



Title:

KenGen Community Engagement Strategy

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COMMUNITY ENGAGEMENT STRATEGY



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PART 1: INTRODUCTION

1.1 Why is Community Engagement so critical for KenGen?

Kenya Vision 2030 identifies energy as one of the infrastructure enablers for Kenya's transformation into "a newly-industrializing, middle-income country providing a high quality of life to all its citizens in a clean and secure environment. Efficient, accessible and reliable infrastructure is an enabler for sustained economic growth, development and poverty reduction. It lowers the cost of doing business, improves security; improves livelihoods and the country's global competitiveness."

KenGen is—and will remain in the foreseeable future—the primary source of electricity generation for the country, supplying about 80% of total national consumption. With 32 power stations across the country, many more communities are directly affected by KenGen power operations, and an additional number of communities are indirectly affected due to their proximity and relationships to directly affected communities.

Like all project developers, KenGen has met numerous challenges from communities, manifested in the form of initial lack of project acceptance, frustrations, public protest, intimidation, threat of physical violence and destruction of property, project delays, and in some cases litigation.

Virtually all KenGen power projects have experienced some community issues, but a few projects stand out amongst them, resulting in sometimes very harsh criticism and dissatisfaction with KenGen: the Sondu Miriu Hydropower Plant, Turkwel Hydropower Station and the Olkaria IV Geothermal Station. Each are discussed briefly below.

- **Sondu Miriu** is an 80 MW hydro-electric power plant in Nyanza. The project was initiated in 1999 with support from the community. But after some time the project started experiencing problems due to various negative allegations coming from NGOs, community members and local politicians. These allegations revolved mostly around resettlement and compensation. Two years were lost during this time until a series of stakeholder meetings were held in January 2001 to allow the community to air their grievances and hold practical discussions. These meetings led to the establishment of a Technical Committee to ensure regular consultation between the stakeholders and KenGen. The main issues were around resettlement and compensation, but also employment and economic opportunities, health and safety, and the environment. This Technical Committee was the precursor to the Stakeholder Consultation Committees which KenGen has now instituted for other projects with community grievances. The cost of losing almost two years of the project development is incalculable.
- **Turkwel Hydro Power Station** lies on the border of Turkana and West Pokot Counties. The construction of the dam and 106 MW plant commenced in 1986 and was commissioned in 1991. However, due to longstanding conflict associated with sometime violent inter-community

boundary disputes and inter-ethnic cattle rustling, as well as a rivalry between two communities over accrued benefits from the project, the operations of the company have been impacted negatively. KenGen staff have suffered physical and psychological harm and consequently the company has had to move its staff out of Turkwel, leaving only a skeletal team that operates out of Kitale.

- **Olkaria IV** is a 140 MW geothermal plant located in Hell's Gate National Park in Naivasha County. It is part of the larger Olkaria complex, consisting of other KenGen facilities, Olkaria I, II, and V, and Olkaria III which is run by Ormat, a private company. Community issues were at the forefront in the implementation of Olkaria IV due to challenges experienced in the resettlement of project affected persons. Though the project was implemented on time, KenGen continues to implement some aspects of the Resettlement Action Plan (RAP) to date. The challenges arose due to the fact that the land had been occupied by squatters and thus it was difficult to identify the bona fide landowners. Some members of the affected communities complained to The World Bank triggering an investigation and gaps were identified. A post-housing clinic was held to address complaints and those found to be eligible were further compensated.

It is important to note that issues centered around community concerns experienced by KenGen are not solely confined to the project development stage, but also the operational phase. Numerous power plants currently in operation still experience a multitude of community issues that KenGen struggles to deal with on a weekly if not daily basis. This strategy will deal with both planned and operational power plants.

1.2 Overview of KenGen's Past & Current Experiences with Communities

In the interest of resolving ongoing issues with communities in various project sites, but particularly in Olkaria, KenGen has of late invested a significant amount of time and energy into examining and reflecting on its relationships with communities.

Recognizing the similarities between New Zealand and Kenya, Power Africa and its partners, the United States Energy Association (USEA) and the Geothermal Energy Association (GEA), facilitated a Kenya–New Zealand Partnership between KenGen and three New Zealand companies—Contact Energy, TN2T, and the Ngati Tahu Tribal Land Trust (NTTL) throughout 2017. Power Africa supported four exchange missions between KenGen senior leadership, Maasai representatives and their New Zealand counterparts.

New Zealand energy utilities have set a global standard for engaging affected communities around geothermal developments and successfully partnered with Maori Iwis (tribes) to ensure that the rights and customs of Maori communities are protected while at the same time meeting the country's electricity needs.

Building on the exchange program and drawing on New Zealand's successes, Power Africa has continued to support KenGen's goal of developing a state-of-the-art community engagement program through the provision of a community engagement advisor working with KenGen staff.

During a two-day workshop on community engagement held March 8-9, 2018 with various KenGen staff, an inventory of KenGen's past and current experiences working with communities was conducted to get a sense of where the agency was at in terms of the thoroughness and effectiveness of its community engagement activities.

While some strengths and successes emerged, there was consensus that there are a number of areas which can be improved upon, and it reinforced the idea that a corporate community engagement strategy is needed. The success and failures identified are documented as follows:

Successes

- Establishment of the Stakeholder Coordination Committees (SCCs) for certain projects
- Establishment of various CSR/CSI community projects leading to the provision of scholarships and some basic facilities to the communities, i.e. dispensaries, community bus, schools, water points, roads, cattle dips, tree planting, water for wildlife...
- Execution of the Resettlement Action Plan (RAP) in Olkaria IV
- Engagement of Community Liaison Officers (CLOs)
- Encouragement of community participation in projects
- Engagement of appropriate government agencies in CSR/CSI projects and Olkaria IV Resettlement
- Participatory, open, transparent and fair negotiations on land issues; KenGen is a leader in land processes
- Intervention strategies among the communities – CSR & Foundation initiatives

Failures

a) Structural and Capacity

- Lack of an internal community engagement strategy; community engagement was purely reactionary when a crisis developed
- Lack of engagement structure: when to engage, who to engage, what to engage on...
- Failure to engage communities where there was thought to be no issues to deal with; lack of acknowledgement of concerns of community outside of PAPs
- Lack of a multi-disciplinary team working in harmony; sometimes divergent perspectives amongst various KenGen departments
- KenGen staff lacked direction on dealing with communities; lack of internal capacity to conduct community engagement and manage communities; no training offered
- Lack of agency and staff understanding of the complexity of communities
- Lack of consideration of the perspectives of women or other marginalized groups within communities
- Establishment of stakeholder coordination committees was not done early enough

- KenGen not immune to national problems: tribalism, corruption, nepotism...
- Lack of a grievance management mechanism or guidelines; delay in resolving grievances from frustrated communities
- Lack of coordinated CSR and CSI strategies; Lack of sustainability aspect to CSI initiatives with communities

b) Poor Implementation

- Inaccurate information disseminated to community
- Difficulty in identifying veritable community members; communities themselves don't consider some people as members of the community
- Difficulty in identifying the bona-fide leaders of a community
- Failed to involve full spectrum of relevant sectoral stakeholders/partners in community initiatives: health, water, resettlement....
- Land acquisition focused only on legal aspects and disregarded historical and communal relationships with land and natural resources
- Did not conduct a comprehensive mapping and identification of all the affected persons in addition to the host communities
- Poor identification/mapping of stakeholders: geopolitical, cultural, historical land injustices, extra-legal prior land acquisition
- Not telling our story well; how information is packaged

c) Inadequate management of community issues

- Disparate interests between neighbouring communities was not managed; multiple two communities were not brought together
- Failure of proper engagement of stakeholders from the early project stages
- Creation of undue expectations and promises re: employment, etc.; no management of expectations
- No sustainable working relationship with communities after the project
- Lack of ownership of projects by host communities; Kengen inadvertently helped create dependency/failed to change dependency mindset of communities; KenGen does not say "no" because of threats; sense of entitlement by communities; KenGen seen as "the Government"
- Lack of buy-in by community of community projects; infrastructure vandalized, acts of sabotage
- Lack of empowerment of communities to address community leader behavior on land, jobs, self-interest, leadership, corruption
- Lack of disengagement strategy
- RAP Model – is it sustainable? Applicable to others? Disengagement strategy for resettled communities

A major aspect of KenGen's work with communities in recent years revolve around the various Stakeholder Coordination Committees (SCC) that have been formed for a select number of projects and some areas. The function of the SCCs is to ensure representation of the various interest groups in the project, including the local community as well as other stakeholder groups, in all aspects of a project. SCCs have been instrumental in minimizing conflicts between the community and KenGen, and when necessary, serve as a forum for resolving conflicts that may arise. The SCCs are also critical in the discussion and negotiation around project benefits, especially employment and economic opportunities, and accrued project benefits. Generally, there are three sub-committees for each SCC: Environment, Health and Safety; Employment; Economic Opportunities.

There are currently three SCCs which KenGen works with:

1. Olkaria V and I Additional Unit 6 (AU) geothermal Projects;
2. Eastern Hydros Region; and
3. Ngong Wind Farm under Central Operations area.

The mapping and formation of additional SCCs for other operation areas (Western Operation Region, Kipevu Thermal Operation Area) and the upcoming project, Meru Wind, is currently in progress.

A number of weaknesses in the SCC model have been noted, predominant amongst them is the fact that virtually all of KenGen's community engagement efforts were channeled through the SCCs. Oftentimes, information shared with SCCs was not channeled down to the at-large community by their representatives on the SCC, or the information that was dispersed was not full or accurate. Inversely, the concerns and wishes of at-large members of communities were not being channeled up to the SCC through their representatives, hence decisions made at the SCC-level did not always necessarily reflect the wishes of the majority of the community. In some cases, the motivation of some SCC members can be characterized as personal self-interest as opposed to representing community or other stakeholder interests. In addition, the management of the SCCs has taken a considerable amount of KenGen's time and energy without a proportional return on the investment.

