



## REPUBLIC OF GHANA/ MINISTRY OF FINANCE

### REQUEST FOR EXPRESSIONS OF INTEREST (CONSULTING SERVICES – FIRMS SELECTION)

|                        |  |
|------------------------|--|
| Name of Project        | <b>Ghana Financial Sector Development Project</b>  |
| Credit No.             | <b>6310-GH</b>   |
| <b>Project Number:</b> | <b>P161787</b>   |
| Assignment Title       | <b>Consulting Services for the Operationalization of Domestic Credit Rating Agency in Ghana (DCRA)</b> |
| Reference No           | <b>MOF-FSD-CS-10</b>   |

The Ministry of Finance (MoF) has received financing from the World Bank towards the cost of the Ghana Financial Sector Development Project (GFSDP), with the objective to promote access to financial services by individuals. Component 1.3 of the GFSDP seeks to support the establishment of a domestic credit rating agency in Ghana.

The Ghanaian economy is at a stage where there is an expectation of high economic growth and demand for funds. These funds should be accessible from financial institutions or other investors who are willing to invest in the growth of bankable projects. However, there is currently no specialized domestic institution that provides information to such investors on the relative creditworthiness of issuers or on the instruments that are used to raise the funds.

The market for rating the creditworthiness of Ghanaian firms has been growing for over a decade. There has been a dramatic increase in the issuance of domestic bonds by Ghanaian corporates and quasi-governmental institutions. For example, the face value of new debt issued by corporate entities and quasi-governmental institutions increased from GHS70.6 billion in 2015 to GHS162.8 billion in 2022, corresponding to a Compounded Annual Growth Rate (CAGR) of 56.6 percent during this seven-year period. The stock of debt has also grown at a CAGR of about 82.5 percent, from GHS32.9 billion in 2015 to GHS188.5 billion in 2022. The recent revision of the pension investment guidelines allowing pension funds to invest up to 35 percent of their total assets in rated corporate bonds, increases the value proposition of credit rating in facilitating the channelling of long-term savings into long term financing.

Indeed, the in light of the recent developments in the domestic public debt market and the financial sector as a whole underscore the need for an independent rating of debt instruments to ensure that investors are well informed of their investment decisions.

To the quest to promote financial stability, the MoF has commenced the process of establishing domestic credit rating agency (DCRA) to reduce information asymmetry between market participants (borrowers, lenders, and regulators), promote credit-culture, risk-based lending, and pricing of debt instruments. The DCRA will play an important role in the development of the Ghanaian financial sector by providing a systematic and comparable assessment of corporates and financial institutions to promote transparency and relative risk ranking. This is expected to lead to improved access to financing and pricing for borrowers, while also encouraging more prudent lending and investments by the investor community. Specifically, the DCRA would help promote market transparency and discipline and facilitate independent

rating of regulated financial institutions and other corporate entities and issuers; facilitate investment decisions by helping investors achieve a balance in the risk return profile; and assist firms to access capital.

To be successful, the DCRA will have to earn market trust and ensure its long-term viability. In this regard, it must operate in an independent and transparent manner, conform to international best practice; including governance and regulatory standards, and provide high quality and impartial ratings. In addition, all regulators will be expected to encourage their licensees in the financial sector to work with the DCRA. Following a feasibility study completed by an independent advisory firm, the MoF has developed a business plan for the establishment of the DCRA and the DCRA has been incorporated under the Companies Act 2019 (Act 992) as “**Credit Rating Agency Ghana Limited (CRAG)**”. Three promoters/initial shareholders namely the Ghana Stock Exchange (50%), National Pensions Regulatory Authority (25%), and National Insurance Commission (25%) have taken equity stake in the CRAG. The Board will be independent and will be recruited through a competitive process. The CRAG is expected to have a staff strength of 15 for which the Chief Executive Officer has been recruited.

A provisional credit rating agency license has been obtained from the Securities and Exchange Commission (SEC), Ghana for the CRAG. The full license is expected when the capacity of the CRAG staff is built by a reputable credit rating agency among other operational requirements.

The objective of the assignment is to support the implementation of the CRAG by developing internal policies, Standard Operating Procedures (SOPs), rating methodologies, and building capacity of staff in credit rating business.

