



جمهوری اسلامی افغانستان
وزارت مالیه

Islamic Republic of Afghanistan
Ministry of Finance

د افغانستان اسلامي جمهوریت
د مالیې وزارت

Terms of Reference

“The Development of Sukuk Market in Afghanistan”

1. Introduction

Afghanistan is an aid dependent country as up to 70 % of its national budget is financed through aid. But the country is trying to be self-reliant; and therefore, it needs to explore other economically sustainable options to finance the national budget. One of the options to substitute donors’ funding and be self-reliant is to develop its Sukuk market. The Sukuk issuance by the government will also pave the way for private sector to consider raising funds through Sukuk and will strengthen the Islamic finance sector in the country.

Based on the initial agreement, the Ministry of Finance of the Islamic Republic of Afghanistan (IRoA) has received financing from the Islamic Development Bank (IsDB) to assist the development of Sukuk issuance mechanism and market for the first time in Afghanistan.

2. Background

Afghanistan needs a legal framework and a market for its government to issue Sukuk. The legal framework is being prepared separately through a separate consultation and is with the Ministry of Justice. The objective of this technical assistance is to enable the Ministry of Finance to Develop Sukuk Market in Afghanistan for sovereign issuance by the government of Afghanistan in light of the draft legal framework. The proposed deliverables will be used for achieving acceptance and utilization of the instrument by various Afghan stakeholders. It will be supported by studies that allow for an assessment of a country’s strength, resilience and gaps in its Sukuk Market ecosystem while also to increase the Public awareness. During the implementation of this project, public consultations are also expected to be held with financial and money market players in Afghanistan and other relevant stakeholders.

3. Objective, Methodology, Scope of Services & Deliverables

OBJECTIVE

This project is to prepare the Sukuk issuance mechanism that include conducting a market survey of the local market capabilities, develop a national Sukuk policy, guidelines for issuing



Sukuk under the above mentioned Sukuk legal framework (in light of the local market capabilities), and to build the necessary capacity of the government's relevant agencies on these policies and guidelines.

SCOPE & DELIVERABLES

Initial Market Study: This study needs to undertake a holistic fact-finding study about the viability of Sukuk for the Afghan market from a solutions-generation perspective. This would involve utilization of strategic tools (e.g. SWOT Analysis, PESTEL, etc.) to the extent required to provide meaningful recommendations to the Ministry of Finance with regards to the strategic approach to be undertaken for developing the Sukuk market and addressing the needs of the market.

National Sukuk Policy: Based on the findings of the initial market study, a strategic policy document needs to be drawn ("National Sukuk Policy") for the government to issue Sukuk highlighting salient features for Afghanistan's Sukuk Market development. This is expected to be a public document. Proposed components of the National Sukuk Policy may include Afghanistan's approach to Sukuk, How will Sukuk help the Afghanistan economy, Structures and financing arrangements, Shari'ah-compliance of Afghan Sukuk in light of the draft legal framework and local fiqhi requirements, Afghan government's plans to fund development through Sukuk - what type of government projects can Sukuk help finance – specific to Afghanistan and in-line with its international commitments/advisory (e.g. IMF, UN and World Bank programmes), and International examples of how Sukuk has helped various countries and how these can be replicated for the Afghanistan market.

Sukuk Implementation Guidelines: This is expected to be a private document mainly for the regulatory and supervisory authorities of Afghanistan (such as Ministry of Finance, Central Bank, Ministry of Justice, etc.) recommending a suitable roadmap for launching Sukuk in Afghanistan and comprising of detailed action plan on tasks, milestones and infrastructural readiness/gaps of the overall ecosystem to facilitate effective Sukuk issuance in Afghanistan. It will provide recommendations on necessary steps which the regulatory and supervisory authorities need to implement before launching Sukuk.

Capacity Building: A workshop for the presentation of the study, policy, and guidelines shall be conducted for the Afghan Stakeholders.



Note: As mentioned above, the Afghanistan government has engaged another consulting firm to develop the legal framework for Sukuk issuance in Afghanistan as part of a World Bank-funded Technical Assistance. Hence, the last scope component (“Sukuk Implementation Guidelines”) from this project is expected to be delivered in collaboration with this other consulting firm and the executing agency.

4. SELECTION CRITERIA

The selection of the consultancy will be based on the technical proposal and financial proposal as per Afghanistan’s Government and IsDB Policies and Procedures for the QCBS Method. All proposals should be well structured and at a minimum must address the following key areas in the context of your firm:

1. Experience, capability and credibility of the project team with regards to advising on policy issues of Sukuk policy, guidelines, actual Sukuk structuring, and issuance of capital markets instruments;
2. Understanding of relevant international best practices, expert level knowledge of Sukuk, its practice, and markets;
3. Track record of the proposed team members and a commitment to their availability for the term of the consultancy service;
4. Ability to demonstrate communication skill in local languages, both written and verbal, will be added advantage;
5. Experience in local market research and fact-finding about the viability will be an advantage; and
6. Ability to travel to Afghanistan, as frequently as needed, or stay in Afghanistan for the period of the assignment.

5. Working modalities

The Consultant will report to the Macro Economic and Fiscal Policy General Directorate (MFPD) of Ministry of Finance. On frequent basis, the Consultant will engage and interact with MFPD Senior Management, Treasury Department of MoF, who are the focal persons for the assignment. The Consultant will also participate in internal and external stakeholder discussions as well as internal country visits and other local legislation.



