
**Kenya Country Programme
2016–2020**

**Thematic Programme for
Green Growth and Employment**

**Development Engagement
Document**

**Value Chain Greening and
Financing Programme**

**(Micro Enterprises Support
Programme Trust – MESPT)**

Dev. Engagement GGE 1	Outcomes	Outputs
Value Chain Greening and Financing programme	<p>Jobs created especially for women and youth</p> <p>Improved competitiveness of value chains and targeted businesses</p> <p>Improved resource efficiency and increased access to and uptake of clean technology and climate sensitive solutions</p>	<ul style="list-style-type: none"> • Market and business linkages created for enhanced value chain and MSME profitability • Improved access to financial services for value chain and business development • Enhanced certification of MSMEs for domestic and export markets • Improved access to resource efficient, clean and climate sensitive technologies
Budget	DE partner	
The Danish contribution is DKK 70 million	Micro Enterprises Support Programme Trust (MESPT), a registered Trust	
Management arrangements		
<p>MESPT will receive funds from the Kenya Country Programme, administered through the Royal Danish Embassy in Kenya, to implement the value chain greening and financing programme. A programme team based in six satellite offices (in 6 counties) will be responsible for programme implementation, with coordination undertaken by a core team in MESPT Nairobi Headquarters. A Board of Trustees, to which Denmark is a member, provides oversight in both financial management and implementation.</p>		
Description		
<p>MESPT will intervene in five growth oriented agricultural value chains with significant potential for pro-poor focus and green growth. The MESPT engagement will facilitate growth by enhancing competitiveness of these value chains. The value chains will adopt resource and cost-efficient systems of production enabled by access to tailored credit facilities and non-financial services. Access to domestic, regional and export markets will be enhanced. Increased market demand will stimulate increase in primary and secondary production, which will consequently create employment and income opportunities for poor farmers, unemployed youth and women. With utilization of climate friendly technologies, resilience of poor farmers will be enhanced. Infrastructure that is critical for competitiveness will be established through public private partnerships.</p>		

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Abbreviations

AIDS	Acquired Immune Deficiency Syndrome
ASDS	Agricultural Sector Development Strategy
BAF	Business Advocacy Fund
BDS	Business Development Services
BRC	British Retail Consortium
CSR	Corporate Social Responsibility
Danida	Danish International Development Assistance
GAP	Good Agricultural Practices
GDP	Gross Domestic Product
HIV	Human Immunodeficiency Virus
ILO	International Labour Organisation
ISO	International Organisation for Standardisation
GoK	Government of Kenya
KARI	Kenya Agricultural Research Institute
M4P	Making Markets Work for the Poor
M&E	Monitoring and Evaluation
MESPT	Micro Enterprises Support Programme Trust
MSMEs	Micro, Small and Medium Enterprises
NRM	Natural Resources Management
OECD	The Organisation for Economic Co-operation and Development
PBG	Producer Business Groups
RDE	Royal Danish Embassy
TMEA	TradeMark East Africa
TOC	Theory of Change
VC	Value Chain

Development Engagement Document: Value Chain Greening and Financing Programme (Micro Enterprises Support Programme Trust)

1. Introduction

1.1 The present development engagement document details the objectives, expected results, implementation framework and management arrangements for the development cooperation concerning the Micro Enterprises Support Programme Trust (MESPT) from 2016–2020 as agreed between the parties specified below. The development engagement document is annexed to the *Bilateral Agreement with Implementing Partner* and constitutes an integrated part hereof together with the documentation specified below. The Danish support is provided within the framework of the thematic programme on Green Growth and Employment, one of three thematic programmes under the Danish country programme for Kenya 2016–2020. This engagement document is also available to the External Grant Committee of Danida.

1.1 The development engagement entails Danish support in the form of earmarked funding to MESPT of DKK 70 Million for the implementation of the intervention specified in the present document. The support covers the period July 2016 to June 2020.

2. Parties

2.1 The Danish Embassy, Nairobi and the Micro Enterprises Support Programme Trust (MESPT)

2.2 Signatories will be the Danish Ambassador representing the Government of Denmark, and the Chairman of Board of Trustees of MESPT

3. Documentation

3.1 MESPT Strategic Plan 2015–2019

Other reference documents

3.2 Kenya National Climate Change Action Plan 2013–2017

3.3 Kenya Agricultural Sector Development Strategy 2010–2020

4. Brief description of MESPT

The Micro Enterprises Support Programme Trust (MESPT) was established in 2002. The mandate of the Trust at the time was to assume and continue with the activities of a bilateral programme implemented by the Kenyan Government and the European Union between 1997 and 2002. MESPT was formed with the overall objective to promote economic growth, employment creation and poverty alleviation through support to microenterprises in all sectors of the economy. MESPT works with intermediaries that provide financial and business development services to improve the performance of enterprises and has offices in Nairobi, Mombasa, Kwale, Taita Taveta, Kilifi, Makueni and Machakos (Matuu) counties. The purpose of MESPT is to “help build a more prosperous society” with a vision “to be the leading and preferred provider of resources for the development of enterprises”. The MESPT mission is to support the growth of micro, small and medium enterprises by providing integrated business solutions for sustainable development.

The Micro Enterprises Support Programme Trust Strategic Plan 2015–2019 advances the organisation’s mission to support the growth of micro, small and medium enterprises by providing integrated business solutions for sustainable development. During 2015–2019, MESPT will pursue the vision of becoming the leading development organisation in Kenya that is focused on poverty reduction through sustainable micro enterprise development activities. Among the strategic priorities during this period will be strengthening institutional capacity, increasing capital base, and building and strengthening strategic alliances with key stakeholders. Core activities will focus on green growth, enterprise development and value chain development. The green growth approach blends well with enterprise and value chain development, taking into recognition MESPT’s current business model, which is based on a three-tier system that includes producers, micro, small and medium enterprises, and financial intermediaries. The selection of partners will be based on concepts, which demonstrate innovation, use of green technology and development of new products with minimal harmful chemicals from production processes, and assisting in the conservation of water and energy resources.

5. Background and Theory of Change

5.1 Context

Agriculture has traditionally been the backbone of Kenya’s economy, presently contributing 27.3% to gross domestic product (GDP) — agriculture based exports account for 50% of Kenya’s export revenue¹. This sector is a key contributor to the country’s food security, economic development and employment. By 2006, agriculture accounted for close to 75% of Kenya’s employment. Presently, at least 65% of informal employment in rural areas is attributed to agriculture. Poverty prevalence, however, is highest in rural Kenya, which is the nucleus of agriculture. Statistics indicate that 45% of Kenyans live below the poverty line. Out of 40 million Kenyans, 67% live in the rural areas, and half of this rural population lives below the poverty line. Low value from agricultural products, exploitative market systems, inadequate infrastructure and denial of basic economic and social rights have been the main causes of poverty among rural producers.

Kenya’s Vision 2030 has identified agriculture as a priority sector in achieving the objectives under the economic pillar. Statistics, however, indicate that growth in the agriculture sector is declining, in part due to effects of climate change². In 2013 the sector growth decelerated to 2.9% from 4.2% in 2012. This clearly demonstrates the vulnerability of agriculture to climate change and by extension vulnerability of the rural population that highly depends on agriculture. As climate change effects intensify in the absence of resilience mechanisms, rural populations are sinking deeper into poverty, and as a direct result of this that rural populations are engaging in undesirable coping strategies that impact ecosystems negatively and which, in the longer term, will undermine livelihood opportunities. Furthermore, climate change effects portend an escalation of the national food insecurity situation and ultimately could hamper Kenya’s vision of becoming a prosperous country by 2030.

