



TERMS OF REFERENCE

Recruitment of a Consultant to Conduct a Scoping Study on Feasible Green Finance Instruments in Ethiopia

1. Introduction

These Terms of Reference (ToR) outline the requirements for a consultant to conduct a scoping study that looks at the opportunities and challenges/gaps to create a pipeline of transactions and suitable investment structures and instruments like green bonds, green investment bank, etc. The study will provide insights and recommendations of potential interventions that can be undertaken to develop suitable green finance instruments to address the financing need for green growth and climate resilience projects in Ethiopia, and proposals on interventions that will improve issuance, policy and regulatory frameworks to support the sovereign and corporates to launch and issue green finance instruments in Ethiopia to establish instruments suitable for the investment and financing environment in Ethiopia.

The Scoping Study will examine the market, policy, regulatory and investment and financing environment in Ethiopia. The Consultant will work closely with the Ethiopian Capital Market Authority (ECMA), national and private sector potential instrument issuers and financial sector players. This work will also include some capacity building to be undertaken through stakeholder engagement sessions. These efforts aim to lay the foundation for the diversification of capital market products in Ethiopia to attract new investments.

2. Background

The Ethiopian Capital Market Authority (ECMA) in collaboration with the United Nations Development Programme (UNDP), Financial Sector Deepening Ethiopia (FSD Ethiopia), and Financial Sector Deepening Africa (FSD Africa), seek to onboard a Consultant. The Consultant will develop and publish a comprehensive Scoping Study on feasible green finance instruments and the potential for issuance of green finance instruments in Ethiopia.

2.1. About Ethiopian Capital Market Authority (ECMA)

The ECMA is an autonomous Federal Government Regulatory Authority established by Article 3(1) of the Capital Market Proclamation, accountable to the Prime Minister of the Federal Democratic Republic of Ethiopia. ECMA is tasked with regulating capital markets in Ethiopia and aims to create a conducive environment for the development of capital markets, including green financing instruments.

More about the Authority can be found on the ECMA website <https://ecma.gov.et/>

2.2. About United Nations Development Programme (UNDP) and Innovative Finance Lab (IFL)

The UNDP Ethiopia Country Office, works to enhance development activities in Ethiopia, including promoting sustainable development and financial inclusion. The Innovative Finance Lab, under UNDP Ethiopia's Inclusive Economic Transformation Unit (IET), focuses on innovative financial solutions to support the access to finance and sustainable growth of the SME and Startup sectors in Ethiopia.

More about IFL can be found on the IFL website <https://iflethiopia.com>

2.3. 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/>

2.4. 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. FSD Africa aims to support financial sector development by encouraging skills development, knowledge transfer, and the implementation of innovative financial products, including the issuance of green bonds. 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 can be found on our website: <https://fsdafrica.org/>

3. Objectives and Scope

3.1. Objectives

The objective of the assignment is to conduct a scoping study that looks at the opportunities, challenges, and gaps that need to be addressed in order to create a pipeline of transactions and suitable investment structures and instruments including blended finance structures for corporate, sovereign, and sub-sovereign issuers to address the financing need for green growth and climate resilience projects in Ethiopia (e.g. green, social, sustainable bonds, green investment bank, etc).

The assignment will also include providing capacity-building support for the regulator (ECMA), potential issuers, and market stakeholders.

These activities will inform policy makers and stakeholders about the potential for development of green financing instruments in Ethiopia and provide actionable recommendations for policy and regulatory reform to spur market development.

