

Request for Proposals

Recruitment of a Consultant to Deliver Technical Assistance to the National Bank of Ethiopia on Interest-Free Money Market and Capital Market Instruments

1. Introduction

The National Bank of Ethiopia (NBE) has been serving as the government's agent in issuing government securities, including Treasury bills (T-bills) and T-bonds as per the NBE establishment proclamation "the National Bank of Ethiopia Establishment (as Amended) Proclamation No. 591/2008" article 12. As of June 2024, the total outstanding T-bills amounted to Birr 447.8 billion, while T-bonds stood at Birr 99.2 billion.¹

Currently, only conventional banks, pension funds, and the Ethiopian deposit insurance fund participate in the existing government securities market. Furthermore, the financial instruments issued are exclusively conventional, comprising interest-bearing and discount-based securities. This practice entirely excludes Interest-free financial instruments, resulting in missed opportunities for the government to raise funds from interest-free banks and other investors aligned with such products. Not only the government is losing the opportunities of finding fund sources from issuing of interest free government securities, but the investors are also excluded from participating in investing government securities.

In addition, the government of Ethiopia has undertaken a series of comprehensive reforms. As part of this initiative, the NBE has modernized its monetary policy framework. The adoption of this new framework ensures that monetary policy remains relevant amidst the dynamic changes in the financial and economic environment. Consequently, indirect monetary policy instruments such as open market operations (OMOs), standing facilities (SFs), and the interbank money market have been introduced to enhance the effectiveness of monetary policy implementation and improve banking system liquidity management.

However, while these monetary policy tools are well-suited for conventional banks, they are not compatible with the operations of the interest - free banking system. This incompatibility limits the use of these instruments for liquidity management and poses challenges for the implementation of monetary policy operations by the NBE within the interest-free banks.

To address this, the NBE has outlined a short-term plan to introduce government debt securities such as Sukuk, develop non-interest based monetary policy instruments, and establish an interest-free interbank money market. These initiatives aim to create monetary policy instruments that accommodate the needs of the interest-free banking system alongside the conventional banking system.

¹ National Bank of Ethiopia. (2025). Quarterly Bulletin: 2023/24 Fiscal Year Series. Fourth Quarter. Volume 4. No 4. Available [here](#)

2. Background

The National Bank of Ethiopia in collaboration with Financial Sector Deepening Ethiopia (FSD Ethiopia) seeks to onboard a consultant to deliver technical assistance on interest-free financial market instruments. This Request for Proposal (RFP) outlines the requirements for a consultant to deliver technical assistance for the National Bank of Ethiopia.

2.1. About the National Bank of Ethiopia

The National Bank of Ethiopia was established by Order No. 30/1963 to exist an autonomous institution with its own juridical personality. The purpose of the National Bank of Ethiopia is to maintain stable rate of prices and exchange, to foster a healthy financial system, and to undertake such other related activities as are conducive to rapid economic development in Ethiopia.

More about NBE is found on their website: <https://nbe.gov.et/>

2.2. About FSD Ethiopia

FSD Ethiopia is a development agency that supports the development of accessible, inclusive, and sustainable financial markets for economic growth. It aims to address financial system failures by facilitating market actors to address constraints and build a functional financial sector that generates economic gains for all Ethiopians.

More about FSD Ethiopia can be found here: <https://fsdethiopia.org/>

3. Objectives and Scope

The objective of the Technical Assistance (TA) is to review the existing legal and regulatory framework related to the issuance of government securities to design and develop appropriate interest-free government securities, such as Sukuk. Additionally, the TA aims to assess the current monetary policy instruments and propose alternative suitable instruments and an appropriate government securities and interbank legal framework for interest-free banks, as well as facilitate the compilation of a monetary survey under a dual banking system.

Scope of work:

The selected consultant will be tasked with supporting the NBE in reviewing the existing legal framework to identify any required changed, and if needed, develop a legal framework for the issuance of interest-free government securities. This includes designing instruments that enable the Government of Ethiopia to raise funds from the interest-free finance sector and providing opportunities for investors interested in Interest-free securities.

Additionally, the consultant will be responsible for reviewing the existing monetary policy and proposing amendments thereto, developing monetary policy instruments tailored for interest-free banking and the relevant legal framework documents for these instruments such as legal agreements, directives, guidelines and operational manuals.

