
ASSESSMENT OF SME POLICY & REGULATORY ENVIRONMENT AND DEVELOPMENT OF KENYA'S SME POLICY INDEX

REQUEST FOR CONSULTANCY PROPOSALS

AUGUST 2017



BACKGROUND OF KRISP & SME POLICY INDEXING

- During the 6th Presidential Roundtable (PRT) in May 2016, KEPSA presented a programme proposal on SME and Entrepreneurship Development in Kenya. The Initiative dubbed “Kenya Rising Star and Scale-Up Programme (KRISP)” was endorsed by the President and its results/impacts are to be reported in subsequent PRTs.
- KRISP underscores the fundamental role that micro, small and medium-sized enterprises (SMEs) and start-ups have in society and in the economy in providing jobs, income and livelihood sources, and goods and services for all segments of the population. The SMEs play a significant role in increasing a country’s productivity and competitiveness: the more innovative and high-performance SMEs bring new products and services to the markets; they introduce more efficient ways of doing things; they create competitive pressure on incumbents; and they also create linkages and integration with national and global value chains, for instance by providing goods and services to other firms including large and multinational companies.
- KEPSA designed the KRISP with a **developmental objective** to: foster development of a resilient Kenyan economy by supporting SME development, nurturing entrepreneurial culture and expanding opportunities for wealth and employment creation. The **specific objectives** of KRISP are: to increase business formation; expand the number of home-grown globally competitive SMEs; expand the number of high-growth and innovative SMEs; enhance productivity of Kenyan SMEs; and intensify SMEs formalization in Kenya.
- To achieve these objectives, KRISP directly seeks to improve the policy and regulatory environment to deliberately spur SME development and entrepreneurship in Kenya. For this reason, KEPSA seeks to undertake an **SME Policy Index Study** to gauge and rank the Kenyan policy environment for SME facilitation and growth.

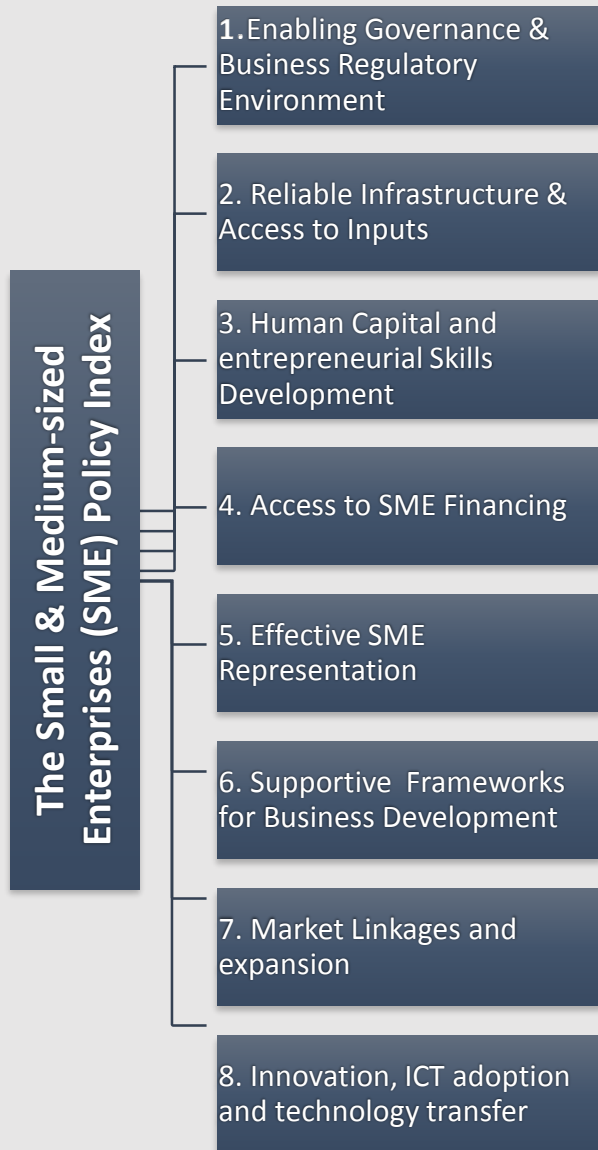
OBJECTIVES OF THE SME POLICY INDEX STUDY