Going forward, KenGen will consider its efforts with SCCs as just one of the many mechanisms for engaging communities, alongside a host of other activities.

Finally, it was observed that despite its shortcomings in the arena of community engagement, KenGen has actually set the bar high for other governmental agencies in terms of dealing with community issues, albeit KenGen did not pro-actively program its efforts but rather they were in response to threats or other identified risks, as well as donor requirements. Nonetheless, KenGen has strived hard in the recent past to atone for its previous shortcomings in this area as evidenced

by its pro-active approach with the implementation of the Olkaria 280MW and ongoing Olkaria V project.

KenGen leadership has acknowledged that community engagement is actually good for the utility's bottom line—it is not just a charitable practice or exercise in corporate social responsibility. Instead, early and sustained engagement with affected communities helps utilities deliver low-cost power projects by reducing delays caused by community objections and litigation. The development of this strategy is further indication of its commitment to doing a better job of engaging communities going forward.

PART 2: COMMUNITY ENGAGEMENT AND KENGEN

2.1 Purpose of the Strategy

The overall purpose of developing this Community Engagement Strategy is to provide general direction and specific guidance to KenGen for planning and conducting its community engagement activities going forward over the next five years (2018-2022). As part of its growth strategy, KenGen firmly believes that investing in and conducting community engagement more robustly as a core business best practice will return massive dividends. Meaningful engagement and empowerment of communities should result in the acceleration of the development and commissioning of new power projects for Kenya, and mitigation of existing risks associated with current power plants.

2.1.1 Legal Compliance

The strategy was developed to ensure alignment with Kenyan law starting with Article 10 of the Constitution, the values and principles which bind all State Organs, State Officers, Public Officers and all other persons in interpretation of the Constitution, enacting and or interpreting any law; and implementing public policies and decisions:

Article 10 (2) - *The national values and principles of governance include -*

- (a) Patriotism, national unity, sharing and devolution of power, the rule of law, democracy and participation of the people;*
- (b) Human dignity, equity, social justice, inclusiveness, equality, human rights, non-discrimination and protection of the marginalised;*
- (c) Good governance, integrity, transparency and accountability; and*
- (d) Sustainable development.*

Article 21(1) of the Constitution provides that it is a fundamental duty of the State and every State organ to observe, respect, protect, promote and fulfil the rights and fundamental freedoms in the Bill of Rights. Article 21(3) further provides that all State organs and all public officers have the duty to address the needs of vulnerable groups within society, including women, the elderly, persons with disabilities, children, youth, members of minority or marginalized groups, and members of particular ethnic, religious or cultural communities. As a State Organ, KenGen is bound by these provisions and is therefore required to address community issues arising and respect human rights, while undertaking its business. These rights include: the right to a clean and healthy environment and economic and social rights, among others.

The Constitution does not use the term “community engagement” but is instead provides for public participation. Public participation, as per the Constitution, is the deliberative process by which the public is involved in problem solving or decision making in policy formulation, legislation or project implementation. It is a process by which community concerns, needs and

values are incorporated into government and corporate decision-making. Public participation is variously referred to as engaging “stakeholders”, “citizens” or “communities”.

Public participation recognizes the diversity of group aspirations, needs and values and permits collective decision making thereby allowing consensus designed to achieve more legitimate policies. The essence of public participation is to strengthen and deepen democratic governance.

Public participation is now a primary requirement in all policy and statutory functions of the executive and legislature. It is, also, an inherent requirement in the planning and execution of projects which have an impact on the social or economic life of communities. It is a specific stipulation in all projects with an impact on the environment. The objective for this requirement is to involve communities in all decisions which touch on their lives.

The Constitution of Kenya provides a strong foundation for participatory governance. It recognizes that all sovereign power belongs to the people of Kenya and may be exercised either directly or through elected representatives.

It establishes public participation as a key value and principle in governance. It is envisaged that public participation would level decision-making and ensure equality and non-discrimination. The expectation is that public participation shall permeate all public affairs and be promoted both by the state and non-state actors acting in the public interest.

Public participation anticipates that public inquiries, fears and anxieties with regard to executive or corporate decisions, and actions are dealt with through a participatory process in which members of the public are granted an opportunity to express themselves and have their concerns addressed.

Accordingly, public participation must not be undertaken as a mere formality, but should be given true meaning, value and significance. To attain this, the public must be encouraged to contribute and, where possible, facilitated to attend.

Constitutional provisions with regard to public participation reach out to all sectors of the social and economic lives of citizens. The use of community land, for example, is prohibited save in a manner which permits a recognition of the rights of members of that community. Likewise, the state is under obligation to encourage public participation in the management, protection and conservation of the environment.

Almost all of Kenya’s statutory instruments enacted after the promulgation of the Constitution in 2010 contain provisions on public participation. Significantly, the Companies Act (2015), Community Land Act (No. 27 of 2016), Access to Public Information Act (No.31 of 2016), and the Protection of Traditional Knowledge and Cultural Expressions Act (2016).

Companies Act, 2015

The Companies Act governs all Companies including KenGen.

- a) Section 143 (1) (d) of the Act provides for duties of a director to include acting in a manner that would promote the success of the company by taking into consideration, among other factors, the impact the operations of a company would have on the environment and the community.
- b) Section 655 (4) requires directors to prepare a director's report for each financial year of the company. Directors of quoted companies are required to include a business review in their report that contains information about the policies of the company on social and community issues, and the effectiveness of the policies, environmental matters and the impact of the business on the environment. This is a mandatory requirement which the KenGen Board must adhere to.

Community Land Act (No. 27 of 2016)

The Act gives effect to Article 63 of the Constitution, to provide for the recognition, protection and registration of community land rights and management and administration of community land.

a) Section 22 of the Act provides that Subject to any other relevant written law, an agreement relating to investment in community land shall be made after a free, open consultative process and shall contain provisions on the following aspects, which KenGen should adhere to:

- i. An environmental, social, cultural and economic impact assessment;
- ii. Stakeholder consultations and involvement of the community;
- iii. Continuous monitoring and evaluation of the impact of the investment on the community;
- iv. Payment of compensation and royalties;
- v. Requirement to re-habilitate the land upon completion or abandonment of the project;
- vi. Measures to be put in place to mitigate any negative effects of the investment;
- vii. Capacity building of the community and transfer technology to the community

Section 36 (6) provides that no agreement between an investor and the community shall be valid unless it is approved by two thirds of adult members at a community assembly meeting called to consider the offer and at which a quorum of two thirds of the adult members of that community is represented. KenGen should ensure the threshold is met, when negotiating agreements with communities.

Access to Public Information Act (No.31 of 2016)

The Access to Public Information Act gives effect to Article 35 of the Constitution on the right to access information. Section 4 and 5(1) of the Act states that, every citizen has the right of access to information held by the State especially where information is required for the exercise or protection of any right or fundamental freedom. This right however, has limitations. KenGen should provide the local communities with relevant information regarding upcoming and existing projects which would affect them, if requested.

The Protection of Traditional Knowledge and Cultural Expressions Act, 2016

The Act provides a framework for the protection and promotion of traditional knowledge and cultural expressions and gives effect to Articles 11, 40 and 69(1) (c) of the Constitution. KenGen should consider the provisions of the Act when carrying out assessments and relocating communities.

It is also noteworthy that the Public Private Partnership Act, No. 15 of 2013 provides for entities which shall oversee all public-private projects to liaise with all stakeholders during the entire life of any project.

In summary, the statutes require that public participation be initiated at all stages of policy development and project implementation. Public participation is regarded as an obligatory and collaborative process, serving to infuse citizens' values and priorities in legislation so as to increase transparency and accountability. In project implementation, public participation is geared at obtaining a buy-in and acceptance in the commission of any venture in communities.

2.1.2 Relevant Codes

The Capital Markets Code of Corporate Governance Practices for Issuers of Securities to the Public 2015

Chapter 5 of the Code provides for Ethics and Social Responsibility that should be taken into account by issuers of securities, such as KenGen, when running their operations. It requires issuers to consider the reasonable expectations of their stakeholders. It further highlights the importance of companies demonstrating their commitment to appropriate corporate practices that would make them good corporate citizens. In this regard, the Code requires the Board to ensure the management develops corporate citizenship policies to enable the company operate ethically, abide by the law and show consideration for the environment, community and society in general.

Mwongozo (The Code of Governance for State Corporations)

The Mwongozo Code was issued through a directive of the President and is binding to all State Corporations including KenGen. Clause 4.5 of Chapter 4 of the Code requires the Board to ensure the Company develops and implements a Policy for Good Corporate Citizenship and that a

sustainable and appropriate budget is allocated for corporate social responsibility and investment. It also requires the Organization to respects and promotes a sustainable environment.

Chapter 5 of the Mwongozo Code provides for Stakeholder Relations which include: Stakeholder engagement; stakeholder rights and dispute resolution. It requires the Board to ensure:

- i. Stakeholder mapping is carried out;
- ii. A policy on the management of stakeholder relationships is developed and implemented;
- iii. A periodic review of the policy for the management of stakeholder relationships;
- iv. Promotion of effective communication with stakeholders;
- v. Ensure that stakeholder' interests, expectations and their power to influence the operations and direction of the organization are documented;
- vi. Ensure that the reputation of the organization and its linkage with stakeholders is a regular Board agenda item.

2.1.3 Policy Alignment

From a national policy perspective, this strategy is in line with the Draft National Energy and Petroleum Policy, 2015¹. In the draft Policy, the Government of Kenya acknowledges that the discovery of various natural resources in the country, particularly those related to energy and petroleum sector, “has resulted in high expectations, confrontations and conflicts among communities where these resources have been discovered. Potential conflicts and social unrest associated with exploitation of these resources can cause costly delays to projects and operations. In some cases, these situations can lead to loss of lives and livelihoods among local populations, employees or contractors, and bring about profound developmental set-backs.”