The design of these instruments should align with Sharia compliant Islamic finance principles. This includes defining terms, conditions, and profit-sharing mechanisms (where applicable),

ensuring legal and regulatory alignment, and reviewing existing laws and regulations to confirm compatibility with Islamic principles. Based on this review, the consultant will propose necessary amendments or draft new legislation to support the issuance of Islamic/ interest-free government securities ensuring legal frameworks are gender responsive and promote women's inclusion in Islamic finance.

The scope of work extends beyond the preparation of legal documents and instrument design. The consultant is expected to develop operational guidelines for the issuance, subscription, and redemption processes of Islamic government securities. This includes mechanisms for periodic profit distribution and the management of Interest-free assets.

Development of a Regulatory Framework

- Review the existing legal and regulatory framework governing the issuance of interest-free government securities.
- Assess the existing legal and regulatory framework related to monetary policy instruments.
- Develop and recommend a legal framework enabling banks to participate in the interbank money market in compliance with Sharia principles.
- Assist NBE management in drafting internal policies and procedures manual to guide staff on the regulatory and supervisory requirements with respect to monetary policy related interest-free finance products.
- Develop and propose a comprehensive Shariah governance framework for interest-free government securities that ensures compliance with Islamic law, including proposing mechanisms that promote women's representation in decision-making processes.
- Prepare operational guidelines or regulations for implementing interest-free government securities.

Establishing a Shariah governance framework for interest- free finance in Ethiopia

- Set up a suitable Shariah governance framework. This framework should cover the following key areas at a minimum:
 - Shariah assurance requirements
 - The guidelines for establishment of a Shariah board or market committee, aligning these to international best practices.
 - Products approval process
 - Continuous professional development for Islamic scholars integrating green, social, and sustainability issues in the design of the training program.

Develop shariah compliant money market and capital market Islamic products for issuance by NBE

- Analyse the existing list of assets and instruments and recommend potential Islamic products that could be issued in the Ethiopian market under Shariah rules and regulations
- Work with the NBE to structure the proposed sovereign *Sukuk* and other government instruments in collaboration with the Ministry of Finance (MoF). This will also include potentially the case for Green, Social and Sustainability related *Sukuks*.
- Propose a methodology for listing interest-free financial instruments (products) and index into the Ethiopian Securities Exchange.
- Develop and recommend interest -free open market operations (OMOs) and compatible with the existing monetary policy framework.

- Develop and recommend interest-free Overnight Facilities (Overnight Deposit & Lending Facilities) as well as an emergency funding facility and other short-term facilities that are compatible with the existing monetary policy framework.

Capacity building and awareness

- Undertake capacity building for financial market participants, regulators, policymakers and relevant parties involved in the capital markets ecosystem.

4. Deliverables

In line with the scope of work, the expected deliverables under this contract will include the following, organized in a sequence to facilitate milestone-based payments:

- i. Submission of an Inception Report
- ii. An internal policy on the regulatory and supervisory requirements with respect to Islamic finance products.
- iii. A report recommending comprehensive legal and regulatory structures ensuring compliance with Sharia principles for government securities and monetary policy instruments.
- iv. Legal documentation for Interest-free government products/securities, such as Sukuk, and monetary policy instruments suitable for managing such as open market operations, and overnight facilities.
- v. Conduct one validation workshop on the findings and recommendations of the draft report and proposed structures and
- vi. Conduct one stakeholder capacity-building workshop for NBE (including Central Securities Depository), Ministry of Finance, the Ethiopian Capital Market Authority, the Ethiopian Securities Exchange, Banks, Pension Funds, Insurance Companies, and other market players.
- vii. Operational guidelines and procedures for the issuance, implementation, and management of Interest-free government securities and monetary policy instruments.
- viii. Shariah governance framework and operational manual enabling banks to participate in the interbank money market in compliance with Sharia principles.
- ix. Conduct one capacity building and awareness creation workshop with NBE and the market players after the completion of the products and procedure manual.
- x. A Final Report incorporating any further comments from stakeholders.

5. Ways of working

The Consultant will work closely with the National Bank of Ethiopia's Monetary and Financial Analysis Directorate and the Financial Markets team at FSD Ethiopia and FSD Africa. It is ideally expected that part of the consultant team will spend up to 30% of the time at the NBE office, in Addis Ababa Ethiopia. Costs related to the consultant's stay shall be clearly mentioned.

