



TERMS OF REFERENCE

ADVISORY SERVICES FOR THE ESTABLISHMENT OF A VENTURE CAPITAL AND PRIVATE EQUITY FUND IN TANZANIA

FEBRUARY 2025

About FSDT

The Financial Sector Deepening Tanzania (FSDT) is a donor-funded financial sector market facilitator that aims to achieve poverty reduction through a transformative financial sector that offers inclusive and sustainable financial solutions to improve the livelihood, well-being, and empowerment of underserved Tanzanians. FSDT's work is guided by the Market Systems Development (MSD) approach, which aims to develop market systems that benefit the poor, offering them capacities and opportunities to improve their lives.

Currently, FSDT's primary target markets are women and youth; to achieve a wider impact, our goal is to deliver quality financial solutions that support the economic development and growth of MSMEs and farmers who are small-scale producers and who have been identified as the most financially excluded market segments in the country. FSDT is dedicated to supporting the financial sector in delivering inclusive, quality financial solutions that meet the financial needs of women and youth.

Through its catalytic function, FSDT hopes to achieve the following changes in the market:

- Improved policies, and legal and regulatory frameworks that promote gender equality, as well as economic and financial opportunities for women and youth.
- Improved availability of relevant financial sector infrastructures that will equip the financial sector players and other stakeholders with the ability to meet the needs and aspirations of women and youth.
- Financial service providers develop and scale innovative and responsive financial solutions/tools for women and youth to promote equality, empowerment, and wellbeing.
- Improved confidence and capability of women and youth to demand and use financial solutions.

Background

FSDT has received funding from the European Union to implement the "Inclusive Finance for Growth of MSMEs, Women and Youth" program, focusing on developing innovative financial products and services tailored to underserved women and youth entrepreneurs in mainland Tanzania and Zanzibar. The program aims to reduce the cost of capital, improve access to financial services, and enhance financial inclusion, which aligns with Tanzania's National Financial Inclusion Framework (NFIF) III, the National MSME Financing Framework, and the Financial Sector Development Master Plan. The program emphasizes Diversity, Equity, and Inclusion (DEI) in all economic activities, with a preference for green and circular economic activities. Key collaborators include the Ministry of Finance (MoF), Bank of Tanzania (BOT), Capital Markets and Securities Authority (CMSA), Tanzania Insurance Regulatory Authority (TIRA) and international partners. The initiative supports broader national and EU strategies, addressing global challenges such as economic inequality, climate change, and employment, focusing on improving the financial welfare of individuals and businesses.

Purpose of the Project

The **Capital Markets and Securities Authority (CMSA)**, in collaboration with **Financial Sector Deepening Tanzania (FSDT)** and the **Ministry of Finance (MoF)**, is launching an initiative to promote inclusive economic development by addressing gender and youth disparities in access to finance while fostering entrepreneurship. As part of this initiative, a **Venture Capital Fund** will be established to provide seed and growth-stage capital to youth and women entrepreneurs launching or scaling innovative, high-growth businesses in Tanzania.

The creation of this fund aligns with **Tanzania's SME Financing Strategy**, specifically **Strategic Objective No. 6**, which focuses on strengthening government and private sector funds and programs that support SME financing for economic empowerment. The fund is designed to meet the needs of various stakeholders, including special groups, start-ups, and fintech companies. Additionally, the initiative supports **CMSA's Financial Year Strategic Plan (FYSP) 2023/24-2027/28**, particularly **Strategic Objective C**, which aims to enhance the **development and diversification of capital market products and services**. A key goal of this strategy is to establish an **exchange-listed national venture capital fund by 2028**.

Tanzania's **National Financial Inclusion Framework 2023-2028** has identified women- and youth-led small businesses as a priority segment, recognizing that access to financial services—such as capital, equity, and credit—remains a significant challenge. Since capital markets play a crucial role in facilitating access to funding, **FinScope 2023** has highlighted several key issues in Tanzania's capital markets: limited market liquidity, a narrow range of financial instruments, and an overreliance on traditional banking channels for small businesses and start-ups. This initiative aims to address these challenges. Additionally, the **Draft Capital Markets and Securities (Private Equity and Venture Capital) Regulations** are currently being finalized by the **Capital Markets and Securities Authority (CMSA)**, paving the way for the emergence of new funds in the market.

