



የኢትዮጵያ ብሔራዊ ባንክ  
NATIONAL BANK OF ETHIOPIA  
ADDIS ABABA



## Terms of Reference (TOR)

### International Call for Expressions of Interest for a Consultant to Conduct a Diagnostic Study on the Banking<sup>1</sup> and Insurance Industries in Ethiopia

#### 1. Introduction

In collaboration with the National Bank of Ethiopia (NBE), FSD Africa wishes to engage a consulting firm (the Consultant) to support the development of the NBE's Monetary Policy and Financial Sector Development Roadmap (MPFSDR 2030). The MPFSDR, once approved, will be a guiding document for the development of Ethiopia's financial sector and its economy.

The Services will involve *inter alia* primary analysis on the banking and insurance industries in Ethiopia, a gap analysis comparing the state of financial sector development in Ethiopia against appropriate international comparator economies, the identification of policy, regulatory and other reforms needed to close the gap, and a sequencing of those reforms.

FSD Africa will provide finance for this project. The beneficiary of the project is NBE.

#### 2. Background

##### 2.1 NBE and the proposed Roadmap

The National Bank of Ethiopia (NBE) has a legal mandate to maintain stable rate of price and exchange, foster a healthy financial system, and support rapid economic development in Ethiopia. Towards these goals, the NBE is seeking to modernise its regulatory and monetary policy frameworks as well as create a conducive environment for the development and deepening of the financial sector. Hence, the NBE is developing a ten-year Monetary Policy and Financial Sector Development Roadmap (Ethiopia— MPFSDR 2030). The roadmap is expected to guide the modernisation of the monetary policy framework and realisation of the financial sector development objectives in the next ten years.

##### 2.2 About FSD Africa

Established in 2012 and supported by UK aid, FSD Africa is a specialist development agency working to build and strengthen financial markets across sub-Saharan Africa. We work to reduce poverty through a 'market systems development' approach, which means we aim to address the structural, underlying causes of poverty by improving how financial market systems function.

We believe that investing in building a financial system that is transparent, stable and accessible creates the conditions for a fair and sustainable future, where inequality is reduced, corruption is tackled, and where individuals, businesses and governments alike are able to prepare for future challenges, from climate change to political instability.

FSD Africa has been working with the NBE towards establishing a 5-year financial sector development programme in Ethiopia - FSD Ethiopia - which is expected to be launched in the first half of 2021.

Please find more details about FSD Africa on our website at [www.fsdafrica.org](http://www.fsdafrica.org).

---

<sup>1</sup> includes banks, microfinance institutions, and leasing companies.



### 3. Objectives, scope and methodology

#### 3.1. Objectives

The objective of the diagnostic study on the banking and insurance industries is to conduct an assessment of the current landscape of the banking and insurance industries in Ethiopia with a view to identifying major bottlenecks to the development of a competitive, inclusive, and stable banking and insurance sectors. The study is expected to compare the Ethiopian banking and insurance industries against other country benchmarks (successful and reasonably comparable cases) with the objective of identifying gaps in policies and performance as well as drawing reform lessons. The assessments will serve as a background study and inform the banking and insurance sectors reform roadmaps for the next ten years.

#### 3.2. Scope and methodology

The consultant is expected to conduct the diagnostic assessment based on both secondary and primary data collected from the respective industries. Primary data collection may include obtaining performance indicators, quantitative information and other documents from industry players, and the NBE, as well as conducting surveys or interviews with banks and insurance companies. Secondary data collection may include macroeconomic and international benchmarking data.

To achieve the above stated objectives, the consultant is expected to assess or evaluate the:

- overall business model of the banking and insurance industries in Ethiopia;
- performance of the banking and insurance industries in terms of efficiency, growth, profitability, competition, human capability, and managerial competence vis-à-vis comparable international benchmarks;
- competitiveness and market structure of the banking and insurance industries against international standards (comparable benchmarks);
- macroeconomic, legal, regulatory, technological, and other policy or environmental challenges to the development of banking and insurance sectors;
- scale of financial/product innovation, technology adoption, and related knowledge transfer in the banking and insurance sectors;
- challenges and opportunities for expanding microfinance, life insurance, health insurance, micro-insurance, Takaful insurance, and required policy reforms;
- health and stability of the banking and insurance sectors against national and international regulatory standards;
- banking and insurance industries' financial and operational risk management capabilities;
- banking and insurance sectors' resilience in coping with financial crisis and other economic shocks; and
- regulatory and supervisory practices of the banking and insurance sectors in view of international best practice and principles.