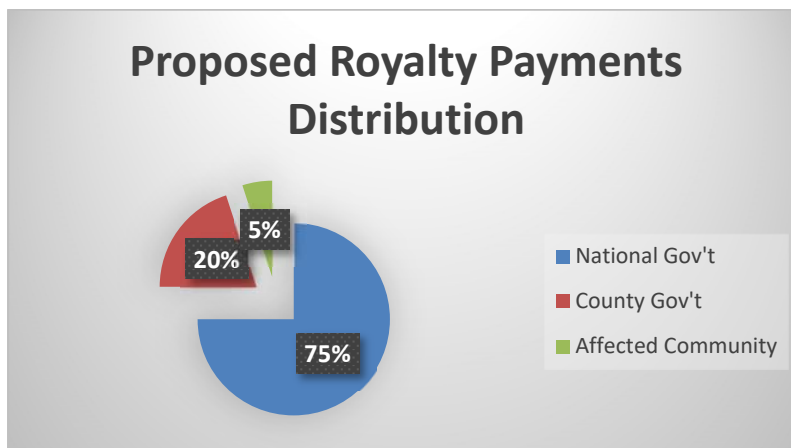
The draft Energy Policy provides the following directives, relevant to this Strategy, to address and mitigate the aforementioned concerns:

- The government shall develop and implement a legislative framework for pro-active and sustained engagement with the governments, investors and communities in energy and petroleum resource areas.
- The government to develop and implement awareness programmes for the communities to enhance constructive engagements process.
- The government to develop and implement a monitoring and evaluation mechanism on regular reporting on stakeholders' consultations.

¹ https://www.erc.go.ke/images/docs/National_Energy_Petroleum_Policy_August_2015.pdf

In regards to benefit sharing, the Energy Bill, 2017² introduces the payment of royalties on geothermal electricity production. In its current form, the Bill mandates that each geothermal licensee “shall pay a royalty on the value at the wellhead of the geothermal resources extracted, of (a) not less than one per centum and not more than two and half per centum of the value of geothermal energy produced from such resources during the first ten years of production under the license.” This royalty can increase to not less than two percent and not more than five percent after the first ten years.

Furthermore, the distribution of royalty payments are proposed as follows:



Note that the proposed distribution of 5% to affected communities would be payable through a trust fund managed by a board of trustees established by the local community in accordance with regulations that would come under the Act.

If enacted as is, or with any amendments, the eventual law stipulating royalty payments filtering down to communities may compel KenGen to rethink its CSR/CSI investments in the community to avoid, in essence, a double investment.

In addition, Article (234) of the Energy Bill would also require compliance with local content provisions, including:

1. First consideration be given to services provided within the County and goods manufactured in the county
2. Qualified and skilled Kenyans are given first consideration with respect to employment at all levels of the value chain; and
3. Adequate provision is made for the training of Kenyans on the job.

² http://kenyalaw.org/kl/fileadmin/pdfdownloads/bills/2017/EnergyBill_2017.pdf

These provisions may have certain impacts on procurement of goods and services, hiring of staff and non-permanent labourers. They could also change the strategic thinking of CSR/CSI projects around the areas of SME development and technical and vocational education and training in order to more fully embrace the local content directives.

Draft Energy (Local Content) Regulations³, which provide further specific procedures for energy licensees on local content, are pending enactment of the Energy Bill before they can be tabled and adopted, but bear watching as they will require action by KenGen in regard to both hiring practices and the procurement of goods and services.

2.1.3 Risk Mitigation

Specifically, this strategy helps address a majority of the risks identified in KenGen's Enterprise Risk Management Framework: the threat of community displeasure, unrest, agitation, or even sabotage which can delay or otherwise hinder projects from being developed or operations. Community-related risks can actually be linked to at least eight of the ten identified existing risks:

	<i>Existing Risk</i>	<i>Nexus with Community Engagement</i>
✓	Business Continuity (Disaster Management) Risks: This is the risk associated with lack of an organization's resilience that prevents disasters and ensure smooth business continuity after major disruptions.	Community unrest due to unresolved grievances can cause major disruptions to a power plant's operations.
✓	Security Risks: This is the risk that the company's key installations will be a target for threats or violence by terrorists leading to massive destruction	Community unrest due to unresolved grievances can lead to sabotage of power plant infrastructure or other equipment, or even physical violence to staff/contractors.
✓	Project Funding Risks: This is the risk associated with the failure to secure long term financing for project expansion.	Community unrest due to unresolved grievances can lead to abandonment by potential investors.
✓	Stakeholder Management Risks: This is the risk associated with failure to effectively engage and manage key stakeholders that impacts on KenGen's business environment.	This risk is actually one of the common threads amongst most of the other identified risks.
✓	Land Acquisition Risk: Access to land for the company Expansion Activities: This is the risk associated with failure/delay in land acquisition to enable the company expand its project activities or other economic reasons.	Land acquisition is one of the biggest sources of community grievances for development projects.
✓	Political Landscape Risks: This is the risk associated with the diminished return on investment (ROI) due to the political environment in the country.	Poorly managed and unresolved community grievances often lead to political interference, which can lead to further obstacles.
✓	Changes in Regulatory Environment: This is the risk associated with engagement with changes in policies laws and regulations in the energy sector that impact on the company's strategy.	Community engagement public participation) issues along with benefit sharing, resettlement and land laws all bear close monitoring and involvement when necessary.

³ https://www.erc.go.ke/images/docs/Energy_Local_Content_Regulations-EB-141014.pdf

✓	Project Implementation Risk: This is the risk associated with timely implementation of projects within the budgeted costs. Energy generation projects bear significant construction risks arising from delayed completion and commissioning.	Unresolved community grievances can be the cause of feasibility study and construction delays, as well as interruptions in operations.
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In addition to all of the abovementioned risks, unaddressed community concerns can also result to serious reputational risks to KenGen that could lead to loss of confidence in the business and affect its profitability.

2.1.4 Return on Investment

While a monetary value is difficult if not impossible to calculate, there most certainly is an expected Return on Investment (ROI) for the company for conducting more proactive community engagement resulting in improved relations with the community and local authorities. These returns include:

- Faster project implementation
- Reduced direct project costs
- Reduced revenue losses
- Gains by avoiding additional costs
- Reduced risk and cost avoidance of litigation or breach to legal obligations
- Enhanced social benefits for local communities
- Increased self-sufficiency of communities and less dependency on KenGen

Going forward, KenGen will establish a methodology for quantifying ROI as a result of conducting more effective community engagement. This can be assisted through the establishment of key performance indicators (KPIs).

2.1.5 Financier Guidelines and Requirements

This strategy builds upon the collective experiences of and lessons learned by KenGen in dealing with communities, while being steeped in international best practices and international finance institution (IFI) guidelines and requirements.

Most of the International Finance Institutions (IFIs), such as the African Development Bank (AfDB), European Investment Bank (EIB), French Development Agency (AFD), Asian Development Bank (ADB), World Bank (WB), Japan International Cooperation Agency (JICA), KfW Development Bank, and the Overseas Private Investment Corporation (OPIC), have environmental and social safeguard policies and guidelines that require meaningful stakeholder engagement. Developers seeking funding from these institutions are required to demonstrate compliance with the safeguards during the project appraisal stages by the financier(s).

In addition, the Equator Principles⁴, a risk management framework for determining, assessing and managing environmental and social risks in projects, would also apply if KenGen were to seek financing from any of the financial institutions who have officially adopted them.

In KenGen's case, financier standards have only been applied when required during the ESIA and Resettlement Action Plan (RAP) studies. In the case of RAP studies, the safeguards usually call for meaningful participation by the displaced people to ensure that they participate in the planning and implementation of resettlement programs.

It is also important to note that integration of community concerns sometimes requires additional consultations and negotiations. Certain aspects would require meetings with other stakeholders who are key informants on the issue at hand. It is therefore necessary to go beyond community consultations and have discussions with key informants so as to ensure validation and integration of community concerns. Issues touching on culture, values and norms would also require identification of bonafide community institutions that represent the community members so as to have a clear discourse on these issues prior to integration into the project documentation.

As stated earlier, for community engagement to truly make a difference to project designs and business models, there is need to engage the communities prior to the main ESIA study. For meaningful integration of community concerns, this should be done at conceptual phases of a project, as well as prior to design phases (i.e. earlier in the feasibility studies phases).

2.2 Core Values

In addition to the KenGen corporate values which shall always permeate all facets of KenGen's work, a value-based approach to community engagement was developed during the U.S. Energy Association-sponsored exchange program in 2017 between KenGen, the Maasai community in Olkaria, and a delegation from New Zealand including a geothermal developer and members of an indigenous Maori community.

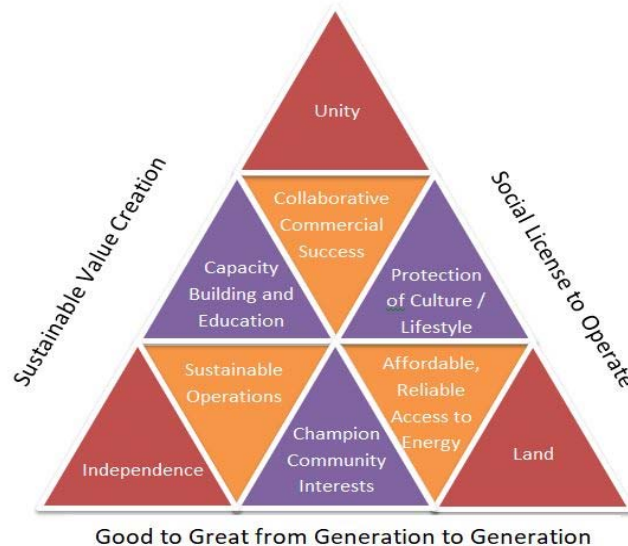


This framework establishes boundaries in relationships between KenGen and its stakeholders, including community groups, to foster sustainability and uphold cultural heritage of host communities. The goal is to provide the foundation for different conversations with different communities to empower KenGen to deliver energy projects for the nation in a cost-effective, efficient, and sustainable manner. The framework will help empower KenGen employees and communities to work together in a positive manner to reach win-win solutions. It helps build

⁴ www.equator-principles.com

respect, understanding, and trust among the parties by setting clear expectations to minimize pressure and conflict.