Objectives of the Assignment

FSDT is seeking to hire a consultant to collaborate with **CMSA, MoF, financial service providers**, and other stakeholders to conduct a **detailed feasibility study** and provide **follow-up technical assistance** for establishing a **venture capital fund** in Tanzania. The study will assess market conditions, identify potential challenges and opportunities, and evaluate the fund's **economic, technical, financial, legal, and operational feasibility**. The objective is to determine the most effective approach and recommend an **optimal operational and institutional structure** of venture capital leveraging private and public institutional investors within and outside Tanzania.

Scope of Work

A. Market Analysis and Demand Assessment

- I. Analyze start-up and growth stage youth and women-led enterprises business landscape and entrepreneurial activities and document:
 - a. Size and growth trends, key industries, and sectors in which they operate, and highlight funding flows to different industries and/or sectors showing which receive the most funding and why.
 - b. Long-term financing needs, the support provided, key challenges, and barriers to accessing venture capital funding (*e.g., Investor biases, Market saturation, economic conditions, legal frameworks, etc.*).
- II. Conduct a gap analysis to assess current access to venture capital funding and highlight youth and women entrepreneurs' unmet long-term funding needs, limitations of existing long-term financing instruments and potential market opportunities for Venture Capital Funds in Tanzania.
- III. Map investors and other key participants¹ in the Venture Capital (VC) and Private Equity (PE) ecosystem in Tanzania and document:
 - a. Challenges they face in engaging and investing in start-up and growth stage youth and women-led enterprises.
 - b. Risk appetite, options to participate in the VC funds, and preference for funding structures.
 - c. Potential support areas to develop the start-up and growth stage investing ecosystem (i.e., type, quantity, and quality of start-up deal flow).
 - d. Deal flow and a pipeline of investment opportunities, sources of investible deals, and propose a strategy for developing a pipeline for the fund.
- IV. Conduct a comparative analysis of Venture Capital Funds targeting youth and women enterprises in Tanzania and similar markets (e.g., East Africa, Africa, Asia, or Latin America) and document:
 - a. Fund Operational Framework (*Legal Structure, Investment Strategy, Support Services, and Governance*)
 - b. Fund structure and size (*fund size, investor composition, management fees*)
 - c. Investment focus and performance metrics
 - d. Experiences and lessons learned (*successes, challenges, and failures*)
- V. Provide recommendations (Policy initiatives, legal and regulatory, support services, etc.) to enhance access to long-term financing instruments for start-up and growth-stage youth and women-led enterprises.

B. Legal and Regulatory Analysis

- I. Conduct a review of the existing policy, legal and operational environment with the level of support they provide to the development of new seed, early-stage finance, venture capital, and private equity financing ecosystem, mainly focusing on:
 - a. Relevant national policies and plans supporting youth and women entrepreneurs.
 - b. Laws, acts and regulations.
 - c. National programmes and strategic initiatives

¹ Incubators. Accelerators, Angel Investors, local, regional, and international Venture Capital, and Private Equity funds

- d. Recommended improvements in the policy, legal and regulatory frameworks based on international benchmarking (e.g., East Africa, Africa, Asia, or Latin America).
- II. Engage with legal and regulatory stakeholders to validate findings during the analysis phase.

C. Venture Capital Fund Design and Structure

Based on the market and demand assessments and the developing nature of the VC market in Tanzania.

- I. Prepare a risk assessment matrix highlighting opportunities, potential challenges, or limitations to establish and operate a Venture Capital Fund in Tanzania and recommend measures to mitigate or lower the challenges (e.g., market, operational, legal, political, macroeconomic, and socio-cultural risks, etc.).
- II. Provide 3-4 options for the Venture Capital Fund designs, highlighting the benefits and challenges of each option. Each option shall include the fund's legal institutional set-up, governance structure, fund sources, target market and sectors, funds delivery models (*i.e. Direct or Indirect*) financial instruments, investor's protection models and monitoring framework.
- III. Propose or recommend an appropriate Venture Capital Fund structure to be established. This should include:
 - a. The venture capital fund's legal institutional set-up, governance structure, fund sources and mobilization strategy, target market and sectors, geographical coverage, financial instruments to be offered, ticket size, investor's protection modalities (*i.e., 1st Loss protection*), and impact monitoring framework.
 - b. Non-financial services to be offered (*Technical Assistance, Business Development Services*).
 - c. Organization structure and management team's roles and responsibilities.
 - d. Outreach, communication, and public awareness strategy.
- IV. Prepare an implementation roadmap that includes detailed activities, timelines, and budgets.