- The primary 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 specific objectives of the study are to:
 - facilitate development of a comprehensive policy assessment tool to assess SME policy frameworks on a regular basis;
 - outlining recommendations that are highly necessary to support SME development across the policy space, legislation, regulations, programmes and SME support systems;
 - identify local and international best practices in facilitating SMEs growth; and,
 - achieve year-on-year increase in SME's growth and contribution to the economy.

METHODOLOGY OF THE SME POLICY INDEX STUDY.

- The proposed methodology of this study is based on the ‘SME Policy Index’ methodology developed by the OECD in partnership with the European Commission, the European Bank for Reconstruction and Development (EBRD), and the European Training Foundation (ETF).
- This methodology has been applied in several Eastern European countries since 2006. It was revised in 2014 and applied in several country/regional studies with modifications based on peculiarities and contexts of the different countries/regions.
- 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 take into account 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.

METHODOLOGY OF THE SME POLICY INDEX STUDY..



Dimensions and Measures of the Indices:

- ⇒ The study proposes an assessment framework with eight dimensions of SME Policy Index.
- ⇒ The consultants will be expected to define each of these dimensions with respect to SME development and propose their measures.
- ⇒ For each measure, the consultants will define/provide an indicator of assessment.

The indicators:

- ⇒ The proposed indicators must be relevant, measurable and shall be defined at the level of each of the measures identified. They must be observable and verifiable.
- ⇒ Cross-section of stakeholders will need to be involved in the design of the indicators to seek shared view and ownership.
- ⇒ The indicators so defined must not be too general, but also not too detailed, noting that this is a difficult balancing exercise.

The policy steps to be proposed/recommended:

- ⇒ Must be calibrated on the policy development spectrum in Kenya.
- ⇒ Must be time-bound and capable of improving the different indices that shall have been assessed.
- ⇒ Must carry a greater potential to improve the friendliness of the policy environment for SME development and scale-up in Kenya.

SCOPE OF THE ASSIGNMENT.

To achieve the objective of this assignment, the consultants will be required to—

- a) Provide the most updated literature review (maximum 10 pages) of the status and roles of SMEs in Kenya's economy, SMEs structure in Kenya, definition of SMEs, its nature, contribution to GDP, job creation, government revenue, exports, and share in (and uptake of) government procurement.
- b) Carry out a study and prepare a report (maximum 50 pages) on the status of Kenya's SME policy and regulatory environment. This assessment shall highlight/provide the following:
 - The historical development of Kenya's SME Policies and instruments.
 - The current policies, legislations, regulations, programs and instruments oriented towards SMEs development.
 - The extent or ways the above have facilitated or deterred SMEs growth in Kenya.
 - The breadth of SME development instruments covering but not limited to financial support, management support, mentorships, technology development, IPR, HRM, market development and information dissemination.
 - The implementation system and effectiveness thereof SME policies in Kenya, highlighting the organization structure of SME Agency and the roles of other agencies responsible in the space of SME development in Kenya.
- c) Based on the proposed SME Policy Index methodology, develop a framework tool for assessing and rating the overall friendliness of Kenya's policy and regulatory environment for SMEs across the proposed and well-defined dimensions, measures and indicators. Develop appropriate survey tool, roll it out and produce the SME Policy Index across the proposed measures (annex all details of the survey).