The selected firm will leverage the existing business plan and work closely with the CEO and staff of the CRAG to successfully deliver the assignment. The consultant will also maintain interactions with key stakeholders including the MoF, SEC, Bank of Ghana (BoG), Ghana Stock Exchange (GSE), National Insurance Commission (NIC), National Pension Regulatory Authority (NPRO) and other key regulators and stakeholders. The firm will take into consideration, the licensing regime of credit rating agencies in Ghana.

The Consulting firm will be required to complete the following activities/tasks:

- a) Advise on the CRAG’s internal structure, governance, processes, and systems needed to ensure that it operates objective and transparently to earn the trust of the market.
- b) Develop internal policies and manuals including code of conduct and Ethics; Pricing Policy for Rating Services; New Product Development Policy; Corporate Governance Policy; Accounting & Financial Policy; Audit Policy; Risk and Compliance Policy; Admin Policy; IT Policy; HR Policy; and any other policies required for the operations of a credit rating agency.
- c) Assist in the implementation of the internal policies of the CRAG.
- d) Develop the Standard Operating Procedures for all the critical operations such as Rating related process (Rating process of the financial products; Rating process of the issuers; Initial rating process; and Surveillance rating process); Model processes (Model development and Model Validation); and new product development;
- e) Develop the following charters:
  - Rating committee charter
  - Risk management and compliance committee charter
  - Nomination and compensations /remuneration committee charter
  - Finance and Audit committee charter

- Executive Committee charter
  - Review existing documents of the CRAG and propose any improvement.
- f) Develop and operationalise the rating methodology/ criteria by considering the limitations of historical data availability, quality of data shared by the client and other constraints for the following sectors including but not limited to:
- Financial Services: Banks; Non-Bank Financial Institutions; Insurance Companies; and Asset Management/Fund Management companies.
  - Agriculture companies: Cocoa production companies and Agro-processing companies.
  - Manufacturing: Fast Moving Consumer Goods (alcoholic & non-alcoholic beverages and Food, home & personal care); Metal Production (Aluminium; Iron and Steel; and Fabricated metal products); Chemicals (Polymers; Petrochemicals; and Inorganic chemicals); Pharmaceuticals; and Textiles.
  - Telecommunications
  - Oil, Gas and Mining
- g) Assist in the implementation of the internal policies of the CRAG.
- h) Assist the CRAG with initial ratings of issues and issuers during the period of the assignment.
- i) Define roles and responsibilities of key departments/ functions within the CRAG i.e. Rating division; Economic/ Research; Risk and Compliance; Rating Quality and Validation; New Rating Products and Value-Added services; Audit; Human Resources; Finance; Sales & Marketing; Corporate Affairs, among others.
- j) Develop human resources capabilities for the CRAG staff by developing and delivering training on:
- Development of rating criteria
  - Conducting rating exercise
  - Development of rating models
  - Validation of rating models
  - Other relevant capabilities deemed critical
- k) Develop requirements (job descriptions) for key job roles below and advise the CEO with the recruitment of the required experts:

| <b>Senior Management</b>   | <b>Managerial roles and staff</b>         |
|----------------------------|---|
| Chief Executive Officer    | Rating analyst                            |
| Chief Financial Officer    | Economist                                 |
| Chief Operations Officer   | Research and Rating methodology developer |
| Chief Commercial Officer   | IT support staff                          |
| Head, Human Resource       | Risk and compliance managers              |
| Head, Technology           | Audit team members                        |
| Head, Risk and Compliance  | Human resources managers                  |
| Head, Centre of Excellence | Finance staff                             |
| Head, Audit                | Sales & Marketing staff                   |

