

AFRICAN DEVELOPMENT BANK



REQUEST FOR EXPRESSION OF INTEREST FOR AN INDIVIDUAL CONSULTANT

Making Finance Work for Africa Secretariat

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Title of Assignment: Consultancy Services for the Preparation of Financial Sector Country Profiles

Brief description of the Assignment: Africa's financial sectors continue to evolve over time hence the need to update and document crucial nuances in the financial sector. Documenting countries' financial sector profiles would entail providing information and conducting detailed analysis on key financial sector indicators. Specifically, providing background statistics, trend analysis and description of the state of the financial sector are important in providing diagnostic profiles of countries' financial sector. In this context, the Making Finance Work for Africa (MFW4A) Secretariat is seeking the services of Consultants to draft eight (8) Financial Sector Country Profiles. The main responsibility of the Consultants is to develop and conduct a comprehensive analysis of the Financial Sector of each of the 8 selected countries, using recent data and information.

Department issuing the request: Making Finance Work for Africa (MFW4A)/Financial Sector Development Department (PIFD0)

Place of assignment: Home-based due to COVID-19 related travel restrictions

Duration of the assignment: 20 working days over a period of 60 calendar days per profile

Number of consultants: Each one of the **4 consultants** selected will complete a minimum of 2 profiles.

Tentative Date of commencement: August 30, 2021

Deadline for applications: Expression of Interest must be delivered by **July 28, 2021 at 17.00** local time (GMT) and with the subject "EOI Financial Sector Country Profiles".

The MFW4A invites Individual Consultants to submit their interest in providing the above-described services by submitting their CVs detailing their qualifications, experiences, a list of references, and a cover letter. Applications should be transmitted in one file only (PDF preferred), with CV no longer than 3 pages and cover letter no longer than 1 page.

Eligibility criteria: To be considered for the shortlist, candidates must meet the minimum requirements below:

- Education: Master’s degree from an accredited institution
- Experience: At least 7 years of experience in the financial sector
- Willingness to work remotely and travel on demand

Establishment of the shortlist: A shortlist of Individual Consultants will be established at the end the request of expressions of interest. The Consultants on the shortlist will be judged on the following criteria on the basis of their updated resume and cover letter.

- Level of education in general 20%
- Educational level relevant to the assignment 20%
- Writing communication skills 20%
- Number of years of experience relevant to the assignment 40%

The eligibility criteria, the establishment of a short list and the selection procedure shall be in conformity with the Bank’s **Procurement Policy and Procedure for Corporate Consultants Recruitment**.

Please, note that interest expressed by a Consultant **does not imply any obligation on the part of the Bank** to include him/her in the shortlist.

Applications to be submitted to:

Research and Knowledge Manager: Mr. Guy R. Menan (g.menan@afdb.org) copying

Research Officer: Mr. Muazu Ibrahim (m.u.ibrahim@afdb.org)

Any questions and requests for clarification may be sent to: Mr. Guy Menan (g.menan@afdb.org) and Mr. Muazu Ibrahim (m.u.ibrahim@afdb.org).



TERMS OF REFERENCE

1. Background

Making Finance Work for Africa (MFW4A) is a multi-donor initiative that was established in 2007 by the then G8. We aim to be a unique platform and a critical resource to government agencies, the financial industry and development partners to build a deeper, more efficient, stable and inclusive financial systems capable of driving sustainable growth and resilient economies in Africa. The Partnership is based on the recognition that the financial sector is a key driver of private investment, employment generation and economic growth. With a solid foundation built on experience and a network of partners, we bring together leaders from the industry, governments, development partners and academia to draw actionable insights, influence agendas and facilitate interventions in financial sector development in Africa.

MFW4A is supported by five partners, including the African Development Bank (AfDB), the German Federal Ministry of Economic Cooperation and Development (BMZ), the French Development Agency (AfD), the European Investment Bank (EIB) and Afreximbank. A Secretariat was established in 2008 to support the activities of the Partnership, and is hosted at the AfDB headquarters in Abidjan, Côte d'Ivoire. The Secretariat is headed by a Partnership Coordinator and assisted by a team of professional and support staff.

2. Objective

Under the leadership and guidance of the Research and Knowledge Manager, the overall objective of the assignment will be to provide a financial sector country Profile for eight (8) African countries. Each Profile should include:

- i. up to date information on recent trends and dominant characteristics of the country's financial sector;
- ii. relevant data supporting the content of the Profile.

3. Scope of work and methodology

Country Profiles are important informative tools on African financial sector development and opportunities targeting MFW4A members and the public at large. Annex I provides the general Concept Note to guide the drafting of the Country Profiles.

In addition to data collected from various sources, the Consultants will make use of relevant databases, which include Central Banks data, The World Development Indicators of the World Bank, Global Financial Development Database, IMF Financial Access Survey Database, Global Findex Survey Database, Long-Term Finance (LTR) reports and Country Diagnostics, etc. The Consultant will also gather information from subject matter experts of each assigned country through phone conversations

and/or email communications. Each country Profile must cover the following MFW4A financial sector priorities:

- i. Economic and demographic characteristics of the countries;
- ii. Overall financial sector including non-bank financial institutions (NBFIs);
- iii. Financial stability and governance;
- iv. Trade, SMEs and agriculture finance;
- v. Long term finance, including capital markets, insurance, housing finance and sources of domestic capital;
- vi. Digital finance and money transfers;
- vii. Financial inclusion and access to financial services.

Detailed Templates will be shared with applicants invited to submit a proposal.

