



REPUBLIC OF GHANA/ MINISTRY OF FINANCE

GHANA DEVELOPMENT FINANCE PROJECT (P169742)

TERMS OF REFERENCE

TECHNICAL ASSISTANCE TO THE BANK OF GHANA TO DEVELOP DIRECTIVES AND PRUDENTIAL GUIDELINES FOR DEVELOPMENT FINANCE INSTITUTIONS (DFIs)

REFERENCE NO. GH-GDFP-157533-CS-INDV

1. Background

The Ministry of Finance (MoF) has received financing from the World Bank towards the cost of the Development Finance Project (the Project), which supports the establishment of the Development Bank Ghana (DBG), under the **Development Finance Institutions (DFI) Bill**. The Bill received Parliamentary approval in August 2020 and is awaiting Presidential Assent.

To ensure that DFIs are efficiently managed, to facilitate their viability and sustainability with minimal risk of failure, the Government of Ghana (GOG) has decided that the DFIs should be regulated and supervised by Bank of Ghana (BOG). This decision was informed by the experiences of other countries in which effective regulation and supervision of DFIs by independent regulatory bodies have contributed to the success of DFIs. Such experiences have shown that DFIs can achieve their mandates effectively if they are well-structured, insulated from political interferences in operational decisions and are professionally managed along sound banking principles that balance development objectives with commercial viability. It is for this reason that the DFI Bill has been passed to provide the legal and regulatory framework for the establishment and operation of DFIs.

The Bill provides for the licensing of non-deposit-taking DFIs and provides for four classes of license holders: Class 1 (Wholesale DFIs), Class 2 (Retail DFIs), Class 3 (Guarantee DFIs), and Class 4 (any combination of wholesale, retail and guarantee business).

The DFI bill also provides for guidelines and directives to be issued to guide the operations of these DFIs. Specifically, directives and guidelines will be required in areas such as licensing, minimum capital requirements, liquidity requirements, capital adequacy ratios, exposure limits, reporting requirements etc.

The DFI Bill further makes provision for the BOG to issue directives to DFIs generally or to a class or classes of DFIs where the BOG is satisfied that it is necessary to:

- secure the proper management of a DFI generally;
- prevent the affairs of DFIs being conducted in a manner detrimental to the interest of creditors and other stakeholders or prejudicial to the interests of the DFI; and
- to maintain the overall stability of the financial system in the country.

Acknowledging the fact that these DFIs are non-deposit-takers and their unique focus on underserved markets, the BOG believes that there is the need to make some adjustments to the some of the prudential regulatory norms and policies usually applicable to banks as well as develop specific norms and guidelines appropriate for the operations of these DFIs. This is to ensure effective regulation aimed at supporting DFIs to combine their development mandates with commercial viability so as to enhance their sustainability within a stable and sound financial environment.

2. Objective

To complement BOG's in-house technical capabilities in the development and issuance of specific prudential guidance and directives for DFIs, the BOG requires the services of an international consultant to assist its supervision team in this regard. In carrying out this assignment, the Consultant shall consider international standards and best practices as well as mandatory policies and manuals prescribed by BOG.

3. Scope of Work

Based on BOG's Supervision and Regulation directives, the scope of work will include developing prudential guidelines and directives on the following:

Phase 1:

- a. The licensing requirements of DFIs;
- b. The minimum levels of capital for different classes of DFIs;
- c. The prescription of prudential norms on asset quality, bad debt provisioning and write-offs;
- d. The liquidity reserve requirements;
- e. Guarantee development finance;
- f. The computation of on-going capital requirements for DFIs;
- g. The classification of entities as DFIs for the purposes of the DFI Act;

- h. The reporting requirements to the Bank of Ghana; and
- i. Corporate governance arrangements.

Phase 2:

- j. The lending limits on credits extended to insiders;
- k. The limitations for advances or credit facilities to a single borrower;
- l. The rules and regulations against the use of DFIs for money laundering, terrorist financing and the financing of proliferation of weapons of mass destruction;
- m. Market conduct, consumer protection principles, rules and requirements and their enforcement;
- n. Training of Bank of Ghana staff on specific prudential norms and guidelines appropriate to DFIs.

4. Deliverables, Timelines, Payments

The assignment is to be completed in 20 weeks.

The Consultant shall prepare the following deliverables:

Deliverable	Timeline	Payment (%)
Inception report outlining the consultant's detailed understanding of the context, methodology to be applied, likely outcomes including the proposed table of contents for the manuals and guidelines, and any preliminary recommendations.	Two (2) weeks after signing of contract.	10% of Contract Fee after acceptance of Inception report
Phase 1 Drafting of prudential policies, norms and guidelines.	Six (6) weeks after the signing of contract	30% of Contract Fee after acceptance of draft reports
First consultation workshop with BOG to discuss the Phase 1 Draft Report on prudential policies, norms and guidelines.	Eight (8) weeks after the signing of contract	
Phase 2 Drafting of prudential policies, norms and guidelines.	Twelve (12) weeks after the signing of contract	30% of Contract Fee after acceptance of draft reports
Second consultation workshop with BOG to discuss the Phase 2 Draft Report on prudential policies, norms and guidelines.	Fourteen (14) weeks after the signing of contract	
Training of Bank of Ghana Staff on the prudential policies, norms and guidelines.	Sixteen (16) weeks after the signing of contract	

Deliverable	Timeline	Payment (%)
Submission of Final Report on the prudential policies norms and guidelines for DFIs.	Twenty (20) weeks after the signing of contract	30% of Contract Fee after acceptance of final report(policies and directives)

The deliverables should be written in English, consistent, comprehensible, formatted, and accessible to users.

1. Required qualifications and team composition

The assignment will be delivered by an individual consultant with the following qualifications:

- A degree in Business, Economics, Risk Management, Banking & Finance or other relevant social science discipline;
- A minimum of 10 years of practical experience in a bank regulation and supervision;
- Solid understanding of development finance institutions' operations, business models, and internal organization and processes;
- Competencies in credit risk management, evaluation of financial institutions, SME finance, and portfolio investment in low risk financial assets are advantage;
- Knowledge of demonstrated experience in the development of prudential guidelines and directives in the regulatory framework of Wholesale Banking or National Development Financial Institutions in other developing countries;
- Experience in training/capacity-building of either supervisors or financial service providers; and
- A very good knowledge of Microsoft Office applications, particularly Word and Excel.