



SUPPORT TO IMPROVING THE INVESTMENT AND BUSINESS ENVIRONMENT IN THE SADC REGION – SIBE

Terms of Reference (ToR) for the development of a Derivatives Exchange	
Title of assignment:	Consultancy to conduct a feasibility Study for the establishment of a Regional Agricultural Derivatives Commodity Exchange
Reference no.:	TOR 0294/R.A 2.32/AWP2023-24
Activity Code:	NI 0294.2.2.4 “STE inputs”
Responsible SADC SPO:	Mário Lironel
Date of issue:	June 2023
1. Background	
1.1 Background SADC	<p>The Southern African Development Community (SADC) was formed in 1980 as the “Southern African Development Co-operation Conference” (SADCC) by nine of the current Member States. On 17 August 1992 in Windhoek, Namibia, the SADCC was transformed into SADC with the signing of the SADC Declaration and Treaty. SADC currently has 16 Member States: Angola, Botswana, Comoros, Democratic Republic of Congo, Eswatini, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, United Republic of Tanzania, Zambia and Zimbabwe. SADC has a combined population of approximately 380 million and a Gross Domestic Product (GDP) of more than 780 billion (2021).</p> <p>Article 5 of the Declaration and Treaty of SADC identifies the Organisation’s key objectives as:</p> <ul style="list-style-type: none">• to further the socio-economic integration of the Region and thus attain development and economic growth, the alleviation of poverty and an enhanced standard and quality of life;• to encourage political co-operation, evolve common political value systems and institutions; and to promote peace and security;• to encourage self-sustaining development on the basis of collective self-reliance and interdependence of Member States;

- to advance complementary national and regional strategies and programmes;
- to support and maximise productive employment and utilisation of resources within the Region; and
- to achieve sustainability of natural resources and effective protection of the environment.

The region envisages deeper economic integration starting with Free Trade Area which was launched in 2008 and moving on to Customs Union, Common Market, Monetary Union and finally a single currency.

The Treaty aims are implemented through agreements including Protocols that are legally binding international agreements committing the Member States to the objectives and specific procedures stated within them. Currently, SADC has a number of Protocols, including the Protocol on Finance and Investment (2006, which was amended in 2016); the Protocol on Trade (1996); the Protocol on Mining (1997); the Protocol on Trade in Services (2012); and the Protocol on Industry (2019).

There are additional strategic documents that guide SADC's activities towards regional integration including the Regional Indicative Strategic Development Plan (RISDP, 2003) that outlines the need for promoting the development of sound investment policies in Member States, to improve the investment climate and enhance the levels of intra-SADC and foreign direct investment in the region. This objective is supported by a similar objective aimed at enhancing cooperation in taxation and related matters, including tax information sharing; capacity building for Tax Administrations; and to develop common approaches and policies to the application and treatment of tax incentives and negotiation of tax agreements. This is in recognition that investors, among other things, consider tax regimes in making their investment decisions.

The RISDP also highlights the enhancement of monetary cooperation to reform the SADC banking system and harmonization of banking regulatory frameworks. Furthermore, development and strengthening of the financial and capital markets is critical to facilitate free movement of capital and mobilization of financial resources for the promotion of growth and development in the region.

	<p>The Community is supported by the SADC Secretariat that is located in Gaborone, Botswana. SADC is a consensus-based organisation and the mandate of the Secretariat is facilitatory. For further information see www.SADC.int.</p>
<p>1.2 Background – SIBE Programme</p>	<p>The Support to Improving Investment and Business Environment (SIBE) Programme is a five-year Programme, implemented by the Finance, Investment and Customs (FIC) Directorate and financed to the tune of €14 million by the EU under the 11th European Development Fund (EDF). Financing Agreement and the Contribution Agreement were signed in June 2019 and August 2019, respectively. The Programme will be implemented over a period of 55 months from the date of signature of the Agreements. The Programme is implemented by the SADC Secretariat and covers all the 16 SADC Countries.</p> <p>The overall objective of the Programme is to achieve sustainable and inclusive growth and support job creation through the transformation of the region into a SADC investment zone and promoting intra-regional investment and Foreign Direct Investment (FDI) in the SADC region, in particular for Small and Medium Enterprises (SMEs).</p> <p>The specific objective of the SIBE Programme is to develop the region into a SADC investment zone, promoting intra-regional investment and FDI in the SADC region, in particular for SMEs.</p> <p>The Programme focuses its support on the following Results Areas (RAs):</p> <p>RA1 - An enabling investment policy framework across SADC Member States is supported</p> <p>This result area covers the following main activities:</p> <ol style="list-style-type: none"> i. Set-up a dialogue at regional level on improving investment and business environment in SADC; ii. Provide ad-hoc support to Member States in developing structured public-private dialogue mechanisms for improving investment and business environment in SADC; iii. Harmonise SADC Member States' investment and business environment related laws and regulations; and iv. Enhance the SADC Tax regime in support of a conducive investment and business environment.