It is expected that by inculcating these values, future community engagement efforts will earn KenGen social license to operate, foster sustainable value creation for both KenGen and communities, and thereby ensure growth from good to great, from generation to generation.



<u>Value</u>	<u>Description</u>
Unity	A strong value-based relationship and common understanding of issues between KenGen, communities, and stakeholders.
Collaborative Commercial Success	Creating an enabling environment for KenGen and stakeholders' commercial success and sustainability.
Capacity Building & Community Education	Build the capacity of KenGen staff and the communities to grow knowledge and awareness of legal, political, social, economic, commercial, and cultural systems that are important to one another.
Sustainable Operations	Ensure the long-term commercial success of KenGen and its stakeholders through collaborating with stakeholders and communities to make the maximum possible contribution to the social and economic well-being of people and communities through meeting their energy needs both now and in the future.
Land	Acknowledgement that land is critical to both community well-being and long-term viability of KenGen's business.
Champion Community Interests	Empowering staff to champion community interests.

Protection of Culture & Lifestyle	Acknowledging that KenGen operates within cultural environments that should be respected and protected. Enabling communities to retain cultural traditions while also helping them to take part in the modern economy.
Independence	Recognize and respect KenGen's and communities' inherent rights to lead their own destiny, and empower one another to do so.
Affordable, Reliable Access to Energy	KenGen's mandate is to provide affordable and reliable energy for the nation. The communities have a role to play in helping KenGen deliver on this mandate.

See [Annex 1](#) for further definition of the nine values and the strategies and actions KenGen will undertake to implement them.

2.3 Community Engagement Principles

Conducting a strong community engagement program begins with a strict adherence to a core set of principles. The following principles, adopted from the *Power Africa Guide to Community Engagement for Power Projects in Kenya*, are the principles that will guide how KenGen will conduct community engagement for all of its power projects and associated community development initiatives.

Principles of Community Engagement			
Proactive consultation, inclusive participation, and disclosure and access to information	Ensure gender equality, female empowerment, considerations for the marginalised, and cultural appropriateness	Do no harm and manage and address grievances in a timely manner	Respectful, sustained engagement throughout the project lifecycle, from inception to decommission

2.4 Goals & Objectives

The primary goal of this strategy is:

For KenGen to more effectively and respectfully engage communities which will result in helping:

- a) Attain initial buy-in (social license) for new power projects to reach financial close and proceed to construction and operationality; and
- b) Enhance or maintain the social license for all existing power stations for the safe, continuous production of power for the country.

The objectives of this Strategy are to:

➤ Provide specific guidance for KenGen to plan and conduct effective community participation and collaboration throughout the power project lifecycle.
➤ Identify the best structures and methods for KenGen to provide communities with balanced and objective information on proposed power projects and community development initiatives in order to obtain their feedback and seek their input and attain and maintain a “social contract”.
➤ Develop strategies to build strong and effective relationships with communities and other stakeholders, including regulatory officials, local and national government officials, development partners, etc.
➤ Ensure integration of measures to promote gender equality in community engagement activities, including empowering and promoting women as leaders.
➤ Integrate considerations for marginalized groups within the community, including ethnic minorities, persons with disabilities, vulnerable women, and youth.
➤ Establish a mechanism for effective and timely resolution of community grievances.
➤ Continuously improve KenGen’s community engagement practices through monitoring and evaluation of our activities.
➤ Help foster more sustainable community development

2.5 What and Who Constitutes Community?

For the purposes of this strategy, ‘community’ refers to a group of people who have common interests and values living in a definable geographic area that would host or be adjacent to, or otherwise directly impacted by, a proposed or existing KenGen-owned and operated power station and associated infrastructure.

KenGen acknowledges that communities are not homogenous, nor are they static. They are dynamic and diverse, if not always ethnically or culturally, and comprise various groups and constituencies of people who have different perspectives and different goals and objectives.

Defining the geographic area of a community that could be directly impacted by a project shall be determined during stakeholder identification and mapping, as well as in the ESIA process⁵. Communities may at times be referred to as “Project-Affected Persons” or PAPs. A project-affected person includes the following⁶:

1. Any person or household adversely affected by any project-related change in use of land, water or other natural resources (i.e. environmental degradation including air quality, noise, etc.), or who loses any asset or property—movable or fixed—in full or in part including land, with or without displacement after the commencement and during execution of the project.
2. Any vulnerable persons or marginalized groups including women, indigenous persons, squatters, and those with usufruct⁷ rights, vulnerable groups whose livelihoods depend on the community in the project area, and all those persons who may be exploited by the stronger or privileged persons located within the project area.

Other communities who may be indirectly impacted by a project or otherwise have an interest in the project shall be considered ‘stakeholders’, and therefore not merit the same status or enjoy the same benefits as a directly impacted community. Host and other affected communities always comprise part of the larger stakeholder population, but all stakeholders are not “community”.

Stakeholders also include those persons or groups who may have interests in a project or ability to influence its outcome, either positively or negatively. This includes national and local government authorities, politicians, other nearby or downstream communities, religious leaders, civil society organizations (NGOs), and groups with special interests, i.e. financiers, academia, the business community, etc.

Stakeholder engagement, which shall be addressed separately by KenGen, is a broader category of engagement activities because of the diverse nature of various stakeholder groups who have varying degrees of interest and influence on a project or operation facility. Stakeholder engagement has a similar goal as community engagement: attaining and maintain “buy in” or cooperation, although the investment of effort with stakeholders depends on their level of

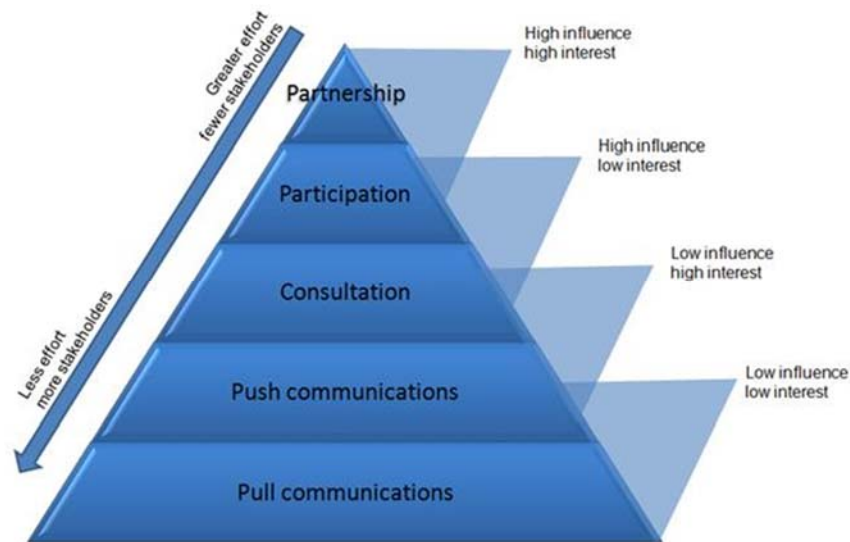
⁵ The Environmental (Impact Assessment and Audit) (Amendment), Regulations 2016, require that a developer conducting an ESIA study must “in consultation with the authorities, seek the views of persons who may be affected by a project.”

⁶ Adapted from *Project Implementation and Resettlement of Affected Persons Ordinance, 2001*, Government of Pakistan, Ministry of Environment, Local Government & Rural Development.

⁷ Usufruct is a legal right accorded to a person or party that confers the temporary right to use and derive income or benefit from someone else's property.

influence and interest, as illustrated below. Communities are always of the highest influence and interest.

Stakeholder Engagement Model⁸



Of particular concern to KenGen, based on previous experiences, is the nexus between community engagement and the potential for interference from stakeholders such as local politicians and NGOs. Both groups can inadvertently or intentionally instigate friction and divide between KenGen and local communities, leading to project paralysis and entrenched community apathy.

From politicians, this interference can stem from political goals of owning development projects in order to be seen as fulfilling their mandate to more nefarious objectives of financial gain. On the part of NGOs, often their objective is simply to fulfill their missions in order to make themselves better known to potential donors for future funding opportunities. This sense of mission can sometimes be misguided, however, and they can wrongly assume that they are defending the entire community of their rights based on a vocal minority's objections, even if the broader community's rights are not being ignored or violated by a developer.

In the case of politicians, KenGen should take a very pro-active approach to engaging them directly, one on one, in order better understand their position and attempt to forge alliances. This can later help neutralize their influence over a community, thereby limiting the politician's ability to wedge a divide between the Company and the community.

⁸ Illustration courtesy of www.stakeholdermap.com

For NGOs, KenGen should consider involving them in regular workshops with community representatives on issues of community development. Roles for NGOs can be identified in the community development process including needs assessment, capacity building, infrastructure development, livelihoods enhancement, and economic empowerment. Often, pro-actively involving NGOs can facilitate a working relationship rather than an adversarial one.

Formal and informal representatives of a community who live within the community are considered community members, but special attention should be made so that engagement with these community representatives does not supersede direct engagement with the at-large community to maximize inclusivity in the process.

2.6 What do we mean by Community Engagement?

Henceforth from this strategy, KenGen will consider community engagement as ‘a full suite of communication and direct interaction activities with impacted communities’ that, ideally, leads to community involvement, consent, and continued support for a project. This is also referred to as a ‘social license.’