- l) Develop the roadmap for the next 3-5 years' recruitment in accordance with the business strategy adopted by the CRAG Board.
- m) Recommend system requirements including appropriate software and IT infrastructure for the operationalization of the CRAG.
- n) Develop the products portfolio by assessing the risks, opportunities, market size, capabilities, and other relevant factors, i.e., Rating Products (Issuers and Instrument Ratings) and Non-Rating Products.
- o) Determine the pricing mechanism and develop the model to price the products.
- p) Provide technical support in carrying out the rating operations during the period of the assignment in terms of:
  - Using self-developed rating methodology for local market
  - Collecting data of financial and non-financial parameters for conducting rating
  - Perform qualitative and quantitative analysis including but not limited to comparisons to Peers, Industry Standards & Propriety benchmark. Also involves assessment of operating plans, Risk appetite etc.
  - Determine the credit rating and finalise it by proposing it to the Rating Committee.
  - Public dissemination of Ratings on CRAG's website and Press Release.
  - Regular monitoring and updating Ratings by systematic analysis of company's creditworthiness, entity's specific development and trending industry conditions.
- q) Recommend database and publications that the CRAG can leverage to strengthen its foundation.
- r) Develop Key Performance Indicators (KPIs) to monitor the performance of the CRAG.
- s) Support in the development of Sales/ Marketing product brochures/presentation deck for business development.
- t) Support in the development of thought leadership content; conceptualise the and guide the development of a macroeconomic report on industry and country; and industry benchmarking reports.
- u) Support in the collaboration among regulatory bodies, industry bodies, banks, non-bank financial institutions (NBFIs) and collective investment schemes (CIS).
- v) Provide two (2) resident advisors or commit to assign two experts who will spend significant time with the CRAG in Accra, Ghana.

The detailed Terms of Reference (TOR) for the assignment can be obtained from <http://www.mofep.gov.gh>, [fsdp@mofep.gov.gh](mailto:fsdp@mofep.gov.gh) or the address below.

The Ministry of Finance (MoF) now invites eligible Consulting Firms ("Consultants") to indicate their interest in providing the Services. Interested Consultants should provide information demonstrating that they have the required qualifications and relevant experience to perform the services.

**The Short-listing Criteria are:**

- Minimum of at least 15 years' hands-on experience in the rating of financial market institutions and corporates.

- Experience in developing operational policy and manuals, rating methodologies, and product portfolio for new credit rating business/company.
- Demonstrable experience in building capacity in credit rating business
- Proven knowledge of securities’ regulatory regime in Ghana or common law environment.

**Key Experts will not be evaluated at the shortlisting stage.**

The attention of interested Consultants is drawn to Section VII, paragraphs, 7.36 and 7.37 of the World Bank’s “Procurement Regulations for IPF Borrowers” July 2016 (“Procurement Regulations”), revised November 2017, August 2018 and November 2020. 2016 (“Procurement Regulations”), setting forth the World Bank’s policy on conflict of interest.

Consultants may associate with other firms to enhance their qualifications, but should indicate clearly whether the association is in the form of a joint venture and/or a sub-consultancy. In the case of a joint venture, all the partners in the joint venture shall be jointly and severally liable for the entire contract, if selected.

A Consultant will be selected in accordance with **Quality and Cost Based Selection (QCBS)** Method set out in the Procurement Regulations.

Further information can be obtained at the address below during office hours from 0900 hours to 1600 hours GMT or through [fsdp@mofep.gov.gh](mailto:fsdp@mofep.gov.gh)

Expressions of Interest must be delivered in a written form to the address below (in person, by mail or by e-mail) **by 1600 hours GMT on July 12, 2023** to the address below. Envelopes must be marked **“EXPRESSION OF INTEREST FOR CONSULTING SERVICES FOR THE OPERATIONALIZATION OF DOMESTIC CREDIT RATING AGENCY IN GHANA (DCRA)”**

Address – For Submission of Expressions of Interest:

**Ministry of Finance  
28th February Road  
Finance Drive  
P.O. Box MB 40  
Accra-Ghana  
New Block, 1<sup>st</sup> Floor, Room 112**

**Attention: Project Coordinator  
Ghana Financial Sector Development Project (GFSDP)  
Financial Sector Division (FSD)  
Telephone No. +233-20 8118111**

**Online submission: [fsdp@mofep.gov.gh](mailto:fsdp@mofep.gov.gh)**

For further enquiries you may also contact the Procurement Specialist per undermentioned Email Address:

**[KDWilliams@mofep.gov.gh](mailto:KDWilliams@mofep.gov.gh)**