TERMS OF REFERENCE

FEASIBILITY STUDY ON A SUPPLIER DEVELOPMENT PROGRAMME FOR AGRIBUSINESS IN KENYA

1. Background

Agriculture accounts for 28% of Kenya’s GDP, employing 75% of the national labour force. Over 80% of the Kenyan population live in the rural areas and derive their livelihoods from Agriculture. Approximately 17% of the country’s land is high and medium potential agricultural land where most intensive crop and dairy production take place. There is over-reliance on rain fed agriculture and low utilization of irrigation potential with only less than 7% of the cropped land under irrigation. This is a major source of food insecurity. However, Kenya is broadly self-sufficient in major food items except during drought years.

Whereas agriculture is the backbone of the country, it remains one of the least prioritised. The Country’s Vision 2030 is very explicit of the need to boost funding to this sector for it to become more mechanised and commercial. Under this framework, agriculture was listed as one of the 6 priority sectors (to include tourism, wholesale and retail trade, manufacturing, IT enable services, financial services) within the Medium Term Plan I (2008-2012) of the economic pillar of the vision 2030 that make up 57% of the country’s GDP.

The Ministry of Agriculture also launched The National Agribusiness Strategy during 2012 with the objective of removing barriers and creating incentives for the private sector to invest in agribusiness, to invest public resources more strategically, to make agribusiness systems more competitive and to encourage institutional frameworks which enable actors to utilize market opportunities. Under this strategy, four strategic areas of implementation focus have been defined towards supporting agribusiness development and investments i.e. markets at the centre of value chains; Research & Development and innovations to catalyse agribusiness growth, effectiveness of financial and non – services as well as attracting investments by creating an enabling environment.

Kenya is currently preparing its Medium Term Plan II, which shall be launched in mid-2013. While MTP I has achieved a lot, the Government of Kenya has identified key critical issues and challenges that remain and that need to be addressed by MTP II, including among others: low productivity and competitiveness, jobless growth, high rate of youth unemployment, food security, acceleration of the Millennium Development Goals (MDGs), rapid population growth, high poverty levels, and huge regional disparities of income, inequality and lack of national cohesion. The Government of Kenya has also identified new emerging issues which need to be addressed by MTP II, including among others, the shift in global economic and trade patterns and climate change. The draft MTP II is currently prepared by 19 Sector Working Groups across Line Ministries, with the support from developing partners, including UNDP as part of the UN ‘Delivering as One’.
Key priorities to be addressed under the MTP II for 2013 - 2017:

1. **Ending drought emergencies, irrigation and food security:** through increasing investments in irrigation to reduce dependence on rain fed agriculture, mechanizing agriculture, reviving cooperatives and farmers associations, subsidizing farming inputs, supporting value addition in production chains and developing marketing support mechanisms for farmers, pastoralists and communities involved.

2. **Creating a competitive economy and rebalancing the pattern of growth:** government will increase spending on transport and IT infrastructure over the period of the MTP II to enhance economic competitiveness, implementing reforms to improve the ‘ease of doing business’ in Kenya, establishing a macro-economic framework consistent with export competitiveness and investments as well as development of the second transport corridor (LAPPSET) and investments in the oil, gas and mineral sectors to spur higher economic growth.

3. **Employment generation including support to SMES:** Government will put in place an enabling framework to facilitate private sector investments in order to create growth and employment. Incentives will be offered to firms to provide internships to the youth and an affirmative action in allocation of government procurement to youth run enterprises will be put in place during the MTP II period. The Micro and Small Enterprise Act (2012) will be operationalized to support businesses and faster employment creation.

4. **Poverty reduction and social protection:** through the devolved system of government at county level, the government will work towards reducing the poverty indices to at least 28% by 2017 from the current 44% and implement social protection payments through cash transfers to the needy via county governments.

Other overarching priority areas under the MTP II include Human resource development at county level, governance and public financial management reforms, land reforms, national value and ethics as well as investments in security.

**The African facility for Inclusive markets**

The United Nations Development Programme (UNDP) launched a strategic, regional Private Sector and Inclusive Market Development for Poverty Reduction in Africa project, entitled: the “African Facility for Inclusive Markets” (UNDP AFIM) in November 2010. This project is led by the Regional Bureau for Africa (RBA) and coordinated from UNDP’s Africa Regional Service Centre in Addis Ababa.

