



PROJECT DESCRIPTION: **Development investment proposal**

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| NAME OF CLIENT | SOKOFRESH AGRI INNOVATIONS EAST AFRICA LIMITED (“SOKOFRESH”) |
| WEBSITE CLIENT | http://sokofresh.co/ |
| REGION | AFRICA |
| COUNTRY | KENYA |
| SECTOR | AGRICULTURE |
| SIGNING DATE | 30 DAYS FROM PUBLICATION AT WEBSITE |
| TOTAL FINANCING | € 236,000 |
| FUND | GRANT FUNDING (ORIGINATION FACILITY “OF”) |

- **Who is our (prospective) client?**

SokoFresh is a start-up conceptualized by social venture building studio Enviu. SokoFresh integrates cold storage, market linkage and value-add processing activities into smallholder farmer value chains through an “as-a-service proposition”. Enviu has 14 years of experience with launching over 20 social ventures for the Base of the Pyramid (BoP) and smallholder farmers in developing countries.

SokoFresh Agri Innovations Ltd is 100% owned subsidiary of Enviu Venture Lab BV which in turn is wholly-owned by Enviu Holding BV whose main objective is to invest in other businesses and provide management services where required.

Enviu Holding BV shares are held by the following shareholders:

- Impact Driven BV - 46%
- Stichting Enviu Participations - 44%
- Private Investor – 10%

- **What is the intended funding objective (type of activity)?**

The application seeks approval of grant funding amounting to **EUR 236,000** from the DFCD (among other grant providers) to assist in financing several Origination Facility activities (OF).

All of SokoFresh's operations fall within Kenya-side of SOKNOT Landscape and Water Towers of Aberdares and Mt Kenya in the Counties of Nyandarua, Murang'a, Kitui, Makueni and Kajiado which currently make up 100% of SokoFresh's operational area. There is significant potential to scale up and deploy the mobile cold units to more Counties such as Naivasha, Narok and Nakuru agricultural zones in different seasons.

The grant will be used for:

Phase A: June 2021-May 2022

The DFCD grant, in combination with funding from other grant providers, will be used to finance Origination activities costing a total of Eur 797,000 excluding Technical Assistance (TA). The Phase A activities are forecast to be funded by the sponsors (EUR 104,000), the Nordic Fund's Energy and Environment Partnership Trust Fund (EEP Africa, Eur 457,00) and the DFCD (Eur 236,000).

The activities to be funded are,

- Finalisation of project preparation (design and plan establishment of hubs and deployment of cold storage units)
- Setting up storage, processing facilities & developing technology
- Farmer engagement (raising awareness; demo events and enrolling potential customers)
- Preliminary Environmental and Social Assessment
- Gender Assessment
- Setting -up Monitoring & Evaluation Protocol
- Preparing Investment Memorandum & Financial model
- Seeking Legal Advisory & Support in corporate structuring and financing arrangements
- Putting in place market linkage & development of post-pilot business plan
- Seeking TA from SNV (Support for asset insurance / risk mitigation; impact measurement at landscape level etc)

Phase B: Following completion of the Origination activities, SokoFresh will graduate and apply to the Land Use facility for debt financing of Eur 7.3 million from FMO to fund capital expenditure, software development and project management costing a total of Eur 10.95 million (excluding OF).

- **Why do we fund this project?**

The DFCD grant funding is needed to de-risk and further consolidate the innovative concept of mobile, on-farm cold storage units with scaling potential for the economically

sound and climate resilient coldchain solution that is forecast to increase incomes by 18% for 8,500 smallholder farmers by Year 3 and 44,000 by Year 10.

SokoFresh is a relatively new entity with an innovative concept but faces financial constraints to become fully commercial hence it requires grant financing and technical support to de-risk its early stage activities.

Reduction of post-harvest food losses combined with the use of clean, renewable energy and high-tech systems also contributes towards attainment of several Sustainable Development Goals (SDGs) such as,

- SDG1 ([No Poverty](#)),
- SDG2 ([Zero Hunger](#)),
- SDG7 ([Affordable and Clean Energy](#)) and
- SDG13 ([Climate Action](#)).

- **Environmental and social rationale**

Preliminary screening suggests the Sokofresh investment proposal may tentatively be considered as a Category C/Low environmental/social risk project. The following environmental and social safeguards or IFC Performance Standard elements are potentially triggered and should be assessed and evaluated in further detail during the develop stage:

- PS2 (Labour and Working Conditions): There are Occupational/Environmental Health and Safety (OHS/EHS), Safety and Working Conditions risks associated with agriculture/farming operations in general in Kenya. Operations should be assessed during the develop stage, recommendations/corrective actions developed and relevant trainings (e.g. on use of agrochemicals, hazardous materials, phytosanitation / sanitation, personal protective equipment (PPE) etc.) provided to mitigate these risks. Similarly, develop stage assessments should review worker relationships and the potential for child/forced labour in the supply chain with a view to professionalisation and higher standards of worker rights and safety.
- PS3 (Resource Efficiency): Agro-chemicals are used in farming and could lead to pollution or wastes. It will be necessary to assess resource use and pollution issues as part of preliminary env/social assessments during the develop stage and develop a plan for their appropriate minimisation, management, treatment and disposal.
- PS4 (Community Health, Safety and Security): Community health, safety and security risks are generally perceived in this case to be fairly low (no livestock/poultry reduces risks of disease transmission), though they can be an issue in the Kenyan agriculture sector as a whole and in specific sectors (reason for high risk rating in FMO toolkit).
- PS5 (Land Resettlement): The project will not involve any land acquisition, physical or economic displacement or resettlement. The project model aims to provide mobile cold storage and processing units that are transported to and established on the pre-existing land of farmers/cooperatives. Therefore, this risk is perceived as low (though can and should be verified during develop stage env/social assessments).

- PS6 (Biodiversity): The project is located in one of the world's most famous wildlife landscapes. It is however assumed that the cold storage and processing units will be established on agricultural lands that are well away from and should not interfere with legally protected areas or critical habitats. The risk is assumed to be low but should be verified during the develop stage env/social assessments.
- PS7 (Indigenous Peoples): The project landscape as a whole is home to multiple tribes and hence develop stage env/social assessments should determine whether such groups are affected by the establishment of cold storage/processing units as well as the farming operations utilising them.
- PS8 (Cultural Heritage): Not expected to be a significant issue but should be confirmed.

Overall, agriculture investment projects in Kenya are considered a high risk category according to the FMO ESG Toolkit. However, in this case environmental and social risks are tentatively assumed to be quite low for the following reasons:

There is no land acquisition, physical/economic displacement or resettlement

Impacts on natural habitats, legally protected areas and wildlife are not expected since cold storage/processing units and farms supplying them are on agricultural/industrial land, well away from such areas.

Whilst there are some risks relating to PS2 labour and working conditions and PS3 resource pollution, these are likely quite low in the first place and can be addressed through corrective actions, professionalization of procedures and training.

Therefore, in conclusion, the project is tentatively categorised as Category C (Low) although a preliminary env/social assessment should be conducted during the develop stage to confirm certain assumptions and provide recommendations, and corrective actions in particular to address OHS/EHS and use of agro-chemicals and pollution/waste issues. Training should also be provided for the implementation of professional procedures and standards.
