

## TERMS OF REFERENCE

## NATIONAL INDIVIDUAL CONSULTANT

Assignment Title	National Consultant for Legal and Institutional framework review of the Green Financing Facility (GFF) and Rural Credit Guarantee Scheme (R-CGS)
Project	Rural Kenya Financial Inclusion Facility
Reference	<b>KEN/IC/024/2022</b>
Type of Contract	Individual
Duration	One (1) Month
Submission Deadline	<b>Monday, 25<sup>th</sup> April 2022 by 5.00P.M Kenyan Time (GMT+3.00)</b>
Duty Station	Nairobi, Kenya

## 1. Background

The Government of Kenya and UN System established in 2017 the SDG Partnership Platform (SDGPP) in collaboration with development partners, private sector, philanthropy, academia and civil society including faith-based stakeholders. The Platform has become a flagship program in the United Nations Development Cooperation Framework (2018-2022) and takes leadership in overarching facilitation, coordination and demonstration of how public-private collaborations can effectively translate the SDGs into action on the ground and thereby guide unlocking of new SDG financing and optimization of SDG resource utilization, with as result leapfrogging of SDG impacts.

The Platform has co-created with private sector various platforms and networks to accelerate SDG partnerships, investments and financing including the National Advisory Board for Impact Finance (NAB) and the Finance, Trade & Investments Network (FINTRINET).

In its focus activities, SDGPP supports of the realization of Kenya's Vision 2030 and the "Big Four" Agenda which focuses on Food Nutrition and Security, Manufacturing, Primary Healthcare and the Affordable Housing sectors of the Kenyan economy.

The SDGPP is founded on Goal 17: Partnership for the Goals which seeks to strengthen the means and mechanisms of implementation and revitalize global partnerships in support of sustainable development.

The SDG Partnership Platform focuses on four key strategies:

1. Joint advocacy and policy dialogue to create an enabling environment that helps partnerships thrive.
2. Identify and broker large scale public private collaborations in support of the Government's BIG-4 agenda contributing to the broader SDG agenda.



3. Raise required investments for the collaborations through optimizing a diversity of blended financing instruments and redirection of capital flows towards SDG implementation, engaging a range of partners from public and private sector, philanthropy and civil society.
4. Facilitate monitoring and evaluation, learning and research to inform best and promising policy and practices for SDG partnerships.

To accelerate SDG investments, UN-DESA has been developing a platform for countries to present investment projects to investors and to facilitate countries' ability to prepare and present bankable investment projects. The platform's goal is to "channel private investment to the SDGs" and is dubbed the SDG Investment Fair.

A frequently pointed area of concern at past Fair's is that countries need greater capacity to conceive, prepare, and develop projects that advance the SDG agendas. Each of the countries participating in the 2021 SDGI Fair indicated a need for greater capability to take projects from conception to implementation – prepare and review business plans, prefeasibility and feasibility studies, conduct environmental & social impact assessments and SDG analysis, manage procurements and tenders at international standards, etc. To achieve the Fair goals, there must be more work on the ground at the country-level. DESA aims to best utilize the UN SDG Investment Ecosystem to help countries increase capacity and build bankable investment pipelines.

In Kenya, the SDG Partnership Platform (SDGPP) has been working closely with DESA as it brings together development partners, private sector and philanthropy players as well as both National and devolved levels of Government by taking on a leadership role in facilitation, coordination and demonstration of how public and private collaborations can effectively translate the SDGs into action and thereby guide unlocking of new SDG financing and driving impact around the SDGs.

Against this background, there is a critical need to support carefully selected business proposals that focus on diverse SDGs to become bankable investment opportunities through the UN-DESA facility as Kenya transits from SDG Funding to Financing as an emerging middle-income country and as ODA grants shrink. Amidst this transition, the SDGPP has developed a broad positioning and credibility on convening, connecting and catalysing SDG Partnerships, Investments and Financing and co-created wide ranging associate platforms and networks with private sector partners.

In leading the execution of this process, SDGPP will rely on its technical expertise, that of other UN agencies and SDGPP partners to bring best practices in knowledge generation and program execution. Through the working relationship formed between DESA and SDGPP, SDGPP will identify business proposals in its sectors of focus requiring technical assistance in preparing to become bankable and presentable to potential investors. The actual execution of this technical assistance will be in most cases be done by a pool of local experts and consultants capable of delivering on the various elements of technical assistance.

