

TERMS OF REFERENCE

CALL FOR PROPOSALS

DEVELOPMENT OF CAPITAL MARKETS MASTERPLAN IN ETHIOPIA

1. Introduction

Financial Sector Deepening (FSD) Africa in partnership with the Ethiopian Capital Markets Authority (ECMA) wishes to contract a consultancy firm (the “Consultant”) to support the development of a Capital Markets Master Plan (“CMMP”) for the Ethiopian Capital Market (the “Services”).

The Services will involve (among other things):

- i) Extensive consultation with policymakers, industry participants and other capital markets stakeholders;
- ii) Development of a 10-year CMMP;
- iii) Development of a sequenced implementation plan (or road map) for the CMMP; and
- iv) Development of a monitoring and evaluation framework for the CMDMP. Capital Markets Development Master Plan

2. Project Background

2.1. About the Ethiopian Capital Markets Authority (ECMA)

The Ethiopian Capital Market Authority (CMA) stands as a pivotal institution mandated to foster the development and regulation of the capital market within the Federal Democratic Republic of Ethiopia. Established under Article 3(1) of the Proclamation, the CMA operates as an independent regulatory body with its own juridical identity, reporting directly to the Prime Minister of Ethiopia. Embracing a multifaceted approach, the CMA is committed to enhancing investor confidence, facilitating capital mobilization, and promoting sustainable economic growth through robust regulatory frameworks and strategic initiatives.

For more information, please visit: <https://ecma.gov.et/>

2.2. 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 work alongside governments, business leaders, regulators, and policy makers 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.

For more information, please visit: <https://fsdafrica.org/>

2.3. Project Context

A facilitative legal and policy framework lays the foundation for an enabling capital market regulatory architecture upon which capital market activity can thrive. Since 2016, FSD Africa has been supporting capital market

regulators in Sub-Saharan Africa (SSA) to strengthen their regulatory capacity and build facilitative regulatory frameworks that promote mobilisation of long-term capital. Many markets in Africa are still testing their regulatory tools, and the successful uptake of sustainable finance capital market instruments is dependent on a solid regulatory base.

One of FSD Africa's regulatory flagship projects was the Africa Regulatory Support Programme (ARSP I), which was approved in September 2018 and ended in March 2023. Through this programme, FSD Africa extended technical assistance to securities regulators in Ghana, Kenya, Nigeria, Rwanda, Uganda, Zambia, Zimbabwe, and the West African Economic Monetary Union (WAEMU). The programme involved cross-cutting initiatives with the Africa Middle East Regional Committee (AMERC) of the International Organization of Securities Commissions (IOSCO) on sustainable finance and listings.

FSD Africa is now in the process of rolling out a second iteration of the African Regulatory Support Programme (ARSP II), a multi-country programme to support the strengthening of African capital market regulators. Interventions in the program will include development of capital markets master plans, institutional capacity assessments, and sustainable finance/green bonds. In Ethiopia, the programme will support capital markets development in various capacities such as the development of a capital market masterplan – a strategy development roadmap . In addition, the programme aims to forge a working relationship with key stakeholders to support the development of appropriate approaches in sustainable finance, fintech and listings.

2.4. The Capital Market Master Plan (CMMP)

The CMMP will chart the strategic position and future direction of the capital markets in Ethiopia, while providing both the regulator and market participants strategic clarity on the vision, objectives of the capital market and road map required to achieve these set objectives. It will provide a long-term capital market development roadmap by delineating the long-term vision, objectives, and actionable strategies for the sustainable development and expansion of the Ethiopian capital market. This roadmap aims to outline key milestones, policy interventions, and market infrastructure enhancements necessary to propel the market forward. It will support the creation of a conducive business environment to encourage innovation, investment, growth, and expansion of economic and employment opportunities.

The CMMP looks at ongoing enhancement of legislation, regulations, and supervision of the capital market for sustainable growth. This includes enhancing the capacity of regulators and creating an open and competitive environment. It also seeks to improve the financial capital market infrastructure, strengthen intermediation, and enhance oversight and governance structures.

