



USAID | **KENYA**
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USAID KENYA DAIRY SECTOR COMPETITIVENESS PROGRAM

623-C-00-08-00020-00

**SHORT TERM TECHNICAL SUPPORT TO SBOs ON DEVELOPMENT OF
BANKABLE BUSINESS PLANS**

Contractor Information:

Land O'Lakes, Inc.
Peponi Plaza, Block B, Second Floor
Off Peponi Road, Westlands
Tel. +254-20-374-8685
Fax +254-20-374-5056

RFA Number: 623-c-00-08-00020- 51

Issuance Date: 06.08.2010

Closing Date: 20.08.2010

Closing Time 4.00pm

REQUEST FOR PROPOSALS

Applications are invited from recognised qualified consultants/firms to support KDSCP small business organisations (SBO's) develop bankable business plans per the attached solicitation.

Under this solicitation, KDSCP, based on an open competitive selection process, will award a subcontract with a value of an agreed upon amount. If you decide to submit a bid, it must be submitted in accordance with the attached solicitation and received no later than the date and time indicated.

The USAID Kenya Dairy Sector Competitiveness Program (KDSCP) is 5-year effort to improve Kenya's dairy industry competitiveness, implemented by Land O'Lakes, Inc., with the financial and technical support of the United States Agency for International Development (USAID). The goal of KDSCP is to increase smallholder household income from the sale of quality milk. The KDSCP is implemented through a range of activities grouped together into three broad programmatic components. First, the program will upgrade the capacity of the dairy industry to compete in local, regional and international markets. Second, it will transform dairy smallholder business organizations into viable enterprises that supply quality milk to the market and facilitate access to critical services and inputs to farmer-members. Thirdly, the program strengthens support markets, increasing the availability and utilization of market-linked dairy business development services, inputs, technologies provided by business service providers to dairy enterprises.

Land O'Lakes is promoting a milk shed development model and focuses program activities in broad production zones (milk sheds) capable of producing between 50,000 to 100,000 litres in a day. The milk shed development approach will maximize collection and transport efficiencies to reduce costs and install best quality assurance practices. Land O'Lakes will facilitate the formation of strategic public-private alliances with, and fostering dialogue and negotiations between, leading dairy processors, Small Business Organizations (SBOs), read farmer groups, financial service providers, input and service providers, local authorities and development partners to build sustainable milk sheds. Critical to the success of this approach are strong vertical linkages—between farmers and SBOs, SBOs and processors and between processors and retailers/exporters—as well as strong horizontal linkages among SBOs.

Vertical linkages provide market access and facilitate knowledge and resource flows throughout the value chain while horizontal partnerships help build economies of scale in milk bulking and input and service provision while reducing collection and transport redundancies and inefficiencies.

In program implementation, Land O' Lakes works through producer groups herein referred to as Smallholder Business Organizations (SBOs) to reach member farmers. Within any given milk shed there are multiple SBOs in operation, each with different organizational and legal structures, leadership and management capacities, membership enrolment, milk collection infrastructure, access to inputs and services, and milk marketing options. To make meaningful

progress in component 2, i.e. “transform dairy smallholder business organizations into viable enterprises that supply quality milk to the market and facilitate access to critical services and inputs to farmer-members”, the program views bankable business plans as a critical requirement to guide and direct growth and performance of SBO’s.

The Kenyan dairy farmer organizations faces challenges of high cost of operations and efforts to bring down cost of production will be encouraged in this program by conducting a business analysis advising the SBO management on various options that will contribute to operational efficiencies in bulking, processing, service delivery and marketing of milk and milk products. The program will support selected SBO on a cost sharing basis to improve performance leading to viability and hence pass on the benefits to the farmers who will in turn be highly motivated in dairy resulting in increased dairy productivity, high milk production thus increased incomes.

Assignment objective

The key assignment objective is to develop bankable business plans for 80 SBOs currently working in the program. Specific objectives include:

- Appraisal of existing business plans developed by the SBOs and incorporate professional changes to the Business plans that will make them bankable documents that can also guide the management committee on the effective efficient management of their bulking centres or cooperatives
- Develop bankable business plans where non exist for some of the SBOs with close consultation of the Milk shed Facilitator and the Management committee
- Develop an implementation plan for each bulking center or cooperative (SBO)

Scope of Work

Review the existing business plans/strategic plans and make recommendations on what needs to be done to make it a bankable document.

