quality and quantity. They trap sediments in river flows and reduce turbidity in water abstractions for domestic and commercial use, or facilitate ground water recharge, resulting in sustained flows during dry season. Healthy wetlands maintain a broad diversity of aquatic plants that contribute to water quality via the oxygenation of the resources. Improved health and restoration of wetlands is thus essential to catchment management, not an additionality that can be separated from IWRM.

Now improved within the explanation for component 2

The outputs under the component have also been made more explicit (see above) and now includes the following output:

2.2.3 Wetlands restored through implementation of green infrastructure on 500 ha

iv)

Corrected, thank you.

04/15/2020

The justification for claiming BD GEB is now substantially enhanced throughout the PIF (in line with the separate 3-pager).

The PIF elaborates on the different functions of a WF facility and the WF platform (p. 13f). It is now enhanced with an explanation on the platform's members, structure and private sector interests (p. 13f).

Thank you for pointing this out and apologies for the confusing use of terminology – afforestation and 'reafforestation' are now removed. The project will support ongoing reforestation and forest conservation measures by one of its main partners, Kenya Forest Services (KFS), in close cooperation with community forestry associations (CFAs) to enhance their capacities to develop or review of participatory forest management plans.

BD benefits, both local and global, are now explained in detail in the PIF

**Co-financing**

**3. Are the indicative expected amounts, sources and types of co-financing adequately documented and consistent with the requirements of the Co-Financing Policy and Guidelines, with a description on how the breakdown of co-financing was identified and meets the definition of investment mobilized?**

**Secretariat Comment at PIF/Work Program Inclusion**

4-20-20

The names of several co-financiers, and whether Investment Mobilized or Recurrent Expenditures are missing in some of the co-financing in Table C.

4-16-19

1. Do the Private Sector co-financiers know they have been included in this PIF with \$1,000,000?
2. Please confirm that TNC's In-Kind is Investment Mobilized.
3. What is the status of the loans from Athi Water Services Board in the amount of \$29,400,000? Are these loans the same for the 3 target watersheds?

3-30-20

1. In-Kind contributions can't be considered as "Investment Mobilized". Please adjust.

**Agency Response**

1)

Yes, they were consulted and voluntarily agreed to join with their expertise and funding – this is particularly the case for the main stakeholders such as the water utility companies, Coca Cola, or Frigoken. This process will continue during project preparation. Based on the good experiences and lessons from the UTNWF, the private sector's willingness to join is unshaken.

2)

Yes. TNC in-kind mobilized from an Africa Upscale internal grant 2019-21.

3)

04/15/2020

As explained at the top of this response sheet, the Shimba Hills Water Tower is no longer part of this proposal and therefore no longer the Athi Water Services Board and the loan related to the Mwache dam construction.

Apologies for the mistake, now adjusted in the PIF

Response 21 April 2020

Now re-inserted, apparently lost in transition through the online portal.

#### **GEF Resource Availability**

**4. Is the proposed GEF financing in Table D (including the Agency fee) in line with GEF policies and guidelines? Are they within the resources available from (mark all that apply):**

#### **Secretariat Comment at PIF/Work Program Inclusion**

4-16-19

Yes. Fees are 9% and the BD,CCM and LD are are withing the available resources for GEF-7.

3-30-20

The amounts in Table D do not correspond to the amounts in the LoE. Please fix and ensure all numbers correspond and add-up

Agency	Trust Fund	Country	Focal Area	Programming of Funds	Amount(\$)	Fee(\$)	Total(\$)
IFAD	GET	Kenya	Biodiversity	BD STAR Allocation	971,000	92,244	1,063,244
IFAD	GET	Kenya	Land Degradation	LD STAR Allocation	1,659,139	157,617	1,816,756
<b>Total GEF Resources(\$)</b>					<b>2,630,139</b>	<b>249,861</b>	<b>2,880,000</b>

Source of funds	GEF Agency	Focal area	Amounts (in USD)			
			Project Preparation	Project	Agency Fee	Total
GEFTF	IFAD	Biodiversity	34,016	979,684	96,300	1,110,000
GEFTF	IFAD	Land Degradation	57,308	1,650,455	162,237	1,870,000
<b>Total GEF Resources</b>			<b>91,324</b>	<b>2,630,139</b>	<b>258,537</b>	<b>2,980,000</b>

4-20-20

Cleared

### Agency Response

04/15/2020

The LoE specifies a full amount of 2, 98 million US\$, including PPG. This figure does correspond with the PIF tables, i.e. table D to the amount of 2, 88 million US\$ and table E adding 100,000 for the PPG.

**The STAR allocation?**

**Secretariat Comment at PIF/Work Program Inclusion**

4-16-19

Cleared

**Agency Response**

**The focal area allocation?**

**Secretariat Comment at PIF/Work Program Inclusion**

4-16-19

Cleared

**Agency Response**

**The LDCF under the principle of equitable access**

**Secretariat Comment at PIF/Work Program Inclusion**

N/A

**Agency Response**

**The SCCF (Adaptation or Technology Transfer)?**

**Secretariat Comment at PIF/Work Program Inclusion**

N/A

**Agency Response**

Focal area set-aside?

**Secretariat Comment at PIF/Work Program Inclusion**

N/A

**Agency Response**

Impact Program Incentive?

**Secretariat Comment at PIF/Work Program Inclusion**

NA

**Agency Response**

Project Preparation Grant

**5. Is PPG requested in Table E within the allowable cap? Has an exception (e.g. for regional projects) been sufficiently substantiated? (not applicable to PFD)**

**Secretariat Comment at PIF/Work Program Inclusion**

4-16-19

Fees are 9% of PPG.

