

Terms of Reference

Individual Consultant for Project Coordination and Shariah Line of Finance Support

A. Background

The KGZ1028 project, developed by Islamic Development Bank (IsDB) in collaboration with the Ministry of Economy and the State Mortgage Company of the Kyrgyz Republic, aims to address the significant need for affordable housing in the country. This initiative is set against a backdrop where a large portion of the Kyrgyz population resides in inadequate housing conditions, lacking basic infrastructure and facing issues like overcrowding and insecure property rights.

The project has the following components: 1) construction of affordable housing; 2) line of finance for Shariah mortgage facility; 3) consultancy services for engineering designs, technical supervision, and project management support; 4) institutional capacity building; 5) project financial audit; 6) startup workshop.

The line of finance component (i.e., component no. 2) is crucial for facilitating the development and implementation of Shariah-compliant mortgage financing in Kyrgyzstan, specifically to reach out potential beneficiaries in urban and rural areas.

A specific amount of funds is allocated to the Shariah Line of Finance component, which local financial institutions and banks can draw upon to offer Shariah-compliant mortgages. These funds help in reducing the financial burden on potential homeowners or homebuilders and promote the growth of Islamic finance in the housing sector.

All mortgage products to be developed and disbursed under this component shall adhere strictly to Shariah principles. This is ensured through rigorous oversight and regular audits by appointed Shariah boards or committees. The primary beneficiaries are low- and lower middle-income households that struggle to access traditional mortgage products due to high interest rates or incompatibility with Islamic finance principles.

In line with Islamic finance principles, the mortgage products under this component do not involve interest. Instead, financing structures like Murabaha, Ijarah, or Musharaka Mutanaqisah are used. The line of finance component is expected to significantly increase the availability of affordable and Shariah-compliant housing finance options in Kyrgyzstan, contributing to social stability and economic growth by enabling more families to own homes that meet their financial and ethical requirements.

B. Objective

The objective of this assignment is to hire a local individual consultant/expert to assist the project coordination until the Project Management Company (PMC) is on board, and ultimately to support the implementation of the Shariah Line of Finance component. The consultant will work in close coordination with the Islamic Development Bank, State Mortgage Company (SMC), Ministry of Finance, Ministry of Economy, and the local participating banks, such as Bakai Bank.

The consultant is also expected to collaborate and coordinate the work with Project Management Company (PMC) to ensure quality and timeliness of the project implementation.

C. Scope of assignment

The scope of consulting services will include, but not limited to, the following:

1. Project coordination and follow up related to the procurement of Project Management Company (PMC)

2. Review of the existing and new/draft Legal Framework of the Islamic finance/banks in Kyrgyz Republic.
3. Development of sub-Wakala agreements in consultation with IsDB, MoF, SMC and the local banks.
4. Support the development of suitable Shariah mortgage products that are suitable for the local demand and characteristics

The detailed tasks and/or outputs to be undertaken under each activity are as follows:

C.1 Project Coordination Support

- Provide coordination and technical support for the State Mortgage Company to expedite the procurement process of the PMC

C.2 Review of the Existing and new/draft Legal Framework of the Islamic finance/banks in Kyrgyz Republic

- Conduct a thorough analysis of the current financial and legal regulations in Kyrgyzstan to ensure that the new sub-Wakala agreements and the Shariah-compliant products are in full compliance with national laws as well as the international Islamic finance standards.

C.3 Development of Sub-Wakala agreements

- Drafting sub-Wakala agreements between the Ministry of Finance and/or State Mortgage Company with the local banks, in close consultation with IsDB and other government authorities (e.g., National Bank of the Kyrgyz Republic).
- Assist the SMC and the concerned participating financial institutions, such as Bakai Bank, in processing withdrawal application to IsDB for the line of finance.

C.4 Support the Development of Shariah mortgage products and the necessary capacity building program

- Design and document the structures for various Shariah-compliant mortgage products along with the suitable pricing structure, risk management, etc.
- Support the development of comprehensive product manuals and detailed process workflows to guide the implementation of these products.
- Create a framework for assessing and managing the risks associated with these Shariah-compliant products.
- Draft comprehensive terms of reference related to the institutional capacity building and staff training programs for the concerned stakeholders that covers, inter alia, the fundamentals of Shariah compliance, knowledge of the new products, effective sales techniques, and a comprehensive understanding of the regulatory requirements.
- Provide support, advice and monitoring during the initial phase of the product launch to ensure smooth implementation and immediate resolution of any compliance issues.

D. Expected Deliverables

It is expected that the consultant will have a direct and uninterrupted communication channel with the IsDB, SMC, and the government entities concerned.

The expected deliverables, schedule and payment conditions will be subject to revision during the negotiations, at the Contract signature. The key milestones for various deliverables and percentage consultancy fee allocated to it are as follows:

No.	Deliverable	Payment
1.	Signing of the PMC contract	10%
2.	Comprehensive report on regulatory overview of the legislative pertaining to Islamic finance in the Kyrgyz Republic and the demand analysis for Shariah mortgage finance in the country.	10%
3.	Development of the sub-Wakala agreements: <ul style="list-style-type: none"> • Approval of draft of sub-Wakala agreements by IsDB and the government (15%) • Signing of the sub-Wakala agreements with the local banks (15%) 	30%
4.	IsDB approval on the withdrawal application of a minimum \$2 million submitted by the participating financial institution (e.g., Bakai Bank) in 2025.	30%
5.	Design report on Shariah-compliant mortgage products suitable for the project's target beneficiaries.	10%
6.	Submission of a comprehensive terms of reference for the consultancy services in the capacity building on the Shariah mortgage aspects for the stakeholders and receive approval by the IsDB.	10%

E. Schedule

The assignment is expected to commence immediately. The duration of the contract will be around 8 months. All deliverables will be approved by IsDB before being eligible for payment.

F. Terms of Payment

The contract is adhering to a deliverable-based payment; thus, the Consultant will receive remuneration in installments depending upon completion of the tasks (reaching the outputs/deliverables) and upon confirmation and acceptance of the services by the client.

G. Consultant`s Minimum Qualifications

The Consultant should have the following minimum qualifications and skills:

- A master's degree in Islamic finance, law, or a closely related field.
- A minimum of ten years' experience in the development of Shariah-compliant financial products, with a preference for those who have worked specifically in housing finance.
- Deep knowledge of the legal and regulatory frameworks governing the financial sector in Central Asia, particularly in Kyrgyzstan.
- Demonstrated ability to design and implement training and capacity-building programs.
- Experienced in working with projects financed by multilateral development banks, such as World Bank, IsDB or ADB.
- Excellent command of English, with proficiency in Russian or Kyrgyz considered an advantage.

The consultant will be required to have regular consultations with the Bank and EA team whenever possible.