

TERMS OF REFERENCE

To undertake mapping of financing sources/initiatives that are targeting smallholder producers, their organizations, and SMEs

1.0 Introduction

Background / Context

An important question facing forest stakeholders in Kenya is how the forest sector can expand its contribution to economic development, reverse ecosystem degradation, and improve the incomes and livelihoods of forest-dependent rural communities. To advance on this objective, Kenya is undertaking significant steps toward inclusiveness and sustainability of its forest-based value chains and food systems. It is reviewing its national forest policy, its social protection policy (also to respond more effectively to the COVID-19 pandemic), and has drawn the attention of companies, funds, and development agencies in promoting the sustainability of its forest value chains.

FAO has been supporting smallholders, forest producer organizations (POs) and small and medium-sized enterprises (SMEs) in Kenya, recognizing them as key agents to accelerate the achievement of SDGs. One area of support has been in facilitating the integration of these agents into value chains and in improving their access to finance. Examples of such support include the organization of an international expert meeting in FAO HQ in April 2019 ([report](#)), the publication of “[Access to Finance](#)”, capacity building and mentoring to prepare bankable business plans in various African countries, and support to carry out an inventory of forest resources in Nyandarua. A diagnostic on social protection needs and opportunities for forest-dependent communities and an assessment of social protection provided by forests in Kenya was also completed in July 2017. This was followed up by a 2019 assessment on sawn wood and wood charcoal value chains, with focus on social protection for male and female forest workers and producers in Kenya.

This work has identified various vulnerabilities of forest producers and forest dependent people, including lack of access to finance. It has also revealed that producer organizations can play a key role to facilitate access to funding sources and/or provide financial services directly. Thanks to this work, some Kenya organizations are engaging more effectively with sources of finance and identifying actions that can make forest value chains more inclusive and sustainable. Producer organizations have established contacts with potential funding sources and providers of financial services (e.g. Equity Bank, KUSSCO, TNC Africa Tree Fund, Gatsby Foundation, Oikocredit, Cooperative Bank, and others) and began exploring how to work together. They also developed contacts with downstream companies and wood

technologies for housing, which could give a further push to expand sustainable forestry in Kenya.

Partly as a result of this work, a consensus is emerging about the importance to develop a vision for wood value chains in Kenya, which connects them to potential sources of funding, and is enabled by a policy and an investment roadmap to address vulnerabilities and increase sustainability, employment and income.

To contribute to this process, FAO entered into an eight-month partnership agreement with We Effect Regional Office of Eastern Africa, given We Effect's commitment and track record of support to local partners in the region that are working on forestry value chain development and improving livelihoods (www.weeffect.org).

2.0 General Objective of the agreement / Project

The main objective of this initiative is to elaborate an action-oriented strategy for motivating investments in the forest sector, strengthen the inclusiveness and sustainability of forest value chains, and improve access to finance by Farm Forestry Partner Organisations (FFPOs) and Small and Medium Enterprises (SMEs).

2.1 Expected Outputs from the Initiative/ Project

It is expected that, at the end of the eight months, the following outputs will have been delivered;

- An assessment of existing analyses of forest value chains in Kenya, with identification of main opportunities and obstacles to their development and their main contributions to SDGs;
- A mapping of financing sources/initiatives that are targeting smallholder producers and SMEs;
- Based on the value chain assessment and mapping of financing sources, a draft with specific recommendations for vulnerable groups to expand their access to finance
- A draft action-oriented strategy to catalyse investments in, improve coordination within, and scale up, sustainable forest value chains in Kenya
- A detailed proposal to mobilize funding for a national forest expo/SW4SW dialogue/investment forum

2.2 Specific objectives of the consultancy

This consultancy focuses on the second of the bullet points above: Undertake a mapping of financing sources/initiatives that are targeting smallholder producers and SMEs.

The purpose of the mapping of financing sources/initiatives is to inform smallholder producers and SMEs about potential sources of funding, their products and level of funding, the modalities for accessing funding, the criteria used to make the funding allocation decisions, the funding cycles/timelines, and key contacts.

This assessment will also inform the development of a draft action-oriented strategy to catalyse investments in, improve coordination within, and scale up, sustainable forest value chains in Kenya (to be developed in a separate consultancy).

3.0 Scope of work

3.1 Mapping of financial Services Institutions

The mapping will include financial services institutions (e.g., Equity bank, KUSSCO), impact funds (e.g. Gatsby), social enterprises (e.g. Komaza), projects and programs (e.g., Oikocredit, the GEF-funded restoration initiative), NGOs and foundations (e.g. TNC ATF, CI ventures, WWF reforestation grants), incubators and accelerators (e.g. Nature Accelerator and Land Accelerator), mentorship programs (e.g. the one planned by TRI), Fintechs, and forest products merchants and intermediaries who, for example, finance smallholders through advance payments. The mapping will be prepared with smallholder producers, their organizations, and SMEs in mind and provide guidance on requirements and modalities to access finance.

The map/stocktaking will be summarized in a short document, using a template that will be agreed upon with We Effect with inputs from FAO. It will be prepared based on existing literature (PPTs, websites, white papers, brochures, etc.), interviews with key informants, and feedback from consultations with financing sources and initiatives. It will include a brief description of key players, their products and business models, and lessons learned from past and ongoing effort to support and finance smallholders and SMEs.