Cleared

## **Agency Response**

### **Core indicators**

6. Are the identified core indicators in Table F calculated using the methodology included in the correspondent Guidelines? (GEF/C.54/11/Rev.01)

## **Secretariat Comment at PIF/Work Program Inclusion**

4-20-20

Table 1 does not explain where the numbers for the core-indicators come from.

4-16-19

1. The location of the hectares of Core Indicator 1 is clear (PAs) but no so for Core Indicators 3, 3.1 and 3.2, and 4.0 and 4.1 and 4.3. Please elaborate on where these hectares are located. Refer to the request of a map to better understand the location of the target landscapes.

3-30-20

The description of the target geographies is very confusing. There are “water towers”, “catchments” “basins”, “sub-basins” “forest reserves” and “counties”. Please provide a table with these different categories so it is possible to know how they relate with each other.

## **Agency Response**

1)

Apologies for missing out on the maps – the upload of maps was challenging via the online portal. Now corrected, improved according to the indicators in question and provided in Annex A of the PIF. Further data on land degradation is in the process of being collected and will provide the opportunity for fine-tuning of the specific areas to be targeted during the project preparation phase.

04/15/2020

Thank you, now covered in the PIF in table 1 on page 11.

Response 21 April 2020

Apologies, the table title was misleading in this – now amended and improved for better linkage.

#### **Project/Program taxonomy**

**7. Is the project/ program properly tagged with the appropriate keywords as requested in Table G?**

#### **Secretariat Comment at PIF/Work Program Inclusion**

3-30-20

Please indicate the location on Table G or upload if missing. Thanks.

#### **Agency Response**

04/15/2020

The taxonomy worksheet was initially submitted with the PIF and probably got lost in transition – herewith also attached separately to ensure transmission.

## **Part II – Project Justification**

**1. Has the project/program described the global environmental / adaptation problems, including the root causes and barriers that need to be addressed?**

### **Secretariat Comment at PIF/Work Program Inclusion**

4-16-19

Yes.

Cleared

### **Agency Response**

**2. Is the baseline scenario or any associated baseline projects appropriately described?**

### **Secretariat Comment at PIF/Work Program Inclusion**

4-16-19

1. Please elaborate on the sources of the baseline investments in the amount of \$1,750,000

3-30-20

The response to the question does not clear the issue. What are the actual PROJECTS that constitute the baseline worth at least 1,650,000 USD, mobilized by TNC, private sector companies and public-private utilities? Baseline projects are those that will take place whether or not the GEF project gets approved. Baseline projects are those that the GEF will complement with incremental funds to deliver GEBs,

### **Agency Response**

1)

The current value of these baseline investments is estimated at at least USD 1,650,000, mobilized by TNC, private sector companies and public-private utilities, and not counting stakeholder engagement or staff time. They entail awareness raising campaigns for IWRM for local stakeholders and county officials, conservation pilot activities, scoping studies and also a feasibility study for the Eldoret water tower. This feasibility study is an important foundation for the proposed project. As it was mainly funded through UTNWF to the amount of USD 100,000, these funds are excluded from the baseline investment calculation. The same specification is now inserted to the PIF body.

04/15/2020

Thank you, the PIF now provides further information on baseline projects by partners and TNC. Please see page 9.

**3. Does the proposed alternative scenario describe the expected outcomes and components of the project/program?**

**Secretariat Comment at PIF/Work Program Inclusion**

4-16-19

Yes

3-30-20

Please see comment on Window No. 2 Part I.

**Agency Response**

04/15/2020

Hopefully clarified now through the detailed response on BD FA allocations and BD benefits at local and global levels in the PIF and also in the appended Biodiversity justification.

**4. Is the project/program aligned with focal area and/or Impact Program strategies?**

**Secretariat Comment at PIF/Work Program Inclusion**

4-16-19

1. The alignment with BD-1-1 is not clear in so far as there is no information on the proposed investments in the PAs and Forest Reserve.

3-30-20

What are the proposed investments to claim the improve management of 70,000 of PAs? How does this number relate to the *140,723 ha* in Table 2: *The areas of forest reserves within the source water catchment areas?*

**Agency Response**

1)

Please refer to the first item of this list and the amended section about the proposed alternative scenario.

04/15/2020

Improved management of the forest PAs will be achieved through interlaced activities at different levels, as now also more detailed in the PIF:

1. Community level:

- a. Collaborate with and capacitate the existing 11 Community Forestry Associations (CFAs) in the project area to develop/review and implement their Participatory Forest Management Plans (under output 2.1.1);
- b. Support, upgrade and/or establish community- or group-based nurseries with a commercial orientation to upscale ongoing forest restoration efforts and to provide seedlings for on-farm agroforestry and land rehabilitation (under output 2.2.1);
- c. Piloting of renewable energy technologies at household level, such as energy-efficient stoves, biogas or solar solutions, e.g. water pumps (under output 2.2.1). These measures, combined with capacity development activities, will also contribute to reducing the incidence of forest fires, e.g. caused by charcoal production and adding further stress on the PA biodiversity.