Kenya’s current unemployment rate stands at approximately 40% and 70% of those unemployed are categorized as youth, between the ages of 15 and 35. According to World Bank estimates approximately 800,000 Kenyans join the labour market each year, and only 50,000 find formal employment. This high level of youth unemployment has been linked to the escalating crime and insecurity witnessed in the country. More worrying is the high incidence of unemployment among women. According to the Kenya Integrated Household Budget Survey 2005/06 the total female-male unemployment probability

¹ Kenya Economic Outlook 2015

² Kenya National Climate Change Action Plan

gap stood at 88.8%³. This explains the growing economic vulnerability among women, which exposes them to exploitation and gender violence. With a projection of 6.4% growth rate in Kenya's economy in 2015, prospects of employment creation do exist. The Kenyan Agriculture Sector Development Strategy 2012 – 2020 projects an increase in the agriculture sector's contribution to GDP by more than 80 billion KSH per year, by the year 2020. It aims to reduce the number of people living below poverty line by 20%. This demonstrates that agriculture will be among the sectors that will contribute to employment generation.

Denmark, in its current development cooperation strategy, has prioritized the fight against poverty. Promotion of human rights alongside economic development will be key in achieving this goal. Whilst cognizant of the importance of economic growth, Denmark also appreciates the potential impact this growth would have on the state of natural resources, including vulnerable ecosystems, in view of the increased demand for food, energy and water, arising from a rapidly growing world population. Denmark supports developing countries' in their efforts to fight poverty by promoting green growth as the path to sustainable development. It is expected that these efforts will lead to increased earnings, more jobs especially for the youth and women and the sustainable management and use of natural resources. Denmark believes agriculture and food production sectors will be the key drivers of sustainable growth, if lasting poverty reduction is to be achieved. Access to new knowledge and technology, sources of finance, training and education coupled with market linkages are viewed as key ingredients in raising farmers from poverty.

As a leader in green growth, Denmark has advanced significantly in developing and adopting green technology in various sectors. Kenya, through this partnership with Denmark, stands to benefit from this long-standing experience in green growth through technical assistance, development cooperation as well as commercial partnerships. Kenya, as the gateway to the East African community, presents a strategic opportunity to promote the Danish experience and knowledge in green growth within the region.

MESPT and Danida will venture into greening agriculture and promoting growth in the agriculture sector through intervening in selected commodity value chains across Kenya. Market development and financial linkages will be focal in achieving this end, alongside promotion of environmentally friendly technologies and practices. The partnership will facilitate participation of the private sector in provision of technology, knowledge transfer, market access and financial services. Public sector participation will also be pursued with a special focus on public private partnerships (PPPs) at county level.

5.2 Justification including lessons learnt

Experience shows that growth in the agricultural sector in a number of developing countries has greater impact in economic development, employment and poverty reduction than growth in any other sector. Further, when high productivity is realized in the many small-scale farms that provide livelihoods for majority of poor women and men, lasting poverty reduction occurs. From the above context the striking picture of 'high growth but not for all' means that Kenya, in order to address poverty and sustainability issues, still needs to accelerate private sector led growth and render it more green and inclusive by addressing key challenges of poverty, inequality, unemployment and environmental degradation. The green growth and employment programme is expected to create employment opportunities, business growth and increased rural household incomes, hence reduced poverty levels.

³The difference between probability of female unemployment as compared to male unemployment (Gender Unemployment Gap, S.Albanesi & A.Sahin, 2013)

The programme will promote technologies that build household resilience to climate change consequently reducing the poverty factor that causes households to unsustainably exploit natural resources and the environment.

Denial of economic and social rights has been a major factor that has perpetuated poverty among the rural populations. In this respect, MESPT will develop a human rights policy that will guide both the institution personnel, partners and beneficiaries on the importance of recognizing the human rights in business operations. The upstream and downstream value chain approach that this programme will use, will deliberately work with farmers, local authorities and the Danida Business Advocacy Fund (BAF), to address critical economic and social rights. This approach will also ensure fair flow of benefits along the value chain. By forging mutually beneficial horizontal and vertical linkages among market players, and bringing vulnerable groups into the economic equation, successful value chain development acts to reduce social tension, which is prevalent in Kenya and has in the past been the breeding ground for violence and human rights violations. Deliberate efforts will be taken to work with micro, small and medium enterprises (MSMEs) that do not violate human rights such as child labour, social discrimination (disability, ethnicity etc.) and discharge of hazardous wastes, among others. The programme will collaborate with the Kenya Association of Manufacturers (KAM) to enlist private sector partners into active participation in the Global Compact Network⁴.

Danida and MESPT have a longstanding partnership dating back to 2005, which has focussed on micro enterprise development in Kenya and, in 2010, began to integrate sustainable management of natural resources. Danida has been instrumental in institutional development of MESPT during this period and has seen MESPT evolve into a fully-fledged institution. A number of milestones have been achieved out of this support, as documented in the Annex 3 of this document.

A number of lessons have resulted from the Danida supported programmes. Firstly, value chain interventions are most successful where there exists a proven market opportunity, a strong private sector entity that is willing to act as a value chain driver, and a facilitation agency that is committed and consistent in forging linkages between primary producers, SMEs and financial institutions while actively providing the necessary incentives to spur value chain growth. Secondly, demand for green technology and solutions among agricultural value chain actors, enterprises and households in Kenya is substantial but remains latent due to prevailing ignorance on the existence and utility of these technologies and a general absence of products and supply structures customized for the Kenyan mass market.

The ongoing Danida – MESPT engagement concludes at the close of the year 2015 and it is anticipated that a new engagement will commence in 2016. This coincides with the early phase of MESPT's current strategic plan and presents an ideal opportunity for MESPT and Danida to enter into a new phase of partnership, exploring new and innovative grounds. Indeed, the aspiration of the current strategic plan is that MESPT will become the leading development organisation in Kenya that is focused on poverty reduction through advancing inclusive sustainable development that targets the growth of MSMEs, by means of holistic value chain development programmes. This phase will see MESPT place a high premium not just on poverty but increasingly on sustainable development. In order to achieve inclusive sustainable development, MESPT will venture to become a key player in the area of green growth in Kenya. MESPT is cognizant of the immense growth potential that exists in the agriculture sector and the potential this holds in addressing poverty. MESPT understands, however, that the market for green growth in Kenya is presently underdeveloped and requires substantial investment in market development in order to become established. For MESPT to realize its vision,

⁴ The United Nations (UN) Global Compact principles offer businesses a framework to safeguard against negative externalities such as unethical business practices, human rights violations and poor workplace practices that could be exacerbated by unsustainable private sector growth.

there will be a need to build internal capabilities in the area green growth, establish and grow a solid capital base, build partnerships and collaborations and expand geographic scope. MESPT will establish a 4 billion KSH fund over the next five years to support business and market development services alongside financial services. Diverse strategies will be applied to achieve this end and will include establishing a professional fund management unit, diversifying sources of funds, equity financing, and broadening the donor base, among others. MESPT will also expand its geographic coverage by working in six new counties, and will consolidate its presence in the 16 counties it is currently working in. New hubs will be established in order to service these 22 counties adequately and new alliances will be forged to work through partners in some of these counties.

Through this engagement, MESPT and Danida will focus on supporting the realization of this vision by addressing the above priorities, which are in line with MESPT's strategic goals, through, but not limited to, provision of technical assistance, linkage with the Danish resource base and investors, capitalization of a dedicated Green Technology Fund, institutional strengthening support and financial resources.

MESPT is preparing to create the Green Technology Fund that will be jointly established with Danida. These efforts have already resulted in a contract with SNV Netherlands, to manage a 30 million DKK fund that will support renewable energy adoption at farmer household level. In tandem with this, MESPT has also embarked on exploring possibilities of accessing Climate Funds available in the market, such as the Nordic Climate Fund. All this is in the anticipation that there will be continuity and expansion of the Green Technology Fund. Subject to the performance and impact of the Green Technology Fund, as well as the prevailing MESPT vision and strategy, Danida may donate its contribution to this fund, at the end of the programme. The Danida end term evaluation will be utilized to make this determination.