D. Stakeholder Engagement and Validation²

- I. Conduct sessions with the FSDT, CMSA, the Ministry of Finance, and other relevant stakeholders to present insights from the market assessment and the proposed Venture Capital Fund structure.

E. Fund Manager Tender Documentation

- I. Develop comprehensive tender documentation for the solicitation of the Fund Management Services.
 - a. Develop a Terms of Reference that define in detail the services required to be delivered by the Fund Manager to establish and manage the Venture Capital Fund.

² FSDT will support the consultant in arranging stakeholders' consultation, logistics, and gathering information necessary to conduct this assignment.

- II. Using established private equity industry practices and relevant legal frameworks, conduct the following activities: -
- a. Develop TOR for the panel to review fund managers' proposals.
 - b. Participate in the assessment and appointment of the panel that will select the fund manager and carry out the due diligence of the fund manager.

Deliverables and Timelines:

Deliverable	Timelines
1. Inception Report with a detailed project implementation plan	1 week after signing the contract
2. Draft Market Analysis and Demand Assessment and Legal Analysis Report.	3 weeks after signing the contract
3. Final Market Analysis and Demand Assessment and Legal Analysis Report.	5 weeks after signing the contract
4. Draft Venture Capital Fund Design Report highlighting 3-4 options.	10 weeks after signing the contract
5. Stakeholder's validation workshops for presentation on key findings and recommendations on Venture Capital Fund Design and Structure.	12 weeks after signing the contract
6. Proposed Venture Capital Fund Design and Structure with, indicative budget, and implementation plan	13 weeks after signing the contract
7. Tender Documentation for the Service of the Fund Manager	15 weeks after signing the contract
8. Selection of Fund Manager	20 weeks after signing the contract

Timeline

The consultancy is expected to be completed between **March and August 2025**. The schedule is indicative, but the combined effort should not exceed 90 man-days, shared between the lead and support consultant, over six months.

Evaluation and Selection

Any individual or firm interested in participating in this bid should submit a separate technical and financial proposal to FSDT. The following format should be observed:

Maximum 10-page technical proposal including the following:

- o Comments on the TOR
- o Proposed implementation approach/methodology
- o Team/Consultant Profile
- o Relevant previous work (include three references with email and phone number)

- o Annex with CV of the Key expert and support consultant (excluded from the 10-page count)
- The preferred bidder will be selected based on presenting the most economically advantageous tender. Bidders will be evaluated using a combination of technical and financial criteria. The ratio between technical and financial scores will be 80/20 in this case.
- The technical component of each proposal will be scored first using a grid that assesses several key attributes. This is set out below.

Technical Proposal Scoring Grid

The table below describes the criteria and weights for scoring, assessing, and selecting the best candidate for this assignment. The evaluation committee will review all the submitted proposals (technical and financial) and score them based on the criteria below.

Evaluation Criteria	Marks
Required experience (Individual/Consulting firm)	
The individual or consulting firm must demonstrate experience in designing and structuring investment funds, offering advisory services for early-stage and growth-stage financing, managing venture capital (VC) and private equity (PE) funds, and operating or overseeing accelerator and/or incubator programs that support women and youth MSMEs. Provide at least three reference letters for similar assignments completed in the past 3–5 years.	20
Sub Total – Experience	20
Team Composition	
Key Expert - Team Leader - Senior Expert – Equity fund and Developmental and SME financing expert	
The Team Leader must meet the following qualifications to be considered eligible to undertake the tasks laid out under the Scope of Services.	
<i>A Masters’ Degree in Banking, Finance, in information technology, technology sciences, entrepreneurship, business administration, marketing, or any other related field and other relevant fields.</i>	5
<i>A minimum of 10 years of experience in commercial banking, investment banking, SME financing, impact investment, and entrepreneurship development.</i>	10
<i>At least 10 years of proven experience in designing and structuring investment funds, offering advisory services for early-stage and growth-stage funding mobilization and mechanisms, managing venture capital (VC) and private equity (PE) funds, and overseeing accelerator and/or incubator programs</i>	15
<i>Demonstrated experience working with a multitude of stakeholders from various disciplines, background and cultures including Government, civil societies and communities, private sector, development partners and donors.</i>	5
<i>Knowledge in startup and SME ecosystem, including dynamics, key actors, challenges, and opportunities.</i>	2.5
<i>Must be fluent in English both verbal and written. The ability to understand and speak Kiswahili is an advantage.</i>	2.5
Support Consultant - (Stakeholders consultation, logistics, information gathering and analysis)	
The Support Consultant must meet the following qualifications to be considered eligible to undertake the tasks laid out under the Scope of Services.	
<i>A bachelor’s degree in Banking, Finance, Accounting, Commerce, or Social Science</i>	5
<i>A minimum of 5-7 years in working in the SME sector, with 5 in entrepreneurship and startup funding mobilization and mechanisms, venture capital (VC), and investment fund structuring in Tanzania, East Africa, or any other similar markets.</i>	10
<i>Demonstrated analytical, strong coordination and communication skills.</i>	2.5
<i>Must be fluent in English both verbal and written. The ability to understand and speak Kiswahili is an advantage.</i>	2.5
Subtotal - Team Composition	60
Adequacy of Methodology and Comments	
<i>Technical approach and methodology (demonstration of clear understanding of TORs, detailed methodology)</i>	15
<i>Adequacy of the comments on the TOR</i>	5
Sub-Total – Methodology	20
Total	100