2. County and national agencies:

- a. Complement reforestation and PA management approaches of KFS and KWTA through partnership in the promotion of sustainable forest management practices and reforestation in PAs (under output 2.2.2)
- b. It is planned to support KFS, KWTA and county agencies through capacity development for the use of the METT toolbox for PA management effectiveness (output 3.1.1). Details still need to be firmed up with the agencies and will be available for the full proposal. Although wildlife parks do not feature in the project area, Kenya Wildlife Services (KWS) will be invited to participate in these trainings as well.
- c. Support biodiversity mainstreaming in policy through output 1.2.2 (Guidelines for linking and harmonizing WF management with climate-smart agricultural production and gazetted forest reserves and PA management drafted and adopted); output 2.1.2 (A participatory catchment management plan, combining biodiversity conservation and land rehabilitation measures, for the EIWF is established and adopted for implementation, in line with existing management plans at catchment and sub-catchment levels); Integrating biodiversity conservation and mainstreaming into county integrated development plans (CIDPs, output 1.2.1); and working closely with Water Services Regulatory Board (WASREB) to engage in policy dialogue/development towards the allocation of conservation tariffs generated by water utility companies to initiatives such as the water fund (output 1.1.3).

3. Buffer zone management: To reduce pressures on forest areas, PAs and catchment ecosystem services, the project will particularly intervene in the PA buffer zones, set at 5 km, and therefore will:

- a. Closely partner with the Water Resources Authority (WRA) and Water Resource User Associations (WRUAs) to develop, review and support implementation of their sub-catchment management plans, including wetland and riparian protection (under output 2.1.1);
- b. Develop farm plans and integrate agroforestry, CSA, conservation agriculture, and other measures such as terracing, grass strip planting, agro-biodiversity, crop diversification, etc. (outputs 2.2.1 and 2.2.4);
- c. Support restoration of ecosystems services at landscape level and particularly in the wetlands (output 2.2.3);
- d. Restore degraded agricultural lands and enhance biodiversity in agricultural production systems;
- e. Support livelihood diversification

During the mapping exercise for the overlay of PA areas with the project intervention area, various inconsistencies within the WDPA data became obvious. This required a re-allocation of PAs that are part of the project's source water catchment area or directly influenced by catchment restoration activities of the project. The overall PA area is now mapped at being 85,138 ha. It is therefore prudent to claim improved management on at least 70,000 ha of forest PAs, while it can be estimated that the project in the end will have positive impacts on the remaining 15,138 ha as well through capacity development for KFS and CFAs for training in and harmonization of used PA management

**5. Is the incremental / additional cost reasoning properly described as per the Guidelines provided in GEF/C.31/12?**

**Secretariat Comment at PIF/Work Program Inclusion**

4-16-19

1. Based on the experience of the GEF-6 project, please provide an estimated cost for the following:

1. 1. A WF Facility (please describe what this actually means). Same as a PPP Platform? Both terms used in Component 1

1.2 The restoration per unit area.

3-30-20

Cleared

**Agency Response**

A Water Fund Facility refers to the administrative structure governing a WF, coordinating and being responsible for administrative and fiduciary aspects of the operations and aims of the WF, i.e. providing public-private collaboration for integrated water resource and catchment management, resulting in payments for water services and related returns on investment through watershed conservation measures leading to improved water quality, quantity and supply for upstream and downstream water users and partners. A Water Fund Platform comprises the administrative structure as well as partners contributing to the WF operations.

A very rough cost estimation for the establishment and the operation of a water fund is provided below:

WF Facility establishment

Scoping and consultative process	50,000
Feasibility study	60,000
Designing the Water Fund Facility	150,000
Governance / legal mechanism and incorporation	50,000
Launch and strategic marketing	25,000

WF operations and management

Pilot on-the-ground activities (optional) 150,000

Annual cost of conservation investment - is determined by size of watershed and conservation needs at design. May vary from 300,000 – 1m

Duration for conservation investment - varies and is determined at design Often 5-15 years

Need of endowment - is determined by the longevity of needs and investment potential of partners. Often, O&M can be undertaken by government or a local NGO at low costs of around 50,000

Further reading materials: TNC has developed guidelines and is constantly enhancing available tools at [www.waterfundtoolbox.org](http://www.waterfundtoolbox.org)

**6. Are the project's/program's indicative targeted contributions to global environmental benefits (measured through core indicators) reasonable and achievable? Or for adaptation benefits?**

**Secretariat Comment at PIF/Work Program Inclusion**

4-16-19

1. The sum of the areas under the core indicators is 264,500 (200,000 + 4,500 + 10,000 + 50,000) appear reasonable. An investment of nearly \$10/ha if all the resources were going to be invested on the ground. Please clarify the relationship between these indicators and the size of the watershed where they are located. The please request for a map of target landscapes where the corresponding PAs can be placed.

3-30-20

Reduce the three paragraphs before Table 1 to a single paragraph to describe the Target Geographies. See comment about the target geographies.

## Agency Response

04/15/2020

Thank you, now hopefully more precise via the requested table with definitions (table 1) and a brief summary on the project intervention area.

Please refer to the improved maps in Annex A, providing spatial information, thus allowing to approximately locate and relate respective areas.

**7. Is there potential for innovation, sustainability and scaling up in this project?**

## Secretariat Comment at PIF/Work Program Inclusion

4-16-19

The concept of Water funds that is not innovative, as the GEF already financed such approach in GEF6 (#9139, Kenya, IFAD, FS-IAP-Establishment of the Upper Tana Nairobi Water Fund, UTNWF), but the understanding of the needed conditions for replication and scaling up stay interesting for a wide diffusion and transformation at scale.

