

## TERMS OF REFERENCE

### A COMPREHENSIVE ASSESSMENT OF PENSION SYSTEMS AND ASSET MANAGEMENT INDUSTRY IN AFRICA

#### CALL FOR PROPOSALS

##### 1. Introduction

The pensions and the asset management industries in Africa have over the years undergone significant changes and evolution, with various countries adopting diverse reform paths. Information available indicates that countries like South Africa, Kenya, Nigeria, Ghana among others have relatively more developed pension sectors and asset management industries compared to other countries within the continent. Although there is variation in sophistication among countries and considerable literature on the sector, there lacks a comprehensive, nuanced study or repository encompassing the entire continent. Efforts in this regard have often been fragmented.

All countries in the continent encounter common challenges, such as low coverage and participation rates (particularly for women), governance issues, capacity, insufficient assets under management, restrictive frameworks, and macroeconomic and demographic shifts, including high youth populations, population growth, and unemployment rates. Understanding these reforms, challenges, opportunities and the evolving investment landscape is crucial for optimising inclusive pension designs and policy frameworks. This understanding enables regulators and policymakers to benchmark from each other, allows schemes to improve on the administration and management of their respective schemes, pension fund managers to optimise investment returns for pension schemes, and empowers financial sector experts to support the development of the sector to ensure adequate income for members of retirement benefit schemes.

Estimates indicate that investment assets managed by domestic institutional investors, pension fund managers, and non-pension asset management companies (including collective investment schemes, insurance firms, and banks) will reach US\$ 3.9 trillion by 2030. Despite African domestic institutional investors holding the largest pools of long-term capital, the continent's capital markets remain heavily reliant on foreign investors. Africa's substantial potential has yet to be fully realised due to the unique growth drivers, inherent risks, governance issues, regulatory environments, under-penetration, and lack of transparency faced by each of its 54 countries. Addressing these challenges requires a comprehensive understanding of the industry's structure and dynamics.

The Africa Pension Supervisors Association (APSA) and the Pan-African Fund Managers' Association (PAFMA), both industry associations incubated and supported by FSD Africa, have brought together pension sector regulators and fund managers respectively in Africa to jointly tackle these impediments. For example, APSA members have agreed to collaborate, cooperate and exchange information and ideas to better supervise, regulate and grow the pension sector on the continent. The members of PAFMA have come together to deepen collaborations, promote peer learning and advocate for a one-Africa voice for the industry among stakeholders and global peers on matters of industry growth. These industry efforts will accelerate the pace of reforms in the pension space and asset management industry for greater economic impact in Africa.

FSD Africa, APSA Secretariat, and PAFMA seek to hire a consultant or consortium to conduct a landscape study to comprehensively analyse the African pension and asset management sectors across

all countries in Africa. Additionally, the consultant(s) will be tasked with developing a guidebook and a dynamic database for the pensions and asset management sectors in Africa. Consultants are required to ensure gender is considered throughout the scope of work.

## 2. Background

### 2.1 About FSD Africa

FSD Africa is a specialist development agency working to reduce poverty by strengthening financial markets across sub-Saharan Africa. Based in Nairobi, FSD Africa's team of financial sector experts works alongside governments, business leaders, regulators, and policymakers to design and build ambitious programmes that make financial markets work better for everyone. Established in 2012, FSD Africa is incorporated as a non-profit company limited by guarantee in Kenya. It is funded by UK aid from the UK government.

More information on FSD Africa is available [here](#).

### 2.2 About the Africa Pension Supervisors Association (APSA)

APSA is a membership body that brings together pension regulators and supervisors from across Africa to canvass issues of common interest. The goal of the Association is to provide a platform for collaboration, cooperation and exchange of information and ideas to better supervise, regulate and grow the pension sector on the continent. The current membership is made up of regulators from various countries in Africa who are responsible for over 86% of pension assets in Africa. The association is spearheaded by an Executive Committee elected from among the member institutions. Equally, the association has a permanent secretariat hosted by the Retirement Benefits Authority, Kenya.

More information on APSA is available [here](#).