The programme will consider and take advantage of recent developments in CMMPs in neighbouring East African countries where there have been significant benefits from the current master plans, as well as emerging international good practice in this area. This exercise is expected to last 12 months.

3. Objectives and Scope

3.1. Project Objectives

The primary purpose of the assignment is to work with the Ethiopian CMA to develop, a capital market master plan that will provide clear direction to the development of the capital market sector in Ethiopia.

Specific objectives include:

- i. Engagement with policy makers, industry participants and other capital markets stakeholders to identify the expected role of capital markets in the economic transformation of the country.

- ii. Identification of the nature of the capital markets required to support long-term financing needs in the country context. A careful consideration and justification would be required in the promotion of public and private markets.
- iii. Identification of major impediments to and key drivers of a vibrant capital markets industry. The Consultant will be expected to recommend actions that capital markets players could undertake to drive growth in capital markets.
- iv. Identification of legal or regulatory changes that could have a major impact on capital markets growth. Such changes might include (for example)
 - a. a relaxation of rules that constrain pension fund investment in domestic enterprises and/or infrastructure projects; or
 - b. recommendations on which economic sectors (telecoms, banking etc.) should be structured using public listed companies based on considerations such as their impact on the country's current account, or
 - c. reforms to public sector pension funds, or
 - d. reforms to rules on company registration, filing of accounts etc. Analysis should draw on international examples, especially from more advanced developing countries.
- v. Development of the 10-year CMMP
- vi. Development of a sequenced implementation plan for the CMMP
- vii. Development of a framework for monitoring and evaluating the impact of the CMMP, at the level of the plan itself and for the major interventions within the plan (including performance indicators for each major intervention)
- viii. Validation of items (v-vii) on capital markets, key stakeholders in the private markets, other regulators, and policymakers with the:
 - ✓ Ethiopia 2030: The Pathway to Prosperity Ten Years Perspective Development Plan (2021 – 2030). <https://faolex.fao.org/docs/pdf/eth215704.pdf>
 - ✓ Home Grown Economic Reform Program II

3.2. Scope

The Consultant will be required to engage in the following activities, with other closely related areas if they emerge during the course of the assignment:

- i. Desk research to assimilate the more important, existing diagnostic work that has taken place on the state of the capital market in Ethiopia.
 - a. Documents to be reviewed might include World Bank/IMF Financial Sector Assessment Plan(s), Government policy statements, National Development Plans and other economic research and analyses relevant to the country.
 - b. Capital markets documents from other relevant jurisdictions, Capital Markets Development Master Plans and other securities markets regulators' Strategic Plans.
 - c. Industry reports and analyses from stakeholders, as appropriate. This can include conference documentation from previous meetings on the capital market.
- ii. Concept papers for the respective regulators that will inform the process of developing the Capital Markets Development Master Plan, based on findings in (i) above and consultations between the Consultants and ECMA
- iii. Stakeholder interviews: in-depth, structured interviews with at least fifteen (15) key stakeholders.
- iv. A market assessment report, building very largely on (i) and (iii), but possibly supplemented with other primary research, identifying the major impediments to and key drivers of a vibrant capital markets industry.
- v. Consultative seminars/workshops: Broad stakeholder support for the process is an absolute necessity in addition to leveraging the opportunity of the CMMP process to engender more awareness for the contribution of capital markets towards the economy. While the workshops throughout this process (e.g. to launch the CMMP development process, and present findings and recommendations), will clearly target industry practitioners, Ministry of Finance officials, other regulators etc., it will be important to

create a forum (or fora) to involve other stakeholders, such as the federal parliamentary assembly. Bidding consultants will be called upon to suggest strategies to build inclusive, political momentum for CMMP: these might include one-on-one meetings and small engagement meetings targeted at specific groups of stakeholders who could “champion” the CMMP. The Consultant would be expected to both conceptualise and facilitate these.