Social license can be defined in a variety of ways in both explicit and implicit fashions. In general, it refers to the ongoing acceptance of a company's business and operating practices by the general public. In the case of this strategy, KenGen will consider social license as the ongoing *overt* acceptance of its business and operating practices by the defined community for a project or an existing power plant⁹.

Social license to operate is attained and maintained slowly over time as the actions of the company build trust with the community it operates in and other stakeholders. Social license can sometimes also be referred to as “No Objection” – indicating that the community does not object to the project from going forward.

For the purposes of this strategy, KenGen will consider community engagement to include the dissemination of information, targeted consultation with local leaders and representative groups, collaborative decision-making, and even community co-design of project components, particularly when a project requires resettlement and also for all CSR and CSI community development initiatives. It means that KenGen shall engage communities in a way that truly respects their history, traditional knowledge, cultural norms, relationship with the land on which they live, the natural resources they utilize, their legal and human rights, and their development needs and aspirations.

⁹ This definition adapted from Investopedia.com

This definition can be referred to as working in partnership with communities, incorporating the aspects of collaboration, negotiation and empowerment to foster collaborative decision-making and empowered action with community consent and partnership as the key outcomes.

KenGen will regard community engagement as a means to foster mutually beneficial and sustained relationships between the company and the community, with continuous feedback loops at each project decision-making stage, from project feasibility studies to construction, and through operation and decommissioning.

It is important to keep in mind that community engagement is a process, not an outcome or a solution. The objectives and parameters of any engagement processes need to be stated in a transparent way to avoid creating unrealistic expectations in a community. Indeed, the management of community expectations is perhaps one of the most important aspects of this process, starting with setting realistic expectations with the community at the onset so as to avoid unattainable expectations.

While KenGen will strive towards creating more sustainable development in the communities where it works, a key element in developing sustainable communities lies in the empowerment of local residents to take responsibility and action for themselves. In order to do this, KenGen shall encourage greater community participation in local government and community development planning and develop clear and concise processes that support and assist their participation.

Community engagement is also a way to assist and enhance the Company's decision-making process but is not intended to replace the final decision-making power of KenGen. Community engagement outcomes should be considered alongside a wide range of other factors in KenGen's decision-making. Good decisions are informed by listening to diverse perspectives, gathering sound information, considering a range of opinions and alternatives and identifying common ground. Meaningful community engagement means interactive processes that endeavor to gain an objective, representative view from the broader community and relevant stakeholders, and is not limited to the views of a vocal minority.

The practice of engaging communities specifically and only to meet licensing and permitting requirements, or when troubles arise, is a practice that almost always leads to community dissatisfaction. It is an approach that can very well lead to an environment of enmity between stakeholders and developers. Through its own admittance, KenGen has in the past mostly engaged in community engagement to meet legal or donor requirements, or retroactively when communities have already expressed discord. In some instances, KenGen refrained from

engaging communities because it did not anticipate any community issues, only to find out that there are almost always some concerns that communities will have once a project gets started.

As part of this strategy, KenGen will commit itself to integrating community engagement in every stage of a new project, from:

Stage 1 - Early Stage when project viability is being determined to establish a base case for a project;

Stage 2 - Project Development when the base case is refined to support the commitment of resources to develop the project and invest capital, long lead time activities are undertaken and authorizations are sought;

Stage 3 - Arranging Finance/Financial Close when the project is structured to attract finance, financing is arranged on terms and conditions sufficient to execute all project agreements, and financial close is finally reached;

Stage 4 - Project Construction & Completion this includes the construction phase through to commercial operations and decommissioning.

For existing power plants, KenGen will assess the situation with each individual community and determine how to modify and enhance its engagement efforts to be in line with this strategy.

In totality, KenGen will strive to assimilate communities as partners with KenGen in the country's development.

PART 3: ACTION PLAN

In order for this Strategy (and corresponding Policy) to be truly effective and efficient, it must be embedded within all levels of KenGen's corporate structure, starting with Executive Committee (ExCo) and Board approval, permeating down through ALL departments of the organization, and all staff, and when relevant, its contractors. ExCo approval is required first, before being brought to the Strategy Committee of the Board of Trustees, after which it is escalated to the full Board for adoption.

The following steps have been identified for KenGen to undertake in order to operationalize this strategy:



A. Policy/Procedures Review and Enhancement

Community engagement must be entrenched in all aspects of KenGen's corporate and divisional service charters and in compliance with International Organization for Standardization's ISO 9001:2015 Quality Management System¹⁰ standards.

A Community Engagement Policy shall be developed that will formally guide the company in the operationalization of this strategy. Aspects such as safeguarding corporate interests and information as well as fostering the values of this strategy should be well defined in the policy.

¹⁰ <https://www.iso.org/standard/62085.html>

In addition to this governance framework, however, KenGen must strive to inculcate this new approach to community engagement into its corporate culture which demands staff loyalty to the company and respects local communities while continuously striving to build trust with them.

Departments with roles and responsibilities for community engagement must have clear goals and objectives, and workplans shall be developed or modified as necessary. Likewise, staff must have clear Performance Agreements to ensure that their annual performance is measured against their respective responsibilities in community engagement in addition to their other job responsibilities.

All other company policies and procedures shall be reviewed to see if they can or should support the implementation of the community engagement strategy in any way. Those which are identified as relevant shall be amended as necessary in keeping with this strategy. In some cases, new policies and/or procedures should be developed if existing policies/procedures are lacking.

Perhaps the most pressing need in this realm is stronger coordination between KenGen's Corporate Social Responsibility (CSR) policy and the KenGen Foundation Strategy, and alignment of both with this community engagement strategy.

The KenGen CSR Policy was last revised and approved by the Board of Trustees in 2012. While it has served the agency well, there was a realization in the process of the development of this strategy that there has been a disconnect – and sometimes duplication of efforts – between the CSR (mostly carried out by the Corporate Affairs Department) and CSI investments (wholly carried out by the KenGen Foundation).

In light of this strategy, if these disconnects are bridged and the synergies between CSR and CSI can be better delineated and strengthened, it could play a significant role in attaining the main objectives of working with communities. Aligning both the CSR Policy and the objectives with the Community Engagement Strategy will undoubtedly impact the bottom line of the company. But in order to do so, the company has to clearly define HOW the social/community involvement/investment/development function will contribute to business goals and objectives.

Step one to achieve this is to revisit the draft revised CSR Policy to better define CSR and differentiate it from CSI. From there, it would be beneficial to delineate, in the Policy, the types of initiatives/investments that would be made for each. In addition, it may be helpful to revisit the allocation of KenGen's contribution (after taxes) of funds for CSR and CSI

initiatives to ensure that investments contribute to the attainment of the main goal of this strategy.

Below is a preliminary list of the existing internal policies and procedures that merit review and may require subsequent modification to be more in line with this Community Engagement Strategy.

- a) KenGen CSR Policy
- b) KenGen Foundation Strategy
- c) Human Resources Policy
- d) Corporate Communications Policy
- e) Environmental Management Policy
- f) Knowledge Harvesting and Transfer Policy
- g) Business Development Procedure
- h) Land Policy (under development)
- i) Stakeholder Engagement Policy (under development)
- j) Resettlement Policy (under development)

In addition to revising existing policies and procedures, in some cases new policies and procedures may need to be developed.

B. Budgeting

As part of its corporate commitment to community engagement KenGen will provide adequate financial and human resources on an annual basis. An annual Operational Budget for community engagement will be necessary, as will a strategic programming budget for specific community development initiatives that may be implemented by the Foundation, another KenGen department, or other third party such as an NGO or private sector company.

In addition, CSR and CSI commitments, initiatives and strategies should both be made in consideration of community engagement goals and objectives. Such investments may include scholarships, technical and vocational training, leadership development and mentorship, empowerment of women, infrastructural development, and environmental rehabilitation. An opportunity most likely exists to leverage this new approach and commitment to attract additional investments for KenGen Foundation efforts.

The newly formed Community Engagement Team and Structure, which will plan, coordinate and oversee all daily and routine stakeholder engagement activities, will be financed through the Operational Budget and individual Project Budgets.

Community engagement activities for new power projects will be budgeted for annually under the specific project's capital budget and financed as part of the project. Community engagement for existing projects will be resourced annually through the company's recurrent budget. All project-based community engagement for both new and existing projects will, however, be coordinated in close collaboration with the Area Management.

C. Communications and Rollout

To ensure KenGen top management, staff, the communities and relevant stakeholders understand and operate within KenGen's values and principles fostering community engagement and sustainability, a comprehensive communications and rollout plan shall be developed and executed.

The components of this communications plan include:

- A public launch ceremony with MoE and other energy sector partners
- Sensitization campaigns at all levels: awareness sessions, G2G, COPI forums...
- Brochures, intranet, internal magazines, board meetings, mass/social media...
- Meetings at all levels
- Branded corporate wares, flyers...
- Knowledge and learning depository Posters at strategic points
- Email signatures: inculcates the values and principles
- Videos and documentaries, short clips on success stories
- Specific print materials for targeted audiences

Target audiences for these communications shall include:

Internal:

- Board
- Top management
- Staff working directly with communities: e.g. project staff, scientists, surveyors, community liaison officers, Foundation staff, Corporate Affairs, Property, Operations, Environment & CDM...
- All other staff

External:

- Service providers: suppliers, contractors, consultants
- Energy sector players: MoE, KPLC, ERC, KETRACO, REA, GDC...
- Development partners: Financiers, etc.
- Regulators: NEMA, WRA...
- Other stakeholders: KWS, KFS, NLC, TARDA, KVDA...
- Decision makers: National Government, County Governments, Parliamentarians, Senators, Governors, MCAs...