Upon making these assessments, the consultant is expected to identify gaps and draw reform lessons, proposing a sequencing of reforms for the next 10 years.



#### 4. Deliverables

- a) An inception report within 2 weeks of award of the contract (Powerpoint)
- b) A draft report, for review by the NBE, with analysis of primary data very substantially complete, by 17 March 2021 (Word document, accompanied by Powerpoint presentation to NBE)
- c) Final report, incorporating stakeholder feedback, by 25 April 2021 (Word document)

All reports should be submitted in English.

#### 5. Timelines

The assignment will run from February 2021 to April 2021. An advanced draft report, with completed analysis of primary data, is to be completed by end of March with a final report by end of April.

#### 6. Reporting

While the project will be conducted under the auspices of the FSDMPR Steering Committee, the consultant will report for substantive purposes to the Senior Macroeconomic Adviser at the NBE, Ato Melesse Minale Tashu.

For contractual purposes, the consultant will report to Jared Osoro, FSD Africa's Director Credit Market Development at [jared@fsdafrica.org](mailto:jared@fsdafrica.org).

#### 7. Basis of award

A contract will be awarded using the most economically advantageous tender (MEAT) approach, based on the following criteria:

Mandatory requirements	
Proven experience in financial sector consulting, especially in the banking and insurance sectors	
Proven experience of carrying out successful assignments in this field major developing economies	
A strong understanding of financial sector policy and regulation and of regulatory reform processes. Experience of developing country strategies, road maps, or masterplans would be highly desirable.	
Available to start at the required time and have the capacity to engage intensively with this assignment to conclude the work within the proposed timeframe.	
Proficiency in English	
Assessment criteria	Weighting (%)
Relevant, demonstrated experience and capacity of the firm and proposed team members in this area as indicated in the mandatory requirements. Please provide at least three references.	40%
Understanding/interpretation of the task set out in the TORs	20%
Clarity, content and quality of the proposal, including a proposed approach/methodology and detailed workplan for achieving the consultancy objectives.	25%



<p>Fee basis, value for money and total costs. There should be a clear breakdown of the costs. Financial proposals will be scored using the formulae:</p> <p>FS = 15% x LB/BP where:</p> <ul style="list-style-type: none"> <li>○ FS is the financial score</li> <li>○ LB is the lowest bid quoted</li> <li>○ BP is the bid of the proposal under consideration.</li> </ul> <p><b>Fee quoted must be inclusive of applicable withholding tax</b></p>	15%
<b>Total</b>	<b>100%</b>

### 8. Invitation to Submit Proposal

FSD Africa is inviting proposals from suitably qualified consultancy firms.

Your proposal should contain:

- CVs (maximum 3 sides of A4 paper each) of key individuals, tailored to the assignment
- Outline of team structure, including roles and responsibilities of team members
- A summary of your relevant experience for the assignment
- A short description of your understanding of the role of the Consultant and the approach to be used as outlined in these Terms of Reference
- A description of how you intend to fulfil the Services within the suggested timeline and confirmation of your ability to meet the timelines
- An itemised budget for both professional fees and reimbursable expenses, including fee rates, number of days and a breakdown of expenses.

Your proposal, which should not exceed 10 pages (excluding annexures), should be sent by email to FSD Africa at [bids@fsdafrica.org](mailto:bids@fsdafrica.org) by **12:00 noon EAT on 20 January 2021**

Questions or comments in respect of these terms of reference should be directed by email to: [bids@fsdafrica.org](mailto:bids@fsdafrica.org) on or before **12 noon (EAT) 8 January 2021** and feedback will be provided by **5 pm (EAT) 12 January 2021**.

### 9. Applicable Taxes

As per Kenya's tax law, FSD Africa will pay the Consultant after withholding the appropriate taxes at the applicable rate between Kenya and the Consultant's country of tax residence, considering any tax treaties in force. It is the responsibility of the Consultant to keep themselves apprised of these applicable taxes. The below table however provides guidance on the applicable rates as per tax regimes

Country	WHT Rate
Kenya	5%
United Kingdom	12.5%
Canada	15%
Germany	15%
Zambia	15%
India	10%
Non-resident rate for citizens of EAC member countries	15%
All other countries	20%