Kenya's economy has been hit hard by COVID-19, as containment measures have dampened economic activity. The Government of Kenya and International Fund for Agricultural Development (IFAD) visions encompass the development and transformation of the rural sector in a sustainable manner, for which the private sector financial



institutions including Banks and Non-Bank Financial Institutions would need to play a central role in the financing of the rural transformation process. Financial institutions need to be engaged to expand the volumes and outreach of their agricultural and rural operations. To this end, IFAD Executive Board recently approved the Rural Kenya Financial Inclusion Facility. Rural Kenya Financial Inclusion Facility (RK-FINFA) is among instruments ensuring that appropriate and adequate financial services are available for the planned transformation and growth of the rural economy in Kenya.

RK-FINFA is a six-year development project financed jointly by IFAD and the Government of Kenya. RK-FINFA supports the transformation of rural and smallholder agriculture sector through private sector-led development by improving the access of the smallholder farmers and rural micro, small and enterprises to appropriate financial services. The Project operates nationwide in Kenya. It consists of three interlinked components: (a) Component 1: Technical Support and Innovation Services (TSIS); (b) Component 2: Rural Investment Instruments; and Component 3: Enabling Rural Finance Environment and Project Coordination.

**Component 1: Technical Support and Innovation Services (TSIS).** Through two fully inter-linked sub-components, Component 1 will: (i) strengthen PFI capacities for innovation, rural outreach and green finance services in Kenya, and (ii) build MSME and smallholder sustainable investment capacities and financial literacy skills particularly tailored to reach women, youth and marginalized groups. Both aspects of the TSIS, supply and demand side, will be embedded into the rural growth strategies of PFIs to foster sustainability and scalability and support the effective use of the resources provided through the project's Investment Instruments. A co-financing partner organization/organizations will be engaged to coordinate the TSIS component.

**Component 2: Rural Investment Instruments.** The RK-FINFA will operate with two Rural Investment Instruments: (i) a Rural Credit Guarantee Scheme (R-CGS), and (ii) a Green Financing Facility (GFF). Both the R-CGS and the GFF will be designed as sustainable financing vehicles, which can utilize resources from the Government and from interested international financiers to unlock private investment into Kenya's agricultural and agribusiness sector at attractive market terms through Kenyan financial institutions.

*Sub-component 2.1: Rural Credit Guarantee Scheme (R-CGS).* The strategy of the R-CGS will be to provide risk sharing to promote rural outreach innovations and catalyze funding from Kenyan mainstream financial institutions into the rural and agriculture sector. Supported by the R-CGS guarantee amount of US\$20 million by IFAD and the Government of Kenya, the PFIs are expected to lend US\$80 million to rural MSMEs and smallholders in agriculture value chains, including women and youth-owned enterprises. The R-CGS will be established as part of an existing MSME credit guarantee scheme, hosted and managed by the National Treasury and the Central Bank of Kenya, which has received technical assistance and seeks additional support from a coalition of international partners.

*Sub-component 2.2: Green Financing Facility (GFF).* This sub-component will support the innovative and sustainable transformation of Kenya's rural economy, through the operations and services of the GFF, to be established with RK-FINFA's supported amount of US\$ 15 million by IFAD and the Government of Kenya. The GFF will contribute to the



sustainable rural transformation, growth, and income generation through two fully interlinked methods: (a) alleviating the liquidity constraints of non-bank financial institutions that are the main financial service providers to smallholders and rural micro-enterprises, and (b) encouraging small-scale farmers and micro-firms to invest in climate-smart and environmentally friendly activities. The GFF will be established as a permanent facility at a selected Host Financial Institution to provide wholesale capital to rurally oriented SACCOs and Microfinance Banks (MFBs)/MFIs, for on-lending to the smallholder sub-sector and rural micro-enterprises, targeting 50 per cent women and 30 per cent youth. The GFF Host Institution is selected against standard financial performance criteria and specific capacity requirements on wholesale lending and green rural finance.