D. Establishment of Community Engagement Team and Structure

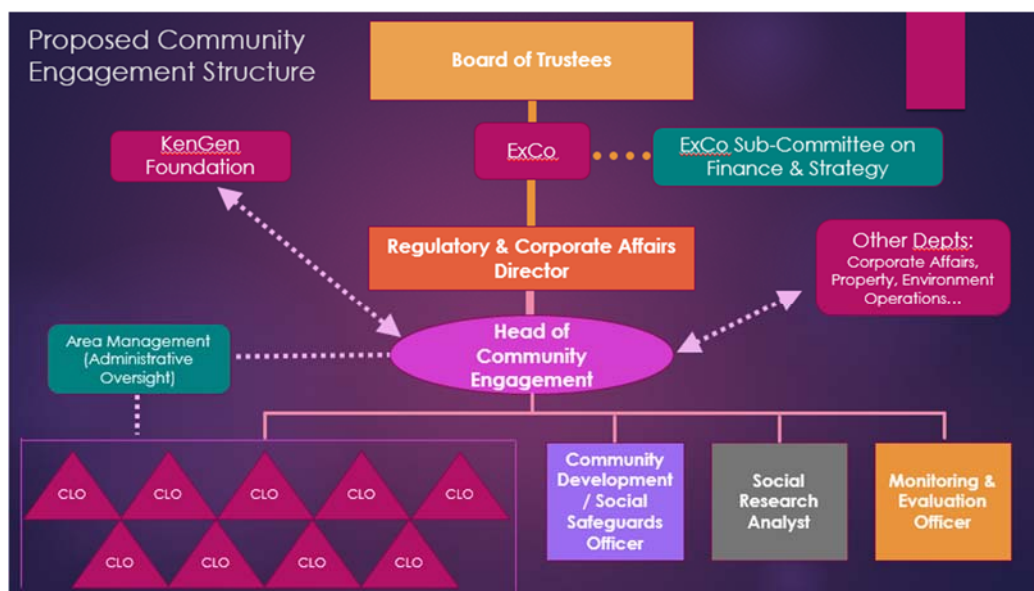
As noted in the Introduction, KenGen has struggled with community engagement partially due to the lack of structures, low internal staff capacity, and the lack of a cohesive, multi-disciplinary team working with the same understanding and towards the same goals.

Part of the solution is to create a Community Engagement Team with a clear structure to handle and coordinate all community engagement activities throughout the organization working closely with other relevant departments.

The proposed structure includes the following positions:

	Position	Role
1.	Head of Community Engagement Unit	To manage all community engagement activities, oversee staff, and provide resources for community engagement activities
2.	Social Safeguards Officer(s)	To handle social safeguards (for the projects)
3.	Social Research Analyst	To research on communities (cultures, practices, norms and beliefs, leadership)
4.	Monitoring and Evaluation Officer(s)	To assess the impact of all the community engagement initiatives in place by the organization
5.	Community Liaison Officers	To handle the routine community relations programs across the business and support particular projects or areas

The proposed structure is as follows:



The roles and responsibilities of the Community Engagement Team will include the following primary functions:

- Drive the implementation the Community Engagement Strategy
- Proactive Community Engagement Planning and Execution
- Grievance Management
- Community Development Programs
- Facilitate the establishment of Community Trusts
- M&E

The Community Engagement Team shall be involved in, but not take the lead role in the following:

- ESIA Studies
- RAP Studies
- RAP Planning & Execution

E. Training of New and Existing Staff

For KenGen to be very effective with its community engagement and integrate it into the corporate culture, its staff must be well trained to understand the importance of community relations to the company, possess or gain the sensitivities for complex socio-economic conditions of communities, and should be empowered to enhance their skills to effectively engage, relate with and negotiate with communities in a respectful and culturally appropriate manner.

An essential component for training and induction of staff is a comprehensive community engagement handbook which shall be developed in the first year of the program.

The following training programmes will be needed for the following categories of staff:

- Top Management
 - Awareness training on community engagement principles and strategies
 - Conflict resolution and management (mediation, arbitration)
- Staff/Departments who deal with Communities
 - Public relations and communication techniques
 - Conflict resolution and management (mediation, arbitration)
 - Negotiation skills
 - Project planning and management – on social issues
 - Resettlement and sustainability
 - Corporate social investments and returns
 - Report writing and documentation
- All Other Staff
 - Awareness training on importance of good community relations and their roles as employees in enhancing sustainable relationships
 - Dissemination of corporate policy on community relations/engagement

- New Staff Induction
 - Dissemination of corporate policy on community relations/engagement
 - Awareness training on importance of good community relations and their roles as employees in enhancing sustainable relations
 - Awareness on the diverse communities around our business areas, their issues of concern and KenGen's way of addressing them
 - For contractors, awareness on the communities affected by the project, their cultures, values, norms, economic opportunities, including job creation, etc.

F. Establishment of Grievance Management Mechanism

Effective grievance mechanisms are an essential component for development projects that have actual, potential, or perceived impacts on local communities and ecosystems. Despite all efforts to inclusively and meaningfully engage community and other stakeholders, grievances¹¹ may arise. How KenGen responds (or is perceived to be responding) when such grievances arise is important, and can have significant implications for business performance and reputation. If not managed properly and in a timely fashion, even a small complaint can escalate into conflict, bad publicity or even lawsuits.

Grievance mechanisms are important because they provide the developer an opportunity to proactively address conflicts throughout the project lifecycle which can save project time and costly delays by identifying community concerns before they escalate.

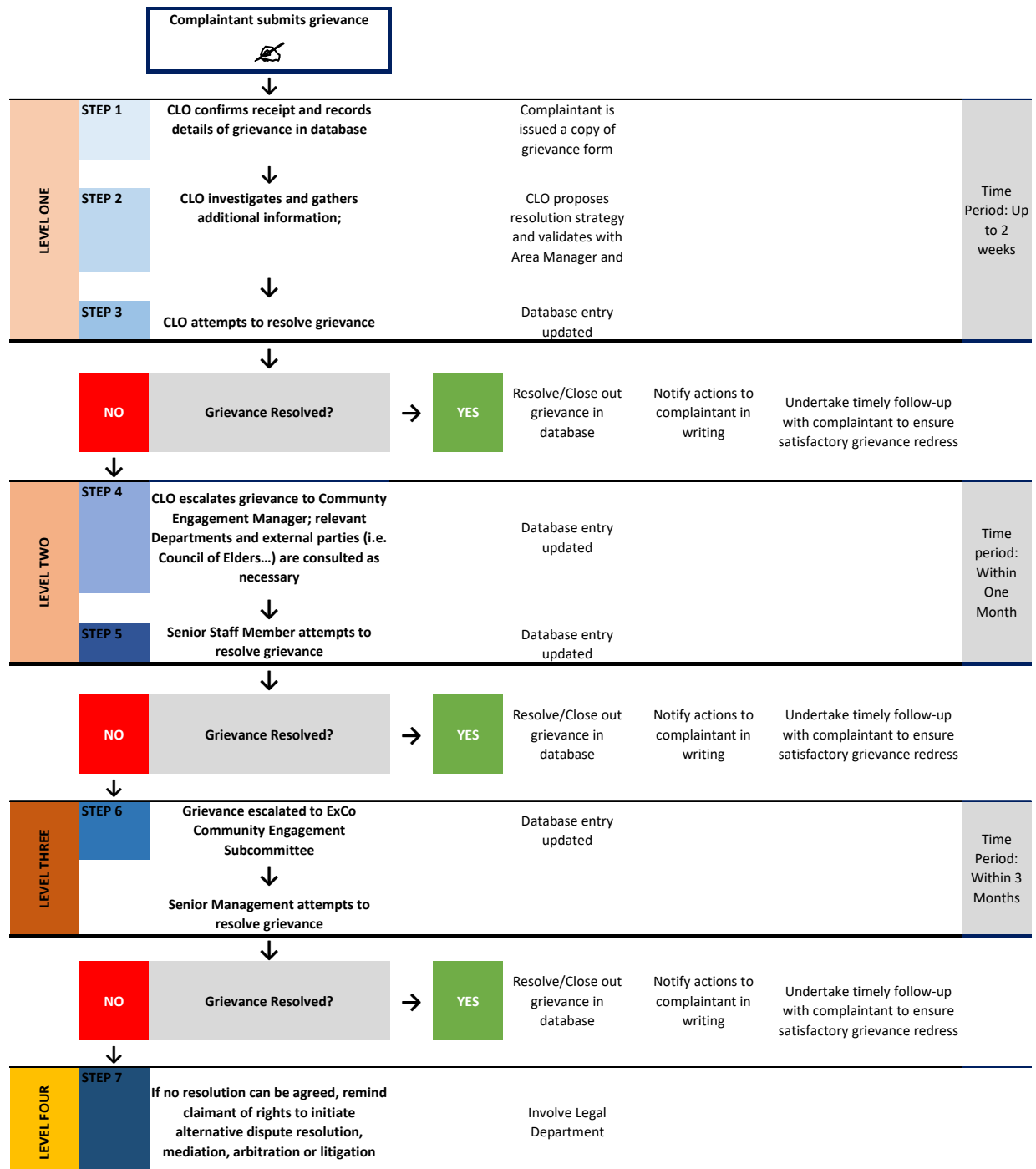
Grievance mechanism are also important for communities. They create a platform for assessing and addressing a project's impacts on local livelihoods and other aspects of the community and surrounding environment. While they are not a replacement for formal judicial processes, they can provide a means to channel concerns in contexts, especially where regulations and/or enforcement are weak or ineffective. They can also provide an alternative means for women or vulnerable groups to register their concerns in a non-threatening, private format as opposed to during open consultation processes where they may not have the ability to participate.

It is important to note that grievance mechanisms alone are not sufficient to fully manage and mitigate project-level risks and impacts to communities and the environment. A grievance mechanism should be implemented as part of a broader environmental and social management system and should be integrated into the community engagement strategies and impact mitigation activities of the developer.