Scope of Work

The scope of the assignment will include:

- A) **Financing mechanisms and instruments:** the scoping study will make recommendations on impactful and context-relevant financing mechanisms and instruments to support green growth and climate resilience in Ethiopia. This may include blended structures that match the pipeline of projects. The study will also review the supply side capital sources available and make recommendations on changes that may be required to investment mandates to enable investments to take place, including via blended structures.
- B) **Review of investment project pipeline:** the study will review and make recommendations on the available project pipeline across the markets, existing gaps and challenges for potential issuers, actions needed in order to enhance the development of climate resilient and green projects, and on how to link these projects with domestic and international investors.
- C) **Policies and Frameworks and Ecosystems:** the study will do a gap analysis and make recommendations for setting up the best frameworks and ecosystems to enable the development of green finance instruments (e.g. sustainable finance roadmaps including transition strategies, taxonomies, green/sustainable bonds standards, sustainability-related disclosure, etc.).
- D) **Capacity Building and training:** Identify the level of preparedness and capacity of ECMA, market intermediaries, policymakers, regulatory bodies in supporting the issuance of green finance products in Ethiopia and highlight areas that require further capacity strengthening to facilitate the efficient operation of this market segment. Conduct capacity-building workshops for ECMA, potential issuers, and market intermediaries to enhance their understanding of green capital market products.

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 containing an assessment of the present policy and regulatory environment in view of the changes to be recommended to facilitate the development and launch of green finance instruments and issuances in Ethiopia;
- ii. A Draft Scoping Study Report containing:
 - a comprehensive review of the policy landscape and regulatory framework in Ethiopia,
 - a gap analysis and potential growth areas for the issuance of green finance products,
 - an assessment of market participants' capacity to issue and meet obligations from capital raising through green bonds,
 - an analysis of project pipeline profiles, funding needs, estimates, and timelines, and
 - actionable recommendations of suitable financing solutions and instruments and their potential impact.

- iii. Conduct two stakeholder capacity-building workshops for regulators, potential issuers, and market intermediaries to enhance their understanding of the proposed financial instrument and to obtain their views and validation on the findings and recommendations of the draft report;
- iv. A Final Scoping Study Report incorporating comments from stakeholders.

5. Ways of working

The Consultant will be engaged by FSD Ethiopia and will report directly to the Financial Markets Pillar Lead. Additionally, a project steering committee, chaired by the Ethiopian Capital Market Authority (ECMA) and including representatives from FSD Ethiopia, FSD Africa, and UNDP, will provide oversight.

6. Timelines

The consultant is expected to execute tasks under each set of deliverables within the specified timelines. The project is expected to be completed in a period of four (4) months. Below is the updated timeline for each deliverable:

Deliverables	Timeline
Submission of an inception report	Within three (3) weeks of award of contract
Submission of a draft Scoping Study report	Within ten (10) weeks of award of contract
Stakeholder engagement workshops and submission of event reports	At least two (2) stakeholder sensitization workshops
Submission of Scoping Study final report	Within sixteen (16) weeks of award of contract

7. Invitation to Submit Proposal

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

- Names and CVs of key individuals (maximum three sides of A4 paper each).
- Outline of team structure.
- Summary of experience in the operation and regulation of capital markets in emerging markets, having provided advisory services on debt capital markets with a specific focus on green bonds
- 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 budget for both professional fees and reimbursable expenses.

Proposals should be submitted electronically to bids@fsdethiopia.org with the subject line “Developing Green Capital Market Instruments in Ethiopia” by October 15, 2024.

8. Basis of award

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

Mandatory requirements
The firm must demonstrate experience in the operation and regulation of capital markets in emerging markets, having provided advisory services on debt capital markets with a specific focus on green bonds. The team leader should therefore provide proof of having undertaken at least two similar assignments in at least two regulatory organizations within the last seven (7) years.
The firm must have good knowledge of Ethiopian capital markets and its political context and the capacity to engage intensively with this assignment with a view to concluding the work within the timetable prescribed.
Relevant qualifications in capital market/bond market development of team members with a specific focus on sub-national and green bonds
Experience in managing and executing complex projects

Assessment criteria	Weighting (%)
Relevant, demonstrated experience and capacity of firm and proposed team in this area	40%
Experience on similar assignments in Sub-Saharan Africa	20%
Understanding/interpretation of the task set out in the TORs	10%
Content, quality, and originality of proposal	10%
Fee basis and total costs	20%
Total	100%

8. Contact

Questions or comments in respect of these terms of reference should be directed by email to bids@fsdethiopia.org on or before 12 noon 4th October 2024 and feedback will be provided by 5 pm (EAT) 9th October 2024.

9. 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.