1. Please, confirm there is no duplication, and complementarity with the GEF6 project developed under The Restoration Initiative, focusing on restoration in the Tana river and the Lamu counties, very close to some of the proposed landscapes (ID9526, Kenya, UNEP, TRI-Enhancing Integrated Natural Resource Management to Arrest and Reverse Current Trends in Biodiversity Loss and Land Degradation for Increased Ecosystem Services in the Tana Delta, Kenya)

2. Please indicate the status of the GEF-6 project regarding sustainability.

3-30-20

It is becoming clearer that this project is not innovative as it is basically a repetition of the previous GEF-6 project GEF-6 project (ID#9139, Kenya, IFAD, FS-IAP- Establishment of the Upper Tana Nairobi Water Fund, UTNWF). Now that that the GEF funds have contributed to demonstrate the feasibility of the WTF, the replication of the scheme should be the responsibility of the Government. Since the pilot project was successful replication without GEF funds should be viable .

### Agency Response

The following outputs have been added under component 1 that will lead to a better understanding of the enabling conditions for scaling up of WFs as well as innovative tools:

1.1.1 Assessment of enabling conditions for scaling up WFs

1.1.2 Tools to scale up the WF model developed

Component 3 will support wide diffusion of the WF model through exchange of lessons learned on WFs in Kenya and beyond through an already established regional WFs network

1)

Yes, the proposed project stays clear of any possible duplication of project areas with another GEF-supported project, including the mentioned UNEP TRI project on the lower Tana in Lamu county.

Lamu is located on the Northern coast of Kenya, bordering Somalia to the northeast, while the counties joining in the proposal include Elgeyo-Marakwet and Uasin Gishu in the Northwest of Kenya.

2)

During its three year of existence, UTNWF has already produced impressive results, incl. an additional annual provision of water to Nairobi city to the amount of over 20 million litres and over 800,000 people experiencing more reliable water supplied due to improvements in the upper Tana catchment. These results led to more partners joining the WF partnership, including private sector and Laikipia County, contributing to the WFs funding baseline and its reach with regard to local stakeholders and decision makers.

Often, WF require substantial investment in the earlier years to initiate watershed restoration through raising money from both public and private sectors. Once initiated, restoration under way and first returns on investment are coming in, the only continuous need may be O&M which in some cases is very low. This can successfully be covered by a local NGO, utility or government agency.

Many water services providers or utilities are beginning to adopt a model of including a watershed protection item in their water tariffs. This was initially adopted in Lima, Peru and has now been integrated in Nairobi City through the NCWSC utility. This provides a perpetual sources of WF funding, ranging from 1-5% of the consumer water bill. For Nairobi for example, the annual collections is about \$160,000, of which \$100,000 annually are allocated to UTNWF. The NCWSC has already committed their ten year allocation amounting to USD 1million.

Please also refer to the respective amendments in the PIF's sustainability section.

04/15/2020

Thank you for pointing out that the project's innovativeness is not well explained. Although it definitively builds on the UTNWF's approach and lessons learned, the EIWF project nevertheless has a set of key strategic directions that are innovative and set it apart from its predecessor and thus strengthen the case for scalability of water funds, as now expanded on in the PIF.

Furthermore, the PIF strategy is also in line with GEF-7 programming guidelines (GEF/R.7/19) on BD mainstreaming para 36:

*“Successful biodiversity mainstreaming initiatives in the GEF portfolio have often been a long-term process requiring multiple and complementary projects that span numerous GEF funding phases. In order for biodiversity mainstreaming to generate impacts at the scale necessary to advance progress in achieving the related Aichi Biodiversity Targets, a series of investments by GEF that are strategically nested within a larger-scale national planning and management framework is often required.”*

**Is there a preliminary geo-reference to the project's/program's intended location?**

**Secretariat Comment at PIF/Work Program Inclusion**

4-16-19

1. While the PAs have been identified, it is not possible to visualize the target watersheds where there PAs are located. Please provide the approximate size of the watersheds.
2. The GEFSEC did not find the map mentioned in the text. The GEFSEC would need a map with the three selected landscapes to figure out the coherence between the proposed approach and the results (SLM and FLR in agriculture and forest lands in counties of Kiambu, Kwale, Uasin, and Gishu, Aberdare national park, Cherangani Hills forests reserves, Shimba Hills). Without mapped information, it is difficult to agree on the approach and the selected landscapes.

**Agency Response**

1)

Please refer to the maps that are now provided in Annex A

2)

Please refer to the maps that are now provided in Annex A

**Stakeholders**

**Does the PIF/PFD include indicative information on Stakeholders engagement to date? If not, is the justification provided appropriate? Does the PIF/PFD include information about the proposed means of future engagement?**

**Secretariat Comment at PIF/Work Program Inclusion**

4-16-19

1. Please indicate the Roles of the Stakeholders listed in the PIF and indicate if they have been consulted in any way or form during PIF preparation.

2. Please only list the Stakeholders that are relevant to this particular project and WFs. The list of stakeholder looks like an "old inclusive list". Needs to be tailored to the needs of this project. For instance, what is the role of the East Africa Community, the Common market for East and Southern Africa, Kenya Airport Authority, etc.

3-30-20

Cleared

### **Agency Response**

1)

All stakeholders listed have been consulted with regard to their willingness to join in the establishment of the Water Funds and have consented. Samples of the commitment letters for the main partners have been submitted with the PIF. The engagement process will be continued, intensified and fully recorded during the project preparation phase.

2)

All stakeholders listed were approached and engaged and have a role to play in the project, albeit with differing importance.