### 2.3 About the Pan-African Fund Managers' Association (PAFMA)

PAFMA is a membership association that brings together fund managers across Africa to discuss matters of mutual concern and interest to promote a solutions-based approach within the context of Africa's regional operating environment and priorities. The PAFMA serves as a platform to deepen collaborations, promote peer learning and advocate for a 'one-Africa' voice for the industry among stakeholders and global peers on matters of industry growth. PAFMA's membership has grown to 16 countries and is led by a 5-member council. FSD Africa will provide more information on PAFMA.

## 3. Objectives

The objective of this consultancy is to:

- Evaluate the **present state of the retirement benefits sector** across all African countries, covering regulatory frameworks, structural aspects, coverage, adequacy, sustainability, pension asset investments, and innovations on both the demand and supply sides of the industry, with a focus on understanding how the sector currently impacts women and men differently.
- **Gain comprehensive insight into the asset management landscape within Africa**, encompassing an analysis of the regulatory framework, structure and dynamics,

performance, trends, key stakeholders, obstacles, and potential avenues for growth and development within the sector, specifically for a more inclusive sector.

- Create a **comprehensive Guidebook** for the pensions and asset management sectors in Africa. It will serve as a benchmarking tool for regulators and fund managers, provide insights for investors into the pension and asset management landscape and opportunities, and offer guidance for development finance institutions involved in the development of programming priorities, such as gender, for the pensions and asset management sectors across Africa.
- Develop an **interactive database** to disaggregate the retirement benefits and asset management sectors, serving as a baseline for future tracking and analysis. This initial step will pave the way for annual monitoring and the comparison of progress across Africa. The aim is also to develop an ongoing database, which may later be produced in an online digital dashboard.
  - The database would also cover asset allocation data, both regulatory limits and actual allocation, intended to be updated every [2] years. It will also propose how to incorporate data on sustainable investment guidelines/investment for the pension sector in each country.
  - The effort can be modeled around the OECD and World Bank Pension databases or other suitable global database for interoperability and comparison

#### 4. Scope of work

This study aims to provide a better understanding of the pensions and asset management sectors in all countries in Africa. Based on the specific objective of this study, the scope of work will be carried out in 3 phases:

**Phase 1:** Conducting a comprehensive assessment of the current state of pension systems across different countries in Africa. This should involve:

- Conducting a **comparative assessment** of the pension system and asset management industries in Africa with international benchmarks and best practices, including the sectors' contribution to the economic growth and development of the respective countries, highlighting the key social, political, economic and other issues that drive and restrict the advancement of pensions and asset management sectors in the continent. The assessment should include a gendered understanding of how women benefit (or fail to benefit) from current practices.
- Assess the **legal and regulatory framework** governing pension systems and asset management in each country, including regulatory bodies responsible for overseeing pension systems and asset management, legislations, investments and administration, governance and compliance requirements, as well as ESG integration. Consultants are requested to assess these frameworks for gender intentionality and impact.
- **Mapping of the different structures** of pension systems and asset management, including the design, implementation, uptake, players, challenges and opportunities within different structures. This should also include developing a matrix comparing various pension systems and asset management models in all countries in Africa.
- Evaluating the extent of **pension coverage, adequacy, equity, and contribution rates** among different segments of the population, sex-disaggregated across groups including formal sector employees, informal sector workers, self-employed individuals and vulnerable groups.

- Assessing the **practices, size, trends, breadth of instruments/asset classes available and performance** of the asset management industry in the continent. When data is available, assessment should be made on gender considerations into the practices and performance of the asset management industry.
- Assessment of **modernity and innovations in the pension and asset management sectors** in different countries in Africa and globally, both on the demand and supply side and not limited to design, administration, and coverage.
- Analysis of the **management and financial sustainability** of pension funds, including funding mechanisms, funding gaps, investment strategies, asset allocation practices and ESG integration in investments.
- **Propose policy recommendations and actionable strategies** to effectively address identified challenges and gaps and to enhance the aspects discussed above, including increasing women's ability to work in and benefit from the pension and asset management sectors. These should preferably be presented in a matrixed format tailored to the specific context and needs of each country.

**Phase 2:** Development of a **comprehensive Guidebook** on the development of the pension and asset management sectors in Africa. The guidebook should present aspects of pensions and asset management distinctly.

**Phase 3:** Development of a **dynamic disaggregated database** to facilitate ongoing data-driven analysis for the pensions and asset management sectors.

