

TERMS OF REFERENCE

SCOPING STUDY ON REGULATORY BARRIERS AND GAPS FOR MSME FINANCING IN KENYAN CAPITAL MARKETS

1. Introduction

FSD Africa seeks to commission a scoping study to examine market barriers that limit MSME financing through Kenya's capital markets. Kenya's markets are relatively advanced in the region and, in principle, could support scalable, local-currency MSME financing through listed and unlisted debt, collective investment schemes, private placements, receivables and supply-chain finance platforms, and structured products such as asset-backed securities. Despite MSMEs representing about 98% of businesses, generating over 30% of new jobs annually, and contributing roughly 40% of GDP, the uptake of MSME-focused capital markets instruments remains low, and the financing gap persists.

Existing regulatory frameworks for debt securities, ABS, private placements and receivables-based finance provide a starting point but are not yet enabling MSME products to scale. While various studies have explored elements of MSME finance in Kenya, none offer a comprehensive, Kenya-specific assessment of the capital markets framework across the full spectrum of available MSME-linked instruments. This scoping study is therefore intended to fill that gap by (i) taking stock of existing work and documenting successes, progress, failures and lessons, and (ii) conducting deep, instrument-level analysis to assess regulatory barriers and gaps, potential, latent demand and practical pathways to widespread adoption.

2. Background

2.1 About FSD Africa

FSD Africa is a specialist development agency established in 2012. It works to strengthen financial markets across Africa and mobilise long-term finance for sustainable and inclusive development. Based in Nairobi, FSD Africa works with governments, regulators, industry associations and market actors to support policy and regulatory reform, capacity development, market infrastructure strengthening and knowledge generation aimed at addressing systemic barriers to financial sector development. FSD Africa is funded by the UK Government and other partners, including the Gates Foundation.

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

3. Objectives and Scope

3.1 Objective

The main objective of this assignment is to undertake a deep, instrument-level scoping study of the regulatory, legal, supervisory and market practice barriers affecting MSME financing through Kenya's capital markets, and to identify prioritised and actionable reforms that can support the development and scaling of MSME-focused capital markets instruments.

3.2 Scope of work

The scope of the assignment will cover the areas below. The consultant will focus in depth on the Kenyan market while drawing on relevant regional or global benchmarks where appropriate.

3.2.1 *Review of Prior Recommendations and Implementation Status*

- a) Review relevant prior studies, assessments and policy reports that have examined MSME financing through Kenyan capital markets and identify the key capital-market-related recommendations contained therein.
- b) Assess the extent to which those recommendations have been implemented, including any regulatory, supervisory or market-practice changes that have resulted, drawing on documentary evidence and stakeholder consultations.
- c) Where recommendations have been implemented, assess what factors contributed to their adoption, and whether those enabling factors can be leveraged or replicated in future.
- d) Where recommendations have not been implemented, examine the reasons, whether regulatory, institutional, political economy, capacity-related or market-driven, and identify what conditions would need to change to enable progress.
- e) Use this analysis to inform the prioritisation of recommendations in this study, ensuring that proposed interventions are grounded in a realistic understanding of implementation constraints and opportunities.

3.2.2 *Instrument-Level Analysis and Market Structure Assessment*

The consultant shall provide an instrument-level assessment of how Kenya's capital markets are currently being used for MSME financing. This should include, but not be limited to, the following:

- a) Assess the extent to which different capital market instruments (including listed debt, unlisted/private debt, equity, CIS, ABS and receivables-based structures) are currently being used for MSME financing and analyse the factors driving any observed preferences.
- b) Examine where long-term capital for MSME financing is currently sourced from (including pension funds, insurance companies, development finance institutions and other institutional investors), and identify the structural, regulatory or market factors that constrain or enable its deployment into MSME-linked instruments.
- c) Assess the relative roles of public and private capital markets in MSME financing, identifying any regulatory or market-practice differences that affect the attractiveness or feasibility of each route for issuers, intermediaries and investors.
- d) Identify any specific instrument types or market segments where there is latent demand/demonstrated appetite/highest potential for MSME-linked financing structures, and assess what targeted regulatory or market-practice refinements could unlock that potential.

