**Annex-1- Tentative Terms of Reference for AZE1025**

**OBJECTIVE**

The core objective is to assist Azerbaijan in establishing an enabling environment for the introduction of Sukuk. This will lay the foundation for a more diverse financial sector.

**KEY OUTCOMES**

The project is expected to deliver the following specific results:

* A robust legal and regulatory framework will be developed to govern the issuance of sukuk and other Islamic finance products.
* Capacity of Azerbaijani institutions will be enhanced to effectively manage the risks associated with Islamic finance transactions.
* A formal monitoring and evaluation framework will be established to track the progress and development of Islamic finance in Azerbaijan.
* The project aims to facilitate the successful issuance of Azerbaijan's first sukuk, which will serve as a milestone for the country's financial sector diversification.

**SCOPE**

The project's scope is divided into two main components: Consultancy Services and Capacity Building.

1. **Consultancy Services for Islamic Capital Market Framework**

* **Assessment and Benchmarking:** A thorough analysis of Azerbaijan's existing capital market will be conducted to assess its readiness for Islamic financial instruments. This includes a benchmark study of successful Islamic capital markets in countries such as Malaysia, Bahrain, the UAE, Bahrain, Kazakhstan, Türkiye and Saudi Arabia to identify best practices.
* **Framework Development:** Based on the assessment, the project will lead to the drafting of a comprehensive legal, regulatory, supervisory, and Sharia governance framework. A specific National Sukuk Framework will also be created to guide future issuances.

1. **Capacity Building**

* **Professional Development:** This component focuses on comprehensive training for professionals involved in the Islamic finance sector. The training will include workshops on crucial topics like Sharia compliance, sukuk structuring, documentation, risk management, and regulatory frameworks.
* **Specialized Training:** Legal professionals, including lawyers and judges, will receive specialized training to familiarize them with the specific legal intricacies of Islamic financial instruments. The consultants from the first component will also deliver these training programs.

**PROJECT DELIVERABLES**

The project will produce the following tangible outputs:

* A **Current State Assessment Report** on Azerbaijan's capital market and its readiness for Sukuk.
* A **Benchmark Study Report** on successful Islamic capital markets, detailing best practices.
* Drafts of key legal and regulatory documents, including a **Sharia and Corporate Governance Framework** and a **National Sukuk Framework**.
* **Operational manuals, monitoring processes, and guidelines** for risk assessment and mitigation.
* A series of **workshops and training programs** for Islamic finance practitioners and legal professionals.
* **Training materials** for all capacity-building activities.

**EVALUATION CRITERIA AND SELECTION PROCESS**

The Consulting Firm will be procured through Consultant Qualifications Selection (CQS) as per IsDB guidelines for procurement of consulting services where consultants will be evaluated based on the Consultants ‘qualifications, experience, and proven competence in the area of the assignment

**THE SHORTLISTING CRITERIA / SUB-CRITERIA ARE:**

Based on the project's scope, the shortlisting criteria for potential consultants should focus on their expertise in Islamic finance, capital markets, and regulatory framework development. The criteria are broken down into essential sub-criteria to ensure a comprehensive evaluation.

**Criteria 1: Technical Expertise and Relevant Experience**

This criterion evaluates the consultant's specific knowledge and track record in areas directly relevant to the project's components.

* **Sub-criteria 1.1: Islamic Capital Markets & Sukuk**:
  + Demonstrable experience in assessing and developing Islamic capital market ecosystems, including **Sukuk issuance frameworks**.
  + Proven knowledge of Shariah and corporate governance principles as they apply to Islamic finance.
  + Prior experience in a similar project in a developing or emerging market. Knowledge and/or experience in civil law is an asset.
* **Sub-criteria 1.2: Regulatory & Legal Frameworks**:
  + Expertise in drafting and amending legal, regulatory, and supervisory documents for financial markets.
  + Experience in conducting benchmark studies on regulatory frameworks, specifically in countries with developed Islamic capital markets (e.g., Malaysia, Indonesia, Pakistan, Bahrain, Kazakhstan, Türkiye, UAE, and Saudi Arabia).
* **Sub-criteria 1.3: Capacity Building & Training**:
  + Proven ability to design and deliver comprehensive training and professional development programs on Islamic finance topics.
  + Experience in training diverse audiences, including financial practitioners, legal professionals (lawyers, judges), and regulators.

**Criteria 2: Project Management and Team Composition**

This criterion assesses the consultant's ability to manage the project effectively and the quality of the proposed team.

* **Sub-criteria 2.1: Team Expertise:**
  + The proposed team must include specialists with a strong background in capital markets with an orientation of sukuk structuring/issuance, product developments, finance, and **Islamic law (Shariah), Civil law knowledge/experience is an asset.**
  + Identification of a project lead with a minimum of 10 years of experience in relevant fields.
* **Sub-criteria 2.2: Proposed Methodology:**
  + Clarity and quality of the proposed work plan and methodology, showing a logical approach to tackling both Scope A (Consultancy Services) and Scope B (Capacity Building).
  + Proposed approach for the benchmark study and how the findings will be applied to the Azerbaijani context.
* **Sub-criteria 2.3: Relevant Network**:
  + Established professional relationships with regulatory bodies or financial institutions in key benchmark countries (e.g. Malaysia, Indonesia, Pakistan, UAE, Saudi Arabia, Bahrain, Kazakhstan and Türkiye). This is valuable for the planned study visit and for extracting best practices.

**Criteria 3: Institutional Capabilities and Past Performance**

This criterion evaluates the overall reputation and reliability of the consultancy firm.

* **Sub-criteria 3.1: Firm's Reputation and Experience:**
  + The firm's overall track record and experience in delivering large-scale financial sector reform projects.
  + At least three positive references from similar projects completed in the last five years.
* **Sub-criteria 3.2: Financial Stability:**
  + Evidence of the firm's financial stability and capacity to undertake a project of this scale.
* **Sub-criteria 3.3: Local Presence/Understanding:**
  + While not mandatory, any proposed partnership with a local Azerbaijani firm or demonstrated understanding of the local economic and legal landscape will be considered a significant advantage. This can reduce implementation risks and ensure the proposed framework is culturally and contextually appropriate.

**DURATION OF THE ASSIGNMENT**

The consultant assignment is expected to take not more than 15 months starting from November 2025. Below is a detailed workplan with a tentative timeline:

|  |  |
| --- | --- |
| **Tasks** | **Due Date (After Signing the Contract)** |
| Current State Assessment Report | 2 Months |
| Benchmark Study Report (Deliverables-1) | 2 Months |
| Developing Sharia and Corporate Governance Framework (Deliverables-1) | 3 Months |
| Developing a National Sukuk Framework (Deliverables-1) | 3 Months |
| Workshops and Training Programs (Deliverables-2) | 3 Months |
| Developing Training Materials (Deliverables-2) | 2 Months |

**PAYMENT MILESTONES AGAINST DELIVERABLES**

|  |  |
| --- | --- |
| **Payment milestone** | **Deliverables** |
| 10% | Current State Assessment Report |
| 30% | Deliverables-1 |
| 30% | Deliverables-2 |
| 30% | Project Completion |