5.3 Narrative for Theory of Change

The **Value Chain Greening and Financing Programme** under the Green Growth and Employment Thematic Programme 2016–2020 aims to contribute to increased sustainable growth and jobs in the agriculture sector, from investment and trade, especially for women and youth. This goal will be realized through improved competitiveness of targeted businesses and value chains in the agriculture sector coupled, with improved resource efficiency and increased adoption of clean and climate sensitive solutions. Through application of innovative business models, promotion of green technologies and practices, adoption of standards and certifications and improved farming and business practices, the programme will increase production and productivity across the selected value chains. Farmers and value chain actors will receive the necessary skills and capacity to enable compliance with standards and certifications.

The programme will facilitate improved market access by MSMEs through sustaining and growing local and international markets and venturing into the East Africa regional market in collaboration with TradeMark East Africa (TMEA). This collaboration will involve establishment of regional value chains and will bolster value addition. Value chain actors will be provided with capital to enhance business growth, market access as well as to increase adoption of green technologies, which ultimately will improve their competitiveness. Promotion of green technologies will be carried out in partnership with the Danida Kenya Climate Innovation Center (KCIC) with an emphasis on building mutually beneficial market linkages and access to appropriate business development services as well as facilitating exposure to local, regional and international market fairs.

This programme will also liaise with the Danida Business Advocacy Fund (BAF) to address economic and social rights of value chain actors especially focused on infrastructure and market systems that are supportive to value chain performance. The responsiveness of government authorities, however, is beyond the influence of this programme.

This theory of change assumes that economic growth trend in Kenya shall be sustained and that there will be national and county level government political good will. It is also assumed that the East African regional integration process shall be sustained and especially that the gains of the Common Market Protocol⁵ will continue to mature. The programme assumes there will be no adverse change in international trade policy. Cooperation of the target partners is also an assumption.

6. Development Engagement Objectives

6.1 The overall vision for the partnership is to support the Government and people of Kenya in implementing their *Vision 2030* to create **‘a globally competitive and prosperous country with a high quality of life by 2030’**.

6.2 The Green Growth and Employment Thematic Programme objective is to contribute to **‘inclusive greener growth with higher employment in Kenya’**.

6.3 The vision of MESPT is to contribute to employment creation and improvement of farmer household economic status, through facilitating growth of selected agricultural commodity value chains, along a green pathway.

6.4 Outcomes:

- Jobs created especially for women and youth
- Improved competitiveness of targeted businesses and value chains
- Improved resource efficiency and increased access to and uptake of cleaner technology and climate sensitive solutions

6.5 Outputs:

- Market and business linkages created for enhanced value chain and MSME profitability
- Improved access to financial services for value chain and business development
- Enhanced certification of MSMEs for domestic and export markets
- Improved access to resource efficient, clean and climate sensitive technologies

7. Results Framework

The Micro Enterprise Support Programme Trust (MESPT) is responsible for monitoring and reporting on the progress and achievements of the development engagement using its own results framework and M&E system as detailed in Section 12 below. The parties have, however, agreed that the Danish Embassy will use the results framework presented below, with a limited number of outcome and output indicators, for reporting to the Danish constituency. Data to inform the reporting will be supplied by MESPT as part of the routine engagement monitoring.

⁵ The Common Market Protocol provides for free movement of goods, services, capital and labor among East Africa Community members.

The parties have agreed to measure progress and performance using the following key outcome and output indicators. Within the first ½ year of implementation, MESPT will establish annual targets for these indicators.

Outcome		Jobs created especially for women and youth	
Outcome indicator		Net additional, full time equivalent jobs created in target enterprises as a result of the programme, cumulatively.	
Baseline	Year	2016	15,000 jobs
Target	Year	2020	25,000 jobs
Outcome		Improved competitiveness of value chains and targeted businesses	
Outcome indicator		Consolidated sales turnover of value chains and targeted businesses in USD	
Baseline	Year	2014	USD 25 Million
Target	Year	2020	USD 43 Million
Output 1		Market and business linkages created for enhanced value chain and MSME profitability	
Output indicator 1.1		Number of farmers linked to markets	
Baseline	Year	2014	15,000 farmers
Target	Year	2020	30,000 farmers
Output indicator 1.2		Net additional volume of commodities linked to markets	
Baseline	Year	2014	67,200 MT
Target	Year	2020	250,000 MT
Output 2		Improved access to financial services for value chain and business development	
Output indicator 2.1		Number of MSMEs which can access financial services for value chain and business development	
Baseline	Year	2014	5,000 MSMEs
Target	Year	2020	15,000 MSMEs
Output indicator 2.2		Number of financial products available to MSMEs, disaggregated by green growth, value chain and business development	
Baseline	Year	2014	20 financial products
Target	Year	2020	50 financial products
Output 3		Enhanced certification of MSMEs for domestic and export markets	
Output indicator		Number of MSMEs certified globally and locally recognized standards and certifications	
Baseline	Year	2014	1499 MSMEs certified
Target	Year	2020	5200 MSMEs certified
Outcome		Improved resource efficiency and increased access to and uptake of clean technology and climate sensitive solutions	
Outcome indicator		Change in percentage of value chain actors adopting resource efficient, clean and climate sensitive solutions.	

Baseline	Year	2014	(TBC)
Target	Year	2020	30% <i>(to be validated)</i>
Output 4			
Improved access to resource efficient, clean and climate sensitive technologies			
Output indicator 4.1			
Number of MSMEs reached through awareness initiatives on resource efficient, clean and climate sensitive technologies			
Baseline	Year	2014	15,000 MSMEs
Target	Year	2020	30,000 MSMEs
Output indicator 4.2			
Number of MSMEs enrolled as local service and input providers for resource efficient, clean and climate sensitive technologies, disaggregated by region.			
Baseline	Year	2014	23 MSMEs
Target	Year	2020	100 MSMEs
Output indicator 4.3			
Number of MSMEs which can access financial services for resource efficient, clean and climate sensitive technologies			
Baseline	Year	2014	1,000 MSMEs
Target	Year	2020	5,000 MSMEs

Notes

All target figures are additional to the baseline figures

The baseline and target indicators are based on the projected figures at the end of the BPSPII programme in 2015 and shall be reviewed at the end of the programme

MSMEs in this context refers to micro, small, and medium enterprises in the targeted value chains operating as individuals, sole proprietors, partnerships, private limited companies and farmer associations

8. Risk Management

Risk Factor	Likelihood	Background to assessment of likelihood	Impact	Background to assessment of potential impact	Risk response	Residual risk
Programmatic Risks						
Stagnant demand for green technology products	Likely	The likelihood is considered likely due to the fact that there could be a possibility poor sensitization, sharp increase in the cost and failure in the functionality of the technologies	Major	The impact is considered major as this would affect the achievement of the overall goal of improving competitiveness of targeted enterprises due to low uptake	MESPT has to respond to this through aggressive sensitisation on green technology. In partnership with BAF, lobby the Government for waiver or lowering of taxes on the target technologies and equipment.	Medium
Minimal participation in agriculture by people in the most productive age bracket (Youth and Women)	Likely	The likelihood is considered likely due to the fact that the programme may be seen as unattractive and therefore shunned by the youth; Agriculture being viewed as having low returns and has long periods taken to earn returns; limited access to financial resources; limited access to land which is a factor of production; limited technical capacities; the high risk associated with agriculture due to adverse weather conditions; and lack of reliable markets	Major	The impact is considered major since the programme will not meet its objective of creating sustainable green jobs especially for the youth and women	MESPT has to respond to this risk by designing projects that will be attractive to youth and target interventions to enterprises with high returns; providing market linkages to guarantee high returns and work with institutions e.g. the Kenya Agriculture Research Institute that can provide appropriate technology/ improved seed varieties with shorter cycles; facilitate design of financial products and non-financial incentives that are attractive to the youth and women; carry out sensitization workshops for the youth; and come up with affirmative action on youth and women participation in projects	Medium
Institutional Risk						
MESPT not able to recruit and retain sufficient and qualified staff	Likely	Many programmes in the country are now involved in green growth and seeking experienced staff	Medium - Major	The risk is considered medium to major because it can hamper smooth implementation of the programme while there is scarcity personnel with this skills and experience	MESPT will build a conducive working environment, staff capacity building and in-built staff retention strategies, as well as put in place a mechanism for accommodating associates to fill resource gaps.	Medium