3.2.3 *Testing Demand, Identifying Incentives and Understanding Market Preferences*

- a) Engage key market actors, including regulators, fund managers, investment banks, intermediaries, institutional investors, development finance institutions, FinTechs and MSME-facing lenders, to assess appetite, constraints and enabling factors for the development or uptake of MSME-focused capital-markets products.
- b) Assess investor preferences and requirements, including desired structures, risk-sharing mechanisms, credit enhancement options, rating considerations, reporting expectations, governance needs and other features that would increase investability of MSME-linked instruments.
- c) Identify opportunities for refining existing products or frameworks and for introducing new or adapted market-based solutions (including but not limited to structured finance products such as ABS), and assess their potential to enhance scale, replicability and sustainability.

3.2.4 Evidence-Based Recommendations

- a) Provide evidence-based and actionable recommendations to inform FSD Africa's policy engagement, regulatory dialogue and future support to capital-markets stakeholders in relation to MSME financing instruments identified from 3.2.2 above.
- b) Propose priority legal, regulatory, supervisory and market-practice refinements (including potential sequencing and quick wins) that would strengthen the enabling environment for MSME-focused capital-markets instruments, drawing on relevant regional and global benchmarks.
- c) Identify a concise set of practical and instrument specific programme and transaction-level interventions that can be implemented to catalyse scalable, sustainable MSME financing through the capital markets.

3.2.5 Stakeholder Engagement, Validation and Reporting

- a) Conduct interviews, roundtables and/or workshops with key stakeholders including regulators, fund managers, investment banks, trustees, custodians, MSME lenders, FinTechs, industry associations and other relevant stakeholders.
- b) Undertake a stakeholder insights workshop and validation workshop and present key findings and recommendations to stakeholders.
- c) Submit a final consolidated report and accompanying presentation, incorporating feedback from stakeholders and FSD Africa, and provide an abridged version suitable for publication.

It is expected that the study will be conducted using the following approach:

- i) Comprehensive review of relevant regulatory documents, policies, studies and market materials.
- ii) Key informant interviews with regulators, market participants and MSME-facing intermediaries.
- iii) Consultative forums and stakeholder workshops.
- iv) Benchmarking against relevant regional and global comparators to assess how other markets have addressed similar regulatory and market-practice barriers and identify lessons for Kenya.
- v) Close engagement with the FSD Africa team and other key relevant stakeholders throughout the assignment.

Across all tasks, the consultant should integrate gender considerations in a diagnostic manner, including ensuring inclusive stakeholder participation in stakeholder engagements, targeting at least 30% women where feasible, and identifying any gender-related insights relevant to MSME access to capital markets and the design of MSME-focused financing instruments.

Beyond the scope of work, additional areas, because of a good understanding of key issues around MSME financing and related processes by the consultant, should be addressed and presented in the outputs.

d) Timelines and Deliverables

The Consultant is expected to execute the tasks under this scope of work within 20 weeks from the date of contract signature.

The deliverables under this contract will be as follows:

- a) An inception report including but not limited to; a summary of the proposed approach, timelines, documents and stakeholders to be consulted.

- b) Draft report in word to be reviewed by the project team.
- c) At least two stakeholder workshops: one to discuss and obtain views on key aspects relevant to the study and a second to present findings and recommendations for stakeholder validation.
- d) A final report in Word and PowerPoint formats, incorporating feedback from stakeholders and the project team, plus abridged versions suitable for publication.

Deliverable	Timeline
Inception report	Within 4 weeks of signing of contract
Stakeholder engagement sessions (workshop/ consultations)	Within 8 weeks of signing of contract
Draft report	Within 16 weeks of signing of contract
Validation workshop	Within 18 weeks of signing of contract
Final reports	Within 20 weeks of signing of contract

e) Invitation to Tender

FSD Africa is inviting proposals from suitably qualified consultants. Your proposal should contain:

- CV (maximum 2 sides of A4 paper each) of key individuals tailored to the assignment.
- A summary of your experience in providing the kind of technical support called for in these Terms of Reference
- A description of your understanding of the role of the selected Consultant (s) as outlined in the Terms of Reference and how you intend to fulfil the services within the suggested timeline.
- Samples of other work to demonstrate capacity to carry out the assignment.
- An estimated budget for both professional fees and reimbursable expenses. Refer to Annex 1
- Full organisational details, including physical address, phone contacts, and emails.
- A copy of the Certificate of Incorporation
- A valid Tax Compliance Certificate

