

TERMS OF REFERENCE

DESIGN OF AN “EMPLOYMENT THROUGH REGIONAL FINANCIAL SECTOR DEVELOPMENT” PROGRAMME IN SUB-SAHARAN AFRICA

1. Introduction

FSD Africa wishes to appoint a reputable firm or individual (the “Consultant”) to design a programme whose objective will be to catalyse decent employment creation in sub-Saharan Africa through support to regional financial sector development initiatives. The Consultant’s role will be to formulate and advise on options that achieve this objective while at the same time being aligned with FSD Africa’s and Sida’s strategies for SSA, and to prepare a detailed programme proposal. Extensive consultations with regional organisations, the FSD Network and other key stakeholders will be required. Once approved, the programme will be implemented by FSD Africa with funding from Sida.

2. Background

2.1 About FSD Africa

Established in 2012, FSD Africa is a regional specialist development agency working to build and strengthen financial markets across SSA. FSD Africa is incorporated as a non-profit company limited by guarantee in Kenya and is funded by UK aid from the UK Government.

FSD Africa works to reduce poverty through a ‘market systems development’ approach, through which we aim to address the structural, underlying causes of poverty by improving how financial market systems function. Our programming is designed to address systemic challenges within Africa’s financial markets, with the aim of sparking large-scale and long-term change within real economy and social sectors. Our interventions are designed from the ground up, to ensure that Africa’s financial markets better serve those most in need – both currently and long after our programmes end.

From our headquarters in Nairobi, our team of over 35 financial sector experts lead ambitious programmes currently spanning 28 countries across the continent. A core part of FSD Africa’s regional role is to provide strategic and operational support to the FSD Network, a family of 11 financial sector deepening, or FSD programmes, operating across SSA.

For more information, please visit www.fsdafrica.org.

2.2 About Sida

The objective of the Swedish International Development Cooperation Agency (Sida) is to create opportunities for people living in poverty and under oppression to improve their living conditions. In order to carry out its work, Sida cooperates with government agencies, organisations and international bodies like the UN, the EU and the World Bank.

Swedish development aid follows three thematic priorities; democracy and human rights, environment and climate change and gender equality and women's role. Together with efforts to promote economic development and humanitarian support, they encompass all our activities.

For more information, please visit www.sida.se/English.

3. Context¹

3.1 Employment in sub-Saharan Africa

According to a recent IMF economic outlook², a significant increase in jobs is required to employ the 20 million or so people that are expected to enter Africa's job market each year on average, a figure that is twice as large as what the region is estimated to have created in recent years. This points to the need for an urgent advance in reforms that promote growth and job creation. Failure to do so not only puts at risk any gains made in poverty alleviation, macroeconomic stability and growth, but also threatens potential negative spill-overs into other regions, such as migration and political instability.

Certainly, recent patterns of growth in sub-Saharan Africa (SSA) have not created widespread new employment opportunities in the formal sector. Growth that has occurred has often taken place in capital intensive sectors like mining and other resource-extractive sectors, or sectors with high skills requirements. As a result, employment across SSA remains largely informal: an estimated 85% of people are informally employed³. While the informal sector generates a sizeable portion of economic value-add (generally estimated at between 20-40%), it is often unable to scale and thereby improve productivity to a level that is required to unlock finance, massify the up-skilling of people and enable access to larger markets.

That decent employment creation – particularly for young people and within informal contexts – should be a major development priority in SSA is therefore beyond question. Sixty percent of Africa's population is under 25 years of age and, by 2050, Africa will be home to over 450 million people between the ages of 15 and 24. This changing demographic presents both opportunities and challenges and calls for a range of innovative responses that align with African realities, with interventions needing to be targeted as much at creating decent work within the informal economy, as at formal job creation. Given the speed with which the urban young population is growing, interventions should also aim to accelerate economic activity that is already in place and that has the potential to scale, leveraging digital technology, e-commerce and other emerging approaches.

Various research offer useful pointers as to where employment-generating interventions should focus and highlights the role of finance in realising job creation. A recent report by K4D⁴, for example, which is based on evidence from youth employment programmes around the world including SSA, highlights access to credit, as well as traditional SME finance and enterprise grants, as being important imperatives for job creation, alongside other non-financial supply side interventions. The World Bank's enterprise surveys consistently find lack of finance to be a leading constraint reported by smaller enterprises, especially in Africa. Addressing the reasons why finance is a constraint may vary greatly by sector, scale and business formality. As such, approaches that seek to understand and respond to these variations within the context of broader development goals are called for, coupled with a view of finance as being a means to an end and not simply an end in itself.