**Component 3: Enabling Rural Finance Environment and Project Coordination**, consisting of two sub-components. The aim of Sub-component 3.1. (Enabling Rural Finance Environment) is to promote policies and institutional arrangements that support the medium and longer-term development of a more conducive operational environment for the R-CGS and the GFF, therefore, fostering their capacity to improve rural financial intermediation through their increased rural outreach and impact to IFAD target groups including smallholders, women and youth. Sub-component 3.2 (Project Coordination) covers the project implementation and coordination arrangements.

RK-FINFA will be implemented under the National Treasury and Planning, with expected start-up of July 2022. While the National Credit Guarantee Scheme has been set-up, there is a clear need for adequate preparations to ensure a seamless transition to the new project so that the Rural Credit Guarantee Scheme, is implemented under the National Credit Guarantee scheme, with features that are specific to rural finance. This calls for efforts to clear any potential bottlenecks to the start-up of RK-FINFA in particular the legal and institutional arrangements necessary to roll-out the R-CGS and GFF. In this regard a Consultancy is required to support the preparatory works necessary to launch these technical components of the RK-FINFA.

## 2. Objective of Assignment

The overall objective of the consultancy assignment is to review the legal and institutional framework with a view to developing clear strategies for launching and implementing the Rural Credit Guarantee Scheme (R-CGS) and Green Financing Facility (GFF) components of Rural Kenya Financial Inclusion Facility (RK-FINFA).

## 3. Key Deliverables of Consultancy

The main deliverables under this consultancy are specified below:



- i. Detailed report outlining the results of the legal and institutional framework review of the two technical components GFF and R-CGS and strategies to address bottlenecks identified
- ii. Operating manual of the GFF including the taxonomy of the GFF, sample subsidiary agreements to be signed with the wholesale operator of the GFF and financial intermediary, eligibility criteria for the financial intermediaries and end borrowers, monitoring, evaluation, learning and reporting requirements.
- iii. Technical review of the R-CGS including the business case for amendment in the regulation to accommodate specific aspects of the R-CGS
- iv. Draft amendments to the regulation required to operationalize the R-CGS

#### 4. Reporting

The Individual Consultant will report jointly to the SDGPP - under the leadership and supervision of the Senior Advisor SDGPP and to IFAD under the leadership and supervision of the Country Programme Officer.

#### 5. Consultant – Key duties, roles and responsibilities:

Specific duties to be carried out under the assignment include:

- (i) Review the Public Financial Management (PFM) Act and other relevant Acts and identify any restrictions that might hamper the choice of a private commercial bank as the wholesale operator of the GFF;
- (ii) Develop strategies to address the restrictions if any, identified under (i) above;
- (iii) Develop sample subsidiary agreements to be signed with the wholesale operator of the GFF and financial intermediary outlining the role of the wholesale operator, the financial intermediary, monitoring, evaluation, learning and reporting requirements (including reporting of end borrowers);
- (iv) Develop the taxonomy for the GFF, clearly identifying final borrowers' investments and activities that would qualify to be financed under the GFF as well as product range for eligible smallholder farmers and rural MSMEs, with clear guidelines of features such as size, tenor and costs;
- (v) Develop the eligibility criteria for recipients of wholesale finance and applicable interest rates as well as eligibility criteria for end-borrowers under the GFF;
- (vi) Develop operating guidelines for a revolving fund for the GFF;
- (vii) Review the proposed products under RK-FINFA and their delivery mechanisms and the "fit" between the RK FINFA products (and their delivery) within the National Credit Guarantee Scheme;
- (viii) Assess gaps in the current regulations as appertains to delivery of R-CGS and propose required adjustments including drafting the possible amendments as well as carry out technical review to make the case for the proposed adjustments;
- (ix) Using the current R-CGS framework, develop a framework of actualizing the adjustments in the regulations through necessary institutions, including the National Assembly;



- (x) Developing a business case for the Rural Agriculture Value Chain Financing and strategies for Embedding of the Rural Agriculture Value Chain financing within the R-CGS

The consultant will be charged with the following key responsibilities:

- (i) Detailed report outlining the results of the legal and institutional framework review of the two technical components GFF and R-CGS and strategies to address bottlenecks identified
- (ii) Operating manual of the GFF including the taxonomy of the GFF, sample subsidiary agreements to be signed with the wholesale operator of the GFF and financial intermediary, eligibility criteria for the financial intermediaries and end borrowers, monitoring, evaluation, learning and reporting requirements.
- (iii) Technical review of the R-CGS including the business case for amendment in the regulation to accommodate specific aspects of the R-CGS
- (iv) Draft amendments to the regulation required to operationalize the R-CGS

All tasks are expected to be completed by: **15<sup>th</sup> June 2022**.