- vi. A consensus-building “offsite”, with key stakeholders and involving regional/international experts, to test emerging ideas and recommendations;
- vii. Agreement between the Ethiopian CMA and the Consultants on the outline, content and results for the CMMP, along with the basic implementation plan;
- viii. Production of the CMMP itself in working draft form.
- ix. Production of a detailed draft implementation plan for the CMMP, probably in a separate document to the CMMP itself, detailing:
 - a. the sequencing of the various interventions and their attendant costs
 - b. a recommended governance structure for the implementation of the CMDMP – Steering Groups, Technical Committees etc.
- x. Market consultations on the CMMP and the implementation plan, to validate the report and confirm timing of implementation, roles and responsibilities, financing of implementation, monitoring, and risks.
- xi. Finalization of the reports. The consultant will be required to produce an international standard final product benchmarked against international best practice.

4. Timing and deliverables

The assignment will be carried out in 12 months.

Deliverable	Timeline	Cumulative Timeline (weeks)
Inception report	Within 6 weeks of award of contract	6
Progress updates	Monthly	
CMMP Concept Paper	Within 8 weeks of acceptance of inception report	14
Draft market assessment report	Within 6 weeks of acceptance of the concept paper.	20
Final Market Assessment Report	Within 4 weeks of acceptance of Draft Market Assessment Report	24
Draft CMMP	Within 12 weeks of market assessment report	36
Consensus-building “offsite”	Within 4 weeks of delivery of draft CMMP	40
Final draft CMMP	Within 6 weeks of “offsite”	46
Launch of CMMP	Within 52 weeks of award of contract	52

5. Invitation to Submit Proposal

FSD Africa on behalf of the project partners is inviting tenders from suitably qualified consultancy firms. The proposal should contain:

- Names and CVs (maximum 3 sides of A4 paper each) of key individual(s);
- An outline of the team structure;
- A summary of your the firm’s team’s and the firm’s relevant experience in the securities industry and a proven track recording the kind of analysis called for in these terms of reference;
- Evidence of strong orientation to partnered development with national entities, and success in implementation of such plans after design in other assignments;
- A description of your firm’s understanding of the role of the Consultant as outlined in these terms of reference, including methods of consultation to enable market ownership;

- A declaration that your firm upholds best practices of professionalism and is not conflicted, in any way whatsoever;
- A description of how your firm intends to fulfil the Services within the suggested timeline;
- Recommendations for changes and innovations which will enhance the results, and
- An itemised budget for both professional fees and reimbursable expenses, including fee rates, number of days and a breakdown of expenses – template below- Annex 1.

Submitted proposals should not exceed 10 pages (excluding annexures). Your proposal should be sent by email to FSDA Africa at bids@fsdafrica.org by 12 noon (EAT) on or before **20 January 2025** under a subject line reading ‘**Call for Proposals: Development of Capital Markets Masterplan –Ethiopia.**’

6. Basis of award

FSDA will award a contract to the consultant based on the following criteria:

Mandatory requirements
The firm must demonstrate experience in development of CMMP. The Team Leader should, therefore, provide proof of having undertaken a similar assignment within the last seven (7) years with a Securities Markets Regulator.
Firm/individuals must have good knowledge of financial markets and political economy context of Ethiopia, and the capacity to engage collaboratively and pragmatically with both the Ethiopian CMA, policy makers and market players, with a view to concluding the work to enable high probability of implementation of the CMMP after consultancy completion.
Firm/individuals must have the capacity to engage intensively with this assignment, with appropriate involvement of senior team members, with a view to concluding the work within the agreed timelines.

Assessment criteria	Weighting (%)
Relevant, demonstrated experience and capacity of firm and proposed team in this area	40%
Understanding/interpretation of the task set out in the TORs	10%
Content, quality, and originality of proposal	20%
Fee basis and total costs $FS = 30\% \times LB/BP$ where: FS = is the financial score LB = is the lowest bid quoted BP = is the bid of the proposal under consideration.	30%
The lowest bid quoted will be allocated the maximum score of 30%. Fee quoted must be inclusive of applicable withholding tax	
Total	100%

7. Contact

Questions or comments in respect of these terms of reference should be directed by email to: bids@fsdafrica.org on or before **12 noon EAT ,09 January 2025** and feedback will be provided on **13 January 2025**

8. Applicable Taxes

As per Kenya's tax law, FSD Africa will pay the Consultant after withholding the appropriate 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

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