¹ This section draws from "*FSD2.0: the meta-narrative*" (October 2019). The full document will be made available to the winning bidder, together with FSD Africa's new strategy.

² <https://www.reuters.com/article/us-africa-imf/africa-rebounding-but-must-prepare-for-future-imf-official-idUSKCN1ML1EI>

³ ILO estimate

⁴ https://assets.publishing.service.gov.uk/media/5af9721ded915d0ddfb0964f/Lessons_Learned_from_Youth_Employment_Programmes.pdf

3.2 FSD2.0

FSD2.0 is the name given to a new guiding principle adopted by the FSD Network (which includes FSD Africa) in 2019. Building on the experience and evidence of the Network and other financial sector deepening initiatives to date, FSD2.0 articulates a key strategic shift, namely, the role of finance in realising economic and welfare outcomes as articulated in the SDGs. This involves addressing key Africa challenges in terms of decent employment and income (“*inclusive growth*”), enabling ordinary people achieve real welfare gains in areas like housing, healthcare and education (“*access to basic services*”), and helping to tackle issues such as climate change, corruption and equity (“*sustainable futures*”). This change in emphasis comes from an increasing recognition that financial systems are important not for their own ends, but rather to facilitate opportunity, growth and shared prosperity and that, in order for this to be achieved, a more intentional non-financial outcome-based focus is required. That said, this new direction is not about diluting focus and competence by creeping into real economy or social service sectors. Rather, the FSD Network seeks to be more intentional about financial sector tools and market systems thinking to produce outcomes in service and economic sectors that we believe ultimately create real value to people’s lives.

This strategic shift is articulated in FSD Africa’s new strategy, which places emphasis on overcoming intractable financial sector challenges as a means to achieving real economy and social outcomes and on intervening at a regional level⁵. It is highly relevant for FSD Africa’s partnership with Sida in the programme that these terms of reference seek support to design. By focusing more intentionally on decent job creation and income generation, the relevance of the new programme within FSD Africa’s “*inclusive growth*” mandate is highly significant. It is also worth mentioning that Youth Employment has been identified by FSDs as a priority area for Network-wide collaboration⁶ and, as such, the process of designing this programme offers an opportunity to contribute to the Network’s collective understanding and thinking on how it can best intervene on this issue. It also presents an opportunity to leverage the expertise and implementation capacity of FSDs in aspects of programme delivery, hence the call for engagement with the FSD Network, as mentioned in Section 4.2.

4. The Consultancy

4.1 Objective and programme scope

The consultancy will support FSD Africa in designing a programme that seeks to create decent employment and income generation opportunities through regional financial sector development interventions. The programme will align with the FSD2.0 guiding principle and FSD Africa’s new strategy. It will contribute meaningfully to Sida’s regional strategy for SSA and will, where appropriate, leverage and build on existing FSD Africa, FSD Network and Sida work-streams and partnerships.

The programme will focus on regional financial sector ecosystem strengthening that supports decent employment creation and income generation objectives. This could, for example, include support to regional financial policy and regulatory frameworks or guidelines that incentivise decent employment creation in certain sectors, or that break down barriers preventing people and businesses from accessing finance and other services they need to earn a decent living. The Consultant will

⁵ FSD Africa’s strategy identifies key intractable financial sector challenges as follows: Lack of long-term capital in local currency; dysfunctional credit markets; lack of risk management and transfer instruments; fragmented markets, and; lack of early-stage and risk-bearing capital. The strategy seeks to overcome these challenges within the context of select sectors issues (that include affordable housing, climate/agriculture, health) and cross-cutting issues (such as fragile communities and states, gender, inclusive integrity, payment systems).

⁶ Gender has also been identified as a priority, so input to FSD Network discussion around how to support employment for women in particular will also be beneficial.

research and advise on options for intervening with this scope in mind, placing emphasis on partnering with regional African organisations and initiatives, where relevant and feasible⁷.

The programme will run for an initial three years, starting in mid 2020, and will have a resourcing envelope of approximately \$6-7million⁸. It will be managed by FSD Africa, but will actively seek to partner with other organisations.

4.2 Tasks

The consultancy will be implemented in two phases, with the successful completion of Phase 1 being a contractual requirement, prior to the initiation of Phase 2. It will comprise a series of tasks, as summarized below. Bidders are welcome to make suggestions on how to approach these tasks in a way that they believe will achieve optimal results.

The successful Consultant will report to a project steering group comprising representation from FSD Africa, Sida and the FSD Network. The steering group will provide guidance to the Consultant as they undertake the tasks described herein, acting as a sounding board for ideas and issues and engaging with the intervention options that the Consultant presents. The Consultant is invited to recommend additional expert/s that they consider would add valuable insight to the assignment and that could be approached to participate in the steering group.