- Develop standardised sex-disaggregated templates/portal for data collection and data visualisation on various parameters from the various jurisdictions. The database should be logical, user-friendly and straightforward to update, preferably in MS Excel or a user-friendly format. This effort is to create the baseline, which FSD Africa, the APSA and PAFMA Council will then continue to collect on an annual basis.
- Develop a visually appealing and user-friendly digital dashboard/web-based data portal. The digital dashboard should have enhanced interactive features for data analytics and visualisation at country, regional and continental level.
- The database will encompass, among others, historical and projected data, including (sex-disaggregated where available) population size and growth rates, contribution rates, old-age dependency ratios, pension coverage rates, replacement rates, Assets Under Management (AUM) categorised in different assets classes, AUM as a % of GDP, and performance benchmarks categorised by asset class per country.
- Historical data will span a period of 10 years and projections until 2030. The database will utilise historical and demographic trends from reputable sources such as the IMF, World Bank, the International Labour Organization or any other reputable sources for projections.
- The consultant will also highlight data gaps and opportunities, propose methodologies for future data collection and define suitable data sources.
- Identify key parameters for tracking pension sector development and monitor progress.
- The database should present aspects of pensions and asset management distinctly.

The outlined scope of work should not restrict the consultant's creativity and innovation in determining what aspects to include in the landscape study, guidebook, or database. It is also expected that the research methodology will be outlined in the proposals submitted in response to this terms of reference, and that the final methodology will be determined in consultation with the appointed consultant.

## 5. Deliverables and Timing

The consultant is expected to execute the tasks under this scope of work within sixteen (16) weeks from the signing of the contract. The consultant will share the deliverables with FSD Africa, the APSA Secretariat and the PAFMA Council in accordance with the schedule below.

Deliverable	Deadline
An inception report detailing: <ul style="list-style-type: none"> <li>Key issues that the study will focus on</li> <li>work plan and proposed methodology, as well as an initial database template and design of the guidebook.</li> </ul>	Two (2) weeks after signing the contract
Draft landscape study report (Word document and PPT presentation of key findings, which will be presented to FSD Africa, APSA Secretariat and PAFMA council).	Eight (8) weeks after signing the contract
Final landscape study report (Word document and PPT presentation of key findings, which will be presented to FSD Africa, APSA Secretariat and PAFMA council. The consultant will also present the findings at a conference or webinar organised by FSD Africa, the APSA secretariat or the PAFMA Council.	Ten (10) weeks after signing of the contract
A comprehensive guidebook (Word document and PPT presentation of key findings which will be presented to FSD Africa, APSA Secretariat and PAFMA council).	Fourteen (14) weeks after signing of the contract
An interactive database in Excel or other format that allows easy interaction with the data (consultant will present to FSD Africa, APSA secretariat and PAFMA Council).	Eighteen (18) weeks after signing of the contract
A digital web-based portal/dashboard (consultant will support with the launch of the dashboard).	Twenty four (24) weeks after signing of the contract

### Additional deliverables and considerations:

- A brief report providing feedback to FSD Africa on the opportunities, difficulties and constraints in delivering a project of this nature. It should communicate where data was difficult to access and how this could be addressed in future.
- List of stakeholders contacted during the process of the research, with contact details as well as information sources used.
- Any additional data collected during the research process beyond that included in the landscape study, guidebook and database.
- The IP of the deliverables will belong to FSD Africa and the Guidebook and Database will be hosted under the auspice of APSA. Full acknowledgement of the partnership to deliver the outputs and and co-branding with the service provider will be provided.

Kindly be advised that:

- The launch of deliverables will occur in distinct phases. Consequently, consultants are requested to furnish a detailed cost breakdown corresponding to each phase.

- FSD Africa shall have proprietary rights to all the deliverables and additional information collected during this project.

