

TERMS OF REFERENCE

COLLABORATIVE PROGRAMME ON GREEN FINANCE: Development of a strategic framework

1 Introduction

On behalf of the FSD Network, FSD Africa wishes to contract a reputable firm, individual or consortium (the “Consultant”) to support the Network in developing a common framework for addressing the development of green finance across Africa, as described herein. In undertaking the work, the Consultant will report to and consult closely with the Network’s Green Finance Steering Committee (“SteerCo”) that is leading the collaborative programme on green finance.

2 Background

Among the most pressing issues which threatens a sustainable future for Africa is the threat to the natural environment. It is scarcely possible to overstate the importance of tackling climate change to achieving long-term sustainable development in Africa. But other environmental factors such as the loss of biodiversity, shrinking forests and soil degradation represent major threats to Africa’s future. Many of these factors are linked. Finance is increasingly recognised as critical to achieving sustainable development with growing calls for action here by global policymakers and regulators.

The FSD Network is a family of nine Financial Sector Deepening, or FSD, programmes operating across Africaⁱ. FSDs work alongside governments, business leaders, non-profit organizations, research institutions, regulators, and policymakers to develop more inclusive financial systems using a range of approaches and toolsⁱⁱ. We believe that financial systems have the potential to play a major role in enabling inclusive growth and ensuring access to basic services while assuring a sustainable future. Guided by the imperatives of the United Nations’ [Sustainable Development Goals](#) (SDGs), the FSD Network seeks to mould financial systems in a way which works better for the poor across Africa. We are deeply committed to equity between men and women and supporting the vulnerable and marginalised.

The FSD model is driven by a strong focus on the needs and priorities of our countries and the continent on which we work. Each of the independent FSD programmes pursue strategies developed with local stakeholders to tackle opportunities and constraints to inclusive financial system development. FSD Africa and FinMark Trust both undertake cross-cutting programmes, regional initiatives, and activities in countries beyond the current country network. Country-specific FSDs lead programme engagement in their nations. There are plans to establish a further five FSD country operations within the next two years.ⁱⁱⁱ Each programme has strong governance centred on well-qualified boards, investment committees, and senior management with a deep understanding of the specific market context. The Network currently has a total staff of more than 250 financial sector and programming experts.

The FSD Network is committed to a new strategic approach, FSD 2.0 which, at its heart, re-orientates financial sector development towards much greater real economy impact to support the achievement of the SDGs. While this will build off an existing substantial body of work on financial sector development across the FSD Network, what this represents is a significant evolution in approach. FSD 2.0 will also see the FSD programmes across Africa develop into a more cohesive network. At the heart of this is working more closely and intentionally together. In determining our collective priorities for the future, the FSD 2.0 meta-narrative identified the need for a focus on sustainability.

The case for action by FSD on green finance looks strong - there is growing demand for work across a range of market development activities from policy and regulation to innovation. It is a priority for many countries in Africa, DFID and other donors globally and most FSDs. Green finance has been highlighted in the plans for most FSD programmes over the next five years (captured in the annexes to the DFID Business Case addendum). The FSD Network determined at its Council meeting in February 2020 that work on collaborative programming in green finance should start as soon as possible.

Contributing optimally to the systems change needed to ‘green’ finance in the volumes required demands work to develop an effective strategic framework for our work. A first cut can be developed quite rapidly

in order to enable the first work to commence. The framework will then evolve over time based on the experience the Network acquires through practical execution of initiatives.

3 Objective

The objective of the consultancy is to support the FSD Network in defining a common framework for addressing the development of green finance across Africa. This framework should provide a pragmatic basis on which to develop a sustained programme of coherent activity which optimises FSD's contribution to financial systems change. In doing so, it should provide clarity on areas where it makes sense for the Network to work collaboratively.

There are enormous challenges inherent in both financing the transition to a sustainable economy and evolving a financial system which is aligned with the needs of such an economy. The FSD Network has very modest resources in relation to these challenges. There are however many other development actors involved across the continent with whom FSDs can collaborate. It will be essential to establish a theory of change through which FSDs can work most effectively to leverage their unique capabilities and market systems development approach.

The aim here is not to attempt to set out a blueprint for the development of green finance, to substitute for in-depth country strategies or detailed project designs. Rather it seeks to provide a common conceptual approach and vocabulary. In order to be effective in stimulating systems change, FSDs need to base interventions on a clear and well-grounded understanding of the underlying constraints to green finance and the opportunities within financial systems and the real economies they address.

4 Scope of work

4.1 Phase I: Scoping and preliminary theory of change

4.1.1 Determine FSD departure point

- Review existing projects/interventions directly relating to green finance across the Network
- Assess potentially relevant FSD programming which could be leveraged for green finance
- Determine existing human and financial resources available in the Network to support green finance programming;
- Undertake a rapid synthesis of current plans for green finance programming across the Network, examining the status of these plans, priorities and resourcing;
- Benchmark individual FSD Network countries in terms of the possible interventions needed under green finance, leveraging experience from elsewhere in Africa and beyond; and
- Review country-level policies that might be needed to promote green finance.

4.1.2 Rapid global review

- Undertake a focused review of global theory, practice and results in green finance to identify existing relevant strategic frameworks and current policy approaches;
- Review evidence of progress in green finance and determine the current major constraints and prospective opportunities;
- Assess current thinking on the prospective impact of the current COVID-19 pandemic and associated lockdowns on green finance; and
- Prepare a synthesis for presentation to the FSD Network Green Finance SteerCo, including proposals on what could constitute 'Green Finance' for the Network given its objectives, capabilities and approaches.