The document/mapping exercise will also summarize recommendations about policies instruments (e.g., incentives), gender considerations, and capacity development needs that emerged from the literature review and consultations with financing sources and initiatives.

Vulnerable groups identified in the assessment process will be documented and recommendations made on how to enhance access to finance by such groups. The consultant will draft a very short set of actionable recommendations that specifically address the needs of vulnerable groups to expand their access to finance. In drafting these recommendations, the consultant will describe how these recommendations address the vulnerabilities identified in the recent value chain assessment carried out by CENAREMA.

3.2 Methodology

The consultant will carry out an initial inventory of potential sources of funding for smallholders and SMEs, their products and level of funding, the modalities for accessing funding, the criteria used to make the funding allocation decisions, the

funding cycles/timelines, and key contacts. The mapping will initially build on materials provided by We Effect and FAO, to be augmented with further materials and interviews with key informants. A questionnaire to gather and organize the information will require to be developed together with inputs and approval from We Effect and FAO.

Two workshops will be organized: one to share earlier findings and also to gather information and feedback; The other to present and discuss the final draft of the mapping. The workshops will be organized using an hybrid modality (partly virtual and partly virtual/online), or fully online if the COVID-19 situation will not allow for physical participation.

Based on this brief background and objectives the consultant will be given the opportunity to elaborate a suitable methodology which must be participatory beyond what is presented in this section.

4.0 Roles of the Consultant

The consultant(s) will be expected to perform the following tasks;

4.1 Phase i: Pre-assessment

- i. Prepare and present an inception report detailing how they will undertake the assessment and build on the same to develop a draft strategy including a work plan
- ii. Propose an initial list of key relevant stakeholders/actors (in inception report) to be interviewed/ contacted for interviews. We Effect and FAO will contribute further suggestions, if needed
- iii. Design the draft assessment tool/ questionnaire for review by We Effect and FAO
- iv. Hold a briefing session with We Effect and FAO responsible officers to agree on timelines and execution of the process

4.2 Phase ii: Documentation

- v. Contact stakeholders and relevant actors for the assessment (online or physical depending on required information)
- vi. Engage with groups that support vulnerable/ minority groups to get their perspective
- vii. Make inputs on who needs to participate in dissemination and information gathering workshops
- viii. Facilitate information gathering and feedback workshops (We Effect will coordinate the logistics of the workshops)**
- ix. Consolidate the collected information into a report covering the assessment findings

- x. Submit a draft report to We Effect for review by We Effect and FAO
- xi. Submit a final report and strategy for approval

5.0 Deliverables

- i. An inception proposal which responds to the scope of work clarifying methodology, execution process and work plan
- ii. A comprehensive draft report detailing methods applied, stakeholders contacted, materials reviewed, and participatory methods applied. Beyond the standard components of a report, it will include a bibliography, annexures of lists of key informants, workshop participants, interviewees etc and their contacts
- iii. An annotated outline for a strategy to catalyse investments in, improve coordination within, and scale up, sustainable forest value chains in Kenya, for review
- iv. Power point slides/ presentation templates that will be used to share the findings and recommendations
- v. A final report incorporating comments made by stakeholders in the feedback workshop and by We Effect and FAO focal persons
- vi. Final copy of action-oriented strategy incorporating inputs from stakeholders and reviewers

6.0 Timeframe

The successful consultants will be expected to start working in the first week of February 2021 and all works must have been completed by end of March 2021. The consultant will suggest reasonable and competitive number of days to undertake the exercise which will be a key basis for analysis of bids.

7.0 Skills and experience Education

At least a basic degree in Agricultural or Forest studies, Cooperative development, Development studies, Social sciences or any other relevant degree. Experience in value chain finance, rural finance, forest finance or related discipline.

7.1 Required Experience and Skills

- i. Demonstrated expertise in rural finance, value chain finance, forest finance or related discipline
- ii. At least 7 years' research/ consultancy experience in the agricultural, forestry, small holder farmers value chains
- iii. Excellent knowledge and understanding of the forestry sector in Kenya, including its policy/regulatory environment
- iv. Experience in carrying out similar exercises before and knowledge of the relevant stakeholders (public agencies, private sector, NGOs)

- v. Good analytical skills and open minded with the ability to see issues of interest beyond the printed scope of work outlined in this TOR and make appropriate recommendations
- vi. Excellent communication skills (spoken and written English)
- vii. An understanding of the East Africa regional context for forestry an advantage

8.0 How to bid for this assignment

Interested and suitably qualified consultants shall send their bids by e-mail (a narrative proposal responding to the TOR objectives and deliverables and a technical finance quote) by **22nd January 2021 1800 EAT** to easternafrika@weeffect.org copying maina.gakuru@weeffect.org; Philip.Kisoyan@fao.org. Quote “**Forestry financing assessment**” as the subject in your e-mail.

The proposal shall include the following:

- i. Consultants profile – Current CV detailing recent / past similar assignments
- ii. Understanding of the assignment by the consultant
- iii. Proposed methodology and approach including work plan
- iv. Financial quote in USD well detailed including daily rate and number of days
- v. Annexes: Any other information, which the consultant feels will assist the review team in evaluating the proposal

Note: It is highly encouraged for a consultant **to bid for only one of the two consultancies** (Value chain mapping assessment and financing assessment) which will be going on concurrently.