RA2 - Enhanced integration of financial markets in the SADC region is promoted

Under this Result area, the programme will assist in:

- i. Developing financial markets in the SADC region
- ii. Developing policies and strategies to address risks to financial stability at regional and national levels; and
- iii. Strengthening SADC Real Time Gross Settlement System (SADC-RTGS), Committee of Insurance, Securities and Non-Banking Authorities (CISNA), Committee of SADC Stock Exchanges (CoSSE), the SADC Committee of Central Bank Governors (CCBG) and the SADC Banking Association (SADC BA).

RA3 - Enhanced financial inclusion is supported

This Result Area focuses on developing proper and specific action plans aimed at reducing costs of remittances and developing financial products for SMEs. In particular, SIBE will support the following main activities:

- i. Develop and implement Financial Inclusion Strategies;
- ii. Identify key financial inclusion regulatory areas for harmonisation and capacity building; and
- iii. Monitor Status of and Progress on Financial Inclusion in the Region.

The Programme management structure is composed by a Task Manager, the Senior Programme Officer – Finance and Investment under the operational oversight and guidance of the Director of Finance, Investment and Customs (FIC).

The SADC Secretariat has contracted a consortium composed of FinMark Trust, GFA Consulting Group and Southern Africa Trust, under a Service Contract for a Technical Assistance including the provision of one Long Term Expert to coordinate and manage the implementation of activities across the 3 result areas, and a pool of Long and Short-Term Experts.

The Terms of Reference (ToRs) is a request for the provision of consultancy services to “**conduct a feasibility study for the development of a Regional Agricultural Commodity Derivatives commodity exchange**”.