9. Inputs

Outputs	Budget in DKK					
	2016	2017	2018	2019	2020	Total
Output 1: Market and business linkages created for enhanced value chain and MSME profitability	1,297,297	3,524,935	4,594,614	4,862,280	5,402,164	19,681,290
*Output 2: Improved access to financial services for value chain and business development	2,040,541	4,951,365	4,969,401	596,330	615,970	13,173,607
Output 3: Enhanced certification of MSMEs for domestic and export markets	564,844	2,287,097	2,856,777	3,862,280	3,364,326	12,935,324
Output 4: Improved access to resource efficient, clean and climate sensitive technologies	497,297	2,776,936	3,674,074	3,263,011	3,914,554	14,125,872
Management fees (7.5%)	639,198	1,413,025	1,454,615	1,086,293	1,034,776	5,627,907
Contingencies (5 %)	456,000	1,000,000	1,000,000	1,000,000	1,000,000	4,456,000
Total	5,495,177	15,953,358	18,549,481	14,670,194	15,331,790	70,000,000

* Output 2 constitutes Danida's contribution to the Green Technology Fund (GTF)

MESPT's current annual budget is 50 million DKK. MESPT presently has three other donors; GIZ, SNV and Winrock. The currently available donor funds can complement outputs 1, 2 and 3, as indicated in the table below.

Project name/Donor	Description	Relevant Output	Period of funding	Amount in KSH millions
K-Sales funded through Land o' Lakes	Increase productivity in livestock value chain through building capacity of BSPS to deliver productivity and business management skills	Output 1- Market and Business linkages	February 2015 to January 2016	8,1
Developing a sustainable cook stove sector funded by Winrock	To manage a cook stove loan facility for on lending as working capital to distributors of fuel efficient stoves	Output 2- Improved access to financial services	June 2015 to April 2016	19,0
ENDEV funded through SNV and GIZ	This is a clean cook stove & solar market acceleration project by providing incentives through results based financing and targeting credit line facilities	Output 4- Improved access to resource efficient and climate friendly technologies	June 2015 December 2018	422,0
		Total		449,1

10. Management Arrangements

- 10.1** The overall principles for management of the present development engagement are described in the implementing Partner Agreement to which this Development Engagement Document is annexed
- 10.2** The daily management of the present engagement is undertaken by MESPT.
- 10.3** MESPT will be responsible for the implementation of the activities, directly reporting to the Danish Embassy. The activities will be implemented by the Trust through its regular organizational set-up in order to facilitate continuity of some of the activities that were initiated in BSPS II programme. Activities will be implemented by two programme managers, who will be in charge of targeted value chains in specific counties. The two programme managers will be supported by value chain officers, NRM and value chain finance officers. A monitoring, learning and knowledge officer will oversee the monitoring aspects of the programme. MESPT will utilise the existing staff establishment and infrastructure to implement the new programme, however where necessary additional staff with new skills will be competitively sourced to complement the existing staff, where applicable as shown in Annex 2. The various institutional weaknesses identified by the PWC institutional assessment report have been and continue to be progressively addressed by the Trust as captioned in Annex 3, in order to ensure efficiency in programme delivery.

Coordination of the programme implementation activities will be based in Nairobi. The oversight role of the programme will rest with the MESPT Board of Trustees. In its programme oversight function the MESPT Board will approve work plans and budgets prior to their submission for Danida's approval, and provide overall strategic guidance, which includes the issue of harmonizing and integrating activities of the different donor programmes implemented by MESPT in accordance with board charter, clearly outlining due process, policies and structures, performance expectations and measurement. The Credit, Business and Green Growth Committee of the Board will be in charge of approving facilitation of loans and grants and providing guidance to all the programme activities. The Credit, Business Service and Regional Managers will be ex-officio members.

Danida and MESPT will hold one technical meeting annually, to review implementation progress and to approve work plans and budget for the subsequent implementation period. The outcome of this meeting will feed into the overall management for the Kenya Country Programme. MESPT will submit programmatic and financial reports bi-annually. MESPT will also participate in an annual green growth partners learning forum as well as in the annual presentation of Kenya County Programme results.

11. Financial Management and Audit

- 11.1 Both parties will strive for full alignment of the Danish support to the implementing partner rules and procedures.
- 11.2 Accounting and auditing of the Danish funds will be undertaken by MESPT in accordance with “General Guidelines for Accounting and Auditing”, <http://amg.um.dk/en/technical-guidelines/financial-management/accounting-and-auditing/>.
- 11.3 Funds will be disbursed by the Embassy of Denmark directly to MESPT on basis of annual budgets and workplans. Funding requests will be in accordance with the guidelines and will be submitted before any disbursements are effected.
- 11.4 MESPT has already established procedures for financial management and procurement documented in the Financial Management and Procurement Manual (FMPM), which are in line with Danida's Financial Management Guidelines.

The budget structure will constitute activity related costs, staff costs for those staff exclusively involved in implementation, as well as a management fee representing a specified percentage of the operational turnover and covering MESPT overheads including core staff, and all running costs. MESPT will hold accounts specially earmarked for programme operations.

MESPT will produce semi-annual work plans and budgets, as well as semi-annual progress and financial reporting. General procurement rules are stipulated in the FMPM. MESPT will transfer funds to contracted facilitators in accordance with agreed schedules on the basis of performance contracts. MESPT has established procedures in place for internal and external auditing of its accounts. The programme funds will be audited as part of these audit arrangements. Annual audit reports will be submitted to the embassy within 6 months of MESPT financial year end.

- 11.5 Accounting records shall be available for control by the Embassy of Denmark, by a representative appointed by the Embassy, or by the Danish Auditor General.

12. Monitoring and Evaluation

- 12.1 MESPT is responsible for monitoring and reporting on the progress and achievements of the development engagement using its own results framework and M&E system
- 12.2 Monitoring is an essential tool for programme management. Monitoring will provide information needed to measure progress and effectiveness of activities and adjust strategies, procedures, institutional arrangements and allocation of resources, if needed. Monitoring data will also be an essential basis for reporting to the MESPT Board and the Danish Embassy. There shall be continuous and real time evaluation carried out throughout the programme. A deliberate effort will be put to ensure that the data collected is disaggregated into gender.

A detailed monitoring framework will be improved from the currently existing MESPT M&E framework to include the necessary details in the programme. The framework is intended to provide the managers staff at the community level with information needed to measure progress and effectiveness of interventions that will lead to the expected outcome consequently, adjusting strategies, procedures, institutional arrangements and allocation of resources if need be; support evaluation to expand lessons from evidence; contribute to knowledge management on programming, monitoring and evaluation. The results chain will help in tracking the changes required to meet the objectives. The Monitoring, Learning and Knowledge Advisors will coordinate the activities of monitoring evaluation and reporting within the programme. The two advisors are experienced in M&E and are currently overseeing the collection, analysis and reporting of the changes so far realized towards the objectives in the different programmes.

Monitoring and Evaluation data reporting to the RDE will include the data requested in the Results Framework in Section 7 of this document.

Before collection of data baseline data will be collected and/or validated on each of the indicators to enable tracking of the progress. A baseline survey will be conducted on the selected value chains that are currently not been dealt with in the current programme while the data so far collected by the end of the current programme will form the baseline for the same value chains. Data on the above indicators will therefore be collected semi-annually and will be disaggregated into value chains and gender. Various methods will be employed to do the data collection, including but not limited to records collected and shared by MSMEs, PBGs and farmers based on the pre-designed currently existing data collection tool ; surveys administered with ultimate beneficiaries; collecting information from market actors to develop a localized employment multiplier (i.e. jobs created in the sector by a change in a metric such as land under production caused by a programme) then calculating the direct and indirect job creation, and using published employment elasticity figures to estimate a programmes impact on employment, which will be very useful in calculating aspects of job creation that cannot be measured affordably or through surveying induced jobs.