The assignment will require frequent interaction with counterparts in various institutions. Travel within Kenya may be required to accomplish the responsibilities of this assignment.

## 6. Evaluation Criteria

Key competencies for the consultant are detailed below:

- i. An advanced degree in Finance, Economics, Agribusiness or related discipline **(15 marks)**
- ii. Excellent understanding of the financial sector landscape in Kenya with at least 10 years' experience in banking and/or finance and/or financial sector development **(25 marks)**
- iii. Excellent understanding of the rural and agriculture finance operations **(20 marks)**
- iv. Good skills in strategic planning and partnership building **(20 marks)**
- v. Excellent communication skills with full fluency in English; written and spoken **(20 marks)**

Upon the advertisement of the Procurement Notice, qualified Individual Consultant is expected to submit both the Technical and Financial Proposals. Accordingly, Individual Consultants will be evaluated based on Cumulative Analysis as per the following scenario:

- Responsive/compliant/acceptable, and
- Having received the highest score out of a pre-determined set of weighted technical and financial criteria specific to the solicitation. In this regard, the respective weight of the proposals is:
  - Technical Criteria weight is 70%
  - Financial Criteria weight is 30%

Only candidates obtaining a minimum of 49 points (70% of the total technical points) will be considered for the Financial Evaluation.

## 7. Payment Terms

Schedule of payments and amount	Outputs
25%	<ul style="list-style-type: none"> <li>An inception report, outlining the legal frameworks to be evaluated. The inception report should include a draft work plan outlining timeline, detailed methodology, list of definitions to be used, suggested criteria for selection of partner organizations and list of key resources.</li> <li>Approved inception plan with schedule and methodologies</li> </ul>
35%	<ul style="list-style-type: none"> <li>Interim report based on inputs from the inception report incorporating the baseline data from the influence areas and environmental sensitive areas and an overview of the immediate short and medium-term steps that are necessary for the completion of the assignment.</li> </ul>
40%	<ul style="list-style-type: none"> <li>Final report detailing the expected deliverables as listed and lessons learnt from the engagement.</li> </ul>

## 8. Submission of Financial Proposal

Applicants are instructed to submit their all-inclusive fee proposal in Kenya Shillings using the financial proposal template provided (Offeror's letter to UNDP).

The financial proposal should be all-inclusive and include a breakdown. **The term 'all-inclusive' implies that all costs (professional fees, travel related expenses, communications, utilities, consumables, insurance, etc.) that could possibly be incurred by the Contractor are already factored into the financial proposal.**

## 9. Financial Evaluation

The following formula will be used to evaluate financial proposal:

$p = y (\mu/z)$ , where

$p$  = points for the financial proposal being evaluated  
 $y$  = maximum number of points for the financial proposal  
 $\mu$  = price of the lowest priced proposal  
 $z$  = price of the proposal being evaluated

**Financial evaluation (maximum 30 points)**

## 10. Application Process

Interested and qualified candidates should submit their applications which should include the following:

1. Detailed Curriculum Vitae
2. Proposal for implementing the assignment - template provided
3. Offeror's letter to UNDP- template provided

**Note:** Email attachments must not exceed 20MB. Please split files if they exceed this size.

**Note:** The successful applicant will be required to complete a UNDP Personal History Form (P11) form prior to contracting.

**Note:** UNDP will conduct the procurement process on behalf of UNDESA.

Applications should be sent to [consultants.ken@undp.org](mailto:consultants.ken@undp.org) to reach us not later than 5.00 P.M on Monday, 25<sup>th</sup> April 2022 (Kenyan time - GMT+ 3.00)

Please quote: “KEN/IC/024/2022 2022 – National Consultant for Legal and Institutional framework review of the Green Financing Facility (GFF) and Rural Credit Guarantee Scheme (R-CGS)” on the subject line.

Firms are not eligible for this consultancy assignment. **Open to national individual consultants only.**

Incomplete applications will be disqualified automatically.

For any clarifications, please write to [undp.kenya.procurement@undp.org](mailto:undp.kenya.procurement@undp.org)

**DO NOT COPY ANY OTHER RECIPIENT.**