¹¹ The term "grievance" may actually include a wide range of feedback that communities or individuals wish to bring to the developer's attention, including problems, questions, requests for information and suggestions.

It will be essential for KenGen to develop and operationalize a comprehensive Grievance Management Mechanism to accept and address grievances from communities and other stakeholders. A proposed mechanism with an escalation process is presented below.

Proposed Grievance Management System



G. Community Engagement Process

KenGen will approach community engagement in a structured and deliberate manner with a view to attaining social license. This process should be flexible and emphasize teamwork and communication driven by the Community Engagement Team.

This Community Engagement process will entail two distinct steps: planning and the actual engagement (execution), although through continuous monitoring and evaluation, plans will be dynamic and ever-changing based on information gained during execution.

The various elements that formulate a typical community engagement plan and shall be the basis for the development of a Community Engagement Handbook are as follows:

I. Planning

1. Situational analysis (for projects and existing plants)
 - A. Stakeholder Identification and Mapping
 - i Visit the area of interest and conduct consultations
 - ii Identify who shall be directly impacted/affected by the project, immediate and long term (communities)
 - iii Identify interested parties to the project from implementation to the outcome
 - iv Identify those with power/influence to affect the outcome of the project
 - v Identify the regulatory bodies that will need to be engaged to obtain approvals
 - vi Identification of local leaders
 - vii Identification of Indigenous Peoples (if any)
 - a. Ensure application of Free, Prior and Informed Consent (FPIC)
 - B. Create and maintain a Stakeholder Database
 - i Names, titles, phone numbers, email addresses...
 - ii Disaggregated by gender
 - C. Develop Preliminary Community Engagement Plan (as component of larger Stakeholder Engagement Plan)
2. Staffing and budgeting
 - A. Designation of community engagement team
 - B. Staff capacity building
 - C. Develop community engagement budget
3. Stakeholder Risk Assessment
 - A. Identify risks
 - B. Identify risk mitigation measures

4. What to engage on
 - A. Technical project components
 - B. Social impact assessment for the projects
 - C. Predicted impacts on the communities
 - D. Proposed management plans
 - E. Consult the community on the likely impact of the project on their livelihood
 - F. Proposed beneficiaries
 - G. Other social economic benefits of the project- long term or short term
 - H. Community development and sustainability
 - I. Project Acceptance (Social License)
5. When to engage (timelines)
 - A. Engagement should be conducted throughout project cycle as early as possible from pre-feasibility to commissioning and beyond (for projects)
 - B. Re-organization or launch of engagement efforts (for existing plants)
 - C. Timing of individual engagements
 - D. Ensuring that 'pulse' of community is always monitored so as not to make the community feel rushed, or not to frustrate the community with lengthy delays between receiving information from the company...

II. Engagement

1. Community mobilization
 - A. Community capacity building
 - i Set aside a budget for capacity building – tailor made for these groups
 - B. Empowerment and inclusion of women, people with disabilities and marginalized groups
 - i Assign a specific officer to engage these groups and address their concerns
 - ii Undertake research to understand the root cause for the marginalization – consult the social development groups at the county level, NGOs...
 - iii Have a register of the target groups
 - iv Identify the leaders in the groups
 - v Design a deliberate initiative to have them participate in the project through affirmative action
 - C. Communicating with stakeholders
 - i Barazas, Workshops, Meetings, Notice Boards, Community radio, Newsletters, SMS/Whatsapp...
 - ii Ensure cultural appropriateness
 - D. Document all engagement activities
 - i Meeting minutes, participation registers, photos, video, etc.
 - E. Management and resolution of grievances
 - i Sensitize community about the Grievance System
 - ii Activate the Grievance Management System for accepting grievances from community members/stakeholder for each project and existing plants
 - iii Address community grievances in a timely fashion

- F. Community development goals and planning
 - i Community visioning
 - ii Community capacity building
 - iii Community needs assessment and prioritization
 - iv Establishment of a Community Development Plan
 - v Help establish Community Trusts
 - vi Support of Implementation of Community Development Plan through CSR/CSI
 - a. Economic Empowerment, Education, Environment, Water & Sanitation...
- G. Negotiation and agreement
 - i Community capacity building
 - ii Community legal representation
 - iii Various agreements
 - a. Benefit sharing arrangements
 - b. Resettlement and compensation packages
 - c. Community development plans
 - d. Communal infrastructure projects
 - e. Other MOUs
 - iv Signing ceremonies

H. Monitoring & Evaluation

From a business perspective, KenGen will want to know if the investment made to engage the community (to achieve and maintain a social license) is contextually effective, as well as cost effective.

If community engagement activities are not documented and evaluated along the way, it is difficult to know what is working and what might be ineffective, superfluous, or at worst, having a counter effect on project goals. By monitoring and evaluating the effectiveness of community engagement activities, as well as community development initiatives, strategies and tactics can be adjusted during implementation to maximize success.

From a legal point of view, documenting community engagement efforts can be critical for defending lawsuits, in arbitration or alternative dispute resolution (ADR) mechanisms, especially against claims of inadequate public participation.

Documenting Community Engagement Activities

- Document Filing
 - Keep hard and soft copies of all documents, such as plans, strategies, MOUs (including drafts)
 - Label all files with name of community and dates

- Attendance Registers
 - Prepare a standard sign-in sheet to use for all events where community members shall be present
 - Collect Names, Gender, Date of Birth, Residence location, Phone number, and Signature
 - Make sure they are dated for each meeting
 - Have a staff member enter information for people who cannot read or write
- Meeting Minutes
 - Meeting minutes should be prepared by a staff member during the meeting and then signed immediately after by publicly mandated community representatives to confirm the accuracy of the proceeding
 - Keep in mind that meetings are often a platform for community members to air grievances, hence in addition to documenting them in the meeting minutes, be sure to channel them to the grievance management system
- Photographs
 - Take as many photos as possible of as many participants as possible
 - Activate the date and time stamp setting on the camera so that the date of each photo is indicated on the digital photo
 - Make sure all photos are well filed and properly labeled
- Video
 - Film meetings from beginning to end and, if possible, display the running date and time counter for reference purposes
 - Consider investing in professional videography services
 - Make sure all video clips are well filed and properly labeled

To conduct an evaluation of community engagement activities, one must clearly document intended community engagement schedules, activities, and objectives vis-à-vis the actual implementation of the same. A comparison of the two will then assist in identifying where the implementation fell short. But more importantly, an evaluation must honestly determine if the goals KenGen had with a particular community have been met or not.

Sample indicators could include:

- Number of stakeholders identified
- Number of stakeholders reached (disaggregated by gender)
- Number of risks identified/mitigated
- Number of agreements and plans developed/signed with community buy-in
- Number of sensitization and capacity building activities conducted
- Number of grievances reported in grievance management mechanism
- Number/percentage of grievances resolved
- Number/percentage of grievances referred to ADR
- Number/percentage of grievances that result in litigation

- Timeliness of addressing and resolving grievances
- Trend in grievances filed
- Expenditure of funds on community engagement vs. estimated financial savings

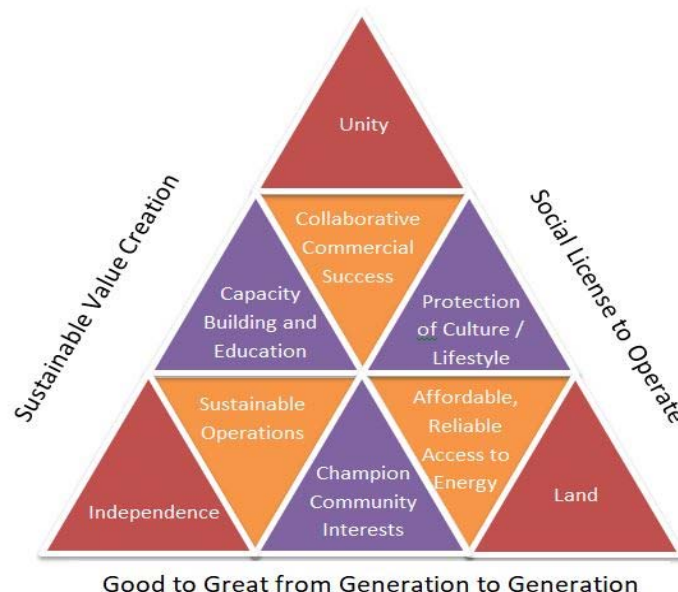
One of the outcomes of monitoring and evaluation will be the calculation of the Company's Return on Investment (ROI). Calculating ROI is very difficult and it must be acknowledged that attaining social license from affected communities is only part of the equation when appraising cost and time over-runs in a large infrastructure project. There is, however, a growing body of resources that can provide KenGen guidance on measuring value for money, including the European Union's *Understanding and Monitoring the Cost-Determining Factors of Infrastructure Projects*.¹²

In addition to cost savings, there are also 'avoided costs'. When an action prevents a future cost, the result is cost avoidance—if it is reasonably certain that the cost would appear absent the action. Preventative maintenance for machinery, for instance, is a typical cost avoidance. Mathematically, an avoided cost appears in comparisons exactly the same way that cost savings appear. The difference is that under cost savings, the scenario looks forward to reducing spending already underway. With an avoided cost, by contrast, cost increase is in the future.

Some of the other outputs of monitoring and evaluation can be the identification of the need for new or refined policies and procedures, success stories shared with the general public, and the development of case studies and best practices that can be shared with the energy sector and community of practice in publications and conferences. Regular monitoring will also help identify the need to pro-actively manage potentially negative, brand-damaging stories with the media.