<p>1.3 Background to this assignment</p>	<p>This assignment is being commissioned under SIBE KRA-2 “Enhanced Integration of Financial Markets in the SADC Region is promoted”, KRA 2.2.3 “Undertake a feasibility Study for developing a Regional Agricultural Commodity Derivatives Market towards more sustainable and inclusive capital markets in support of the regional industrialisation agenda”.</p> <p>Financial markets deepening remains key to the SADC development agenda as spelt out in the Regional Indicative Strategic Development Plan (2020-2030); in particular, in its “Strategic Objective 5: Deepened Financial Market Integration, Monetary Cooperation and Investments”. Most importantly, Annex 13 of the Protocol on Finance and Investment (FIP) recognises the need to strengthen and deepen financial markets in the region and ensure a coordinated approach to financial sector development. Financial sector deepening cuts across all sectors, including the agricultural sector and is pivotal in the advancing of SADC’s industrialisation agenda and cross border value chains.</p> <p>Agriculture in the SADC region represents a sector that has great potential to contribute to the economic development of the region. The agriculture sector is estimated to contribute between 4% to 27% of Gross Domestic Product of the Region and crop production contribution is estimated at 61 per cent. Crops are the region’s main source of food, employment and income despite many challenges affecting the sector including lack of organization in value chain functions, with unsophisticated farmers, competing priorities for resources such as rapid population growth and rising urbanization that mount pressure on agriculture to deliver food and raw materials beyond the current crop productivity levels. As part of enhancing agricultural sector performance, the SADC developed the Regional Agricultural Policy (RAP 2014) aimed at providing a legally binding instrument for regional cooperation in agriculture and natural resources management.</p> <p>The SADC Regional Agriculture Policy recognises that financial capital is critical to farming and business development. Lack of a specific regulatory system that addresses the challenges of the agricultural sector is an impediment to SADC’s goal of food sufficiency for all. The risks associated with credit to the agricultural sector require a financial instrument that would manage and mitigate the inherent risks.</p> <p>The Policy Statement as cited in the Regional Agriculture policy indicates that “SADC shall promote and support the development of regional level mechanisms and instruments</p>
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	<p>that support agricultural and rural financing. It is within this context that the CISNA subcommittee seeks to explore the development of a relevant instrument to address the deficiency in the policy space. The creation of an Agricultural Commodities Exchange is in line with the Preferential Trade Area policy and the African Continental Free Trade Agreement and will enhance intraregional trade between countries.</p> <p>These Terms of Reference (ToRs) “Undertake a feasibility Study for developing a Regional Agricultural Commodity Derivatives Market towards more sustainable and inclusive capital markets in support of the regional industrialisation agenda”.</p>
<p>2. Description of the Assignment</p>	
<p>2.1 Global objective</p>	<p>The global objective of the assignment is to contribute to achieving sustainable and inclusive growth, promote food security, support job creation and support the SADC industrialisation agenda. Financial capital is critical to farming and business development.</p> <p>Despite individual differences, SADC countries face common challenges regarding both access to, and availability of financial services, i.e. loans, insurance, savings and foreign exchange. Micro-credit is generally more expensive and poorly adapted to agriculture and as such an appropriate instrument is critical if we are to make progress in the agriculture sector.</p>
<p>2.2 Specific objectives</p>	<p>The specific objective of the assignment is to undertake a comprehensive feasibility study for the establishment of a Regional Agricultural Commodity Exchange, with a focus on the futures market for agricultural commodities, particularly three categories mainly produced and processed in the SADC region, namely cereals, fruits and vegetables..</p>

<p>2.3 Requested services</p>	<p>Commodity and derivative exchanges can catalyse the development of commodity and capital markets in the SADC region, facilitating the shaping of forward yield and price curves and therefore promoting the growth of secondary market activity seen as the most illiquid. The effective inclusion of derivative instruments in the capital markets is critical for liquidity and therefore the provision of long term financing and consequently for the development and economic growth of the region. The STE will specifically, but will not be limited to:</p> <ul style="list-style-type: none"> i) Engaging with the Food, Agriculture and Natural Resources (FANR) Directorate and local authorities of the countries, in order to carry out an analysis of spot commodities to be sold on the exchanges ii) Undertaking a comparative and competitive analysis of production between member countries would be imperative in order to define the best export/import arrangements between countries. iii) Undertaking an analysis of the specific conditions of the products to be considered as renewable and tradable including but not limited: (i) the cost of upgrading the warehouse, (ii) the capacity to a minimum standard in the country where it will be located, (iii) spot market in terms of value and number of participants, (iv) price flexibility in the spot market, (v) cash-settled and/or local currency-denominated equivalents of global benchmark contracts; iv) Conduct a thorough analysis on contract-specific conditions, identifying both hedgers and speculators, price discovery, arbitrage conditions, predictable interest rates, storage and transportation costs, size and quality of standardised contracts v) Conduct a study on Institutional Factors, which include, among others, regulatory aspects such as rules and terms of participation, trusted dispute resolution mechanism, existing brokerage network, institutional ownership and accessibility in technological platforms, information systems, including dissemination of market data through multiple channels; vi) identify Policy Environments that may include (i) a system of grades and standards, (ii) contract enforcement mechanisms, (iii) governance in the
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	<p>spot markets, and (iv) a solid foundation in insolvency law to manage the risks associated with default and bankruptcy. Other aspects such as fiscal and monetary management policies and external trade should also be part of the review;</p> <p>vii) To assess the extent to which macroeconomic policy factors such as real interest rates, exchange rates and inflation rates may impact on the establishment of the Regional Agricultural Commodity Exchange</p> <p>viii) Review the agricultural derivatives that are available in the various capital markets in the Region and identify those that could form the basis of a regionally traded products</p> <p>ix) On the basis of the study, recommend the best and most practical options for derivatives at national and regional level, identifying the main commodities that could be traded on a regional commodity exchange, the presentation of potential surplus and deficit countries, identification of the costs and benefits of setting up a regional commodity exchange, the possible instrumental framework, the most appropriate statutory body, the annual budget and preparation of the legal instrument for the establishment of the regional commodity exchange.</p>
<p>2.4 Deliverables</p>	<p>The STEs will provide the following deliverables:</p> <ol style="list-style-type: none"> i. Inception Report: a detailed work-plan, timeframe and approach to undertake each part of the Assignment; ii. Data Collection report: Data Collection Report, detailing the process and findings from the data collection for the assignment; iii. Draft Report for the Assignment, including assessments of SADC agricultural and derivatives markets, as well as a recommended implementation strategy for the recommendations. iv. Validation Workshop Report for both parts of the Assignment, where the findings from the data collection and data analysis are presented.

