



Terms of Reference for Small and Medium Enterprises (SME) Policy Index Study in Kenya

PURPOSE OF THE TERMS OF REFERENCE

The purpose of this 'Terms of Reference' is to provide guiding principles for the engagement of a consultant or firm in undertaking an SME policy Index study in Kenya.

BACKGROUND

The Kenya Private Sector Alliance (KEPSA) is the apex body of the private sector in Kenya, established to drive economic development through year on year improvements in the business environment, by addressing cross cutting business issues, driving investments and addressing socio-economic issues with partners. KEPSA brings together business associations, corporate bodies, Small and Medium Enterprises (SMEs) and start-ups to speak in one voice, working closely with Government and other stakeholders through structured Public Private Dialogue (PPD) platforms and other engagement mechanisms.

In Kenya, the Small and Medium Enterprises (SMEs) contribute approximately 40% of the GDP with the majority falling in the informal sector. SMEs in Kenya are engines of economic growth and development, research suggests that SMEs account for over 90% of firms in Kenya who create approximately 85% of jobs. Development of this sector is therefore central to realization of national development goals anchored in the Kenya Vision 2030. The sector is particularly important for providing job and income opportunities for economically excluded segments of the population including youth, women, persons with disabilities and low-skilled persons, who experience disproportionately high unemployment.

Despite past and existing policy interventions, there are some persistent challenges and emerging issues impeding development of the sector. These challenges include those related to skills, access to affordable finance, access to markets, obsolete technology, policy lacuna focusing on the ecosystems for start-ups, regulatory environment and institutional coordination.

CONTEXT OF SME POLICY INDEX

The SME Policy Index is a benchmarking tool designed to assess SME policy frameworks in emerging economies and monitor progress in policy implementation over time. The Index was developed in 2006 by the OECD in partnership with the European Commission, the European Bank for Reconstruction and Development (EBRD), and the European Training Foundation (ETF).

Since then, the tool has been applied to several regions including Kenya for the first time in 2019. The assessment framework is structured around the ten principles, providing a wide-range of pro-enterprise measures to guide the design and implementation of SME policies based on good practices.

The SME Policy Index is designed to assess policy frameworks and monitor progress in policy implementation over time. The index is intended to be used as a monitoring tool, an instrument for facilitating policy dialogue, programme coordination and to promote good practices in the country. The index will enable stakeholders to systematically and analytically assess the SME policy space while identifying gaps in both policy development and implementation. The SME Policy Index also meant to guide in comparison with global benchmarks and across countries in the world. The index is further intended to support the government in setting targets for SME policy development by identifying strategic priorities for improving the business environment to stimulate the growth of SMEs and the entire economy. In this manner, the index provides a basis for engaging the government in policy dialogue and exchange of good practices.

The Index assesses the following policy dimensions:

1. Education and training for entrepreneurship
2. Cheaper and faster start-up
3. Better legislation and regulation
4. Availability of skills
5. Improving online access for tax filing and company registration
6. Getting more out of the Single Market
7. Taxation and financial matters
8. Strengthening the technological capacity of small enterprises
9. Successful e-business models and top-class business support
10. Developing stronger, more effective representation of small enterprises

OBJECTIVES OF THE SME POLICY INDEX STUDY

The main objective of the SME Policy Index study is to assess, gauge, and rank the Kenyan SME regulatory environment with regards to SME facilitation and growth.

The selected consultant will thus be expected to undertake all aspects of preparation of data collection tools, data collection and conduct data analysis against the purpose and objectives of the study.

Specifically, the study will seek to;

1. Develop a comprehensive policy assessment tool to assess SME policy frameworks taking into consideration of the previous tool.
2. Outline recommendations that are highly necessary for SME development across the policy space, legislation, regulations, programmes, and SME support systems.
3. Identify local and international best practices in facilitating SME growth
4. Compare the change in SME sector growth and contribution to the economy at both local and international level

METHODOLOGY

Based on the proposed methodology, the consultants shall develop an assessment framework structured with specific measures and indices covering a wide-range of pro-enterprise measures that guide the design and implementation of SME policies in Kenya. This exercise may involve borrowing from successful good practices promoted elsewhere in the world. As much as possible, the proposed methodology shall consider the context and regulatory environment of Kenya. In this case, the elements of the index to be proposed may be aligned, but not limited, to those proposed in the overleaf pages.

Using these Terms of Reference, the consultant will prepare a proposal on how they intend to conduct the study. The consultant will be expected to propose and design a suitable methodology for gathering information and delivering anticipated results. This is a social study and both qualitative and quantitative data will be generated.

MAIN TASKS AND RESPONSIBILITIES

A. Consultant's Role

1. Undertake secondary data review on the subject of the study;
2. Submit an inception report which will detail the tasks and methodologies which will be used in the study;
3. Develop and pilot data collection instruments (both qualitative and quantitative) for gathering required information;

4. Prepare a sampling and data collection plan for the study. The Consultant in consultation with KEPSA team will propose a robust plan with all demographic's consideration.
5. Recruit and train the team that may be engaged and ensure quality of data collected;
6. Data collection (face-to-face, online or telephone data collection), data entry, data cleaning and analysis of the study data. The raw and cleaned data set shall be availed to KEPSA in a suitable analytical package;
7. Submit a draft study report to KEPSA for review and approval;
8. Present the report to various stakeholders for validation and input; and
9. Submit the final report to KEPSA.

