

TERMS OF REFERENCE

Terms of Reference for Co-Financing and Mobilization Strategy for CST in the Kenyan Financial Market.

BACKGROUND.

KCB Group has over the last few years embedded sustainable practices throughout its operations. We have aligned our actions and business operations towards the UN Global Sustainable Development Goals (SDG) where the Bank has adopted 14 out of the 17 SDGs. With an increased focus on managing climate, environmental and social risks KCB Group aims to increase its green loans portfolio, creating a sustainable pipeline in the markets where we operate. We aim to forge partnerships with stakeholders who will help to achieve our targets in green lending and hence contribute towards the Bank 2050 Net Zero commitment, the Paris Climate Agreement, and the Sustainable Development Goals (SDGs).

KCB Bank is an accredited member to the Green Climate Fund (GCF) and as such we developed a concept note for SMEs focusing on Climate-Smart Technologies (CST) in Kenya. This concept note is set to become KCB's first approved project as a private sector direct access entity with the GCF, aiming to create tailored financial products for climate technologies that address climate change issues across various sectors, including agriculture, agro-processing, water, and waste management.

Following the Project Preparatory Proposal approval for the project, the Bank now aims to carry out various activities that will help to build the full funding proposal. This will help to build a strong foundation for the full funding proposal by addressing key aspects of project design, stakeholder engagement, and alignment with GCF objectives. Establishing a Co-Mobilization Funding Strategy for the Climate-Smart Technology (CST) Facility in Kenya is essential for ensuring the facility's long-term sustainability and effectiveness. A well-designed strategy will enhance the program's financial resilience and support its objectives by leveraging diverse funding sources. Introducing green bonds tailored for CST and micro, small, and medium enterprises (MSMEs) into the Kenyan financial market is a critical component of this strategy. This involves engaging with financial market stakeholders, regulatory bodies, and external consultants to align the strategy with market needs and regulatory requirements, ensuring successful integration and scalability of the funding mechanisms.

AIMS AND OBJECTIVES.

The objective of this activity is to develop a comprehensive Co-Mobilization Funding Strategy for the CST Facility in Kenya, focusing on sustainability and effectiveness. This includes:

- Conducting a thorough assessment of the current financial landscape in Kenya to raise green bonds or other private funding required for the CST facility.
- Consulting with financial experts to gain insights and formulate strategies for co-financing of the CST facility.
- Introducing and structuring green bonds specifically designed for CST facility.
- Engaging with market stakeholders and regulatory bodies to align with scalability and replicability goals.

SCOPE OF WORK.

The consultant will undertake the following sub-activities:

- **Comprehensive Assessment:** Conduct an in-depth assessment to develop a robust Co-Mobilization Funding Strategy, ensuring long-term sustainability and effectiveness of the CST Facility.
- **Consult Financial Experts:** Leverage insights from financial experts to inform the strategy.
- **Assess the funding landscape, strategic partners, potential funding sources, potential co-financing types and models, and implementation modality**
- **Develop Fundraising and Mobilization Strategy and Develop Fundraising Materials:** Create a detailed and actionable fundraising strategy targeting the banking network and a mobilization strategy targeting the Kenyan financial market actors for the CST Facility. Suggest fundraising strategy formulation and product development, develop compelling fundraising materials for potential investors, including pitch decks, term sheets, and green impact assessments.
- **Engage with Stakeholders:** Collaborate with market stakeholders and regulatory bodies to ensure alignment with project Phase II's scalability and replicability goals. Engage financial market stakeholders and regulatory bodies during the design and rollout of the green bonds.
- **Design a green bond pathway for Phase II of the CST Facility**
- **Provide post-submission technical support to address comments shared by KCB, the GCF Secretariat, CIC3 and ITAP during their review process.**

METHODOLOGY.

To achieve the expectations of this exercise the consultant will be expected to have a structured approach to attract, align, and manage funding from various sources with an aim to bridge

financial gaps, enhance private sector participation, and leverage public and international resources.

- a) Inception phase: To establish a clear understanding of the assignment, scope, and expectations. In addition, conduct an **inception meeting** with key stakeholders, review existing documents, such as GCF frameworks, KCB Bank guidelines, and related CST models. Furthermore, develop and submit a detailed inception report that contains a clear methodology and the **work plan**, including timelines, deliverables, and preliminary analysis.
- b) Assess the Kenyan financial market landscape and map out the potential financial sources i.e domestic sources, international sources and blended finance opportunities for Climate Smart Technologies.
- c) Develop cofinancing mechanisms that will capture blended finance models, green bonds, guarantee facilities and revolving funds.