SCOPE OF THE ASSIGNMENT..

d) Based on the above assessments:

- Discuss the key successes areas of SME development and key challenges faced by SMEs on their path towards growth and scale-up agenda.
- List and discuss gaps in promoting and facilitating SME development in Kenya and reasons for the identified gaps.
- Discuss the current productivity gaps in the performance of SMEs in Kenya (where possible provide case studies in different sectors);
- Analyze the role of and propose ways in which economic diplomacy could be applied as a tool for promoting SME development in Kenya.
- Identify and discuss key interventionist policies, regulations and practice changes that may be pursued to accelerate SME development and entrepreneurship growth in Kenya.

e) Organize and facilitate the following meetings: inception report and methodology validation meeting; stakeholder review of Draft Report; and validation meeting of the final report.

f) Prepare and share with KEPSA the full report on SME Policy Index Study and a separate Policy Brief containing key recommendations for Policy Makers, Private Sector and Development Partners.

MAIN OUTPUTS OF THE CONSULTANCY

- a) An Inception Report with an approved methodology, proposed thematic areas and indices for SME Policy Index.
- b) Data collection tool/Questionnaire.
- c) An up-to-date analytical and status report based on assignment scope #(b) above.
- d) Draft report of the assignment.
- e) Final report of the consultancy.
- f) A report on validation of the findings of the consultancy following a national stakeholders' meeting.
- g) A Policy Brief drawn from the main report, targeted at the Kenyan MDAs, private sector, development partners and other stakeholders on the findings and key recommendations.

TIMEFRAME/DURATION OF THE CONSULTANCY

- This contract is valid for a period of 60 days from the time it is commissioned. The consultants should work towards timely submission of the final outputs and closure within this period.

BUDGET

- ⇒ Bidders are to submit together with their technical proposal a separate financial proposal.
- ⇒ NB: Fees shall be paid in three tranches, 30% due after submission of approved Inception Report; 30% after delivery of acceptable Draft I of the main study report and 40% after delivery of the Final Reports with complete annexes and a Policy Brief acceptable to KEPSA.

WHICH CONSULTANTS ARE WE LOOKING FOR?

- a) Prospective candidates should have strong background and proven experience in developing similar indices in related areas.
- b) Have capacity building experience on special policy themes for SMEs: Entrepreneurship, market access & internationalization, access to finance, productivity and competitiveness enhancements; & Sectoral Policies.
- c) Preferably, a Consortium of key individuals with an advanced degree in the relevant field and each to have a minimum of 10 years of professional experience in the relevant fields of this assignment.
- d) Desirable experiences in areas such as: business services development, public policy analysis, Regulatory Impact Assessments development in various socio-economic fields.
- e) Deeper knowledge of the Kenya country development processes; knowledge of SME development landscape in Kenya including policies, laws, regulations, and programs towards SME development.
- f) Demonstrable experience with participatory methodologies and empowerment practices.
- g) Excellent ability to communicate (written and oral) clearly and effectively.
- h) Demonstrate capacity to mobilize team to undertake the assignment
- i) Strong written and oral communication, supervision, and excellent interpersonal skills.
- j) Team composition will be assessed on relevance to the assigned roles in the assignment.

HOW TO APPLY FOR THIS ASSIGNMENT

- ⇒ KEPSA invites all interested and qualified bidders to submit a separate technical proposal as the financial proposal.
- ⇒ The technical proposal must be concise but shall include the following: a resume, a demonstration of understanding of the assignment, methodology, approach to carrying out the study, activities, duration, work-plan, proposed report outline, background of the consultants and proposed team.
- ⇒ CVs must not be more than 4 pages (font size 12).
- ⇒ To apply, please send your CV with a summary note of your skills and experience to research@kepsa.or.ke.
- ⇒ Candidates should state the assignment in the subject header as: **Expression of Interest for SME Policy Index Assignment.**
- ⇒ Closing date for applications is **12th September 2017** COB and the successful consultants will be engaged by **19th September 2017**. Applications will be reviewed on a rolling basis and therefore early application is advised.
- ⇒ Only shortlisted applicants will be contacted for an interview.
- ⇒ For any clarifications, kindly send an email to research@kepsa.or.ke with Subject line Clarification on SME Policy Index Assignment not later than three days to the stated deadline for submissions.