The consultant shall provide Sukuk document to MoF/ MFPD in both soft (MS Word) and hard copies. The consultant will be required to make a presentation (MS PowerPoint) to the MoF/MFPD on its proposed MFPD for soliciting review and feedback. The communication concerning suggested modifications will be done via email or via alternative formats of communication. The final approval for the Sukuk Market Study will be given by the authorized MFPD management.

In addition; working modalities for this assignment should be: desk review, field visit, in person meetings with stakeholders, and considering best international practices and local legislations (particularly the draft legal framework of Sukuk) while developing Sukuk policy and Sukuk guidelines.

The Consulting firm will work part/full-time for the project. There are two expected official trips by one senior representative of the consulting firm to MoF in Kabul, Afghanistan(1) for on-site presentation and discussions with stakeholders for review and approval of deliverables prior to their sign-off (which may be done remotely if international travel restrictions still persist) (2) for the capacity building workshop (which may be done remotely if international travel restrictions still persist).

6. Duration of the Assignment

The consultant must abide by the following timelines:

- For **Initial Market Study**, the consultant is expected to conduct market assessments and deliver the framework within four months from the date of assignment;
- For **National Sukuk Policy**, the consultant is expected to conduct the necessary research and work and deliver the policy within eight months from the date of assignment.
- For **Sukuk Implementation Guidelines**, the consultant is expected to draft and deliver the within 12 months from the date of assignment.
- For **Capacity Building Workshop**, the consultant is expected to conduct the workshop at a suitable time based on request from the hiring department (MFPD).
- MFPD and the consultant may agree a different timeline, but the overall project duration with the consultant should not exceed 24 months.



7. Estimated Cost of the Proposed Consulting Assignment

The consulting assignment is expected to undertake 120 working days, based on 8 hours a day working day calculation. This remuneration fee includes all expenses to be incurred by the consultant, including professional fees, office/premises expenses, surveys, training programs, sundry expenses and all others required to complete the deliverables of this project as per expectations of the hiring department. This portion of estimates represents the remuneration fee of the selected consulting firm.

Where the consultant (one senior representative) will be required to undertake physical travel to Kabul, Afghanistan as outlined in Section 5 above, the consultant's round-trip airfare, hotel nights for the duration of stay in Kabul (max. 5D4N), ground transportation expenses (to/from airport), and also visa fees to Kabul, Afghanistan. This portion of estimates represents the reimbursable expenses component of the consulting job. The consultant will NOT be paid any per diem. In an event of online/remote activities due to international travel restrictions, no expenses are claimable.

8. Payment Schedule

The payment schedule to the consultant will be based on delivery of the following specific deliverables:

No.	Deliverables	Details	% Payment
1.	Project Plan	Upon successful awarding of the contract, the consultant is required to provide a comprehensive project plan outlining various steps and activities the consultant will undertake in order to complete the various component deliverables expected of this project.	10%
2.	Initial Market Study	After agreement of the hiring department on the project plan, the consultant is to develop and deliver the Initial Market Study. The consultant will make revisions as necessary based on feedback provided to the first draft of the Initial Market Study. Following revisions and resubmission, the hiring department will	20%



		review again for any further changes required and revert to consultant if required, or else will escalate the Initial Market Study for approval by the authorized MFPD management and IsDB no-objection/clearance.	
3.	National Sukuk Policy	Once Initial Market Study is approved by MFPD/MoF, the consultant will be required to undertake actual assessment identified by the MoF as per rules, methodology and requirements of the approved Sukuk Development Study in Afghanistan. The consultant will undertake necessary travel and communication with key stakeholder focal points of MFPD and other relevant stakeholders in order to prepare the National Sukuk Policy. Following revisions and resubmission, the hiring department will review again for any further changes required and revert to consultant if required, or else will escalate the National Sukuk Policy for clearance by the authorized MFPD management and IsDB no-objection/clearance.	30%
4.	Sukuk Implementation Guidelines	<p>Once National Sukuk Policy is approved by MFPD/MoF, the consultant will be required to prepare Sukuk Implementation Guidelines as per rules, methodology and requirements of the approved National Sukuk Policy for Afghanistan. The consultant will undertake necessary travel and communication with key stakeholder focal points of MFPD and other relevant stakeholders in order to prepare the Sukuk Implementation Guidelines. Following the preparation of guidelines, the consultant will provide project completion report.</p> <p>Based on the final reviews of the deliverables, the consultant is required to update them. Any updates to the deliverables will be reviewed by the hiring department and following satisfaction regarding</p>	30%



		changes made, will then be escalated for approval by the authorized MoF management.	
5.	Capacity Building	A workshop for the presentation of the Sukuk policy documents and Sukuk implementation guidelines to the Afghan Stakeholders.	10%
		Total	100%

9. Instructions to Consultant Firm

Prospective consulting firms are invited to submit a technical proposal (including company profile) and financial proposal, each in two different files no later than **(to be advised later after REOI process)**. All proposals should be sent or submitted in person to the following addresses:

Mr. Sulaiman Rasouli

Legal Advisor

Legal Board

Ministry of Finance, Islamic Republic of Afghanistan

Tel: +93772428485

Email: sulaiman.rasouli@mof.gov.af

Clarification mechanism: For any technical queries or clarification, the Consultant may send an email to the focal person on the above contact details.

Proposals Validity: All submitted proposals shall remain valid for two (2) months after the above submission date.

The consultant is expected to have fully read and understood **ALL sections** of this ToR document to comprehend the expectations of the hiring department from this project.