CONSULTANT'S DELIVERABLE/OUTPUT

The consultant is expected to deliver the following draft and final versions:

- **Feasibility Report for Green Bonds Financial Landscape:** Insights from the financial landscape assessment, focusing on the feasibility of raising financing for the CST Facility by KCB through green bonds in the Kenyan financial market. Evaluates market conditions, regulatory environment, and investor appetite for KCB green bonds for the CST Facility. Includes documented proof of engagement with potential investors, such as letters of interest from 2-3 key stakeholders or potential green bond investors.
- **Mobilization Strategy for the CST Facility:** A detailed strategy with potential investor contacts for co-mobilization and a plan for fund raising on the Kenyan financial market through green bonds, including all necessary recommendations to scale up the project co-financing.
- **Fundraising Materials for CST facility and Investors' Contacts:** investor pitch decks, term sheet for the CSTs green bonds or other funding instruments.

CONSULTANCY TIMELINES/DOCUMENT OWNERSHIP

- I. The consultancy is expected to take a maximum of one months to complete the deliverables. The consultancy must support the KCB Group and the project team during and after the GCF CIC3 (Investment Committee) and iTAP reviews, and enhance the

deliverables to align with GCF and iTAP comments and requirements after the two months completion..

- II. There will be provision for discussion of the implementation plan and minimum requirements for this assignment/validation of findings with the KCB team and inclusion of comments where applicable.
- III. Any reports or other materials prepared by the consultant under this Agreement shall belong to and remain the property of the Bank.

RELEVANT QUALIFICATIONS

The consultancy is open to registered firms or teams of individuals. The consultancy assignment requires, at the very least, a team composed of experts who have at least 10 years of experience in;

- Extensive experience in developing financial strategies, particularly in sustainable finance and green bonds.
- In-depth knowledge of the Kenyan financial market, including regulatory frameworks, market dynamics, and key stakeholders.
- Excellent communication and stakeholder management skills, with the ability to engage effectively with diverse groups.
- Proven ability to conduct comprehensive market assessments and financial feasibility studies.
- Demonstrated experience in engaging with financial market stakeholders, regulatory bodies, and government institutions.
- Experience in designing and implementing co-mobilization strategies for climate finance initiatives.
- Expertise in green bond structuring and issuance, with specific experience in the African context.
- **Independence:** Ability to work independently and deliver high-quality outputs within the stipulated timeframe.
- Knowledge of environmental, social, and governance (ESG) principles and their application in financial products.
- Previous experience working with international development organizations, multilateral development banks, or climate funds is an advantage.
- Advanced degree in Finance, Economics, Sustainable Development, or a related field.

Overall Responsibility

- a) The Bidder is obliged to work closely with the aforementioned team, act within its own authority, and abide by directives issued by the KCB Bank that are consistent with the terms of the Contract.
- b) The Bidder will abide by the job safety measures and will indemnify KCB Bank and its related third parties from all demands or responsibilities arising from accidents or loss of life, the cause of which is the Bidder's negligence. The Bidder will pay all indemnities arising from such incidents and will not hold the Bank responsible or obligated.
- c) The Bidder is responsible for managing the activities of its personnel, or subcontracted personnel, and will hold itself responsible for any misdemeanors.
- d) The Bidder shall appoint an experienced counterpart resource to handle this requirement for the duration of the Contract. KCB Bank may also demand a replacement of the manager if it is not satisfied with the manager's work or for any other reason.
- e) The Bidder shall take the lead role and be jointly responsible with the project for producing a finalized project plan and schedule, including identification of all major milestones and specific resources that the Bank is required to provide.
- f) The Bidder will not disclose the information it has access to, during the Consultancy, to any other third parties without the prior written authorization of the Bank. This clause shall survive the expiry or earlier termination of the contract.

REPORTING

The consultant will report to the KCB Project Management Team and work closely with the technical experts of this exercise. Regular progress reports and updates should be provided as per the agreed timeline.

Pricing

The Costs should be in Kenya shillings inclusive of all taxes; clearly stating Man/Day rates where appropriate.

All taxes and VAT must be clearly stipulated and separated from the base costs and should be valid for a minimum of 90 days.

Delivery

Delivery and performance of the Services shall be made by the successful Bidder in accordance with the time schedule as per Proposal and subsequent Agreement.

Delayed Delivery by The Consultant

If at any time during the performance of the Contract, the Bidder should encounter conditions impeding timely delivery and performance of the Services, the Bidder shall promptly notify in writing of the fact of the delay, its likely duration and its cause(s). As soon as practicable after receipt of the Bidder's notice, shall evaluate the situation and may at its discretion extend the Bidder's time for performance, with or without liquidated damages, in which case the extension shall be ratified by the parties by amendment of the Contract.