- 12.3** The Danish Embassy shall have the right to carry out any technical or financial mission that is considered necessary to monitor the implementation of the programme.
- 12.4** The Danish Embassy will contract a strategic monitoring support for the entire country programme and all DED partners including MESPT will provide data needed to measure progress.
- 12.5** Danida Copenhagen will carry out Real Time Evaluation during the implementation period covered by this agreement and Danida will also, after the termination of the programme support, reserve the right to carry out additional evaluation in accordance with this article 12.5.

13. Prerequisites

N/A

14. Signatures

On behalf of

Micro Enterprises Support Programme
(MESPT)

Signature

Chairman of Board of Trustees

Date

On behalf of

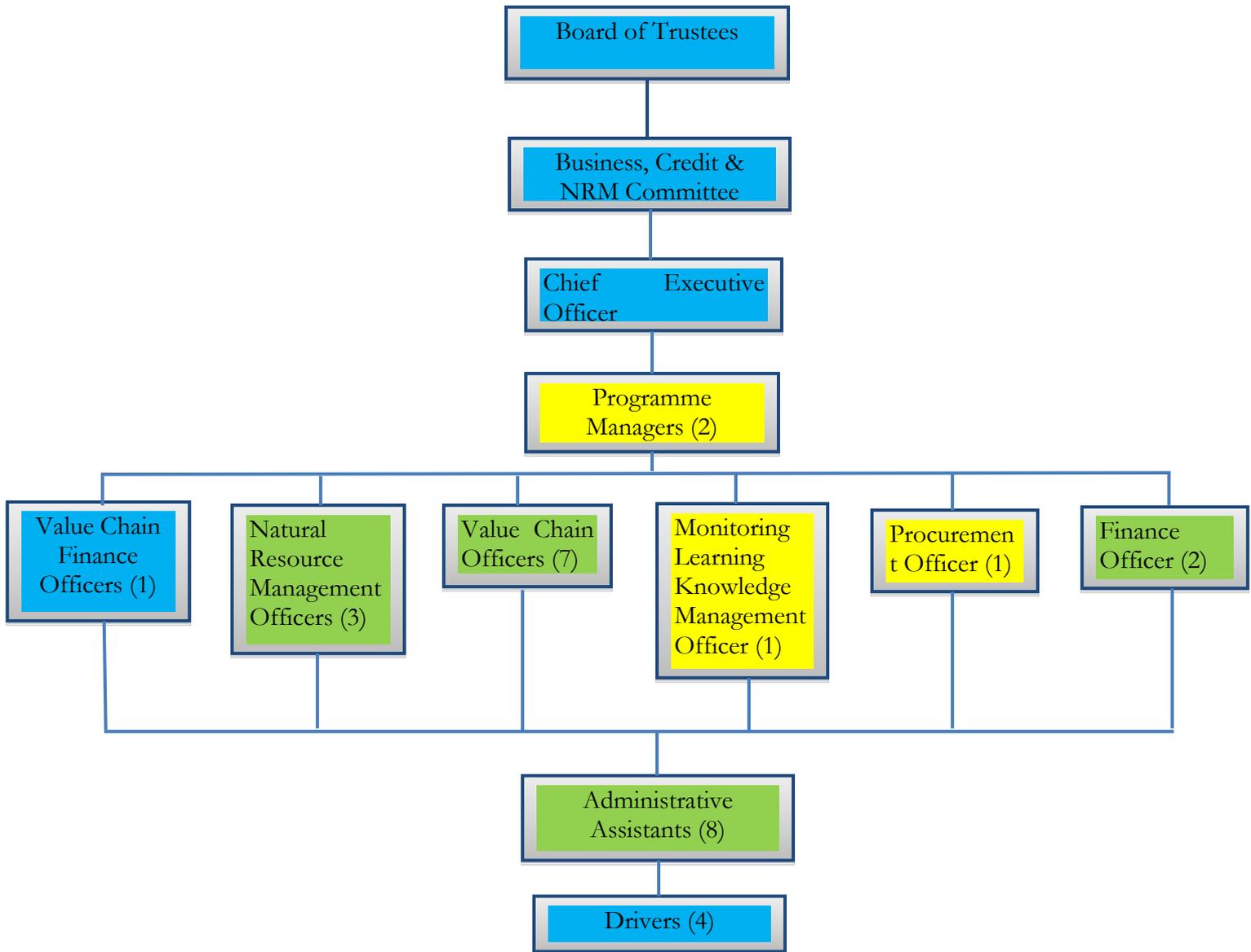
The Danish Embassy, Nairobi

Signature

Ambassador

Date

Annex 1: MESPT Management Structure:



KEY:



These positions are existing in the current Programme and will transition to the next programme activities



These positions are existing in the current Programme but will need an additional recruitment of staff to meet the requirements of the Green growth & Employment Programme.



These positions do not exist in the current programme and thus require recruitment of staff for the Green growth & Employment programme or the responsibilities for the management of the programme can be transferred to the currently existing managers

Annex 2: Office set-up

OFFICE	REGION COVERED	STATUS OF OFFICE	OFFICE COMPOSITION			TOTAL NO. OF PROGRAMME STAFF per OFFICE
			Position	No	Status	
NAIROBI	Head Office	Existing	Programme Manager (Makueni, Embu & Nakuru)	1	To be Recruited	9
			Natural Resource Management Officer	1	Existing	
			Monitoring & Evaluation Officer	1	To be Recruited	
			Procurement Officer	1	To be Recruited	
			Finance Officer	2	(1) To be Recruited	
			Administrative Assistant	1	Existing	
			Driver	2	Existing	
MOMBASA	Regional Office	Existing	Programme Manager (Malindi, Kwale, Taita Taveta, Kajiado, Makueni, Machakosi, & Kitui)	1	To be recruited	6
			Natural Resource Management Officer	1	Existing	
			Value Chain Finance Officer	1	Existing	
			Administrative Assistant	1	Existing	
			Drivers	2	Existing	
MALINDI	Kilifi, Malindi & Lamu	Existing	Value Chain Officer	1	Existing	2
			Administrative Assistant	1	Existing	
KWALE	Kwale	Existing	Value Chain Officer	1	Existing	2
			Administrative Assistant	1	Existing	
VOI	Taita Taveta & Kajiado (Loitokitok)	Existing	Value Chain Officer	1	Existing	2
			Administrative Assistant	1	Existing	
MAKUENI	Machakos, Makueni & Kitui	Existing	Value Chain Officer	1	Existing	2
			Administrative Assistant	1	Existing	
EMBU	Kirinyaga, Embu, Nyeri, Meru	To be Opened	Value Chain Officer	1	Existing	2
			Administrative Assistant	1	Existing	
NAKURU	Uasin Gishu, Nakuru, Bomet, Nyandarua, Nandi, Trans Nzoia, Elgeyo Marakwet, Migori, Siaya, Busia, Homabay	To be Opened	Value Chain Officer	2	To be Recruited	4
			Natural Resource Management Officer	1	To be Recruited	
			Administrative Assistant	1	To be Recruited	
Total No. of Staff directly involved in the implementation of the Green Growth and Employment Programme Directly						29

N.B// It should be noted that in some counties we will contract service providers that already have existing activities/projects in the area to cascade the Green growth programme activities; as opposed to MESPT working directly with target groups. KENAFF is one such service provider that MESPT anticipates engaging.