¹² http://ec.europa.eu/regional_policy/sources/docgener/evaluation/pdf/5_full_en.pdf

ANNEX 1: Community Engagement Values



Principle	Purpose	Strategies and Actions
Unity	A strong value-based relationship and common understanding of issues between KenGen, communities, and stakeholders. Creating and maintaining a win-win-win relationship for all parties.	<p><u>KenGen will:</u></p> <ul style="list-style-type: none"> a) Endeavour to build trust through transparency with KenGen, communities and stakeholders. This starts with mapping stakeholders and committing to treating communities and stakeholders fairly. b) Build an understanding of the structures of communities and stakeholders. c) Review KenGen committees and communication vehicles to streamline these practices. Be a proactive leader in communication, coordination, and change. d) Establish a multi-disciplinary team to manage these initiatives. Foster respectful relationships and understanding of each other. <p><u>KenGen will not:</u></p> <ul style="list-style-type: none"> a) Promote individual interest over the community interest. Sponsor divisive or politically-sensitive initiatives or activities.
Collaborative Commercial Success	Creating an enabling environment for KenGen and stakeholders' commercial success and sustainability. Balancing the priorities of KenGen's stakeholders, including commercial priorities of GoK, KenGen shareholders, and the	<p><u>KenGen will:</u></p> <ul style="list-style-type: none"> a) Provide mentoring, employment and internships for communities. b) Use KenGen resources to help remove barriers to commercial opportunities for communities. Partner with communities to introduce alternative livelihoods/commercial streams.

	<p>communities to create a win-win situation.</p> <p>Partnering with the communities to create and realize economic opportunities to benefit themselves, including promoting opportunities for women and marginalized groups.</p> <p>Partnering with the communities to meet their needs and reduce dependency on KG. Fostering the ability to be independent and develop solutions for themselves – leading their own destiny.</p>	<ul style="list-style-type: none"> c) Make available KenGen resources, lands, etc. that are not otherwise being used to the communities for commercial operations. d) Seek partnerships on tourism/commercial endeavors. e) Providing/developing geothermal and other energy resources for community commercial ventures. f) Providing business opportunities to communities during KenGen projects. Source corporate gifts from community vendors. g) Make in-kind support available to communities in setting up a business, legal affairs, education, marketing, health, accounting, etc. h) Develop a “menu” of potential investors for use by communities. Strive to spread benefits evenly among communities by operating in a clear and transparent manner. i) Ensure sustainability of human and financial resources, energy resources, assets, and revenue streams throughout corporate operations. <p><u>KenGen will not:</u></p> <ul style="list-style-type: none"> a) Make direct equity/debt investments in individual projects.
Capacity Building & Community Education	<p>Build the capacity of KenGen staff and the communities to grow knowledge and awareness of legal, political, social, economic, commercial, and cultural systems that are important to one another.</p> <p>Growing literacy and supporting education among communities including adult education, life skills, and outreach about geothermal/energy technologies, sciences, and economics. Building an understanding of KenGen’s role, rights, and limitations.</p>	<p><u>KenGen will:</u></p> <ul style="list-style-type: none"> a) Support scholarship, internship, mentorship, life skills, and vocational programs for communities, including opportunities for KenGen staff to embed within the community and exchange knowledge. b) Deploy KenGen resources (human and financial) to spread knowledge of geothermal and other energy technologies, science, and economics. c) Support community open days and basic education about local power plants and energy systems and facilitate youth science and education competitions. d) Support education on legal and political processes and serve as advocates for communities with county and national governments. e) Inform communities of KenGen’s mandate, which does not allow direct sale of electricity. f) Support communities to set up long-term management structures to ensure responsible management, potentially through placing KenGen representatives as transitional trustees. g) Promote knowledge transfer by incorporating “associate directors” or another initiative to promote youth involvement in decision making. h) Attempt to reduce potential conflicts of interest by conducting ethical reviews of appointments to external committees with access to KenGen resources.

		<ul style="list-style-type: none"> i) Build internal staff capacity to serve the multidisciplinary team (and all of KenGen) for community engagement – including cultural inductions/education. j) Will promote do-no-harm principles. k) Promote employee participation in CSI. <p><u>KenGen will not:</u></p> <ul style="list-style-type: none"> a) Invest KenGen resources in divisive, oppressive, or culturally insensitive initiatives. b) Promote illegal acts or violations of basic human rights. c) Usurp government mandates and roles for education.
Sustainable Operations	<p>Ensure the long-term commercial success of KenGen and its stakeholders through collaborating with stakeholders and communities to make the maximum possible contribution to the social and economic well-being of people and communities through meeting their energy needs both now and in the future. Optimizing resources to be deployed in an efficient and sustainable manner. Commitment to cooperating with communities to ensure environmental sustainability and preservation of important cultural sites, which could be managed through sustainability committees. Build a shared understanding among stakeholders and communities of KenGen’s purposes and operations. Proactive efforts to protect clean water supplies and enable access for KenGen and communities to sustainable water supply. Land management education to ensure sustainable feedstocks.</p>	<p><u>KenGen will:</u></p> <ul style="list-style-type: none"> a) Cooperating and sharing information with other developers, government, regulatory agencies, and relevant stakeholders to support sustainable operations. b) Minimize negative environmental impacts of KenGen projects. Establish and empower joint KenGen/community sustainability committees through training, education, etc. c) Use sustainability committees to educate communities about water management, land use, crop protection, and other environmental integrity priorities, as well as to build understanding of the energy-environment nexus. d) Promote green waste management practices. Arrange public events and initiatives to promote habitat conservation, animal protection, etc. e) Public education around invasive species. f) Facilitate the sharing of information about geothermal resource areas and develop co-management plans. g) Facilitate employee cleanup days. <p><u>KenGen will not:</u></p> <ul style="list-style-type: none"> a) Promote projects that adversely affect the environment.
Land	<p>Acknowledgement that land is critical to both community well-being and long-term viability of KenGen’s business. Educating communities about</p>	<p><u>KenGen will:</u></p> <ul style="list-style-type: none"> a) Acknowledge and emphasize that KenGen understands that land is critical to community well-being and traditions.

	the important of land title, trusts, and laws – and the benefits of communal connectivity. Protecting access to land for community cultural practices and livelihoods. Explore the possibility of mixed-use leases and rights-of-way on KenGen land parcels	<ul style="list-style-type: none"> b) Work collaboratively with communities to meet each other’s aspirations about land use. Explore the possibility of access and mixed-use leases and rights-of-way on KenGen land parcels. c) Inform the communities on protecting land rights, title, trust, and where possible and appropriate, act as advocates for community land rights. d) Support communities to map and protect community land and cultural sites by making available KenGen technical and legal resources. e) Help communities to understand land boundaries and uses by sharing mapping information. f) Involve communities in the life cycle of project development – planning, execution, project close. Provide fair compensation should relocation be required. <p><u>KenGen will not:</u></p> <ul style="list-style-type: none"> a) Uproot communities from rightful land or without prior and informed consent.
Champion Community Interests	Understanding community interests and spreading that knowledge within KenGen. Empowering staff to take up and champion these causes. Acknowledging that some actions necessary for growth of the communities are outside of KG control, and being an advocate for community interests when they align with KenGen’s engagement principles and strategy.	<p><u>KenGen will:</u></p> <ul style="list-style-type: none"> a) Incorporate cultural education (cultural inductions, etc.) for KG staff, management and contractors. b) Advocate on behalf of communities for additional resources from government where/when possible and in the best interest of communities’ self-sufficiency. c) Preserve KenGen’s status as a neutral and impartial party. Extend health and safety education from staff to communities. d) When possible, partner with communities to provide basic healthcare and consultative services. e) Research partnership opportunities with NGOs and volunteers to provide additional resources. f) Support communities to protect access to clean water, sanitary communities, and sustainable settlements. g) Consider employee volunteer days within the communities and other community outreach efforts. <p><u>KenGen will not:</u></p> <ul style="list-style-type: none"> a) Marginalize communities by championing the interests of a particular group or individual over those of another. b) Interfere with communities’ self-determination of their own interests. c) Participate in or sponsor protests or political dissidence.
Protection of Culture & Lifestyle	Acknowledging that KenGen operates within cultural environments that should be respected and protected.	<p><u>KenGen will:</u></p> <ul style="list-style-type: none"> a) Engage with stakeholders to create an awareness of the cultural context in KenGen projects.

	<p>Enabling communities to retain cultural traditions while also helping them to take part in the modern economy.</p> <p>Supporting community health aspirations while maintaining connection with traditional healing. Implementing a comprehensive health and well-being initiative with communities. Including engaging the community on HSE issues around geothermal, medical education and services. Extending health/safety education from staff to communities</p>	<p>b) Undertake to work with communities to preserve cultural sites. Building awareness and respect of cultures among KenGen staff and stakeholders.</p> <p>c) Encouraging a community celebration week/day/forum/etc. to celebrate local communities' unique cultures.</p> <p><u>KenGen will not:</u></p> <p>a) Usurp government or community mandates for health and cultural initiatives.</p>
Independence	<p>Recognize and respect KenGen's and communities' inherent rights to lead their own destiny, and empower one another to do so. Understanding that community self-sufficiency is a journey.</p>	<p><u>KenGen will:</u></p> <p>a) Support initiatives to help communities transition to self-sufficiency.</p> <p>b) Strive to enter equal partnerships with communities and stakeholders.</p> <p><u>KenGen will not:</u></p> <p>a) Invest in initiatives that do not contribute to communities' long-term self-sufficiency or create a culture of dependency.</p>
Affordable, Reliable Access to Energy	<p>KenGen's mandate is to provide affordable and reliable energy for the nation. The communities have a role to play in helping KenGen deliver on this mandate.</p>	<p><u>KenGen will:</u></p> <p>a) Cooperate with communities to ensure social buy-in so that KenGen projects can deliver affordable, reliable power.</p> <p>b) Inform communities about how the local resources contribute to providing energy for the nation.</p> <p>c) Explore possible partnerships with communities to supply energy (excluding direct sale of electricity) for mutually beneficial commercial ventures.</p> <p><u>KenGen will not:</u></p> <p>a) Provide direct supply of electricity to communities or pay electricity bills.</p>