- A minimum technical score of 70 out of 100 is required for further consideration of the technical proposal. Only financial proposals from bidders scoring at least that level will be evaluated.
- The total financial cost in euros will be weighted according to the formula:
 - $(\text{Lowest total financial cost} / \text{Bidder's total financial cost}) \times 0.2$
 - Total technical marks are weighted by a factor of 0.8.
- The weighted technical and financial scores for each proposal that passes the minimum technical threshold will then be added to produce a total score. The preferred bidder will be the one producing the highest total combined score.
- The winning bidder will be notified of their selection, and other bidders will be informed of the outcome.

Financial Proposal

- This will be a reimbursable fee contract up to a maximum financial limit. Financial proposals should be quoted in EUROS. FSDT requires a detailed and transparent budget breakdown that specifies all line items.
- Financial proposals should be in EUROS and must be submitted electronically separately from the technical proposal.
- Provide a daily rate for work within Dar es Salaam for the Key expert/Team Leader and support consultant.
- It is assumed that in case of any transport expenses or remote facilitation, FSDT will directly facilitate the same.
- If the consultant(s) is based outside Tanzania, FSDT will cover travel cost (economy fare) in and out of Tanzania.

Financial proposals should be in this format:

<i>Detail/Item</i>	Units	Rate (EURO)	Total (EURO)
Lead Consult			
Support Consultant			
Incidentals (Travel and Accommodation)			

This consultancy will be subject to local taxes. It is the sole responsibility of the Consultant to meet all the tax liabilities arising out of this assignment. The financial proposal submitted should quote a price inclusive of all applicable taxes.

Submission of Bids

The deadline for submission of the proposal documents is 5 p.m. on the 3rd March 2025.

Any questions relating to these Terms of Reference (ToRs) should be submitted in writing to FSDT at the following address. All questions and answers will be shared with all interested bidders. The deadline for any queries is two days before the tender submission deadline.

Procurement Manager,
The Financial Sector Deepening Trust,
2nd Floor De Ocean Plaza,
Plot 400 Toure Drive,
P.O. Box 1559 Oyster Bay, Dar es Salaam, Tanzania
+255 222 602 873/5/6
procurement@fsdt.or.tz

Other Matters

Confidentiality

All information contained in the terms of reference and attachments is provided on a strictly confidential basis solely for the use of Tenderers in connection with a competition for the supply of services for the above contract. It is a condition of this competition that Tenderers (and any sub-contractors) shall:

- take all reasonable measures to protect this confidentiality and avoid the unauthorized use, disclosure, publication, or dissemination of confidential information.
- not use this information other than for preparation of a tender, and shall disclose it only to officers, directors, or employees on a specific need-to-know basis; and
- Not disclose, publish, or otherwise reveal any of the information contained herein except with the specific prior written authorization of FSDT.

Conflict of Interest

Tenderers (and any sub-contractors) must disclose in their tender details of any circumstances, including personal, financial and business activities that will, or might, give rise to a conflict of interest if they were awarded this contract. Where Tenderers identify any potential conflicts, they should state how they intend to avoid such conflicts. FSDT reserves the right to reject any tender which, in its opinion, gives rise to, or could potentially give rise to, a conflict of interest.

Taxation

The winning bidder will be responsible for paying withholding tax and all other tax liabilities as per Tanzanian Tax laws. Any such tax amounts shall be the responsibility of the consultant.