UNDP AFIM’s particular focus is on the promotion of Inclusive Market Development (IMD) in Africa through the development and expansion of regional value chains in job creating sectors such as agribusiness, tourism, renewable energy, retailing and mining. UNDP AFIM’s core mandate is to engage the private sector to work towards reducing poverty and accelerating progress towards achieving the Millennium Development Goals (MDG’s) by supporting pro-poor economic growth and IMD across Sub-Saharan Africa. IMD focuses on developing private sector markets to make them more inclusive of and beneficial to low income groups as producers, consumers and employees. Specifically, IMD seeks to empower small enterprises, producers and distributors to participate in and benefit from the existing potential markets in which they do business.
As part of UNDP AFIM’s mandate, UNDP AFIM, had developed an African Agribusiness Supplier Development Programme (AASDP) with the intention of supporting UNDP Country Offices (CO) in Sub-Saharan Africa and their respective government partners to develop and establish national Agribusiness Supplier Development Programmes.

**UNDP Kenya Economic Empowerment Programme**

As per the request of Government of Kenya (GoK), the current United Nations Development Assistance Framework (UNDAF) 2008 to 2013 has been extended to June 2014 to ensure that the next UNDAF 2014-2018 is fully aligned to MTP II. The Kenya UNDP Country Program Document 2014 to 2018 will be prepared by September 2013 and aligned to UNDAF 2014-2018. This program will be integrated into the new Country Program Document and will be fully aligned to MTP II aimed at supporting GoK in achieving its 2017 MTP II targets towards *shared and equitable growth*. This support will support the GoK to achieve the following outcomes:

1. Inclusiveness of the poor and vulnerable is sustainably mainstreamed in institutional and policy frameworks and private sector participation is enhanced in job-rich and pro-poor growth initiatives;
2. The poor and vulnerable (in particular women and youth) are empowered as economic agents, with strengthened capabilities and opportunities to engage in, benefit from and shape the market systems they are interacting in.

The proposed Supplier Development Programme for Kenya is firmly embedded as one of the supporting deliverables in promoting value chains and market access for the poor under Component one 1: *Promoting Inclusive growth* of the integrated economic empowerment programme. The Supplier Development programme will play a key role in empowering the rural communities and the poor to be effective participants and beneficiaries of commercial driven agricultural value chains in Kenya.
2. Supplier Development Programme

A supplier development programme (SDP) in the UNDP context intends to improve the competitiveness of small scale suppliers in supplying their products to lead firms (larger buying companies). UNDP worldwide has a history of over ten years in running SDPs. Considering the economic growth that is taking place on the African continent; UNDP AFIM realized the potential for replication of an SDP in Africa. Contributing over 60% towards regional employment and accounting for over 25% of the regions Gross Domestic Product (GDP), agriculture remains one of Sub-Saharan Africa’s most important sectors. Africa remains a strategic continent for the world’s agro-food industry as it holds 60% of the world’s uncultivated land. This makes agriculture a lead sector in Africa, with sufficient scale and comparative advantage, to engender broad based economic growth and poverty reduction towards achieving the MDGs.

According to a McKinsey report, the African Agricultural sector could move from being valued at $280 billion today to upwards of $880 billion in less than 20 years. There has been an ever increasing trend of investment from both the private and public sectors within agriculture. Already there is a trend by lead firms to invest in African sourcing markets. This is set to continue as the hurdles to investment are ironed out and the general investment climate improves on the continent.

Despite the positive trends, the commercial agricultural sector in Africa is however still in its infancy. 80% of all farms in Sub-Saharan Africa are under smallholder production supplying up to 90% of the food production in some countries. Despite being the major source of agricultural output in Africa, smallholder farmers are poor and face many challenges that include lack of good inputs supply, knowledge on agricultural practices, processing technology, commercial farming skills, collaboration with and presence of SMEs and markets, and public support, including decent infrastructure.

In order to develop the African agricultural economy and to produce food in a more efficient way as well as create an opportunity to positively impact the livelihoods of smallholder farmers (and thus contributing to achieving the MDGs), the productivity of the sector needs to be significantly improved. The active participation of both the public and private sector through a collaborative market driven process should pave the way for realizing this. It is on this basis that a supplier development programme for African countries that enhances public private (lead firm) collaboration in increasing productivity in agribusiness supply chains comes into relevance. It will lead to raised farmers’ incomes, lower food prices, increased food availability and food security, increased employment opportunities for unskilled labour, increased entrepreneurial activities, growth in the rural services sector and an emergence of agro-processing industries. Aspects that perfectly fit UNDP AFIM’s core mandate to support pro-poor economic growth and IMD across Sub-Saharan Africa.