Annex 3: Status of Implementation of Price Waterhouse & Coopers Recommendations on Institutional Assessment

Areas of Improvement	Findings	Corrective action taken	Timeline of completion
1. Financing of strategic plan	There is no resource mobilization plan or investment policy to guide the generation of additional funds. This affects the Trust ability to operate at an optimal level, take advantage of opportunities and grow at the required level	A resource mobilization plan is already anchored in the new strategic plan and investment strategy will be developed to guide optimal available funds	Investment policy document to be developed by December 2015
2. Strategic plan implementation	The M&E framework reflects programme expectations and is not aligned to the strategic plan thus it may not effectively measure strategic progress	The anticipated programme M&E framework aligns itself and contributes towards the strategic objectives of the organization	Done
3. Partner succession planning	There is no succession plan in place and any resource gaps significantly affect operations especially at the branch level	The Trust has diversified and has been able to attract new partners such as GIZ, SNV and USAID which are expected to sustain the operations of the project after the closure of the current BSPS II programme. The new strategic plan incorporates the resource mobilization and sustainability plan.	Continuous
4. ICT function	The ICT function has only one staff member who undertakes external capacity building as well. With anticipated system upgrades and enhanced ICT functionalities in terms of customer interface the department is under resourced and a significant operation risk is faced in the persons absences	One additional staff has already been recruited who to assist in the integration of the ERP to the business processes. The users have also been trained on using the IT platform on their day to day work	Done
5. Monitoring & evaluation	The MIS is not effectively used in reporting on progress as there is limited awareness	We have started the process of upgrading the MIS, which will	March 2016

Areas of Improvement	Findings	Corrective action taken	Timeline of completion
	on functionality of the MIS especially with regard to M&E. The MIS should also be integrated with M&E for effective reporting	incorporate M&E and HR Modules which will greatly enhance their functions. And M&E staff will be recruited	
6. Governance	There are no guidelines on Board tenure, appraisal and remuneration leaving room for anomalies and discrepancies. The Boards handling directly impact on the organizations functioning.	The Board tenure has been defined in the Trust deed. A board charter & code of ethics have been developed and signed by all Trustees. Remuneration policy is contained in their contracts. Performance expectations and measurement and appraisal will be developed and done at the end of 2015	December 2015

Status of Implementation of AT recommendations on institutional assessment

Annex 4: Intervention Approach

Approach, Activities and Results

The proposed intervention will leverage on the experience gained by MESPT in implementing its current activities, competence in value chain development, specifically: farmer mobilization (Groups); productivity improvement (extension services); and market linkages at grass root levels; and will consolidate the gains realised so far to upscale the current activities into the new programme. MESPT has been involved in supporting similar activities under BSPS1 and 2. The proposed programme will have a nationwide outlook with priority to existing areas of operation but with exploratory interventions in specific counties and value chains. MESPT will focus on the SMEs (processors and exporters) as well as providing the services at the County (farmer), level.

Intervention Area 1: Market and business linkages created for enhanced value chain and MSME profitability

Under the Value chain greening and financing programme, MESPT proposes to work in five value chains namely export vegetables, nuts value chain (macadamia, coconut, and cashew nuts), dairy, mango and passion fruits. The interventions within these value chains are aimed at addressing various constraints existing within the different levels. This is aimed at ensuring competitive products as well as business growth of the diverse enterprises within these value chains. Addressing competitiveness constraints entails understanding market potentials, market mechanisms and constraints to competitiveness, and secondly to support effective change of mechanisms and market functions where necessary.

Depending on the specific value chains, competitiveness of enterprises may be influenced by different factors: inhibitive legal and regulatory environment cost of inputs and services, unfavourable tax regime, lack of or insufficient access to markets, finance, skills and technologies, infrastructure, information or access to linkages with larger companies, inadequate business skills and other formal and informal market entry barriers. The interventions will also take into consideration the best practices within these value chains that would ensure environmental sustainability. The value chain development and making markets work for the poor (M4P), approaches will be used during the implementation of the activities to ensure systemic changes in the behaviour of the various actors within these value chains. These approaches shall aim at addressing the structure and dynamics of the selected value chains which shall include the following:-

- a) Organisation of stakeholders meeting and selection of intervention points
- b) Organisation and capacity building of farmers groups;
- c) Identification of the end market opportunities at the local, national, regional and global levels. These approaches prioritize this element because demand in end markets defines the characteristics of a successful product or service.
- d) Business and enabling environment at the local, national and international level. This includes laws, regulations, policies, international trade agreements that enable the product or service to move through the value chain.
- e) Strengthening the vertical linkages between enterprises at different levels of the value chain. This is critical for moving a product or service to the end market and for transferring benefits, learning and embedded services between firms up and down the chain.
- f) Strengthening horizontal linkages between enterprises at the same level of the value chain. This shall reduce transaction costs, enable economies of scale, increase bargaining power, and facilitate the creation of industry standards and marketing campaigns.

- g) Supporting markets. This shall include provision of financial and business development of services

The interventions undertaken by MESPT will include organizing and stimulation of effective farmer organizations; capacity development and coaching of farmer groups; support to development of products and business models/plans; supporting development and implementation of improved production methods and technologies; facilitating the emergence of necessary business services (transport, storage, packaging, marketing, management services, training, etc.); capacity building and coaching support to MSMEs involved in processing, marketing and business services provision, as well as facilitation of linkages between producers, processors and business service providers; and supporting the development of appropriate financial services. The support provided will be at all levels of the agri-business value chains, from primary producers to markets (domestic and international).

The Green Growth and Employment in Kenya programme will operate as a direct facilitator in the field and also outsource the actual interventions to external facilitators. These approaches are instrumental in scaling up interventions to engage special technical and methodological (e.g. in community mobilization) expertise, and to broaden the Kenyan network of competence and experience in market development facilitation.

Below is the summary of the main activities:-

- a) Organisation of stakeholders meeting and selection of intervention points
- b) Organisation and capacity building of farmers groups;
- c) Increased production through adoption of good agricultural practices
- d) Market development and linkages, BDS services for smallholder farmers and MSMEs
- e) MSME capacity building – business plans development
- f) Supporting value addition, reduction of post-harvest losses and processing activities.
- g) Supervision and M&E activities will be carried out on a continuous basis by MESPT.

MESPT will use its wide experience in working with SMEs to ensure that farmers will only be mobilized to grow crops and products for which there is a market and binding out-grower agreements entered into before the farmers start any form of production.

Intervention Area 2: Improved access to financial services for value chain and business development.

To achieve this result, MESPT will form a Green Technology Facility. The facility will work towards providing appropriate technical support and financing to the various players in the value chains including producers/farmers, processors, service providers, and businesses in accessing green growth technologies. MESPT will use the Green Technology Facility as well as the current existing Value Chain Fund for financial products development, capacity building, and bulk lending to capacitate the MESPT partner organizations in BDS and Financial Services to provide appropriate financial services (tailor-made loan products) to farmers and other clients.

It is envisaged that this facility will help MESPT to upscale and leverage on technical support and funding that is already being carried out under the BSPS II Programme. MESPT will seek other donors and social investors to inject additional funds in order to create sustainability of the facility beyond the programme period.

The Green Technology Facility and the MESPT Value Chain Fund will primarily support financing and technical support of the value chains that are directly supported under this programme and therefore their operations will be coordinated with the activities of result 1 and 2 above. The Green Technology Facility will be utilized to scale up some of the ongoing initiatives on renewal energy; climate smart technologies and MESPT BPS2 NRM financing initiatives including but not limited to: Irrigation kits; Solar energy (pumps; lighting, and heating); Biogas; Energy Savings Stoves. It is envisaged that the Facility and the current MESPT value Chain Loan Fund will operate through the following instruments:-

- a) In order to address the constraints in scaling up the uptake of the Green Technology Facility, MESPT proposes to operate a Green Technology capacity building matching grant component targeting Financial Intermediaries (FIs) lending or willing to lend for green technologies promoted by MESPT and other partners in the Green Growth and Employment in Kenya Programme. The capacity building grant will be available on a competitive basis and will support financial intermediaries to structure appropriate and innovative financial products to deepen and broaden the uptake of green technologies and innovations at small holder farmer level; and training and skills upgrading in all areas of green energy sustainable energy financing and other financial products.
- b) Wholesale lending: MESPT already has an existing Value Chain Fund which will continue to be used for on-lending in accordance with MESPT established terms and procedures. Loan capital will only be provided for targeted on-lending (in terms of target groups and purpose of loans), in order to develop and advance operations and business transactions in the targeted value chains. Often, further capacity building support will accompany wholesale lending
- c) Green Technology Facility- A revolving facility will be used to scale up various green technology products for lending to firms or SMEs and producers business groups (PBG) for promoting of green and climate friendly technologies. MESPT will continue offering services using its partner organisations.
- d) Incentives such as credit guarantees & subsidies will be used to promote green technologies.