6. Timelines

The consultant is expected to execute tasks under each set of deliverables within six months.

7. Invitation to Submit Proposal

Qualified consultants are invited to submit proposals for this assignment. The proposal should include:

- Name and CV of proposed team
- Summary of experience in the operation and regulation of capital markets with a specific focus on Islamic Finance and Islamic monetary policy instruments.
- Description of the consultant's understanding of the role and how they intend to fulfil the services within the suggested timeline.
- References (and their contact details) who can provide testimony for the Consultant's experience, skills, and overall suitability for this assignment highlighting experience relevant to this RFP and dates of service.
- Estimated budget² for both professional fees and reimbursable expenses.

8. How to Apply

Proposals should be submitted electronically to bids@fsdethiopia.org with the subject line "Technical Assistance to the National Bank of Ethiopia on Interest-Free Money Market and Capital Market Instruments" by June 1st, 2025.

Note: Technical and financial proposals should be submitted separately but simultaneously.

9. Basis of award

A contract will be awarded to the most economically advantageous tender based on the following criteria:

Mandatory requirements
The bid is open to firm-level consulting firms.
The consultant must demonstrate experience in the operation and regulation of capital markets with a specific focus on Islamic Finance and Islamic capital market products in emerging markets. The consultant must also demonstrate experience supporting central banks on interest free monetary policy instruments.
Good knowledge of Ethiopian capital markets and monetary policy framework and its political context and the capacity to engage intensively with this assignment with a view to concluding the work within the timetable prescribed.

Assessment criteria	Weighting (%)
Relevant, demonstrated experience and capacity of firm and proposed team in Islamic Finance and Islamic capital market products.	40%
Understanding/interpretation of the task set out in the RFP and recommended approach	30%
Content, quality, and originality of proposal	10%
Fee basis and total costs (Value for money)	20%

² The financial proposal template can be found on Annex 1

Assessment criteria	Weighting (%)
Total	100%

10. Contact

Questions or comments in respect of these terms of reference should be directed by email to bids@fsdethiopia.org on or before 21st of May 2025 and feedback will be provided by 26th of May 2025.

11. Applicable Taxes

As per Ethiopia's tax law, FSD Ethiopia will pay the contractor after withholding the appropriate taxes at the applicable rate. It is the responsibility of the contractor to keep themselves apprised of these applicable taxes.

Equal Opportunity: FSD Ethiopia is committed to promoting diversity and inclusion in all aspects of its work. We encourage applications from all qualified firms, particularly those that demonstrate a commitment to gender equality and social inclusion.

Annex 1: Financial proposal template

Organization Name									
Financial Proposal									
		Deliverable 1		Deliverable 2		Deliverable...n			
FEES									
Title/Role	Daily Rate	Days	Subtotal	Days	Subtotal	Days	Subtotal	Total	
Expert 1			\$ -		\$ -		\$ -	\$ -	
Expert 2			\$ -		\$ -		\$ -	\$ -	
Expert 3			\$ -		\$ -		\$ -	\$ -	
Expert 4			\$ -		\$ -		\$ -	\$ -	
Expert 5			\$ -		\$ -		\$ -	\$ -	
Expert 6			\$ -		\$ -		\$ -	\$ -	
Expert 7			\$ -		\$ -		\$ -	\$ -	
Expert 8			\$ -		\$ -		\$ -	\$ -	
Expert 9			\$ -		\$ -		\$ -	\$ -	
Fees Total			\$ -		\$ -		\$ -	\$ -	
Reimbursables									
Description	Cost	Multiplier	Subtotal	Multiplier	Subtotal	Multiplier	Subtotal	Total	
			\$ -		\$ -		\$ -	\$ -	
			\$ -		\$ -		\$ -	\$ -	
			\$ -		\$ -		\$ -	\$ -	
			\$ -		\$ -		\$ -	\$ -	
Expenses Total			\$ -		\$ -		\$ -	\$ -	
TOTAL FEES & EXPENSES			\$ -		\$ -		\$ -	\$ -	
Tax								\$ -	
Grand Total			\$ -		\$ -		\$ -	\$ -	