Bid Effectiveness

It is a condition of the Bank that the supplier guarantees the sufficiency, and effectiveness of the consultancy proposed to meet the Bank requirements as outlined in this document. The Bank will hold the supplier solely responsible for the accuracy and completeness of information supplied in response to this tender. The Bank will hold the supplier responsible for the completeness of the consultancy proposed and that were the supplier to be awarded the tender, they would implement the consultancy without any additional requirements from the Bank.

Payment Terms

KCB Bank will NOT make any payments in advance. The Bank will issue an LPO for all the services ordered. The LPO will be paid within 45 days after successful delivery, and acceptance of the services being rendered.

KCB Bank will not accept partial deliveries, and neither will they make partial payments. Payment for services will only be made once the full scope of service has been successfully provided.

NOTE: KCB BANK SHALL ONLY MAKE PAYMENTS THROUGH A KCB ACCOUNT.

Responsibility as an Independent Contractor

The supplier agrees to take overall responsibility for any services rendered; regardless of whether third party are engaged by the supplier, or the supplier himself carries them out.

EVALUATION CRITERIA

The evaluation will be conducted in two stages.

- a. Stage I: The technical proposal is evaluated based on its responsiveness to the Terms of Reference
- b. Stage II: The financial proposal assessments are only applied to all bidders who have passed the technical presentation stage.

The short-listed bidding agencies may be asked for a presentation prior to the final selection. The contract will be awarded to the successful bidder following completion of all evaluations including negotiation (only in exceptional cases).

Requirements:

- I. Commitment for availability for the assignment, and capacity to undertake the assignment.
- II. 2 recommendations from referees/organizations worked for within the past years.
- III. Detailed statement on the study, stating study methodology and data collection methods.
- IV. Detailed financial proposal, specifying consultant fee rates.
- V. Detailed work schedule for the exercise indicating activity timeline

1. Technical Evaluation Criteria

	Criteria, sub-criteria
Statutory Requirements	<ul style="list-style-type: none"> ✓ Certificate of Incorporation/Registration; provided ✓ Valid Tax Compliance certificate ✓ PIN Certificate ✓ Positive/White CRB Report/Certificate for Company & Directors ✓ Audited Accounts for the last 2 years ✓ List of Directors/ shareholders CR12/CR13 for Kenyan Companies ✓ Valid Trade License/ Business permit
Demonstrated understanding, objective and completeness of the assignment	<ul style="list-style-type: none"> ✓ Extensive experience in developing financial strategies, particularly in sustainable finance and green bonds. ✓ In-depth knowledge of the Kenyan financial market, including regulatory frameworks, market dynamics, and key stakeholders. ✓ Demonstrated experience in engaging with financial market stakeholders, regulatory bodies, and government institutions. ✓ Experience in designing and implementing co-mobilization strategies for climate finance initiatives. ✓ Expertise in green bond structuring and issuance, with specific experience in the African context
Methodology and implementation	<p>a) Detail and quality (adequacy) of methodology proposed for the assignment.</p> <ul style="list-style-type: none"> - Demonstrate a structured approach to attract, align, and manage funding from various sources with an aim to bridge financial gaps, enhance private sector participation, and leverage public and international resources. <p>b) Detailed implementations plan indicating time frame (1 month)</p>

	<p>-Workplan within 1 month</p> <p>-Workplan less than a month</p>
<p>Staff certification and licenses</p>	<p>Detailed description of the proposed team- proposed Team Leader and other key team members.</p> <p>Provide details of staff in your firm who are experts in</p> <ul style="list-style-type: none"> • Climate Finance & Investment Mobilization • Kenyan & Global Climate Policy and Regulation • Financial Modeling & Risk Assessment • Knowledge of environmental, social, and governance (ESG) principles and their application in financial products. • Previous experience working with international development organizations, multilateral development banks, or climate funds is an advantage. • (Provide copies of staff licenses) Project Finance & Financial Modeling Certifications, Advanced degree in Finance, Economics, Sustainable Development, or a related field.
<p>Staff Capacity; Relevant qualification and experience</p>	<p>Provide profile and curriculum vitae of Key Personnel (Project Manager(s) and Technical Resources) with relevant training, experience, certifications and licenses. Indicate the projects they have successfully implemented and their role in the project</p>
<p>Reference Clients</p>	<p>a) List reference clients/ consultation jobs where similar consultancy was provided.</p> <p>-Name of the clients and contact details (email address & telephone numbers) as well as high-level details of consultancy done. Provide the LPOs/Award Letters/Contracts & Recommendation Letters as supporting evidence.</p>