During project preparation, the stakeholder list will be further detailed according to specific roles and responsibilities, however most probably leading to an even larger list.

KAA- is an important stakeholder in Eldoret city, due to international airports being directly impacted by clean water supply.

EAC and COMESA are policy enabling platforms to champion tariff based capitalization and its mainstreaming in investment decision making. They also have a role to play in scaling up work to a critical mass of adopters of Water fund methodologies.

Please also refer to the specifications now incorporated in the respective PIF section.

#### **Gender Equality and Women's Empowerment**

**Is the articulation of gender context and indicative information on the importance and need to promote gender equality and the empowerment of women, adequate?**

#### **Secretariat Comment at PIF/Work Program Inclusion**

4-16-19

Cleared

#### **Agency Response**

**Private Sector Engagement**

**Is the case made for private sector engagement consistent with the proposed approach?**

### Secretariat Comment at PIF/Work Program Inclusion

4-16-19

1. Private Sector is listed under co-financiers and stakeholders. As indicated before, please only include the Private Sector stakeholders with their roles and responsibilities noting if they know they have been included in this PIF.
2. There is a mention of timber processors among others (also food and water processing, hotels...): please 1) confirm that GEF resources will not be associated to the exploitation/transformation of natural forests, and 2) do a background check on these entities and confirm there are no reputation risks for the GEF (and the GEF Agency).

3-25-20

In the co-financing, the only Private Sector company is Coca-Cola. Does CC know they are included in the project with co-funding associated with their name? Will they provide a letter of co-financing?

### Agency Response

1)

Yes, they all know and consented, please see above

2)

Yes, we can confirm that there will be no risk nor association with activities detrimental to the environment. Similar concerns also led to dropping the Shimba Hills catchments as a project target area.

As now included in the PIF, the aim is to “hedge” these stakeholders, sensitizing them regarding the important role they can play in championing sustainable use practices and supporting the sustenance of their own resource needs of clean and clear water.

04/15/2020

Yes, Coca Cola and a big local dairy producer, New KCC, were actively engaged and both committed their support, also through co-financing – the letters are forthcoming. World-renown Olympic athletes coming from the region also committed to raise awareness and ‘run’ for the water fund, although this is to the moment difficult to coin in monetary terms. They will also be instrumental to liaise with local and international sports apparel producers who have a key business interest in being seen as supporting local concerns beyond long distance running.

Project partners are further engaging with other agriculture-based businesses abstracting water downstream, such as big land owners/commercial farming enterprises. Here, it is of key importance that two umbrella organizations for the private sector, Kenya Chamber of Commerce (KCC) and Kenya Association of Manufacturers (KAM) are already active members and engaged e.g. in the Stakeholder Steering Committee. They will be facilitators of the private sector engagement strategy, as outlined in the PIF.

### **Risks**

**Does the project/program consider potential major risks, including the consequences of climate change, that might prevent the project objectives from being achieved or may be resulting from project/program implementation, and propose measures that address these risks to be further developed during the project design?**

### **Secretariat Comment at PIF/Work Program Inclusion**

4-16-19

1. Please elaborate on the risks associated with the Financial Sustainability of the WF in the three watersheds.

3-25-20

Is the plan to use GEF resources of this project to capitalize the fund? If so, how much?

### **Agency Response**

Thank you for highlighting this – now included in the risk section of the PIF.

UTNWF has a 6 year strategy to fully capitalize its endowment fund, with a target of USD 7.5million. 23% of the target the partners have already invested in the fund over the first two years. While they are on course, it is also important to note that the partners are in parallel making contributions to the sinking fund where at least

USD 1 million is being invested in conservation activities each year. While both accelerate achieving results on-the-ground and will continue, it is important to note that the pool of contributors is the same for the endowment and the sinking fund.

One way to reduce time spent on endowment capitalization and to lower the risk for partners involved is to offer seed capital for capitalizing the endowment fund, e.g. through public grant resources, as the GEF did for UTNWF.

04/15/2020

No, the project focus is on implementation, delivery of impact on the ground and prove of scalability. Although seed funding to accelerate contributions to the WF would be much appreciated, the resources available through the STAR allocations and agreed upon with the GEF FP are not sufficient to cover both aspects.

IFAD and TNC are aiming at attracting additional resources to provide seed funding to the WF, e.g. through a GCF-funded approach. As this is not yet fully confirmed, it is not further elaborated in the proposal, but provides for an additional co-financing opportunity that will be explored

#### **Coordination**

**Is the institutional arrangement for project/program coordination including management, monitoring and evaluation outlined? Is there a description of possible coordination with relevant GEF-financed projects/programs and other bilateral/multilateral initiatives in the project/program area?**

#### **Secretariat Comment at PIF/Work Program Inclusion**

4-16-19

1. Please elaborate on the Lessons Learned (positive and negative) of the GEF-6 project and now those lessons are being applied in this new project.

3-25-20

Clear

#### **Agency Response**

Now included in the respective section of the PIF. The opportunity of the MTR for the

GEF-6 project prompted a scoping mission and the suggestion to focus the proposed project on the most promising water tower instead of stretching investments across three different water towers.

Some MTR and scoping mission recommendations are already integrated into the project strategy, such as:

- Review of public policies and regulations for catchment conservation, with a view to better coordinate efforts and funding;
- Adopt a landscape approach in the implementation and monitoring of SLM and climate smart approaches such as on farm agroforestry and riparian conservation in order to maximize impact and to strengthen the attribution of results;
- A need to undertake an inventory of all possible stakeholders in the sports, private, public, academia and political spheres, in order to garner support and visibility for the fund.