## 6. Invitation to Submit Proposal

Your proposal should contain:

- Respond to the terms of reference, demonstrate understanding of the role of the consultant and familiarity with the pensions sector/asset management industry and players, and discuss the proposed methodology and key issues for consideration in the work. The consultant should give attention to the working languages of different countries in Africa.
- A detailed work plan demonstrating the feasibility of the proposal.
- A proposed outline of the final output of each of the deliverables.
- Names and CVs (maximum three sides of A4 paper each) of staff members responsible (i) for overseeing the work; (ii) for undertaking the work, tailored to the assignment. Local/working knowledge in different countries would be preferred. A consortium of consultants is welcome.
- An itemised budget for both professional fees and reimbursable expenses, including fee rates, number of days, days per week proposed commitments and a breakdown of expenses, quoted in GBP/USD. Please also include a per-day rate in your budget.

Your proposal, which should not exceed ten pages (excluding annexures), should be sent by email to FSD Africa at [bids@fsdafrica.org](mailto:bids@fsdafrica.org) by **1200 PM EAT 08 August 2024**.

## 7. Basis of award

FSD Africa will award a contract to the consultant based on the following criteria. Evidence must be furnished against the mandatory requirements.

Mandatory requirements	
Demonstrable experience and expertise in pension/asset management industry research and policy, as well as working knowledge of these sectors in Africa.	
Strong analytical skills, with the ability to gather and interpret complex data, trends, and regulatory frameworks, with experience carrying out gendered analysis.	
Demonstrable experience and expertise in the development of databases, guidebooks, and similar.	
Excellent communication and reporting abilities, including the preparation of comprehensive reports and policy briefs.	
Strong analytical, research, and report-writing skills.	
Previous experience working on similar projects in Africa will be an advantage.	

The criteria for determining the winning bid will be weighted against the criteria below. Evidence must be furnished against the requirements in the assessment criteria.

Assessment criteria		Weighting (%)
Experience of firm or individual	Experience in the financial sector/capital markets with an emphasis on the pension sector or undertaking similar assignments in the last seven years.	35%

Assessment criteria		Weighting (%)
	Experience working with regulators across African countries, both French and English-speaking.	
	Experience of the firm or its staff working with pension regulators in Africa	
Skills and qualification	Individuals must have demonstrable experience in financial/investment/pension research, policy and financial modelling.	20%
Methodology	Clear and concise understanding/interpretation of the task set out in these TORs. Content, quality, and originality of the proposal, including innovation in and feasibility of the approach.	25%
Most economically advantageous	<p>Fee basis and total costs will be computed as follows:</p> <p>FS = 20% x LB/BP where:</p> <p>FS = is the financial score</p> <p>LB = is the lowest bid quoted</p> <p>BP= is the bid of the proposal under consideration.</p> <p>The lowest bid quoted will be allocated a maximum score of 20%.  <b>The fee quoted must include applicable withholding tax.</b></p>	20%
<b>Total</b>		<b>100%</b>

## 8. Contact

Questions or comments in respect of these terms of reference should be directed by email to [bids@fsdafrica.org](mailto:bids@fsdafrica.org) and be received no later than **1200 EAT on 30 July 2024** Responses and clarifications will be provided on **01 August 2024** through the same email address.

## 9. Applicable Taxes

As per Kenya's tax law, FSD Africa will pay the Consultant after deducting the appropriate withholding taxes at the applicable rate between Kenya and the Consultant's country of tax residence, considering any tax treaties in force. It is the responsibility of the Consultant to keep themselves apprised of these applicable taxes. The below table, however, provides guidance on the applicable rates as per tax regimes.

Country	WHT Rate
Kenya	5%
United Kingdom	12.5%
Canada	15%
Germany	15%
India	10%
Non-resident rate for citizens of EAC member countries	15%
All other countries	20%

### Annex 1: Proposed Fee Schedule

Costs should be shown separately in the format set out below. Fees proposed by tenderers should be inclusive of all taxes

<b>Consultancy fees*</b>	<b>Days</b>	<b>Fee USD/GBP</b>	<b>Total USD/GBP</b>
xx			
xx			
<b>Total remuneration</b>			<b>0.00</b>
<b>Reimbursement costs**</b>	<b>Unit</b>	<b>Cost USD/GBP</b>	<b>Total USD/GBP</b>
xx			
xx			
<b>Total reimbursement cost</b>			<b>0.00</b>
<b>Total proposed costs</b>			<b>0.00</b>
<i>*Fees incl of all taxes</i>			
<i>**Expenses to be reimbursed on actual costs as per FSD Africa's travel policy</i>			