Phase 1: Inception (February/March 2020)

- a) Participate in a kick-off session (in person, in Nairobi) with the steering group to clarify the project objectives, scope and workplan and to initiate brainstorming on early ideas and issues;
- b) Conduct a synthesis of existing relevant literature on employment creation and enterprise development that shed light on prospective regional financial sector development impact pathways (drawing from organisations such as the World Bank, GIZ, ILO, TradeMark East Africa, CGAP, AfDB and the FSDs, among others);
- c) Augment this synthesis with a review of FSD Africa's strategy and current/planned portfolio of interventions, as well as those of Sida and of country-based FSDs, to appreciate the strategic and programming parameters of, and tools available to, the programme and to identify opportunities for the scaling of existing interventions, as well as the initiation of new ones;
- d) Combine these analyses with team experience to define potential impact pathways and intervention options that could lead to the programme's desired outcomes;
- e) Consider options for the prioritisation of regions (and possibly key countries) within SSA, drawing from FSD Africa's geographical priorities;
- f) Also consider the dimensions of gender and youth, in terms of constraints that impact on employment for women and young people in particular, as well as in identifying regional financial sector responses that could help to overcome these constraints. The consideration of women and young people should follow through into subsequent tasks and the final programme design;
- g) Develop a list of proposed stakeholders to engage with that correspond to the options being proposed. This list should draw from FSD Africa's and Sida's networks, as well as those of FSDs and the Consultant and those identified through the desk review. It should include consideration of possible implementation partners for the programme;
- h) Prepare an Inception Report that incorporates the analysis and findings outlined in b) to f).

⁷ Regional organisations to consider include, but are by no means limited to: Regional Economic Communities such as EAC, ECOWAS, SADC, COMESA; standard setting and/or membership-based bodies such as ESAAMLG, GIABA, AFI, MEFMI, AUHF; and so on. Consideration should also be given to related initiatives that Sweden is already supporting where coordination and collaboration is imperative. This includes bi-lateral support to select national FSDs and support to AfDB's "Youth Entrepreneurship and Innovation Multi Donor Trust Fund /YEI MDTF", which is supporting the implementation of the Bank's Jobs for Youth in Africa Strategy (2016-2025).

⁸ Implementation will commence following approval of the programme design by FSD Africa's Board and Sida

- i) Participate in a workshop (in person, in Africa, location t.b.d.) with the steering group (and potentially the wider FSD Network), to present and debate the inception findings, including proposed options and their rationale, together with recommendations on geography and stakeholder priority;
- j) Engage further with the steering group on these options as required. Update the inception report based on feedback received, clarifying the scope of the consultations and further research to be undertaken in Phase 2, including priority geographies and stakeholders to be consulted.

Phase 2: Fieldwork and Programme Proposal Development (April-June 2020)

Phase 2 will commence only on successful completion of Phase 1. Virtual steering group meetings will be held as deemed necessary during this phase to check in on progress and debate ideas.

- a) Undertake stakeholder consultations and further evidence gathering to test the scope and feasibility of options defined during Phase 1, leading to the identification of priority themes, regions, sectors and interventions, as well potential implementing partners and other stakeholders required for successful delivery;
- b) Develop the programme's theory of change, aligning it with FSD Africa's overall theory of change. Identify relevant indicators for each output and outcome within the theory of change, as well as feasible means of verification, realistic targets, indicator baselines and assumptions⁹;
- c) Prepare a high-level intervention and partnership plan for overall programme implementation that outlines the proposed priority themes, regions and intervention areas, as well as the partners that will need to be engaged (through contracts, MOUs and other means) to deliver on the programme. Accompany this overall plan with a detailed year one workplan that sets out specific actions to be taken during the first 12 months to establish the programme and to progress on a clear set of initial themes and interventions¹⁰.
- d) Prepare a management plan for the programme. The plan should include an organogram for the proposed management team (including existing FSD Africa staff who will need to be involved in managing the programme, as well as additional expertise deemed necessary for successful implementation) together with details of the governance arrangements and roles and responsibilities between FSD Africa and Sida, as well as core programme partners;
- e) Carry out an assessment of risks in accordance with FSD Africa's Enterprise Risk Management Framework and ESG policy, focusing on financial, technical, reputational, operational, country, relevance and ESG risks, and propose realistic risk mitigation measures where required;
- f) Prepare a detailed budget for the overall programme, together with an indicative disbursement plan for the programme period;
- g) Participate in a meeting (in person, in Africa, location t.b.d.) with the steering group (and potentially with the wider FSD Network) to present the proposed programme, including theory of change and priority indicators, geography (regions and countries), intervention areas and activities (including consideration of women and youth), implementation partners, management arrangements, risk assessment and budget;
- h) Engage further with the steering group on these options as required and finalise the programme documentation based on feedback received;