Various lessons learned and MTR recommendations will be applied during the PPG phase and thus integrated into the new WF design, including:

- Development of financing models for scaling up adoption of priority SLM practices with minimum project support. The model will identify sources of funding for small-holder farmers to finance the interventions;
- Actively demonstrate the link between conservation work, agriculture production and productivity as well as farmers' livelihoods;
- Establish a clear incentive mechanism to encourage farmers to support conservation work;
- A SWOT analysis of the institutions and potential partners/collaborators needs to be undertaken in order to have an understanding of the abilities and shortcomings of the different institutions and how they can effectively contribute to the water fund.

#### **Consistency with National Priorities**

**Has the project/program cited alignment with any of the recipient country's national strategies and plans or reports and assessments under relevant conventions?**

#### **Secretariat Comment at PIF/Work Program Inclusion**

4-16-19

Yes

Cleared

## **Agency Response**

### **Knowledge Management**

**Is the proposed “knowledge management (KM) approach” in line with GEF requirements to foster learning and sharing from relevant projects/programs, initiatives and evaluations; and contribute to the project’s/program’s overall impact and sustainability?**

### **Secretariat Comment at PIF/Work Program Inclusion**

4-16-19

1. The establishment of a WF Network for Africa (Outcome 3.3 and corresponding outputs) is not justifiable. 1) this important result is not included in the result framework; and 2) it is not really up to Kenya GEF allocations to finance a network for Africa. Moreover, the IAP and the IP will provide significant resources for KM. This network may also be fed by lessons from the IAP and IP projects in Africa. We recommend removing this network from the project and relocate the funds.
2. The GEF would like to see a rapid assessment of lessons and good practices from the UTNWF project be reassured that the conditions are favorable in the considered landscapes.

3-25-20

Cleared

## **Agency Response**

1)

Thank you for identifying this problem. The potential for misunderstanding is now reduced through reformulating the respective outcomes in line with the project reach and GEF requirements.

The African Water Fund Network is already established and growing. TNC has mobilized WF stakeholders into global and regional learning and sharing networks, see e.g. [www.waterfundstoolbox.org](http://www.waterfundstoolbox.org) for materials and lessons learned already available. It is not foreseen that the proposed project provides financing for this network, but that project stakeholders can benefit from it by joining and sharing information, and eventually be further trained through the network. As such, participation of project proponents in regional and international exchange is an important knowledge management tool. The more detailed budget for the full proposal will reveal that the amounts of this component will predominantly be used for local M&E and KM.

2)

Thank you, yes, this will indeed be part of the upcoming UTNWF MTR, the results of which will be very timely for incorporation into the new projects' approaches during project preparation phase.

### **Part III – Country Endorsements**

**Has the project/program been endorsed by the country's GEF Operational Focal Point and has the name and position been checked against the GEF data base?**

#### **Secretariat Comment at PIF/Work Program Inclusion**

4-16-19

Yes.

Cleared

#### **Agency Response**

**Termsheet, reflow table and agency capacity in NGI Projects**

Does the project provide sufficient detail in Annex A (indicative termsheet) to take a decision on the following selection criteria: co-financing ratios, financial terms and conditions, and financial additionality? If not, please provide comments. Does the project provide a detailed reflow table in Annex B to assess the project capacity of generating reflows? If not, please provide comments. After reading the questionnaire in Annex C, is the Partner Agency eligible to administer concessional finance? If not, please provide comments.