	<p>v. Final report: a detailed result of the assessment of the SADC derivatives markets with the objectives and expected results and scope of the Assignment considering issues raised during the workshop and comments from the SIBE Task Manager, which in general, should cover the following areas:</p> <ul style="list-style-type: none"> (a) Executive Summary; (b) Objectives; (c) Scope and Methodology; (d) Analysis and Findings including indices used and Scorecard; (e) Lessons Learned; and (f) Conclusions and Recommendations. <p>Note: All deliverables will be the property of the SADC Secretariat.</p>
<p>2.5 Management</p>	<p>The STE will report to and will be under the day-to-day supervision of the Task Manager/SPO Finance and Investment, and the SIBE Coordinator. Operationally, the STE will be in close collaboration with the key result area manager.</p>
<p>2.6 Methodology</p>	<p>The assignment is based on the following steps: Inception Phase, Data collection, Data analysis and Final Report.</p> <p>STEP 1: Inception phase: 20 FEE DAYS</p> <p>The STE will start with an inception and assimilation phase by using its standard methodology. It will include a virtual kick-off meeting between SADC Secretariat and relevant SADC structures.</p> <p>STEP 2: Data collection 30 Fee Days</p> <p>The STE will collect the relevant data for both qualitative and quantitative data, in each jurisdiction.</p> <p>STEP 3: Data analysis 30 Fee Days</p> <p>During this step, the STE will proceed to analyse the data and information collected.</p> <p>Step 4: Validation Workshop – 10 FEE Days.</p> <p>During this phase a validation workshop for all stakeholders will be held to review the Report and also seek input from Stakeholders.</p> <p>STEP 5: Final Report – 10 Fee Days</p> <p>During this step, the STE will submit the Final Report to the SIBE Task Manager.</p>

3. Resources allocated					
3.1 Resources from the Technical Assistance contract					
	Part 1	Part 2	Part 3	Part 4	Part 5
Up to 100 STE days	20	30	30	10	10
Up to 0 per diem days (approximate)	4	15	0	5	0
Mobilisation travel	0	0	0	0	0
Regional travel	1	4	0	1	0
	The STE will be facilitated to engage with stakeholders virtually through introductory letters. The STE is expected to arrange at own cost for any transportation necessary for the STE in the locations of the Assignment.				
3.2 Other related resources allocated from the SADC-SIBE budget					
Workshop budget	The virtual or hybrid workshop will be held as part of work under Result 2.2 funding.				
Translation of documents	The translation of documents will be arranged by SADC secretariat separately. It should be noted that a minimum of 5 weeks is required from the hand-over of materials for translation .				
Interpretation	Interpretation when/if necessary, will be arranged by SADC Secretariat separately.				
General professional experience Specific experience					
3.3.1 Qualifications and skills	STE: Financial and Capital Markets Expert <ul style="list-style-type: none"> • A minimum of a University degree in a field related to the Assignment such as economics, finance or additional 10 years of related professional experience. • Excellent written and communication skills in English. 				