B. KEPSA's Role

1. Agree on the reporting formats with the consultant (Inception Report, Draft and Final Report formats);
2. Provide relevant reports/information that may be requested by the Consultant for the purposes of the study; and
3. Reviewing and validating the reports submitted at every stage of the study.

DELIVERABLES FOR THE CONSULTANT

Deliverables under this consultancy will include the following:

1. An **inception report** in a format to be provided showing how the consultant seeks to undertake the study with proposed thematic areas and indices for SME Policy Index. The report will include a clear methodology and data collection tools, analysis plan and a detailed work plan, sampling and data collection plan;
2. **Draft interim report** of the study for review and input by KEPSA team; Pre – testing report with results of the field pilot test including the revised study questionnaire for approval and acceptance by KEPSA and Raw and clean data sets, output files submitted to KEPSA in a format readable by common statistical software e.g. SPSS, Stata e.tc and exported to Excel file as well;
3. **Final study report.** The acceptable final study report shall incorporate input from the KEPSA and other stakeholders after validation with key stakeholders and a Policy Brief drawn from the main report, targeted at the Kenyan Ministries Department and Agencies (MDAs), private sector, development partners and other stakeholders on the findings and key recommendations. The report shall be submitted in both soft and hard copies.

DURATION AND TIME

The entire assignment including preparation of the study tools and protocols, recruitment and training of data collectors, field work, analysis of data and report writing is estimated to last up to 60 working days. The exercise is tentatively planned to commence in August 2023.

SUBMISSION OF PROPOSAL:

a) Technical:

1. Profile of the consulting firm and capability statement;
2. Experience of the firm/consultant in carrying similar assignment;
3. Consultant understanding of the TORs;
4. Qualifications and experience of key individual consultants to be involved in this assignment;
5. Proposed detailed methodology to undertake this assignment including data sampling and quality assurance mechanisms;
6. Proposed work plan;
7. Team/staff structure to deliver this assignment; and
8. List of organizations (at least three) and type of work for which the consultant has delivered similar assignments in the last 5 years.

Copies of documents to be attached:

1. Company PIN certificate;
2. Current KRA Tax compliance certificate;
3. CV's of the key consultants who would be part of the consultancy team; CVs must not be more than 4 pages.
4. Letters of recommendations/testimonials from at least three previous clients.

b) Financial:

The financial proposal should be adequately detailed covering both the consultancy/professional fee and all other costs required to undertake the study including all taxes.

PAYMENT SCHEDULE

Fees shall be paid in three tranches, 30% due after submission of approved Inception Report; 30% after delivery of acceptable Draft 1 of the main study report and 40% after delivery of the Final Reports with complete annexes and a Policy Brief acceptable to KEPSA.

REQUIRED QUALIFICATIONS

The Lead Consultant shall possess the following qualifications:

- The consultant should have advanced studies in development studies, social sciences or other relevant technical areas;
- Have experience in policy themes for SMEs: Entrepreneurship, market access & internationalization, access to finance, productivity and competitiveness enhancements; & Sectoral Policies;
- Minimum of 10 years of professional experience in conducting socio-economic assessments and working with the private sector;
- Desirable experiences in areas such as: business services development, public policy analysis, Regulatory Impact Assessments development in various socio-economic fields;
- Deeper knowledge of the Kenya country development processes; knowledge of SME development landscape in Kenya including policies, laws, regulations, and programs towards SME development;
- Knowledge of dynamics in women and youth economic empowerment or business support initiatives;
- Demonstrable experience with participatory methodologies and empowerment practices;
- Prospective consultant should have strong background and proven experience in developing similar indices in related areas;
- Excellent ability to communicate (written and oral) clearly and effectively;
- Demonstrate capacity to mobilize team to undertake the assignment;
- Strong written and oral communication, supervision, and excellent interpersonal skills;
- Team composition will be assessed on relevance to the assigned roles in the assignment. The team should include strong capacity in data collection, analysis and reporting; and proficiency in analytical packages such as, SPSS, CPro, STATA, and SAS e.t.c.

PREFERRED QUALIFICATIONS

The lead consultant is preferred to have the following qualifications:

- Experience in carrying studies of similar nature
- Experience working with Private Sector companies and business Associations
- Strong background in Development, Social Studies or related fields
- Strong interpersonal skills and a team-oriented spirit.

HOW TO APPLY

Interested consultants should send a proposal containing both technical and financial proposal. The technical proposal should include consultant's understanding of the TORs, methodology, and work plan and activity schedule. The summary CV's of the key consultant(s) and a sample of at

least 3 recent relevant reports should be included as annexes. The financial report should include professional fees, taxes and all other expenses required to undertake the study.

The Proposal should be emailed to: procurement@kepsa.or.ke not later than **07th July 2023**.