**Secretariat Comment at PIF/Work Program Inclusion  
Agency Response**

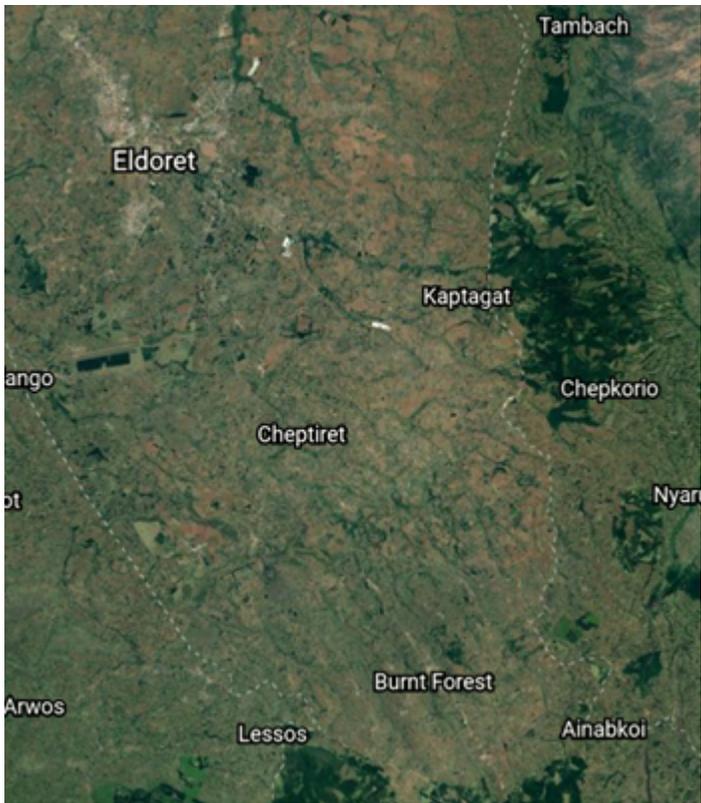
**GEFSEC DECISION**

**RECOMMENDATION**

**Is the PIF/PFD recommended for technical clearance? Is the PPG (if requested) being recommended for clearance?**

**Secretariat Comment at PIF/Work Program Inclusion**

3-30-20. No. This PIF is not recommended for technical clearance. The project, that took a year to come back to the GEF, is basically a repetition of the GEF-6 project without significant alignment with the BD Strategy and no significant Global Biodiversity Benefits to justify the use of BD resources (See vegetation cover in the two targets geographies in this window and the next). The revised submission could not account for the Baseline Projects on which this project was suppose to build, and the co-financing in Investment Mobilized is \$1.6 million vs. \$23.1 in Recurrent Expenditure. The GEF kindly request a substantial revision of this project.





Continue below

4-20-20

Please address the following

1. Shorten objective (Conserve globally significant biodiversity and protect the integrity and resilience of critical ecosystems and their services in the targeted water towers.) No need to explain how in an objective.
2. Include Kenya Forest Service in Executing Agencies.
3. Remove Afforestation. Reforestation yes, but not Afforestation.
4. Reduce Budget for Component 3 and eliminate Outcome 3.2 and Output 3.2.1 (Regional Activities for a Regional Project).
5. Table 3 should be the same as in Table of Core indicators, including the areas of the forest reserves, their IDs and the total area (70,000 vs 85,138 ha).

6. The Names of some of the co-financiers are missing, as well as the category Investment Mobilized/Recurrent Expenditure in some of the co-financing. One of the values is also missing. Confirm that the Categories Type of Co-Financing and Investment Mobilize are the correct for each and all of the Sources. Ensure all the financial information is without flaw.

7. If “as much as 50% of the gazetted forest area within the target catchments is currently being farmed (under PELIS= Plantations) or is grassland”, that means that non-native forests area is approx..43,000 ha. What does “The project will support measures to establish degraded forests” mean? Establishing “degraded forests”? Indicator 3.2 Area of Forest and Forest Land restored is 500 ha. Is that all that is going to be restored of the ca. 43,000 ha within the gazetted forests? This number needs to be seriously re-considered as this appears to be the only Biodiversity oriented activity within the forest Reserves.

4-21-20

Please complete Co-financing Table. Third line needs be completed.

**C. Indicative sources of Co-financing for the Project by name and by type**

Sources of Co-financing	Name of Co-financier	Type of Co-financing	Investment Mobilized	Amount(\$)
GEF Agency	IFAD - INTERNATIONAL FUND OF AGRICULTURAL DEVELOPMENT - 80413500580	In-kind	Recurrent expenditures	1,605,000
Others	TNC	In-kind	Recurrent expenditures	337,000
Government		Loans	Investment mobilized	
Private Sector	Local corporate partners, e.g. Coca Cola, Water utility companies (water tariffs)	Grant	Investment mobilized	1,610,000

4-22-20

No. Please address the two points included in Window 1.

4-23-20

4-23-20

The Amounts in Table A and D are now the same for both BD (\$979,684) and LD (\$1,650,455) and are the same as in the LoE.

Please ensure that the list of Executing Agencies in "Other Executing Partner(s)" is fully consistent with the list of Institutions listed under 6. Coordination

**Other Executing Partner(s)**

The Nature Conservancy (TNC), Kenya Water Towers Agency (KWTA), Kenya Forest Service (KFS)

**Executing Partner Type**

Others

**6. Coordination**

**Outline the institutional structure of the project including monitoring and evaluation coordination at the project level. Describe possible coordination with other relevant GEF-financed projects and other initiatives.**

The Government of Kenya (GoK) as the recipient of GEF funding and represented by the Ministry of Environment and Forestry (MoEF), delegates project execution responsibility to The Nature Conservancy (TNC) as the lead project executing agency, with disclosure to the National Treasury.

EIWF will be executed by The Nature Conservancy (TNC) through a grant agreement with IFAD. TNC will be supported by a number of collaborating and implementing partners, notably, the Kenya Water Towers Agency, Kenya Forest Service, Water Resources Authority (WRA), Water Services Regulatory Board (WASREB) and the National Environment Management Authority (NEMA). Furthermore, TNC will contract service providers to offer requisite technical assistance. The public and private sector partners will constitute the Board of Trustees to oversee the operations of the WF.

4-24-20

This PIF is recommended for Technical Clearance

**ADDITIONAL COMMENTS**

**Additional recommendations to be considered by Agency at the time of CEO endorsement/approval.**

### Secretariat Comment at PIF/Work Program Inclusion



Review Dates

	PIF Review	Agency Response
<b>First Review</b>		
<b>Additional Review (as necessary)</b>		

**PIF Recommendation to CEO**

**Brief reasoning for recommendations to CEO for PIF Approval**

CONTEXT: The main drivers of degradation in Kenya’s upper catchment areas include the expansion of agriculture, the growing demand for timber and charcoal trade, legal and illegal logging, and poor enforcement of forest protection laws, among others. These drivers are threatening the forest ecosystems and important wetlands in Kenya’s water towers, driving the destruction of Kenya’s rich biodiversity and undermining the livelihoods of smallholder farmers. As a result of these threats, sedimentation is becoming a serious problem, reducing the capacity of reservoirs and increasing the cost for water treatment. The challenges to water security will likely grow as climate change brings increasingly unpredictable rainfall, further challenging the resilience of catchment ecosystems and the food security of upstream smallholder farming systems. The project’s goal is to work with public and private sector partners to promote sustainable land and forest management, ecosystem restoration and integrated natural resource management approaches (INRM) in critical and threatened water tower catchments in Uasin Gishu and Elgeyo-Marakwet Counties by establishing a Water Fund as a sustainable financing mechanism and strengthening the enabling environment for transformational change in Kenya’s smallholder production sector.