3. Objectives of an Agribusiness Supplier Development Programme (ASDP)

The objectives of an ASDP to be implemented by UNDP Country Offices (CO) and their partner governments include:

- To improve the supply of African agricultural products by farmers and SMEs towards market quality standards, offering quality products, with quicker delivery times, reduced transportation and reduced inventory costs, and as such to secure and offer lead firm’s efficient and high quality local agricultural products supply;
- To provide smallholder farmers and SMEs that supply agricultural products with support in accessing the growing agricultural supply chains of lead firms in Africa, and in generating
additional economic activity that contribute to increased incomes and ultimately to reduced poverty;

- To contribute to the development of national African economies (through attracting Foreign Direct Investments (FDI), increased government income through taxation, job creation, an improved trade balance etc.) by developing agricultural products meeting market quality standards of lead firms that can substitute imports and can access export markets.
- To contribute to sustainable development goals, especially food security and poverty reduction through job creation and income generation.

4. Potential sectors in Kenya

In 2012, UNDP investigated the possibility of developing an Agribusiness Supplier Development Programme to bridge the gap and promote more inclusive market development in the Soya, Sorghum and Dairy sectors in Kenya. The Royal Tropical Institute (KIT) was engaged to develop a toolkit and training manual for UNDP, as well as to develop a road map for establishing a national supplier development framework in a certain number of countries, including Kenya. A preliminary outline of supplier development programme was documented for the 3 sub sectors in Kenya, as well as a road map. In recent discussions with the Ministry of Agriculture, there is a proposal to also include assessing the potential of Sun Flower sector.

The target beneficiaries of the programme will be small scale farmers, SMEs and large firms. A successfully implemented Agribusiness Supplier Development Programme will promote greater income generation for small scale farmers and ensure the supply chain is more inclusive with greater participation from SMEs. Furthermore large firms will have the added benefit of being actively involved in socially responsible business, which is becoming increasingly important.

5. Overall purpose of the programme

The purpose of a Kenyan ASDP is: “... to improve the productivity of smallholder farmers and SME agribusinesses by facilitating support (training, advice, access to inputs, organization, standardization etc.) and linking up with off takers. Sustainability and social inclusion aspects, especially women and youth play an important role”. The ASDP can contribute towards strengthening the competitiveness of the sub sectors by identifying opportunities and addressing existing supply chain constraints through public private partnerships.

6. Scope of the assignment

The ASDP framework for Kenya will undertake a systematic approach towards putting into place a functional ASDP through the following phase’s i.e. (i) Feasibility study, (ii) Program preparations, (iii) Supply chain diagnostics, (iv) Supply chain development planning, (v) Supply chain development implementation, (vi) M&E and Impact measurement, (vii) Phasing out and exit. The scope of this particular assignment will be to support phase I of the ASDP framework.
**Phase 1: Feasibility:**

- The aim of this phase is to discuss the rationale of the ASDP with the national government and to align the programme with national agricultural and industrial policies.
- Secondly, the phase is dedicated to a shortlisting exercise by the UNDP CO with the national government on exploring the potential sub-sectors for setting up an ASDP.
- Thirdly, a feasibility study needs to be executed with the aim of exploring constraints, and more importantly opportunities for developing a country ASDP program. Consultations need to take place with potential lead firms, supplier organizations and service suppliers (through implementing NGOs/IOs) to measure their needs for improving agricultural supply chains as well as their preliminary commitment to an ASDP. At the end of this stage two to three priority sub-sectors should have been selected.

**7. Expected deliverables:**

**Task 1: Feasibility Study (60 working days)**

1. The consultant will submit, within 7 days of commencement of the assignment, an *inception report* based on desk review of relevant documentation as appertains to the SDP (such as the road map document for Kenya - See Annex 1) and after consultations with UNDP Kenya CO and UNDP AFIM staff. The inception report will also comprehensively detail the methodology that will be applied in undertaking the assignment.

2. The consultant will undertake a comprehensive analysis of the pre-selected sub-sectors i.e. dairy, Sorghum, Soya and Sunflower, along a set of selection criteria to be discussed and approved by all relevant stakeholders, including UNDP Kenya and the Government of Kenya. The sub-sectors will be scored against the criteria, and prioritized for action under a Kenya ASDP.

3. The consultant will conduct a value chain analysis of the top 2 priority sub-sectors, define and assess the constraints and opportunities for developing local supply in those sub-sectors including existing initiatives by government and donors that can be aligned, and supply chain demands among off-takers, and outline the potential impact of an ASDP in those sub-sectors. A feasibility study report will be submitted to UNDP Kenya CO after this exercise.

The consultant will present the findings of the feasibility study to UNDP Kenya CO, UNDP AFIM, GoK partners and other identified partners for feedback, clarifications and validation. The ASDP feasibility study report should follow the subsequent outline:

1. **Introduction and sub-sector prioritization**
   - Introduction to the mission of the CO;
   - Selection criteria and sub sectors prioritization
   - Selection criteria of counties under which assessments will be conducted as per UNDPs UNCT strategy

2. **Agricultural and political context**
   - Current agricultural context: major crops, livestock, production and trading volumes, farmers types, business and supply chain models and enabling environment (markets and financial systems), and key constraints and opportunities in the agricultural sector;
   - Existing policies, laws & regulations related to agricultural development, smallholders and local sourcing / private sector engagement;
• Existing support organizations and sector development programs.