Below is the summary of the main activities:-

- a) Identification of the financing gaps along the targeted value chains
- b) Development of appropriate financing products;
- c) Identification of partner Financial Intermediaries and capacity building needs;
- d) Strengthening the capacities of the Financial Intermediaries through technical assistance provision;
- e) Capacity building with respect to green technology financing for relevant MESPT staff;

M&E of the Green Technology Facility and the Value Chain Fund operations will be carried out on a continuous basis by MESPT and the other stakeholders

Intervention Area 3: Enhanced certification of MSMEs for domestic and export markets

Certification is often proposed as a means to avoid the traps associated with low and volatile commodity prices, environmentally unsustainable farming practices and poor market access. This result area will focus on supporting activities that will ensure certification of commodities. It is expected that the certification of farmers will improve trading relationships, creating an incentive to form longer-term and more direct relationships that can, improve the returns obtained by producers. It is also expected that certification will improve producers' bargaining positions through a requirement for some form of producer organization (for example, Fairtrade requires farmers to be organized into democratically run structures). Certification will also offer farmers the opportunity to upgrade: by following the standards demanded and farmers can also improve product quality. They may also see greater financial reward, either because of quality improvements or through a specific premium offered by the scheme. The

MSMEs will be certified on Global Gap, Fair Trade, Organic Certification, BRC, ISO depending on the need that will be identified

Below is the summary of main activities under this result area:-

- a) Carrying out the needs assessment for the MSMEs on various certification standards
- b) Mobilisation and sensitisation of MSMEs on various certification standards
- c) Capacity building of MSMEs on Certification standards;
- d) Carrying out confirmation tests and auditing related to various certification standards,
- e) Certification of the MSMEs.
- f) Supervision and M&E activities will be carried out on a continuous basis by MESPT.

Intervention Area 4: Improved access to resource efficient, clean and climate sensitive technologies

This result area is aimed at adopting practices and technologies that will ensure sustainable environmental management in the selected value chains. It is also aimed at promoting incentive structures based on innovative fiscal and financial instruments that will foster renewable energy provision and other green growth related business opportunities. It is expected that enterprises that have taken the lead in greening their value chains are finding significant savings from removal of harmful chemicals from production processes to improving the quality of their products that make them to be more competitive. Technology of an appropriate level and scale for production, handling, and processing is also fundamental and their adoption must be compliant with improving efficiency and renewable capacity in terms of water and energy use; removal of harmful chemicals from production processes; and reduction of the waste footprint in the value chains.

The selected value chains will, therefore, be expected to adopt practices and processes that necessitates green investment; green entrepreneurship and business development skills training and human resource capacity development in green technologies standards, regulations, accreditation and certification systems that allow small holders to conform to market requirements. This is expected to improve on the competitiveness of enterprises within the selected value chains.

The activities under this result area will be a continuation of the activities undertaken by the MESPT on NRM and will specifically target Integrated Pest and crop Management (focusing on training and certification of farmers and on dissemination of bio-pesticides and eco-friendly inputs) at producer levels; waste management; reducing conventional energy costs through renewable energy and/or energy efficiency solutions that increase competitiveness of the businesses through acceptance of the green technologies; promotion of renewable energies (wind power, solar energy, water turbines, biogas, bio-fuels, energy saving stoves, charcoal briquettes); promotion of Global GAP/Kenya GAP certification, which will be a pre-condition of access to export and domestic markets, or other environmental certifications schemes (such as Organic, Rainforest Alliance and Sustainable Forestry Initiative), which act to improve marketability of products; and capacity building on green technologies. Below is the summary of the main activities:-

- a) Carrying out needs assessment on the opportunities for supporting the renewable energy, resource efficiencies and climatic friendly technologies in the selected value chains.
- b) Supporting activities related to the promotion of access of renewable energy, resource efficiencies and climate friendly technologies to businesses.
- c) Capacity building of farmers and service providers on green technologies.
- d) Promotion of incentive structures based on innovative fiscal and financial instruments that foster renewable energy provision and other NRM-related business opportunities.

f) Supervision and M&E of activities will be carried out by MESPT.

Justification for the Green Technology Facility

MESPT current NRM financing initiatives include support to solar irrigation water pumps; biomass technology (biogas, briquette); water management and efficiency (drip Irrigation, community based water systems, water pans and water dams, piping); and energy scoping audit and implementation. These activities have been supported with credit lines of up to KES 50 million and have benefitted about 1,000 MSMEs. The support has been through credit lines, subsidies, guarantees and capacity building through financial products development and sensitization in collaboration with local financial intermediaries. Due to these initiatives MESPT has learnt that farmers are willing to adapt renewable energy technology interventions provided that loan facilities with favourable conditions are available. MESPT estimates that 10,000 MSMEs will access credit facilities through the green growth and employment in Kenya programme from which 5,000 MSMEs should benefit from the green growth fund facility. As MESPT up-scales their activity to cover 22 counties, the envisaged demand is as follows:-

No	Green Technology Interventions	Estimated Demand	Value KES
1	Solar Irrigation Water Pumps	50	35 million
2	Biogas Units	450	47 million
3	Drip Kits	600	4 million
4	Water Weirs	150	5.6 million
5	Water Pans	160	18.7 million
6	Scoping audits and implementation	20	60 million
7	Cook stoves and Solar Lumps	3570	14.3 million
		5000	184.6 million
	SMEs Green facilities	20	30 million
	Total Demand		214.6 million

In addition it is expected that credit facilities shall be extended to SMEs involved in green growth technologies in the tune of KES 30 million which will be funded from the existing MESPT revolving fund. In the event of the increased demand of the Green Technology Facility, MESPT intends to fund-raise from other development partners who already have existing programmes with MESPT such as GIZ, SNV and USAID in line with our strategic plan 2015-2019.

The above proposed interventions are expected to contribute to fighting poverty and creating sustainable development through inclusive green growth, increased earnings and more jobs, especially for the youth and women. This strategy is in line with the OECD Development Assistance Committee’s policy statement on inclusive growth where inclusive growth is concerned with opportunities for the majority of the labour force, poor and middle-class alike while a pro-poor approach is mainly interested in the welfare of the poor. The interventions are also in line with two immediate objectives of the green growth and employment in Kenya programme of promoting and supporting development of green value chains in agribusiness and industrial sectors to create employment for youth and women; and promoting and supporting renewable energy, resource efficiency and climate friendly technologies. MESPT will use its position as the Secretariat of the BDS Donor Committee to ensure that Co-ordination is enhanced and effective in the BDS and the Green Technology sector.

Criteria for selection of Value Chains and Counties

MESPT proposes to work in five value chains namely Export vegetables, Nuts value chain (Macadamia, coconut, Cashewnuts), dairy, mango and passion fruits. The selection of these value chains are based on various studies that have been carried out on these value chains and the competency developed so far within MESPT. These value chains have been selected based on the following criteria:-

- a) The potential to scaling up;
- b) The potential to create employment particularly to the youth and women;
- c) The potential to be able to increase income to the farmers;
- d) The potential to create demand driven formal supply chains to ensure enhanced market linkages and growth of enterprises;
- e) The potential to accommodate green growth opportunities for sustainable environmental management.
- f) The priority value chains in the targeted counties.
- g) The ability to incorporate cluster approach to value chain development.