Collect required data and develop the fresh bankable business plans or appraise, incorporate comments and revise existing plans into bankable documents.

A. The Business plan should have at a minimum details on-;

I. The Executive Summary should include the following subsections:

- **The firms and its environment:** A brief business description of the organization, its general products (differentiate the products from other similar products in the market i.e. a winning product) and the factors that affect its operation and success
- **Current Position and Outlook:** A description of the current and target market size, of its potential for growth and improvement, and the firms business opportunities;
- **Goals and Strategies:** A list and brief explanation of the goals and objectives established for the period covered by the plan, also a brief description of the major thrusts and improvement actions to be taken in each component of the plan; marketing, production, finance
- **Financial Highlights:** A summary of projected financial position for the forecasting period i.e. projected sales, profit, Cash flow and financial position

2. The Company’s History and present should highlight the following:

- A brief description of the organization from formation to current status
- Summary of success / failure story
- An assessment of the significant factors that affect the success of the organization
- Description organization's structure and nature of the operating environment: who are the current competitors, what is the potential for the number of competitors to change, impact of new technology, who are organization's suppliers and customers
- Description of the organization's internal environment, this involves the evaluation of the capabilities to determine its strengths and weaknesses
- An analysis of the current situation the organization is operating in, Outline of strengths, weaknesses, threats and opportunities and an assessment of their significance to the organization goals and objectives.

3. Sales and Revenue strategy

The Products and Services section should highlight the following:

- A brief description of the organization products and services
- **Sales Volume Analysis:** Provides a basis of analyzing the growth/stagnation/decline in the demand for the product. if the current mix of products/services is yielding sufficient revenue for the organization, both currently and in the future
- **Product Revenue Analysis:** Provides a basis of analyzing if the current mix of products/services is yielding sufficient revenue for the organization, both currently and in the future

4. Management and organization

The Management and Organization section should highlight the following:

- A brief description of the current management system and organization structure, assignment of responsibilities, and reporting and accounting relationships
- Effectiveness of organization's management, supervision, internal control procedures
- Assessment of staff turnover, complaints or grievances and morale
- Review of personnel management policies and procedures
- Evaluation of the adequacy and appropriateness of the organization's personnel skills: match between the current skills profile and the skills required to support the organization's operations; effectiveness of recruitment procedures, policies and procedures of training and developing existing staff; firm's procedure for directing, evaluating and improving performance.
- Review of areas of Skills deficiency and poor or inadequate performance within the organization, actions that have to be taken to correct these deficiencies, the extent to which the hired and promoted staff have performed effectively in their positions, what formal and informal training opportunities are provided to the staff

5. Operational policies

The Operation policies include:

- Inventory Management
- Maintenance policies and procedures
- Purchasing policies

- Subcontracting policies
- Capital expenditures

6. Production strategy

The Products and Services section should highlight the following:

- Description of the current process and technology in use by the Cooperative/SHG
- Analysis of production costs; productivity measures like labour cost per unit of output, sales revenue per expense unit, maintenance cost per unit of output, contribution analysis etc
- Factors affecting production costs and their overall impact on overall production costs, and the availability of more cost-effective methods.
- Analysis of capacity utilization of the organization's equipment
- Condition, Efficiency of facilities and Equipment
- New technological developments analysis; these can affect the market utility of the organization's product, productivity and cost efficiency of the production process used by the organization or by distribution systems, finally they can affect the staffing needs of an organization

7. Financial strategy

The Financial Evaluation section should highlight the following:

- Historical performance of the organization; liquidity position, debt position; Debt Management
- To what extent is the organization making effective and productive use of its assets; Assets Management
- Cash flow management policies and procedures; and their effect on profitability
- Composition of assets and liabilities, including future financial obligations
- Financing plan
- The cost and availability of funds from external sources.
- Use of financial ratios and trend analysis
- Policies of the organization regarding payments and collections

8. Appendixes

This is expected to include the following amongst others:

- Organization chart
- Investment schedules
- CVs Of management committee
- List of members
- Production and service flow chart
- Technology
- Markets and their pricing structure

B. Recommendations to management

C. proposed Implementation plan

Deliverables

Deliverables under this assignment will be:

- a) 80 comprehensive and bankable business plans developed for the SBO's
- b) Recommendations to SBO management on how to increase efficiency and profitability of their businesses
- c) A proposed Implementation plan/schedule for each SBO

The report will be submitted in both electronic and hard copy. Please note that a report that does not meet the management's expectations in terms of quality will not be accepted. A penalty will also be imposed for late submissions at a rate of 2.5% of the total value of the consultancy. This will be charged on a daily basis.

