

**Terms of Reference**  
**Analysis of the Charcoal Value Chain in Kenya**  
**February 6, 2013**

**1. Background Information**

REDD+ is evolving within the country as an attractive means to reduce forest sector carbon emissions through appropriate forest management practices and enhanced forest governance. As the policy frameworks and positive incentives to support its implementation evolve at the international level, a number of initiatives have come up to support developing country efforts to develop and apply strategies and programs to reduce current forest sector emissions and enhance carbon sink capacities of forested ecosystems. The Forest Carbon Partnership Facility (FCPF) Process is one of these efforts supporting developing countries and which Kenya has joined. Kenya submitted its Readiness Preparation Proposal (R-PP) which was approved for funding by the Participants Committee of FCPF in 2011 and is in the process of fulfilling its commitment to achieve REDD+ readiness. The R-PP provides a road map for assessing the current situation with regards to deforestation and forest degradation, and provides an overview of how the country intends to address this.

The quick assessment of land use, forest policy and governance carried out during R-PP identified unsustainable utilization of forest products including charcoal burning, as a critical driver of land use change at the national level. To support formulation of strategy options to address the problem the RPP has proposed an analysis of the charcoal chain in the country.

**2. Rationale of the Analysis**

Charcoal is a key bio-energy resource in Kenya, providing domestic energy for 82% of urban and 34% of rural households. The charcoal industry also creates jobs for wood producers, charcoal producers, transporters and vendors. The industry reportedly employs over 700,000 people who support over two million dependants, yet it has received a negative image and remained informal for a long time, thus limiting its ability to attract investment and to operate optimally and sustainably. The Energy and Forestry Policies and Acts have recently legalized sustainable charcoal production, and efforts are underway by government agencies, including the Kenya Forest Service (KFS), and the Ministry of Energy (MoE), to take forward the implementation of this legislation.

Within the country, unsustainable charcoal production and use has been identified as one of the major drivers of deforestation and forest degradation. As part of REDD+ strategy formulation process, it has been found necessary to identify and promote viable options that address sustainable production and consumption of charcoal in the country. However, lack of policy attention in the past means that critical baseline data is missing in addition to structural governance deficits.

Investigating the sequence of charcoal production and marketing in all its facets is key to any systematic improvement. The value chain analysis provides a convenient means to this by providing knowledge, innovative insights and technology to the various links. It enables policy makers, civil-society stakeholders and development agencies to create favorable framework conditions which promote efficiency, competitive enterprises, sustainable development, environmental protection and poverty alleviation. It also allows impact-oriented monitoring of initiated policy actions.

## **The Objective**

This study is intended to provide information on the scale and economic value of the charcoal industry in Kenya, identify the driving forces behind charcoal production, understand the key players and the value chain, and provide a sound basis for policy development that reduces the negative impacts of the industry on the forest sector.

## **Specific Activities**

- 1. Update the existing data on the charcoal industry in Kenya through a review of the latest literature**
- 2. Construct the charcoal value chain through a participatory process which** identifies all relevant chain links (elements, or stages/functions of the charcoal production, marketing, transport, consumption etc.) and corresponding categories of stakeholders.
- 3. Quantifying the value chain in detail** to provide information on the existing charcoal production and consumption, overall economic significance, identify and gauge future trends of charcoal production and consumption as a energy source for commercial and domestic purposes , and provisionally identify intervention priorities and opportunities.
- 4. Preparing an economic analysis of the value chain.** the value chain is analyzed in regard to (i) income and profit, prices, and quantities of the goods handled by the different actors; (ii) distribution of income and profit within and among the groups along the value chain; and (iii) the mechanisms which determine revenue generation and revenue sharing in a given setting.
- 5. In-depth analyses of selected factors** where each chain-link is scrutinized for the underlying causes and mechanisms which promote or inhibit sustainable charcoal production, charcoal consumption and poverty alleviation.
- 6. Mapping Charcoal hot spots:** Delineate areas/ regions within Kenya where interventions could have an impact on reducing deforestation and forest degradation.

## **Expected Output**

The National REDD coordination office receives well referenced and comprehensive report on charcoal value chain analysis. This report will inform the development of a national REDD strategy as well as the formulation of the long term forestry sector plan that takes due cognizance of the value and contribution of the charcoal industry to the economy.

## **6. Study Approach**

### **6.1. Methodology for the study**

- Desk review of available secondary information from reliable sources to frame the context of the problem and any previous relevant analysis already undertaken
- Structured interactions with key stakeholders including interviews, focus groups to collect information
- Field observations
- Participatory appraisal techniques to obtain quantitative and qualitative factual information.
- Review of similar analysis from other countries in the region.

### **6.2 Work plan**

The consulting firm or consortium is expected to prepare an inception report with a detailed work plan that shall guide the process. This work plan will describe how the study will be carried out that includes work schedule, methodology to be used for data collection analysis, and reporting.

## **7. Qualification/experiences and competency of the consultant**

The consulting firm or consortium of consulting firms to be involved in this assignment should demonstrate the ability to carry out this study with sufficient experience in similar studies. The firm has to have the proven capability of (i) undertaking studies and producing consistent high quality reports (ii) demonstrated experience of forest resource economics, forest management as it relates to resource utilization and (iii) understanding of charcoal sector in Africa region preferably in Kenya and (iv) a clear understanding of forest policies, energy related laws and regulations in Kenya and REDD+. Local presence of proposed team members in Kenya is highly desirable.

### **8.0 Duration of work:**

This assignment will have to be completed within a period of three months after contract signature. The study is to be completed by June 2013

### **9.0 Reporting Schedule (from date of signing of contract):**

- Inception report: Two weeks
- First Draft Report ready: 2 months
- Second Report : After 2.5 months
- Final report: 3 months