

TERMS OF REFERENCE

Terms of Reference for Feasibility, Baseline and Market Studies for CST Credit Products.

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. The success of the MSMEs CST-Kenya project by KCB hinges on a thorough understanding of the current market conditions, potential obstacles, and opportunities for scaling. Conducting comprehensive feasibility, baseline, and market studies is essential to ensure the effective implementation and sustainability of the proposed interventions. These studies will provide critical insights into the market dynamics, financial structures, and technical feasibilities necessary for informed decision-making and strategic planning.

AIMS AND OBJECTIVES.

The objective of this activity is to conduct a comprehensive programme feasibility study, baseline study, and market study for CST credit products to ensure the effective implementation and sustainability of the proposed interventions within the programme.

SCOPE OF WORK.

The consultant will undertake the following sub-activities for the Feasibility Study:

1. Conduct a baseline market assessment, including an evaluation of existing bank products, to analyze **the current state of the CSTs market in Kenya**. Align the assessment with GCF result areas, identify gaps, and evaluate the additionality of the proposed GCF interventions within the program through commercial bank financing.
2. Assess the programme's **compliance with the GCF financial framework** and provide recommendations for optimizing the programme structure.
3. Conduct a market study to identify **potential locations (counties)** for this GCF programme intervention to support hardest to reach and already impacted by climate change farmers, MSMEs, households with high barriers to access finance and capacity building to adopt CSTs. Such locations should have KCB branches and access by digital solutions.
4. Evaluate the upstream financial structure of the programme and propose **suitable credit products** with terms and conditions in achieving the programme's objectives.
5. Identify **CSTs with sustainable climate impact**, that can be reliably measured using an enhanced KCB framework and tools for climate impact evaluation under this program. The list of CSTs should focus on those with high demand and significant access barriers for farmers, MSMEs, and households due to limited financing and inadequate capacity-building opportunities.

6. Conduct a study to provide **evidence of the demand and appetite to adopt such CSTs** by farmers, MSMEs, and households through concessional credit products due to the GCF intervention in proposed locations (counties) and assessing relevant risks and opportunities for this programme.
7. Propose framework to evaluate CSTs during the programme duration.
8. Develop case studies showcasing successful implementations of similar programmes in alignment with GCF guidelines.

Baseline Study Elements:

1. Analyze the existing social and economic landscape and the institutional and policy frameworks relevant to the project.
2. Examine initiatives with similar aims as the proposed project, including best practices and lessons learned, and describe where similar interventions have been successfully implemented. Analyze potential CST technologies and practices to develop a concrete list of activities eligible for program financing, resulting in Eligibility Criteria for loans from banks to program beneficiaries.
3. Analyze baseline conditions of target Programme's beneficiaries (i.e. farmer, agri-entrepreneur, MSMEs) and challenges, and needs due to impacts of climate for each targeted agro ecological regions.
4. Conduct an assessment of farmer and MSME stakeholders covering livelihoods, priority crops, farming practices, technologies in use, ecosystem resources (e.g., water and soil), assets and investments (e.g., land, farming equipment, inputs), built infrastructure (e.g., irrigation, roads, power, cold storage facilities)
5. Conduct an assessment of the agricultural finance subsector for the current agricultural finance market covering various agri-finance related products and services offered by formal sources (e.g., financial institutions, banks and non-bank FIs, and informal sources (e.g., private money lenders, community loans etc).
6. Identify the financing gaps and needs based on the different FI product designs, rates, tenors, collateral requirements, eligible purposes, market coverage, etc.. Undertake evidence-based comparative analysis of the financial products or services; interest rates for available tenors; eligible financing activities, collateral, collateral valuation, guarantees, insurance, fees and costs, and regulatory bodies overseeing the particular FI or non-bank FIs, and relevant laws.
7. Identify and analyze barriers preventing the implementation or scaling up of preferred adaptation solutions.
8. Conduct a complementarity analysis with existing and proposed country projects and programs, identifying specific geographies and value chains that would complement the proposed program.

Market Study Elements:

1. Undertake mapping per agro-ecological zone of target farmer and MSMEs from production, post production, distribution, and markets;
2. Analyze the demand side for CST technology in the Kenyan market, including the dynamics of competition, affordability of CSTs, and willingness to pay.
3. Present available offerings in the market to inform the pricing structure.
4. Analyze the proposed financial products and services (i.e., credit, guarantee and insurance), including the demand and willingness to pay.
5. Analyze the supply side for CST technology in the Kenyan market, assessing the capabilities, strengths, and weaknesses of existing suppliers.
6. Incorporate any comments that may be shared subsequently 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 combine data collection, analysis, and evaluation to assess various aspects of CST technologies in the Kenyan market. The approach comprises the following phases:

- 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 Technical Feasibility: Evaluate the technology, tools, and resources needed to execute the project. These will be based on best practices and empirical evidence, global and local CST models and credit facilities. These will be presented to the technical leads and KCB business teams for context-specific insights.
- c) Assess the profitability and financial feasibility of CST investment by outlining the costs and benefits in a volatile and changing climate. Develop the cost estimates, including capital, operational, and maintenance costs, analyze revenue projections, profit margins, and return on investment (ROI), Conduct a break-even analysis to understand when the project will become profitable, evaluate funding sources and financial risks. Lastly, highlight how CST can maximize on returns given the toll caused by effects of climate change and climate variability.
- d) Evaluate market demand and competition based on research to understand customer needs and preferences. Analyze the competitive landscape to identify gaps and opportunities and provide a forecast of market trends and their impact on the project.