	<ul style="list-style-type: none"> • Excellent computer skills including knowledge of Microsoft Office packages such as Power Point and Microsoft Word.
3.3.2 General professional experience	<ul style="list-style-type: none"> • Minimum 5 years of professional experience in the area of capital and financial markets. • Experience in conducting policy, economic and financial research and analysis.
3.3.3 Specific professional experience	<ul style="list-style-type: none"> • Experience in conducting policy research in the area of capital and financial Markets; • Experience of working in a developing economy environment and particularly in the SADC region will be considered as an asset. • Knowledge of the issues and challenges regarding implementation of the SADC Financial Integration Agenda will be considered as an asset. • Knowledge of the agricultural derivatives commodity market will be an advantage
3.3.4 Equipment	The STE is expected to use his or her own laptop computer and cellular telephone.
4. Location duration and planning	
4.1 Location of work	The assignment will be carried out both remotely and physically by agreement
4.2 Duration	The indicative expected start date is 5 June 2023 The indicative expected end date is 24 November 2023
4.3 Working week	The working week is from Monday to Friday, except in case of official holidays or SADC closure days as recorded in Annex 1. Weekends are not normally considered as working days unless specifically requested and confirmed in advance in writing by the SADC Secretariat.
24 5. Reporting	
5.1 Language	The assignment language and all reporting shall be in English

<p>5.2 Progress reporting</p>	<p>Submission and approval procedure for inception and progress reports</p> <p>All written reports shall be submitted in soft copy by email, with Arial font size 12, in a format provided by the SADC Support Consortium (the Consortium) to the STE and shall include deliverables as Annexes.</p> <p>The soft copy must not be in PDF format preventing formatting.</p> <p>All reports will be submitted to FinMark Trust (Consortium leader) through the Programme Coordinator for quality control; then they will be submitted to the RA manager for preliminary endorsement, who will then submit them to the SIBE Task Manager with recommendation for approval. Comments to the reports, if any, will be communicated in writing to the STE within 15 working days of receipt of each report.</p> <p>Part 1 - Inception report (numbered 029/0XX/STE/IR) and PowerPoint presentation</p> <p>The STE will complete an inception report and submit it by the end of Part 1. The Report will include a methodology for the Assignment.</p> <p>At the end of Part 1 the STE will make a brief Power Point presentation of the inception report to the Secretariat.</p> <p>Note: this presentation is a deliverable and should be annexed to the report. The inception report will be submitted by the STE to the FinMark Trust, copied to the Secretariat. The FinMark Trust will formally submit it to the SADC Secretariat (SPO Finance and Investment) through the Programme Coordinator for approval.</p> <p>After submission, the Secretariat will consider the report and provide any feedback within 5 working days.</p> <p>Parts 2 & 3 & 4 – Progress report (numbered 0xx/STE/xx)</p> <p>At the End of Parts 2 & 3 & 4, the STE will submit progress reports within 2 working days at the end of each Part.</p> <p>It is important to note that, at the end of Part 2, the STE will submit a progress report concerning the data collection summarising the feedback and inputs from stakeholders. Relevant data and information collected during this phase should be appended as an Annex. At the end of Part 4, the STE will also submit a brief report summarising the comments and issues coming from the consultation with Capital and Financial Markets Committee and also submit the Draft Report.</p>
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<p>5.3 End of Assignment Reporting</p>	<p>Part 5 - End of Assignment Report (EoAR) (numbered 029/STE/EoAR) and presentation</p> <p>The STE will submit the EoAR for approval at the completion of the Assignment. The report shall be submitted in the format provided and will include the following:</p> <ul style="list-style-type: none"> • An Executive Summary of the whole assignment; • List of activities carried-out during the assignment; • Methodology/Discussion of key issues; • Main Conclusions and Lessons Learned; • Recommendations for further support to the beneficiary; • Key Annexes, such as all deliverables produced, including the completed updated Data Collection Report and Validation Workshop report. • In addition to the report, at the end of Part 5, the STE will provide a PowerPoint presentation to the Secretariat of the EoAR on the last day of the assignment (which will be by way of remote link through Zoom or such other e-platform to be suggested by SADC Secretariat). The presentation is a deliverable and should be Annexed to the report. <p>EoAR Submission and approval procedure:</p> <ul style="list-style-type: none"> • After end of assignment, EoAR will be submitted by email to the Consortium through the Programme Coordinator for quality control; then it will be submitted to the RA manager for technical comment for the STE. Technical comments will be issued within 10 working days. • The STE shall address all the technical comments within 15 calendar days of receiving comments and submit the final EoAR to SADC for final technical and administrative approval. If no comments are issued by SADC within one month after submission, the EoAR will be deemed satisfactory. • Upon acceptance (or if the one-month period has elapsed since submission without comments being issued), the EoAR shall be submitted to the RA Manager and the SIBE Task Manager for administrative approval. • The Assignment will not be considered to be complete until the approval of the SIBE Task Manager to the EoAR has been obtained.
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	<ul style="list-style-type: none"> The EoAR shall be delivered in soft copy. The soft copy shall include deliverables produced as annexes. The soft copy must not be in pdf format preventing formatting.
5.4 Report quality, structure, formatting and editing	The STE is responsible for ensuring the quality of his/her reports using the templates and report structures provided or suggested by the LTEs or Programme Coordinator. It is expected that the STE will ensure that the reports are formatted properly and proof-read for grammatical, spelling and other mistakes. While the reports will go through review by the LTEs and other members of the SIBE team, it is not expected that the reviewers will have to correct grammar, spelling and formatting errors. If the STEs do not have skills in this respect they are expected to seek the services of an editing expert at his/her own cost.

