



INTERNATIONAL CALL FOR PROPOSALS

TERMS OF REFERENCE ETHIOPIAN SECURITIES EXCHANGE (ESX) PROJECT FINANCIAL ADVISORY SERVICES

1. Introduction

Ethiopia is in the process of establishing a securities exchange, the Ethiopian Securities Exchange (ESX), in line with the Capital Markets Proclamation (No. 1248/2021). Article 31 of the Proclamation provides that the Ethiopian Securities Exchange shall be established as a share company by the government in partnership with the private sector, including foreign investors.

Towards this goal, the Ethiopian Investment Holdings (EIH) has established a dedicated project team (“Project Team”) with the support of Financial Sector Deepening Africa (FSD Africa). The Project Team is expected to lead the task of developing the ESX business plan, organisational, management and ownership structures, and designing and setting its market segments. Additionally, the team will lead the development of the ESX trading rules, policies and procedures, the development of the ESX trading and operating systems and other ICT infrastructure and realize the operationalization and launching of ESX.

The Project team is supported by the Capital market Project Implementation Team (CMPIT) and expert advisors and with guidance from a Project Steering Committee (PSC), which will have an oversight role over the operations of the Project.

2. Project Background

2.1. About EIH

EIH is a wholly state-owned holding company established under Proclamation No. 1263/2021 and Regulation No. 487/2022 as a strategic investment entity of Ethiopia to serve the strategic needs of its economy and build multi-generational wealth. EIH aims to achieve its purposes by bringing together public assets under a professional management and investing judiciously on a wide range of resilient investment portfolios.

EIH is operating and run as a private business organization with a view to driving performance of public assets using modern management practice and corporate governance standards and systemic mechanisms to ensure the protection of shareholder’s interests.

2.2. 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. 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.

2.3. Project Context

The ESX project team has drawn its implementation plan, which aims to setup ESX within the next one year and half. A priority workstream of the project team is the development of the ESX business plan. The business plan will analyse and articulate;

- the goals, objectives, and strategies of ESX
- the state of macroeconomic and industry specific contexts and background that are relevant for the successful operation of the exchange
- a market analysis highlighting the demand and supply for each market segment of the ESX

- the determination of ESX's market segments (dedicated markets)
- highlight other services that can be provided by ESX such as data products, advisory, training as well as other incidental services
- ESX's trading technology infrastructure model, including the use of conventional trading technologies as well as digital
- The corporate structure, governance model and organizational/management structure of ESX.
- The financial model and strategy of ESX including a presentation of ESX's 10 year financial plan and capital budget
- Strengths, weaknesses, opportunities, and threats (SWOT) analysis, etc.

The business plan includes a financial model, which has to be reviewed and stress tested as part of this assignment. In parallel to the capital raise, the project team will be preparing a memorandum on corporate ownership and governance of ESX with the support of an independent legal advisor that will advise and support the project team with the licensing application to the CMA which would require coordination/compliment with this assignment.

3. Objectives and Scope

3.1. Objectives

The main objective of the assignment is to prepare a comprehensive investor information memorandum. The

Services will require that the consultant:

- i. Develop a financing plan and finance model, including a 10-year financial projection of ESX financial results.
- ii. Review of the business plan and financial model developed by the project team.
- iii. Design an Information Memorandum
- iv. Develop a detailed stakeholder management plan
- v. Together with the ESX Project team conduct investor road shows
- vi. Complete a successful capital raise

3.2. Scope of Work

The Consultant will be required to:

- Develop a thorough understanding of the Ethiopian Capital Markets development roadmap and the plans and priorities relevant for ESX
- Develop and detail investor target list in line with all the CMA regulations regarding ownership and governance of the ESX.
- Develop a detailed communication strategy
- Review the already developed business plan including the financial model and assumptions.
- Develop an investor information memorandum
- Execute timely investor roadshows to raise capital
- Ensure successful capital issuance and share allocation to bidders of the issue

Rules and Regulations refer to the Capital Market Proclamation No. 1248/2021 that endow the capital markets authority with powers and responsibility to issue directives on various issues including but not limited to:

- licensing requirements regulations
- securities lending borrowing and short-selling regulations
- corporate governance regulations
- shareholding regulations
- over the counter trading regulations

Investor Category refers to stakeholder mapping and groupings to ensure that ESX complies to the capital markets shareholding regulations regarding the ESX and establish a target market for the capital raise. Questions to be addressed under this include:

Local Investors

- Identify and describe the different categories of local investors including banks, fund managers, government, insurance companies, high net-worth individuals, etc., to form a shortlist of suitable

potential investors in ESX

International investors

- Identify and outline the different categories of investors including; development banks, exchanges, development financial institutions, other government organisations.