Subsequently, for each of the selected sub sectors, the following overviews will need to be provided:

3. Supply chain characteristics
   • Providing a supply chain map that shows how the supply chain is currently organized, the number of actors that are involved (farmers, farm organizations, processing enterprises/traders, industry), their roles, volumes traded per marketing channel etc.

4. Suppliers constraints and opportunities
   • Description of current suppliers: Who are the current or potential smallholder suppliers? What are their characteristics? (number, organizational structures, production volumes, quality, income and livelihoods, gender, crops important for food security)
   • What are the constraints and opportunities for smallholder producers to engage in supplying to off takers? (in terms of infrastructure, production practices, knowledge, organization and social networks, access to (financial) services, policies etc.)
   • What support do smallholder producers already receive in order to supply to off takers? E.g. from government agencies, but also service providers, including NGO programs and other multilateral including UN organizations?

5. Supply chain demand amongst off takers
   • What are potential ASDP candidate off takers?
   • What are the off taker’s current practices related to (local) sourcing? (Description of demand from off taker in terms of commodities, volumes, quality, on time delivery etc...)
   • What constraints and opportunities does the off taker experience related to local sourcing from smallholders and SMEs? (Meeting demand (quality, volumes, timing) interaction with suppliers, contracting, financing, infrastructure, interaction with government, etc...)
   • What support is already available for the off taker to set up supply from smallholders and/or SMEs? E.g. from government agencies but also service providers, including NGO programs and other multilateral including UN organizations?
   • Opportunities for a UNDP ASDP to make an additional contribution through the ASDP programme

6. Market assessment
   • Description of market boundaries
   • Description of market structures, dynamics and actors
   • Size of markets and potential for expanding
   • Describe systemic constraints within the markets.

7. Preliminary roadmap for a country ASDP
   • What is the development potential for a country ASDP?
   • What is the recommended framework: including objectives, framework, activities, potential implementing partner and other stakeholders, budget and potential funding.

8. Potential impact
   • What is the potential impact of the ASDP in terms of:
     ✓ Potential number of smallholders involved in key commodities
     ✓ Potential number of SMEs involved
     ✓ Potential volumes to be traded (market security)
Potential income growth for smallholders and SMEs
Potential additional improvements of livelihoods in terms of organization, knowledge, hardware, vulnerability etc.
Potential job creation.

4. Based on the outcomes emerging from the validation exercise, the consultant will finalize and submit a final feasibility study report to UNDP Kenya CO.

8. Duration of assignment, duty station and expected places of travel

It is envisaged that the consultancy assignment will be conducted over 60 working days between August and October 2013. The duty station is Nairobi and the consultants will make arrangements for work space and equipment. UNDP will arrange for travel outside the duty station where necessary.

9. Expected Outputs

✓ Inception report
✓ Draft feasibility study
✓ Workshop validation report
✓ Final feasibility study

10. Reporting

The consultant will conduct the work in close consultation with the UNDP technical contact person under the guidance and in consultation with the Team Leader-Inclusive Economic Growth unit and a team of stakeholders led by the Ministry of Agriculture.

11. Profile of the National Consultant

Education
• A Master’s degree or equivalent in Social Sciences, Rural Development, and Development studies, Entrepreneurship Development or related fields.

Experience:
• At least 10 years’ experience in programme / project design and management, feasibility studies and value chain analysis
• Experience in developing and managing public private partnerships
• Experience working with the private sector

Technical / Functional Competencies:
• Excellent writing and communication skills
• In-depth knowledge of development issues
• Excellent analytical skills
• Experience in usage of computers and office software packages

Personal Competencies:
• Positive and constructive attitude to work
• Demonstrates openness to change and ability to receive / integrate feedback
• Good networking skills to engage with both internal and external partners
• Results oriented and able to deliver on time
• Excellent writing and communication skills

Application Process

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

1. UNDP Personal History Form (P11)
2. Detailed Curriculum Vitae
3. Proposal for implementing the assignment

Please quote “SDP Feasibility Study - EIG” on the subject line.

Applications should be emailed to consultants.ken@undp.org to reach us not later than Wednesday, 14 August 2013 at 4.00 P.M Kenya Time.

Please see the Terms of Reference, the P11 form, the Individual Contract Proposal form and the Terms and Conditions of Individual Contracts by visiting the UNDP Kenya Website: http://www.ke.undp.org/content/kenya/en/home/operations/procurement