CONSULTANT'S DELIVERABLE/OUTPUT

Upon selection and contracting, the consultancy is expected to deliver at a minimum the following:

1. Programme Feasibility Study Report including:
 - An assessment of the current CST market in Kenya, identifying key gaps, opportunities, and the additionality of proposed GCF interventions.
 - Evaluation of the program's compliance with the GCF financial framework, with recommendations to optimize its structure and alignment with GCF result areas.
 - Analysis of green capital market opportunities, including the feasibility of leveraging domestic and international debt markets for Phase II bond issuances.
 - A review of the financial products proposed under the program, assessing their suitability in addressing barriers to CST adoption and achieving program objectives.
 - Evidence-based demand analysis for CSTs, highlighting the adoption potential among farmers, MSMEs, and households in priority areas, along with associated risks and opportunities.
 - A framework for evaluating and adding eligible CSTs during the program's implementation, ensuring adaptability and scalability.
 - Case studies of successful similar programs, providing insights into best practices and lessons learned to inform program design and implementation.
- 2. Market Assessment Report identifying a potential pipeline for the CST facility including:
 - A detailed analysis of target farmers, MSMEs, and households across agro-ecological zones, highlighting their barriers to accessing finance and capacity-building opportunities for CST adoption.
 - A list of CSTs with sustainable climate impacts, along with vendors and suppliers capable of delivering these technologies, and their capabilities, strengths, and weaknesses.

- Mapping of potential clients, including farmers, MSMEs, and households, with significant access barriers to financing and CST adoption.
- An assessment of the agricultural finance market, identifying financing gaps, product availability, and the potential for integration into the CST Facility program.

CONSULTANCY TIMELINES/DOCUMENT OWNERSHIP

- I. The consultancy is expected to take a maximum of one month to complete the deliverables. The consultancy must support the KCB Group and the project management 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
- 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;

Technical Expertise and Experience:

- Extensive experience in conducting feasibility, baseline, and market studies, particularly in the context of international donor-funded projects.
- Demonstrated experience in evaluating and structuring green capital markets and CST credit products.
- Proven track record of supporting a GCF PPF project or similar international climate finance initiatives.
- Experience in conducting comprehensive market assessments, including identifying market gaps and potential pipelines for green financing.

Knowledge of GCF Framework and Guidelines:

- Familiarity with the GCF financial framework and guidelines.
- Experience in ensuring compliance with GCF financial and environmental standards and providing recommendations for optimizing program structures to align with these standards.

Analytical and Research Skills:

- Strong analytical skills to conduct baseline market assessments, green capital market evaluations, and the identification of CSTs with sustainable climate impacts.
- Ability to analyze existing social, economic, and institutional frameworks relevant to the project and identify barriers to implementation or scaling up of preferred adaptation solutions.
- Experience in developing detailed and actionable reports, including feasibility studies, market assessment reports, and green capital market assessment reports.

Case Study Development:

- Ability to develop case studies showcasing successful implementations of similar programs, in alignment with GCF guidelines.
- Demonstrated experience in identifying best practices and lessons learned from similar initiatives and applying them to new project contexts.

Project Management and Coordination:

- Proven project management skills, including the ability to manage timelines, deliverables, and stakeholder engagement effectively.
- Experience working with diverse stakeholders, including government agencies, private sector entities, financial institutions, and MSMEs.

Communication and Reporting:

- Excellent communication skills, both written and verbal, to effectively engage with stakeholders and present findings.

- Ability to produce high-quality reports in a clear, concise, and actionable format.

Quality Assurance and Continuous Improvement:

- Experience in implementing quality assurance measures to ensure the accuracy and completeness of all deliverables.
- Ability to provide recommendations for continuous improvement of project structures and processes.

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 parties 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 conducting feasibility, baseline, and market studies, particularly in the context of international donor-funded projects. ✓ Demonstrated experience in evaluating and structuring green capital markets and CST credit products. ✓ Proven track record of supporting a GCF PPF project or similar international climate finance initiatives. ✓ Experience in conducting comprehensive market assessments, including identifying market gaps and potential pipelines for green financing

	<ul style="list-style-type: none"> ✓ Ability to develop case studies showcasing successful implementations of similar programs, in alignment with GCF guidelines. ✓ Demonstrated experience in identifying best practices and lessons learned from similar initiatives and applying them to new project contexts.
Methodology and implementation	<ul style="list-style-type: none"> a) Details and qualities (adequacy) of methodology proposed for the assignment. <ul style="list-style-type: none"> -A structured methodology on how the consultant will combine data collection, analysis, and evaluation to assess various aspects of CST technologies in the Kenyan market. b) Detailed implementation plan indicating time frame (1 month) <ul style="list-style-type: none"> -Workplan within 1 month -Workplan less than a month
Staff certification and licenses	<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"> • Feasibility & Market Assessment • Climate-Smart Technology & Innovation • Environmental & Social Impact Assessment • Data Analytics & Reporting <p>(Provide copies of staff licenses Market Research & Financial Modeling Certifications, ESG & Sustainable Finance Certifications, Environmental & Social Impact Assessment Certifications)</p>
Staff Capacity; Relevant qualification and experience	<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>
Reference Clients	<ul style="list-style-type: none"> a) List reference clients/ consultation jobs where similar consultancy was provided; <ul style="list-style-type: none"> -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