Information Memorandum refers to a package of documents created for prospective buyers. The primary mandate of an Information Memorandum is to inform potential investors on all relevant aspects of ESX as an investment opportunity, and to motivate potential investment into ESX.

Investor roadshows refer to the meetings organised with the different categories of target investors. The consultant should be able to deliver the following:

- Physical investor presentation
- Online investor meetings and presentations through a webinar, skype or any other online portal
- Digital fliers and material such as quotography
- Press releases
- A commitment form

4. Timing

- The project will be implemented for a period of 12 months.
- The project is expected to commence in September 2022.

5. Deliverables

The deliverables under this contract are:

- a) A financing plan and financial model for ESX, as key parts of the ESX Business plan.
- b) An information memorandum that will be circulated to all target investors.
- c) An interactive stakeholder mapping strategy with a detailed communication plan.
- d) A comprehensive investor roadshow to ensure a successful capital raise.
- e) Successful capital raise

The consultant should indicate their expected time for presenting the above reports.

6. Timing and deliverables

The work will be carried out over a period of twelve months. The proposed firm is expected to provide proposals on the expected number of working days/man hours that is required to implement the above tasks.

A financing plan and financial model for ESX, as key parts of the ESX Business plan.	By 30th October 2022
An information memorandum that will be circulated to all target investors	By 30th November 2022
An interactive stakeholder mapping strategy	By 15th December 2022
A comprehensive investor roadshow to ensure a successful capital raise	By 30th April 2023

7. Invitation to Submit Proposal

FSDA invites proposals from suitably qualified consultant (s). Your proposal should contain:

- CVs (maximum 3 sides of A4 paper each) of key individuals, tailored to the assignment
- Outline of team structure, including roles and responsibilities of team members
- A summary of your experience relevant for the assignment
- A short description of your understanding of the role of the Consultant and the approach to be used as outlined in these Terms of Reference

- A description of how you intend to fulfil the Services within the suggested timeline and confirmation of your ability to meet the timelines
- An itemised budget for both professional fees and reimbursable expenses, including fee rates, number of days and a breakdown of expenses - Refer to annex 1

Proposals should not exceed 10 pages excluding annexes. Your proposal should be sent by email to FSD Africa at bids@fsdafrica.org under a subject line reading 'Invitation to tender: ESX Financial Advisor on or before 12pm (noon) (EAT) on 12 September 2022.

7. Basis of Award

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

Mandatory requirements	
The firm/ individuals must demonstrate experience in undertaking financial advisory within Sub-Saharan Africa. The team leader should, therefore, provide proof of having undertaken at least two similar assignments in at least two organisations within the last seven (7) years, preferably with a Securities Markets Exchange.	
Firm/individuals must demonstrate a solid track record in designing an information memorandum in the capital markets space.	
Firm/individuals must have the capacity to engage intensively with this assignment, with appropriate involvement of senior team members, with a view to concluding the work within the stipulated timelines.	

Assessment criteria	Weighting (%)
Relevant, demonstrated experience and capacity of the consultant and proposed team members in the field as indicated in the mandatory requirements. Please provide at least 2 references.	30%
Knowledge and experience in financial advisory and financial instruments described in these terms of reference.	30%
Clarity, content, and quality of the proposal, including a proposed approach/methodology and detailed workplan for achieving the objectives.	20%
Fee basis and total costs. There should be a clear breakdown of the costs. Financial proposals will be scored using the formulae: $FS = 20\% \times LB/BP$ where: FS = is the financial score LB = is the lowest bid quoted BP= is the bid of the proposal under consideration. The lowest bid quoted will be allocated the maximum score of 20%. Fee quoted must be inclusive of applicable withholding tax.	20%
Total	100%

The fee should be structured to include a success fee component.

8. Contact

Questions or comments in respect of these terms of reference should be directed by email to: bids@fsdafrica.org and must be received before 12 noon EAT 31 August 2022 and responses will be provide on 2 September 2022.

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%
India	10%
Non-resident rate for citizens of EAC member countries	15%
All other countries	20%

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>			