4.1.3 Preliminary theory of change

- Develop a prototype Network wide theory of change for green finance building on the existing current draft overarching FSD Network theory of change;
- Undertake a workshop with the Green Finance SteerCo to present and develop the theory of change; and
- Revise the preliminary theory of change following completion of all other aspects of the terms of reference and confirm with the Green Finance SteerCo.

4.2 Phase II: Application of preliminary TOC

4.2.1 Country case studies

- Working in close collaboration with the Green Finance SteerCo to identify and confirm up to three countries in which FSD is active and planning to work on green finance;
- Where the opportunity presents itself this country work will directly support the creation of country-driven green finance programme/project development (Kenya is a current strong candidate given its current timetable);

- Develop a simple tool (drawing on existing materials wherever possible) to undertake a rapid situational analysis and benchmarking exercise to determine the state of green financing in FSD countries. This should take account of key factors on national environmental development policy and practice as well as relevant features of the financial system encompassing macro (policy, regulation), meso (supporting infrastructure and supporting market systems) and micro (players and innovators) levels;
- Undertake rapid case studies in selected countries to identify prospective opportunities for long-term green development trajectories and the role of finance in realising change; and
- Practically test and modify the prototype Network theory of change against the country case studies for relevance in identifying prospective intervention strategies by the Network

4.2.2 Cross-cutting and regional analysis

- Consult with FSD Africa to understand thinking on green finance and current and envisaged multi-country (including cross-Network) and regional programming;
- Examine the potentially relevant regional dimensions to environmental change looking at both Africa-wide and regional levels examining where prospective change agents may be found at a regional level;
- Support the team responsible for developing and applying the FSD Africa strategy for multi-country and regional programming in green finance; and
- Identify potential areas for cross-Network collaboration.

4.3 Phase III: Synthesis and dissemination

4.3.1 Strategic framework

- Synthesise all materials, Network feedback and results from consultations to produce a draft strategic framework and options for FSD Network green finance programming;
- Finalise the overarching Network theory of change for green finance;
- Present draft findings to key stakeholders across the Network in a validation workshop; and
- Finalise and document the FSD Network green finance meta-strategy.

4.3.2 Dissemination

- Develop an outline plan for dissemination of the green meta-strategy and recommendations for professional development in the field across the FSD Network based on needs identified in the course of phase II;
- Create appropriate outputs/materials based on the strategic framework to support dissemination across a range of internal and external audiences (agreed with the Green Finance SteerCo);
- Undertake a cross-Network on-line learning event to share the FSD Network meta-strategy with all interested FSD Network staff.

5 Deliverable and timelines

The preliminary timetable for delivery of the various elements in the scope of work is indicated below but will be modified in collaboration with the Green Finance SteerCo:

Deliverable	Timing (from inception)
Phase I	
Inception report (setting out detailed plan for achievement of objectives)	Week 2
First cut theory of change workshop	Week 5
Synthesis of global experience report	Week 7
Phase II	
Country case studies/inputs to strategies	Week 13
Benchmarking on individual FSD countries studied using simple tool developed	Week 13
Regional analysis/input to FSD Africa green strategy and collaborative programming options	Week 14
Draft report and presentation outlining proposed strategic framework and options	Week 16

Deliverable	Timing (from inception)
Phase III	
Final strategic framework	Week 18
Dissemination workshop	Week 20

6 Invitation to Tender

Proposals are invited from suitably qualified consultants (individuals, firms, consortiums). 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 12 noon (EAT) on 04 September 2020 under a subject line reading 'Invitation to tender: 'Development of a Strategic Framework on Green Finance'.

7 Basis of Award

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

a) Mandatory Qualifications

- Understanding of the current state of knowledge and practice in green finance
 - Expertise in consulting within the field of green finance, evidenced by successfully completing relevant assignments within the last three years
 - Experience working on analysis, policy, regulation, market development or other relevant activities in the financial systems of emerging economies
- Strong economic/conceptual analysis capabilities evidenced by the qualifications of key personnel

b) Assessment Criteria

Assessment criteria	Weighting
Relevant capacity and qualifications (evidenced by the formal qualifications and experience of key consultants involved)	25%
Demonstrated experience and ability to deliver in this area (evidenced by previous assignments, client feedback, publications etc.)	40%
Quality of the proposal in response to the terms of reference (understanding, insights, originality and relevance)	20%
Value for money (based on fee rates, inputs and total costs of the assignment)	15%
Total	100%

8 Contact

Questions or comments in respect to these terms of reference should be directed to FSD Africa at bids@fsdafrica.org on or before 12 noon (EAT) 20 August 2020, and responses will be provided by 5 pm (EAT) 24 August 2020, through the same advertisement channels.

9 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%
Zambia	15%
India	10%
Non-resident rate for citizens of EAC member countries (member countries attached)	15%
All other countries	20%

ⁱ There are currently 7 country FSDs currently operating in Kenya, Mozambique, Nigeria, Rwanda, Tanzania, Uganda and Zambia and 2 regional FSDs, FSD Africa (SSA) and FinMark Trust (SADC).

ⁱⁱ FSDs utilise a range of tools to achieve their objectives. These include research, convening, advocacy and technical assistance, as well as direct investment.

ⁱⁱⁱ Additional FSDs will be established in Ethiopia, Ghana, Sierra Leone, Zimbabwe and the WAEMU region.