Submitted proposals should not exceed 10 pages (excluding annexures). The review will be based on the main proposal. This should be sent by email to FSD Africa at bids@fsdafrica.org by noon (EAT) on **01 June 2026** under a subject line reading, “**Invitation to Tender: Scoping Report on Regulatory Barriers and Gaps for MSME Financing in Kenyan Capital Markets**”. Applications received after the deadline will not be considered.

f) Basis of award

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

Mandatory requirements
Demonstrated ability and experience to deliver in the assignment outlined in this Terms of Reference (evidenced by previous similar assignments in emerging markets, client references etc.)
Demonstrated familiarity and experience with capital markets regulation and MSME financing instruments, including practical experience with structured finance instruments such as ABS, securitisation, or receivables-based financing
Demonstrated capacity to engage intensively with this assignment, with a view to concluding the work within the stipulated timelines.
Team lead to have at least 8 years’ experience in capital markets regulation, financial sector policy, structured finance, or MSME financing instruments.

Selection will be made based on the following criteria:

Assessment criteria		Weighting (%)
Experience	<p>Demonstrated ability and experience to deliver in the assignment outlined in this Terms of Reference (evidenced by previous similar assignments in emerging markets, client references etc.), including experience conducting instrument-level regulatory and market analysis in capital market contexts.</p> <p>A team lead with at least 10 years' relevant experience in capital markets regulation, structured finance, or MSME financing, with demonstrated depth in at least one of: securitisation, ABS, or receivables-based financing.</p>	20%
Skills and qualification	<p>Demonstrated track record in analysing or designing capital-markets regulatory frameworks and/or structuring MSME-linked financing instruments.</p> <p>A team with demonstrable good understanding of Kenyan financial-sector regulation, capital-markets products, and MSME financing dynamics, and the ability to conduct granular, instrument specific regulatory and market-practice analysis</p>	15%
Methodology	<p>Consultants must demonstrate a clear and concise understanding/interpretation of the task set out in the TORs, including a credible approach to instrument level analysis, tracking of prior recommendation implementation, and production of a prioritised, actionable reform pathway.</p>	25%
Supplier's demonstration of sustainability value add:	<p>Supplier's demonstration of sustainability value add:</p> <p>Bidders that demonstrate localisation, gender, environmental and ethical considerations will be assigned merit points/scored favourably compared to their competitors;</p> <ul style="list-style-type: none"> • Localisation: demonstrated use of African-based consultants/team members - 5% • Gender – prioritisation of women & underrepresented groups -2.5% • Environmental safeguards and ethical considerations (a commitment to sustainability through eco-friendly practices, products/services, as well as ethical practices such as fair treatment of employees)-2.5% . 	10%

Assessment criteria	Weighting (%)
Most economically advantageous.	<p>Fee basis and total costs will be computed as follows:</p> <p>FS = 30% x LB/BP where:</p> <p>FS = is the financial score LB = is the lowest bid quoted BP = is the bid of the proposal under consideration.</p> <p>The lowest bid quoted will be allocated the maximum score of 30%.</p> <p>Fee quoted must be inclusive of applicable withholding tax</p>
Total	100%

g) 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) **25 May 2026** and feedback will be provided by 5 pm (EAT) **27 May 2026**.

h) 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 table below 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 (member countries attached)	15%
All other countries	20%

Additional notes:

1. Payment

All fees quoted shall be gross amounts and inclusive of all applicable taxes. FSD Africa is required by law to deduct withholding tax where applicable from each payment according to the prevailing statutory rate.

2. No Tax Gross-Up

In the case where there is no Double Taxation Agreement in place between the Consultant's country of residence and Kenya, it will be for the Consultant to decide if they need to gross up their fee to accommodate subsequent withholding tax deduction. They should understand that this extra cost may make their bid uncompetitive. Consultants are responsible for costing and including such calculations within their financial proposal.

3. Double Taxation Agreement (DTA)

It is the responsibility of consultants to keep themselves informed of current withholding tax arrangements between Kenya and the Consultant's country of residence. Where a Double Taxation Agreement exists, reduced WHT rates may apply, and any withholding tax deducted may be used to offset against a consultant's future tax submissions within that country of residence. Lower WHT rates will apply subject to the limitation of benefits requirements.

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>			