

CALL FOR REQUESTS FOR BUSINESS DEVELOPMENT ASSISTANCE FROM AGRICULTURAL FINANCIAL SERVICE PROVIDERS

Kenya Feed the Future – Crops and Dairy Market Systems Activity (KCDMS)

Issue Date: May 1, 2019

Submission Deadline: Open

Program Background:

The USAID funded Kenya Crops and Dairy Market Systems (KCDMS) Activity is a program under Feed the Future (FtF) initiative implemented by RTI International. It is operational in 12 counties including; **Kitui, Makueni, Taita Taveta, Homa Bay, Migori, Kisii, Kisumu, Siaya, Kakamega, Bungoma, Busia and Vihiga** and designed to support value chain actors in dairy, fodder/feeds, and horticulture (mango, passion fruit, avocado, banana, pineapple, and sweet potato) and improve Kenya's agricultural landscape in a sustainable manner. The long-term objective is to contribute to increasing agricultural productivity and thereby enhancing food security as well as creating income and employment opportunities especially for the rural population. The Activity intends to contribute to the growth of investments by agribusinesses (Large & MSMES) and producers active in agricultural value chains through a range of de-risking and innovative capital supply expansion interventions. KCDMS is working with market actors to bridge the gap between supply and demand of various forms of capital through market systems-based pathways. Partnerships and collaborations with financial service providers, technology firms and other enablers is a principal avenue to achieve these objectives.

Agriculture Finance:

Agriculture is the principal source of rural income in Kenya and is therefore highly relevant for wealth creation and poverty reduction. Despite its great potential to drive economic transformation leading to high quality of life for all its citizens, the agricultural sector is characterized by low intensification and diversification of agricultural chains to higher value due to limited investment. Finance is a key enabler of this potential and to foster such investments, access to financial capital targeted at the specific needs of different actors along the agricultural value chains is crucial. Yet, despite a vibrant financial sector in Kenya, high demand for agricultural finance remains largely unmet. Small holder producers and SME agribusinesses have historically been constrained by the real and perceived risks, leading to depressed investments in the agriculture sector at the production and market levels.

Reasons for the insufficient supply and demand of agricultural finance are manifold. They include high perceived risks associated with agricultural lending, weak agriculture value chain structures, borrower characteristics, collateral, information asymmetry, dispersed demand leading to high costs and limited knowledge in this market segment, as well as lack of affordable refinancing for financial institutions targeted at the agricultural value chains. Despite these constraints Agricultural financing offers tremendous growth horizons for the financing sector. Sustainable financing to this sector, however, must be linked to an understanding for the different risks associated with the value chain and methods of mitigating these risks.

Call for Requests for BDS Support:

Through its Partnership and Innovation Fund (PIF), **the KCDMS Activity is seeking to engage agricultural financial services actors (Microfinance Institutions, Credit Only MFIs, SACCOs, Insurance Companies and financial technology firms)** with an objective

of increasing financing and stimulating demand for finance in the agriculture sector in the specified counties. BDS support can be requested in, but not limited to, the following areas:

- i. Rural and agriculture finance products development and/or refinement
- ii. Commercialization of agriculture focused products and services
- iii. Development and implementation of agriculture lending strategies, new operational models and systems that support rural and agricultural finance
- iv. Training and capacity development in agricultural finance/credit risk management and agricultural portfolio management
- v. Feasibility studies for geographical operations scale in the counties specified
- vi. Scaling out of digital finance and rural/agricultural credit processes enhancing technologies
- vii. Innovations and scale of agricultural insurance as linked to agricultural credit.

KCDMS is therefore inviting **requests for assistance/problem statements from agricultural finance organizations requiring BDS support.** Interested institutions should propose interventions that will enhance their capacity to promote rural access to finance and financial inclusion within the KCDMS targeted counties and value chains listed below.

Counties: Kitui, Makueni, Taita Taveta, Homa Bay, Migori, Kisii, Kisumu, Siaya, Kakamega, Bungoma, Busia and Vihiga

Value chains: dairy, fodder/feeds, and horticulture (mango, passion fruit, avocado, banana, pineapple, sweet potato and African Leafy Vegetables).

All applicants must have prior experience in agriculture and rural finance for at least five years and proposals should highlight how the proposed business development support will expand agricultural credit access.

Prospective partner's will be expected to make a **25% cash contribution** towards the cost of the BDS. The partner will be directly involved in:

- Finalization of the Scope of Work
- Review of bids by service providers provided by KCDMS and/or by applicant
- Selection of service provider
- Negotiation of final budget and deliverables with the BDS provider,
- Approval of all deliverables required under the BDS scope of work attached to the contract.

Partner applications will be evaluated on the likely sustainability of their model, number of beneficiaries to be reached, volume of projected agricultural credit and value for money. Demonstrable capacity to empower women and youth will be an added advantage. Successful concepts will be invited to participate in development of the Scope of Work for the proposed BDS support.

Submission Guidelines:

Annex A-***Access to Finance Technical Assistance Concepts Form*** should be completed and submitted electronically to APS2019@kcdmsd.rti.org and copied to jkimotho@kcdmsd.rti.org with **KCDMS Access to Finance** in the subject line reference. The concepts should be written in the English language and not exceed five (5) pages (excluding cover page, executive summary and annexes).

This is an open call. Concepts will be accepted and considered on a first come first served basis and on a rolling basis, subject to availability of funds.