PROJECT: The proposed project will target one water fund encompassing five catchment areas of the Moiben and Sosiani river systems, being the main sources of water for upstream protected area forests and small-scale farming activities, and for the downstream Eldoret and Iten cities. The catchments are situated within two Kenyan Counties, Uasin Gishu and Elgeyo-Marakwet, and belong to two of Kenya’s declared top five water towers: the Cherangani Hills (the northern project area) and Mau Forest Complex (the southern project area). The overall project intervention area spans about 120,000 ha, within which lie 10 protected forest areas, covering

85,138 ha, listed on the World Database of Protected Areas (WDPA). These PAs are named ‘gazetted forest areas’ in the Kenyan context. In line with Kenyan legislation, each PA has a buffer zone of 5 km to support the PA management efforts. Both the PAs and the buffer zones are of particular concern for the landscape restoration approach pursued by the project. This project is organized around three components: COMPONENT 1: Establishment of a public-private partnership platform and enabling policies for sustainable management of the targeted water towers (Outcomes: 1.1: A Water Fund (WF) platform to provide resources for sustainable and financially viable integrated catchment management that conserves biodiversity and ecosystem functions. 1.2: Policy development and enhanced institutional collaboration to enable the upscaling of integrated natural resource management). COMPONENT 2: Restoration of degraded catchment and wetland ecosystems and improved production practices and food value chains with the WF areas (Outcomes: 2.1: Community-based land use planning and implementation results in healthier and more resilient ecosystems that support improved food production and downstream water flows. 2.2: Improved smallholder agricultural and forestry management practices, and food value chains that incentivize sustainable management principles, improve food security and conserve biodiversity and ecosystem health. COMPONENT 3: Capacity development and knowledge management support a paradigm shift toward INRM in important water towers (Outcomes: 3.1: Monitoring and evaluation (M&E) tools and approaches enable tracking of local and global environmental benefits and support adaptive management and scaling up of the WF model.

**RESULTS:** The project is targeting two of Kenya’s major Water Towers, the Mau Forest Complex and the Cherangani Hills. The Mau Forest Complex is the largest indigenous montane forest in East Africa and is the largest drainage basin in Kenya. The Mau is equally an Important Bird Area (IBA), regarded by Birdlife International as being in danger due to the very high pressures it is under. The forest is home to a rich bird community and regional endemics such as *Tauraco hartlaubi* and the restricted-range *Cisticola hunteri* and *Francolinus jacksoni*, as well as regionally threatened species. Cherangani Hills is an important biodiversity hotspot harboring several forest types and regionally threatened species such as the African crown eagle (*Stephanoaetus coronatus*), the red-chested owlet (*Glaucidium tephronotum*), Sitatunga antelope (*Tragelaphus spekii*) and Thick-Billed Honeyguide (*Indicator conirostris*). Through its interventions, the project will restore 19,000 ha of degraded land (core indicator 3), composing of 3,500 ha of agricultural lands with agroforestry and sustainable water management (output 2.2.1); 15,000 ha of gazetted forest areas under Sustainable Forest Management, and 500 ha of wetlands being restored in addition to 85,138 ha of forest Protected Areas being under improved management, and a further 15,862 ha of areas outside of the above PAs being under improved management.

**INNOVATION, SUSTAINABILITY AND POTENTIAL FOR SCALE UP:** In contrast to other Water Funds, this project will be established in a rural context, where the main root causes and barriers for water availability are to be found in unsustainable agricultural practices and the water users largely tend to be members of the small-scale farming communities. Therefore, the water fund concept needs to be applied with a much stronger focus on competing land uses, sustainable production practices and forest conservation to convince upstream smallholders of the immediate benefits of a water fund for their food security and livelihoods. Another innovative element to the proposed project is the integration of indigenous peoples living in some of the forests of the project area through Prior Informed Consent and the participatory development of an Indigenous Peoples Action Plan. The proposal has received strong public sector patronage and buy-in, particularly by the Ministry of Environment & Forestry, Ministry of Water & Sanitation and the Ministry of Agriculture, as shown in the support letters received. Further substantive support is extended by the two county governments of the proposed project area (Uasin Gishu and Elgeyo-Marakwet), as well as the Kenya Water Towers Agency, all providing

substantive co-financing. The proposed project through Component 1 will establish a public-private partnership platform, contributing to policy development and institutional reforms that include incentives for climate-smart smallholder agriculture, land use management and food value chains. The proposed project will work with public and private sector partners to establish a WF for the Eldoret and Iten municipalities to expand the geographic scale and scope of Africa's first WF in the upper Tana. Through lessons learned from previous innovation, successes, and challenges, this project aims to support a paradigm shift towards INRM in important water towers using sustainable financing mechanisms, developing capacity and knowledge management and effectively engaging with policy makers and the private sector, in Kenya and beyond.

CO-FINANCING: In the amount of \$24.7 million (\$23.1 in Recurrent Expenditures and \$1.6 in Investment Mobilized) is provided by the National and Regional Governments, the Private Sector, the Beneficiaries and the GEF Agency.