



TERMS OF REFERENCE AND SCOPE OF SERVICES

KENYA JOBS AND ECONOMIC TRANSFORMATION PROJECT (KJET)

(P179381)

COMPONENT 2: ENHANCING MSME CLUSTER COMPETITIVENESS

**TERMS OF REFERENCE (TOR) FOR THE DEVELOPMENT OF A LEGAL
FRAMEWORK FOR CO-INVESTMENT IN MSME CLUSTERS**

JANUARY 2025

1. PROJECT BACKGROUND

The Kenya Jobs and Economic Transformation (KJET) Project is a World Bank funded project whose project development objective is to increase private sector investments, access to markets and sustainable finance to create and improve jobs. The project targets to create and improve productivity of select MSME clusters based on priority value chains envisioned under the Bottom-up Economic Transformation Agenda (BETA). The specific goals of the project are:

- i. Enhancing inclusive, high quality, resilient and sustainable job creation
- ii. Strengthening business and investment environment.
- iii. Strengthen competitiveness & build capacity of MSME clusters.
- iv. Enhance market access for MSMEs.
- v. Scaling up green MSME Financing.

The project will be implemented in four components, which are:

- i. Component 1: Strengthening Business and Investment Enabling Reforms
- ii. Component 2: Enhancing MSME Cluster Competitiveness
- iii. Component 3: Scaling Up Green Financing and Strengthening Climatic Resilience for SMEs
- iv. Component 4: Project Management, Monitoring and Evaluation

The Micro and Small Enterprises Authority (MSEA) is responsible for implementation of Component 2 of the Project on Enhancing MSME Cluster Competitiveness. This component will target market failures that constrain linkages between MSMEs and downstream buyers and MSME firm capabilities. It will support capacity-building for the Government of Kenya (GoK) on MSME-centric cluster development as well as business development services and co-investment in machinery and equipment for organized local clusters of MSMEs.

These activities will enhance the market access, linkages, and capabilities of MSMEs, in turn contributing to higher revenue, productivity, and job generation. This component will leverage, align with, and expand existing GoK initiatives for MSME support such as Constituency Industrial Development Centers (CIDs).

2. OBJECTIVE OF THE ASSIGNMENT

The project through Component 2 will support MSME Clusters (Associations and Cooperatives) through provision of Business Development Services (BDS) as well as co-investment in viable MSME Cluster economic activities.

Investment Support provides MSME clusters with patient growth capital, to help enterprises that need more time to execute their growth and expansion plans as well

as access common user equipment to enhance their productivity. The ultimate goal of this endeavor to create new jobs as well as enhance the quality of the existing jobs.

In this endeavor, the project will co-invest up to 70% of the required capital for access of machinery whereas the selected MSME cluster will raise up to 30% upfront. Selected MSME Clusters for co-investment support need to have undergone Business Development Services (BDS) training prior to receiving any form of co-investment.

This purpose of this consultancy is to develop a legal and strategic framework that guides the co-investment of MSME Clusters under the project to ensure sustainability of the finances, targeted support to viable ventures and guide the co-investment decisions.

This should be completed with a period of 3 months from the award of the Consultancy. Interested firms should provide information demonstrating that they have the required qualifications and relevant experience to perform the exercise.

3. SCOPE OF WORK

The scope of work for the development of the legal and strategic framework for co-investment includes but is not limited to:

- i. Development of an eligibility criteria for the MSME Clusters in accordance with the parameters set out by the Authority;
- ii. Establishment of the co-investment financial threshold per MSME cluster in accordance with the parameters set out by the Authority;
- iii. Development of the conditions that inform any form of co-investment in accordance with the parameters set out by the Authority;
- iv. Development of an evaluation mechanism (with a scoring matrix) for selection of beneficiaries for Co-Investment support;
- v. Development of potential repayment structures for the co-investment funds by the project;
- vi. Development of a guide for funds disbursement;
- vii. Development of sustainability structures for the funds utilized for co-investment;
- viii. Develop guidelines on the ownership structure of the co-invested equipment;
- ix. Development of legal guidelines to aid in the contract formulation;
- x. Outline legal basis for the Authority's co-investment in the MSME clusters;
- xi. Develop a comprehensive risk management framework, outlining how risks will be identified, monitored, and mitigated within the investment portfolio.
- xii. Develop a consumer protection guideline that will address risks to MSE clusters, fair treatment and business conduct aspects addressed as part of the product design, disclosure and transparency, and dispute recourse/redress arrangements.

- xiii. Outline the Financial Consumer Protection stipulations applicable in regards to the existing laws of the Republic of Kenya;
- xiv. Benchmark against international best practices for similar co-investment models in other developing economies.

4. MSEA's OBLIGATIONS

The Authority shall;

- i. Provide relevant project information to aid the understanding of the vision for the co-investment model;
- ii. Advise improvements to the legal and strategic content based on the experiences, feedback and international evidence;
- iii. Review and provide feedback for modification of the framework;
- iv. Organise workshops to share findings and progress of the framework;
- v. Review and approve submitted reports/framework;

5. DELIVERABLES /SPECIFIC OUTPUTS EXPECTED FROM CONSULTANT

- i. Co-Investment Assessment Report: A report outlining and identifying co-investment scope, objectives, risk tolerance, and investment horizon.
- ii. Draft Co-Investment Strategic Framework: A document detailing the proposed co-investment strategy, including criteria, assessment, asset allocation and risk management.
- iii. Draft Co-Investment Legal Framework: A comprehensive draft co-investment legal framework/policy for review and feedback by all the relevant stakeholders.
- iv. Final Co-Investment Strategy and Legal Framework: A finalized version of the co-investment legal framework/policy, incorporating stakeholder feedback and ready for approval by the Authority and the World Bank.

6. SELECTION CRITERIA

The application submitted by the consultancy firm must clearly reflect the ability of having the technical skills and proven experience in development of a legal and strategic framework that guides the co-investment of MSME Clusters to complete this consultancy.

The firm must have:

- a) Expert (s) with at least 7 years of experience in investment management, with a focus on investing in MSEs. Applicants shall provide at least 3 references;
- b) Expert (s) with a Master's degree in Law, Finance, Business Administration, Economics, Public Policy, or a related field such as International

- Development, Investment Management, or Corporate Governance, with preference given to candidates with specializations in commercial law, financial regulations, investment management, or economic development;
- c) Proven track record of having undertaken at least two (2) assignments of a similar nature;
 - d) Proven experience in developing investment strategy;
 - e) Proven experience in developing Legal Frameworks;
 - f) Familiarity with financial risk management and performance evaluation;
 - g) Recent experience working with International Development Agencies;
 - h) Demonstrate an understanding of technology adoption for innovativeness and creativity;
 - i) Prior experience working in the Kenyan context;
 - j) Excellent communication, analytical, and interpersonal skills; and,
 - k) Proficiency in written and spoken English and Swahili.

7. LOCATION

The assignment will be carried out in Kenya specifically in Nairobi County.

8. TIME FRAME AND DURATION

The firm will be engaged for a period of 3 months. The assignment will commence immediately upon contract is signing.

9. REPORTING

The firm will report to the Director General/Chief Executive Officer of the Micro and Small Enterprises Authority.