

TERMS OF REFERENCE

Terms of Reference for Integrated Climate and ESG Impact Assessment Framework for the CST Facility.

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 bank aims to design and implement a comprehensive framework that integrates climate impact assessments with environmental, social, and governance (ESG) criteria for the MSMEs' Climate-Sound Technologies (CST) Facility. This framework will serve as a critical tool to monitor, evaluate, and enhance the sustainability and resilience of the CST Facility's interventions across Kenya. It will provide a structured approach for assessing both the direct and indirect climate impacts of the project, while ensuring alignment with best practices in ESG standards.

AIMS AND OBJECTIVES.

The framework aims to support the CST Facility program by providing recommendations for enabling KCB to effectively plan, measure, and report on the climate impact of financed CSTs. In addition, this activity will aim to design a roadmap in enhancing KCB's ability to understand how different climate scenarios (droughts, floods, etc.) could impact loan repayment capacity, asset security, and overall business viability. Both must be aligned with Kenya Green Finance Taxonomy, the Greening Financial Systems Technical Assistance Programme to CBK by the European Investment Bank (EIB).

This activity will involve assessing the climate risk modeling and assessment tools currently employed by KCB in its lending processes. In addition, this activity will include a detailed review of the bank's existing climate impact assessment tools, such as the Climate Assessment for Financial Institutions (CAFI), with specific recommendations for its enhancement to better align with climate impact goals. Additionally, the consultant will evaluate the feasibility of improving climate impact assessment capabilities through KCB's digital platforms, such as KCB M-Pesa and Vooma Loans, ensuring effective integration and adaptability throughout the project's implementation.

This activity will be finalized by a feasibility report and recommendations for refining climate risk modeling and climate impact assessment tools for KCB CST facility during the implementation period, including a roadmap, budget, and identification of key stakeholders for executing such improvements.

SCOPE OF WORK.

The consultant will undertake the following sub-activities:

Assess Existing Tools and Systems

- Conduct a detailed evaluation of the current tools and systems used by KCB, including the Climate Assessment for Financial Institutions (CAFI) tool, to determine their effectiveness in assessing climate, gender, and sustainability impacts.

Feasibility Study for Climate Risk Modeling and Assessment Tools

- Perform a comprehensive feasibility study to assess the potential for enhancing climate risk modeling and impact assessment tools within KCB's lending processes.
- Include an analysis of how different climate scenarios (e.g., droughts, floods, shifting weather patterns) may affect loan repayment capacity, asset security, and overall business viability.
- Assess the alignment of existing tools and proposed enhancements with the Kenya Green Finance Taxonomy and the Greening Financial Systems Technical Assistance Programme by the European Investment Bank (EIB)

Develop a CST Audit Framework

- Develop an audit framework to evaluate and validate CSTs for eligibility under the facility.
- Identify criteria for adding new CSTs to the eligibility list based on environmental, social, and governance (ESG) metrics, climate impact potential, and alignment with project goals.
- Include mechanisms to periodically review and update the list of eligible CSTs, ensuring alignment with evolving climate, gender, and sustainability standards.

Develop Recommendations for Tool Enhancements

- Provide detailed recommendations for refining KCB Climate Assessment tools to better align with climate, gender, and sustainability goals.
- Recommend criteria and methodologies for embedding ESG metrics into the tools for monitoring and reporting.

Prepare a Roadmap for Implementation

- Develop a roadmap outlining the steps needed to implement recommended improvements, including timelines, budget estimates, and stakeholder roles.

METHODOLOGY.

To achieve the expectations of this exercise the consultant will be expected to develop a multidimensional methodology to evaluate the environmental, social, and governance (ESG) aspects alongside the technology's potential to mitigate climate change. The approach comprises the following phases:

- a) 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) Establish the CST Technologies that will be assessed and climate related metrics that will be used benchmarked on ESG standards such as GRI, SASB, TCFD, UN SDGs and KGFT and successful impact assessment models in relevant industries.
- c) Create tailored indicators to measure climate and ESG impacts such as **climate metrics**- Carbon footprint reduction (e.g., CO₂e avoided), Energy efficiency and renewable energy integration, Contribution to climate resilience (e.g., adaptation benefits). **Environmental metrics**- Resource efficiency (water, land, raw materials), Waste reduction and recycling potential, Biodiversity impacts. **Social Metrics**- Community benefits (e.g., job creation, education), Health and safety impacts, Equity and inclusivity considerations. **Governance**

Metrics- Alignment with regulatory standards, Transparency and accountability in reporting, Stakeholder engagement processes.

CONSULTANT'S DELIVERABLE/OUTPUT

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

- I. Recommendations for enhancement of CAFI tool within KCB for climate impact and risk assessment and CST eligibility in KCB operations, including climate, Gender, and Sustainability Impact Assessment, Tools, and Standards Recommendations for the CST Facility. Recommendations for enhancement of Digital Lending Solutions (DLS) to be integrated for CSTs facility in KCB platforms like KCB M-Pesa and Vooma Loans, with climate impact monitoring, compliance tracking, and reporting.
- II. Develop a Screening mechanism that will use ESG and climate metrics to evaluate identified CSTs and add new CSTs during duration of this facility.
- III. Recommendations for refining climate risk modeling and climate impact assessment tools for KCB CST facility during the implementation period, including a roadmap, budget, and identification of key stakeholders for executing such improvements.

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 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:

Legal and Business Requirements:

- A legal entity in its country with a business license granted by the appropriate authority.
- Proven compliance with all relevant national and international regulations.

Technical Expertise and Experience:

- Extensive experience in developing and implementing impact assessment frameworks, particularly in the context of international donor-funded projects.
- Demonstrated experience in conducting climate, gender, and sustainability impact assessments.
- Proven track record of supporting a GCF PPF project or similar international climate finance initiatives.
- Experience in developing monitoring, reporting, and audit mechanisms for impact assessments.

Knowledge of GCF Framework and Guidelines:

- Familiarity with 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 detailed climate, gender, and sustainability impact assessments.
- 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 impact assessment recommendations and audit procedures.

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

The 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
Prequalification	<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"> ✓ Experience in climate risk modeling, climate scenarios and assessment tools ✓ Experience in climate impact assessment tools ✓ Experience in CSTs and identifying eligibility through environmental, social, and governance (ESG) metrics, climate impact potential, and alignment with project goals. ✓ Experience in ESG Frameworks and methodologies for embedding ESG metrics into the tools for monitoring and reporting.
Methodology and implementation	<p>a) Details and quality (adequacy) of methodology proposed for the assignment.</p> <p>-A structured methodology on the creation of indicators to measure climate and ESG impacts such as climate, environmental, social and governance metrics to showcase impact.</p> <p>b) Detailed implementation plan indicating time frame (1 month)</p> <p>-Workplan within 1 month</p> <p>-Workplan less than a month</p>
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"> • Climate Risk & Environmental Impact, • ESG Risk Management & Sustainable Finance • Social Impact & Governance Assessment <p>(Provide copies of staff licenses) Social & Governance Certifications, ESG & Sustainable Finance Certifications, Climate & Environmental Risk 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	<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>