Time frame and proposed Level of effort

This assignment will not take more than 30 Calendar days starting in the month of September 2010. The consultant is expected to propose a staffing scenario/budget consistent with the requirements of the terms of reference.

The KDSCP milk shed coordinators will provide all relevant data related to the SBO, processors in their regions for analysis before commencement of assignment. The consultant will make use of the diagnostic study and the SBO needs analysis study conducted by KDSCP to understand the key issues. The 80 SBO's are spread over 8 KDSCP milksheds which include Gatanga, Nyeri, Kabete, Kinangop, Nakuru, Kericho, Lessos and TransNzoia. 70 draft plans are available for review on 13th Friday, August 2010 at our offices on Peponi Plaza Westlands between 2.00 – 3.00pm only.

Application Submission Requirements:

All interested candidates will submit their proposal organised as follows:

1. Technical proposal (not exceeding 15 pages). The technical proposal should reflect how the offeror will undertake all the tasks in the Scope of work.

The offeror will provide a detailed plan of specific activities and timetable for carrying out the assignment.
2. Financial Budget
The offeror shall propose a realistic cost estimate for this assignment, including a breakdown of the budget and justification of expenses. The budget shall include only those costs that can be directly attributed to the activities proposed. (with explanation of line items) Bidder must show existence of financial and administrative systems to adequately account (USAID and GAAP) for funds provided under this assignment.
3. Personnel
The offeror shall list and briefly describe the name and qualifications of the consultant(s) proposed to work on the assignment. (CVs of proposed personnel to be included in an annex)
4. Experience of the firm

A two to three page capability statement (Typically including organizational overview, technical representatives and qualifications of staff to carry out the assignment.

All interested applicants must provide a list of all contracts, grants, or cooperative agreements involving similar or related assignment in the last one year before this application submission. Reference information must include the location, award numbers if available; a brief description of work performed; contact with current telephone numbers.

Criteria for Evaluation:

Proposals will be evaluated according to the following Criteria:

1. Technical approach and methodology (40%)
2. Proposed Personnel - ability to address different components of the assignment (15%)
3. Relevance of the firm or organization's core capability/skills base to service request, and capacity to implement or manage the assignment and funds awarded (15%)
4. Budget Justification, Cost Realism (25%)
5. Evidence that the participation of women SBO's in the sector is encouraged (5%)

The KDSCP is authorised in accordance with the US Foreign Assistance Act and USAID Contract # 623-C-00-08-00020-00. Grants/Contracts will be administered in accordance with provisions contained in ADS Section 302.5.6, "Grants under contracts" ADS Chapter 303, "Grants and Cooperative Agreements to non- governmental organizations" and within the terms of the USAID standard provisions applicable to non-US, non-governmental recipients. Information on these provisions can be assessed through the USAID external website at www.info.usaid.gov "Business & Procurement" section. Per ADS section 302.5.6(f), Contractors/Grantees are authorized to execute cooperative agreements on USAID's behalf.

KDSCP and USAID/Kenya reserve the right to fund any or none of the applications submitted. Bidders who will receive no response from us three weeks after the closing date should consider their bids unsuccessful. Registered local firms and organizations interested in implementing this assignment are requested to submit a proposal (typed no smaller than 11-point font) by **Friday, 20th 4.00pm August 2010** to the Grants Manager at:

Land 'O' Lakes Inc.
Peponi Plaza, Block B Second floor
Off Peponi Road Westlands
GPO 45006-00100
Nairobi, Kenya

Submissions must be in English and typed single-spaced on standard 8 1/2" x 11 or A4 (210 x 297 mm) type white paper. Submissions must contain **one single-sided hard copy original** of the proposal (each with a complete set of appendices/attachments where applicable), and **two copies**. The original should be "photo ready," i.e., printed on one side only and unbound. All pages must be numbered and include the RFP reference number and name of organization on each and every page. Hard copies can either be submitted in person or at the Land O Lakes mailing address; however these must be received no later than the deadline specified above. **In addition, an electronic copy of the proposal should be submitted** either on a diskette or through an email to bids.kenya@idd.landolakes.com

Please include the name of the person in your organization who will be involved with the subcontract/grant application as well as your telephone, fax and email contact.