As mentioned – over and above the design of the programme – the consultancy presents an opportunity to engage the wider FSD Network in a consultative process that helps inform the Network's broader thinking on Youth Employment, facilitating discussion on how the Network might best intervene and collaborate around this issue. This could be particularly timely given the Network's

⁹ Where appropriate and feasible, indicators will be gender and/or age disaggregated

¹⁰ Templates that align with FSD Africa and Sida requirements will be provided

prioritization of this theme. With this in mind, the Consultant is requested to articulate how it could incorporate input to and dialogue with the Network within and alongside the defined tasks.

5. Deliverables

Completion of the above-mentioned tasks will generate the following deliverables which, in turn, will form the basis of the deliverables-based contract that will be signed with the successful bidder:

- i) Participation in a Phase 1 kick-off meeting (in person) with the steering group (Feb 2020);
- ii) Draft inception report combining the findings Phase 1 tasks, and including an updated workplan (March 2020);
- iii) Final inception report following an in-person meeting with the steering group (March 2020);
- iv) Completion of fieldwork, including interviews with prospective programme stakeholders and implementing partners (April/May 2020);
- v) Draft programme document detailing all aspects of the programme design as outlined in the Phase 2 list of tasks, including the approach, activities, partners, intended impact (theory of change, indicators, baselines, results, assumptions), detailed budget and year one workplan (May 2020);
- vi) Workshop (in person, in Nairobi) with the steering group and other core programme stakeholders, to present and discuss the programme (May 2020);
- vii) Final programme document incorporating comments from the steering group (June 2020);
- viii) Delivery of a consultative process with the FSD Network on Youth Employment that leverages, but also possibly extends beyond the planned programme engagements as defined in the Phase 1 and 2 tasks (June 2020).

6. Timeline

The consultancy will commence in early February 2020 and will be completed by end June 2020.

7. Invitation to Tender

FSD Africa is inviting proposals from suitably qualified consultants (see Section 8).

The proposal should contain:

- a) A description of the Consultant's understanding of the objective of the assignment as outlined in these terms of reference and their role in fulfilling this objective;
- b) A description of the Consultant's proposed approach to undertaking the work, including any suggestions on how to vary or supplement the identify tasks in order to ensure successful completion of the consultancy;
- c) A profile of the team lead and other key team members that will undertake the work, including explanation of their specific roles and responsibilities in relation to the assignment. This description should be supported by tailored CVs (in an annex, no more than 3 pages per CV);
- d) A short summary of relevant experience (tailored to the assignment) and referrals for similar work done in the last three years;
- e) A detailed timeline, including submission of key deliverables;
- f) An itemized activity-based budget for both professional fees and reimbursable expenses, structured into Phases. The budget should include all applicable taxes.

Proposals should be submitted to FSD Africa by email – bids@fsdafrica.org, by noon (EAT) on 06 February 2020 under a subject line reading 'Invitation to tender: Design of Employment through Regional Financial Sector Development Programme`.

Note 1: 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.

Note 2: The successful Consultant's involvement in this consultancy does not preclude him/her from bidding for downstream programme implementation.

8. Basis of Award

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

Mandatory requirements
Strong regional financial sector development experience in Africa, including policy and regulation experience and appreciation of the role that the financial sector plays in stimulating employment creation.
Strong experience in labour market development issues in Africa, including labour-related policy and regulation.
Excellent understanding of, and experience in, designing and implementing decent employment creation interventions, including within the context of regional financial sector development in Africa.
Demonstrated networks and experience in working with regional organisations in Africa that would be relevant to the successful design and implementation of the programme.
Experience in the application of a gender lens to similar programme design.
Demonstrated capacity to engage intensively with this assignment over its proposed timeline.

Assessment criteria	Weighting (%)
Relevant, demonstrated experience of key team members in the design of employment creation initiatives, including in the context of financial sector development	40%
Quality of proposal (e.g. clear, imaginative and realistic)	30%
Demonstrated capacity to engage with the consultancy over the proposed timeline	10%
Fee basis and total costs, including value for money	20 %
Total	100%

9. Contact

Questions or comments in respect to these terms of reference should first be directed to FSD Africa at bids@fsdafrica.org, on or before 20 January 2020, and responses to be uploaded by 22 January 2020 onto the respective advertising platforms.