MESPT Activities in the Counties

In the current constitutional structure, agriculture is a devolved function of the County Governments. MESPT is currently working in 16 counties to address the various constraints within the specific value chains that have been prioritised. This engagement will continue in the current programme to ensure that business growth and market linkages are consolidated within these value chains. The programme will expand to additional 6 counties through up scaling of its activities through private service providers in various aspects of value chain studies, farmer mobilisation, group formation and capacity building of farmers. The successes in the preceding activities will inform MESPT intervention in value addition, processing and market linkages. MESPT will endeavour to align its activities with county priority value chains and identify potential areas of synergy.

The proposed programme will have a nationwide outlook with priority to existing area of operations but with exploratory interventions in specific counties and value chains as summarised hereunder:-

Value Chain	Target Counties
Dairy	Uasin Gishu, Nakuru, Bomet, Nyandarua, Nandi and Kilifi
Mango	Embu, Makueni, Meru, Kilifi, Elgeyo Marakwet, Kitui.
Export Vegetables	Machakos, Makueni, Kajiado (Loitok Tok), Taita Taveta Nyandarua
Nuts: Macadamia, Cashew Nuts, Coconut and Peanuts	Kirinyaga, Embu, Nyeri, Kwale, Kilifi, Siaya, Busia, Homabay, Taita Taveta and Meru
Passion Fruits	Kwale, Uasin Gishu, Migori, Siaya, Transnzoia, Nandi, Makueni, Kitui and Taita Taveta

MESPT Vision for the Selected Value Chains

a) Dairy

MESPT vision in the dairy sector is to promote value addition and market linkage through improved quality of milk products that will be marketed at the regional levels through collaboration with various partners within the sector. Additionally we shall promote the use of communally owned biogas digesters that will provide cheap source of energy to the rural households and slurry as organic fertilizer.

b) Mango

MESPT vision in the Mango value chain is to ensure access to sustainable domestic and export market through promotion of B2B approach.

c) Export Vegetables

MESPT vision in export vegetables is to ensure consistent production through improved quality of export vegetables and their products that meet international quality requirements and safe for human consumption. This will be achieved through trainings, certification of farmers and promotion of sustainable water conservation technologies.

d) Nuts Value Chains

Our vision for the nuts value chain is to increase productivity and improve quality at farm level using green technologies. Emphasis will be put on improved seedlings and observing good agricultural practices. We shall explore potential of scaling up the activities of existing SMEs in the nuts value chains, with MESPT being an equity investor.

e) Passion Fruits

Our Vision for this value chain is to increase productivity and improve quality using green technologies at the farm level. This will be done through replication of the current business model.

The programme Information sharing and coordination

There are a number of existing and upcoming donor-funded programmes in support of market and value chain development and climate change in Kenya. It is therefore important to ensure proper coordination to avoid duplication of efforts while at the same time ensuring availability of sufficiently competent human resources for management and implementation of these programmes. Under the Green Growth and Employment in Kenya Programme, MESPT will strengthen the Resource Centre which will be instrumental in facilitating some coordination, but not sufficiently strong and comprehensive to help overcoming the situation of rather isolated project implementation and wasted synergies. Funds will, therefore, be used to improve coordination through facilitation of meetings with key implementation agencies driving various market development programmes in Kenya.

In terms of capacity building, this area aims at increasing the number and quality of market development and green technology experts in Kenya capable of managing and driving M4P, BDS and Green growth programmes in Kenya. This will be done through setting-up of localized M4P, Value chain, Green growth training programmes in Kenya in cooperation with the Danish Fellowship Centre (DFC) and International Training Centre of the ILO. Necessary staff capacity development within MESPT will also be supported.

Below is the summary of the main activities:-

- a) Team Building activities for the key programme staff from MESPT
- b) Facilitate Green growth Conferences and other information-sharing events;
- c) Identify needs and conduct impact assessments, baseline studies and facilitate joint assessments between different programmes, disseminate results and lessons learned;
- d) Facilitate joint implementation and programming;
- e) Facilitate the development and implementation of systematic and sustainable market development and green growth training programmes in Kenya.

Annex 5: Partnerships

The Kenya National Farmers Federation (KENAFF)

The Kenya National Farmers Federation (KENAFF) is the umbrella farmers' organization representing the interests of about 2.1 million farm families and the legitimate farmers' voice in Kenya. The Federation operates through small strategic partnerships, affiliations, coalitions, and other multiple interfaces to learn and gain more about integrated development initiatives. The federation activities are focused on improving the performance of the Federation through capacity enhancement, stronger membership base and collaborative actions for better livelihoods; and to promote smallholder gender balanced agricultural productivity and competitiveness through application of agribusiness principles and innovations for improved benefits. MESPT will engage KENAFF to implement activities related to mobilization and capacity building at farmer level as a service provider. They will be given priority among others to implement the above activities in counties where MESPT has no physical presence and KENAFF poses an advantage.

Kenya Climate Innovation Centre (KCIC)

The CIC provide market intelligence products including the market opportunity for various climate friendly and clean technologies, current market penetration, and information on ideal price points for large scale consumer adoption. It also provides information on competing solutions in the market. The KCIC provide technical information on a regular basis to enable technology development in line with market needs. KCIC aims to support enterprises developing innovative agricultural technologies such as improved quality of agricultural inputs, irrigation, timely harvesting, improved post-harvest management, quality control, and investment in storage facilities. On business acceleration, KCIC delivers technical support and training on product design, equipment use and manufacturing; product testing and demonstration; and acts as the focal point for international engagement of technology transfer and joint collaborative arrangement on R&D through local institutions. Through market development, they provide sector information on clean technologies sourcing as well as providing consumers with clean technology options. MESPT will work closely with KCIC in achieving common goals in so far as they relate to selected value chains through knowledge exchange and implementation of proven technologies. This will be done through piloting and upscaling the successful green technology innovations, SMEs referral for green technology product innovation support, promotion of private sector investment in clean and energy efficient technologies and information sharing and dissemination on green technologies.

TradeMark East Africa (TMEA)

Trade and Markets East Africa (TradeMark East Africa – TMEA) is an East African not-for profit Company Limited by Guarantee established in 2010 to support the growth of trade - both regional and international - in East Africa. TradeMark East Africa (TMEA) is focused on ensuring gains from trade result in tangible gains for East Africans. MESPT will collaborate with TMEA to explore regional market opportunities for the Value Chain commodities such as dairy through improved export capability and enhance business regulation for trade for the MSMEs, promotion of East Africa GAP certifications and organizing joint capacity building programmes targeting small holder farmers.

Business Advocacy Fund (BAF)

The Business Advocacy Fund supports business member organisations (BMOs), trades unions and civil society organisations with an interest in supporting business to engage in private public dialogue and to advocate improvements in the business environment in Kenya in the expectation that, if successful, changed policies will lead to more investment and, ultimately, more jobs. MESPT will work with BAF to support businesses through facilitating dialogue to improve their business environment through

media coverage and information sharing on green technologies and removal of trade barriers within counties through harmonisation or elimination of cross county levies for agriculture commodities.

Kenya Association of Manufacturers (KAM)

Kenya Association of Manufacturers (KAM) is a membership organization for manufacturing value-add industries in Kenya. It was in 1959 as a private sector body. Over the years KAM has evolved into a dynamic, vibrant, credible and respected business association that unites industrialists and offers a common voice for businesses. KAM provides an essential link for co-operation, dialogue and understanding with the Government by representing the views and concerns of its members to the relevant authorities. In pursuit of its core mandate of policy advocacy, KAM promotes trade and investment, upholds standards, encourages the formulation, enactment and administration of sound policies that facilitate a competitive business environment and reduce the cost of doing business. MESPT will collaborate with KAM in conducting energy and water efficient audits for SMEs and partners working in the MESPT targeted value chains.

Danish Fellowship Centre

Danida Fellowship Centre (DFC) is a self-governing institution, which manages and implements the Danida supported Fellowship Programme in Denmark and administers research grants for development research. MESPT will partner with DFC to facilitate capacity building programmes on green growth in the region.

Annex 6: Theory of change