6. Administrative Information

Timesheets	<p>The STE will complete a monthly timesheet (within two days of the end of the month) according to the template provided, recording days worked.</p> <p>Fees will be due only for working days recorded in timesheets that are countersigned by:</p> <ul style="list-style-type: none"> - SIBE Programme Co-ordinator and Team Leader; - SIBE RA Manager; - The SIBE Task Manager; <p>The monthly Timesheet should be accompanied by the monthly Progress Report, and both should be submitted by e-mail for review and approval.</p>
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7. Endorsement

Programme Coordinator	RA Manager	Task Manager	Director-Finance, Investment and Customs
Mike Nyamazana	Hamilton Thomas	Mario Lironel	S.L. Mtonakutha
Signature: 	Signature: 	Signature: 	Signature:

Date:	Date:	Date :	Date:.....
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ANNEXES TO TOR 0292/RA 2.3

ANNEX 1: Experts scoring grid

ANNEX 2: Botswana official holiday 2022-23 (non-working/fee days)

ANNEX 3: Gantt

ANNEX 2: Estimated budget

ANNEX 1.
Experts scoring grid

Qualifications and Experience	Points*
Qualifications and skills:	20
A minimum of University degree in a field related to the Assignment such as economics, finance or additional 10 years of related professional experience.	10
Excellent written and communication skills in English.	5
Excellent computer skills including knowledge of Microsoft Office packages such as Power Point and Microsoft Word.	5
General professional experience:	30
Minimum 5 years of professional experience in the area of capital and financial markets.	10
Experience in conducting policy, economic and financial research and analysis.	20
Specific professional experience:	50
Minimum 5 years of professional experience in the area of capital and financial markets.	15
Experience of working in a developing economy environment and particularly in the SADC region will be considered as an asset.	10
Knowledge of the issues and challenges regarding implementation of the SADC Financial Integration Agenda will be considered as an asset.	10
Knowledge of the agricultural derivatives commodity market will be an advantage	15
Score	100

ANNEX 2:
Botswana official holidays 2023-2024¹

Day	Date	Occasion
Friday	7 April 2023	Good Friday
Monday	10 April 2023	Easter Monday
Thursday	18 May 2023	Ascension Day
Saturday	1 July 2023	Sir Seretse Khama Day
Monday	17 July 2023	President's day
Tuesday	18 July 2023	President's day 1
Sunday	1 October 2023	Botswana Holiday
Monday	2 October 2023	Independence Day
Monday	25 December 2023	Christmas Day
Tuesday	26 December 2023	Boxing Day
	Botswana holidays 2024	
Monday	1 January 2024	New Year's Day
Friday	29 March 2024	Good Friday

¹ These dates are indicative and are subject to confirmation by the Government of Botswana

ANNEX 3: Gantt Chart