Specifically, the Consultants will:

- i. carry out an extensive review of relevant material, including but not limited to central bank reports, IMF country reports, World Bank publications and news articles;
- ii. make use of relevant databases as outlined above;
- iii. review the draft report according to comments from the Secretariat as well as from external reviewers. The revised report should be submitted to the Secretariat within 2 business days upon receipt of the comments;
- iv. conduct phone interviews or qualitative surveys with country's financial sector specialists, where necessary;
- v. present the key findings to the MFW4A team.

4. Supervision

The Consultants will work remotely and report to the MFW4A Research and Knowledge Manager.

5. Format/Layout

Country Profiles should be drafted in word format, based on the template provided on Annex I. A sample Country Profile will be shared with the selected Consultants to serve as a guide.

6. Deliverables

The deliverables shall include the following:

- i. Full length report of the Country Profiles (maximum of 20 pages);
- ii. Abridged version of the Country Profiles (maximum of 3 pages);
- iii. Highlights of key findings (maximum of 2 pages) and PowerPoint presentation (maximum of 10 slides); and
- iv. Remotely deliver a presentation of the report to key stakeholders.

Each Profile should be submitted along with all supporting data sheets and other relevant documentation, including name and contact information of the individuals surveyed/interviewed. While the following eight (8) countries in Table 1 will be considered, the list may be modified to reflect new priority countries.

Table 1: Selected Countries

SN	Countries
	West Africa (2 countries)
1	Nigeria
2	Sierra Leone
	Southern Africa (2 countries)
3	Lesotho
4	Namibia
	Central Africa (2 countries)
5	Chad
6	Congo Republic
	North Africa (2 countries)
7	Morocco
8	Sudan

The Profiles will be published on MFW4A website.

ANNEX I: DEVELOPING FINANCIAL SECTOR COUNTRY PROFILES

CONCEPT NOTE

Introduction

The development of financial sector in Africa has been one of the major preoccupations of policy makers in the past few decades. This is because the overwhelming empirical evidence suggests that well developed financial sectors enhance countries' level of economic development through the functions it plays. According to Levine (1997), the financial sector performs the five key functions: (i) mobilizing savings; (ii) facilitating the management of risk; (iii) maintaining information on alternating investment opportunities; (iv) facilitating the exchange of goods and services; and (v) monitoring the use of capital/funds.¹

For the most part, a typical financial system comprises the 'bank-based' and 'market-based' systems. With regard to the former, banks play the critical role in executing the above functions. However, in the case of the market-based systems, countries' capital markets largely perform these functions with the banking sector playing a supporting role. Principally, the extent of Africa's level of financial sector development is largely argued to be influenced by the macroeconomic environment, regulatory framework and historical legal origin (La Porta et al., 1998;² Ibrahim and Alagidede, 2017³).

Countries with a historical tradition of macroeconomic instability (high inflation, high interest rates, volatile exchange rates, high fiscal deficits among others) and low economic growth (low GDP rates, low GDP per capita) are more likely to have underdeveloped financial systems relative to countries with stable macro-economy. In addition, the existence of a robust and efficient system of financial regulation and supervision are critical in ensuring a crucial well-developed financial sector. Indeed, carefully and consistently enforced regulations by far improve financial stability which is vital for the development of the financial sector. Beyond the macro-economy and regulation, legal origin has also been flagged a determinant of cross-country differences in financial sector which is linked to the colonial legacy of countries. The evidence suggests that, relative to the French civil law, the English common law places much importance on protecting the rights of shareholder and creditors all of which are essential for financial sector development. Conversely, the French civil law is argued to place less emphasis on these rights and therefore tend to have less-developed financial sectors. A well-functioning and efficient legal regime facilitates the operation of the financial sector and improves the quality of financial services provided.

This background information suggests that, whether bank- or market-based system, the level of development or underdevelopment of a financial system principally hinges on these key factors.

Key features of the financial system

According to Sprat (2009), the following are some key features of the financial system.⁴

¹ See Levine, R. (2004). Finance and Growth: Theory and Evidence. NBER Working Paper 10766.

² See La Porta, R., Lopez-De-Silanes, F., Shleifer, A. and Vishny, R. W. (1998). Law and finance. *Journal of Political Economy*, 106, 1113-1155.

³ See Ibrahim, M., and Alagidede, P. (2017). Financial Development, Growth Volatility and Information Asymmetry in Sub-Saharan Africa: Does Law Matter? *South African Journal of Economics*, 85(4): 570–588.

⁴ See Sprat, S., (2009). Development Finance: Debates, dogmas and new directions, Routledge, UK.

a. Market-based financial system:

In this system the functions of the financial sectors are largely performed by capital markets with banks playing a balanced role. The key features of the market-based financial systems are:

1. **Equity markets:** This market, which is the stock exchange market (capital market) enables investors to acquire shares and form part of the owners of a company. There are two forms of equity market. The first is the private equity market where a company's shares are not openly listed on the public market but are directly sold to investors. The second is the public equity markets where companies offer their shares for sale in the open stock exchange market. In addition to the number of listed companies, the total market value of all traded shares which is termed as market capitalization are often used to measure the level of development of the equity market of a country.
2. **Bond markets** (or 'fixed income' markets): This market enables governments and companies to borrow directly from investors in the capital markets by issuing bonds either in the primary or the secondary market.

b. Bank-based financial system:

Here, the financial sector is largely dominated by financial institutions and other contractual savings institutions. The key features are:

1. **Commercial banks:** These are financial institutions that take deposits from the public and lend money to individuals or corporate borrowers on a short- to medium-term commercial basis. More importantly, commercial banks convert short-term liabilities which are deposits withdrawable on demand into long term assets or loans of longer maturity. These commercial banks channel "idle" resources (savings) to productive areas in the form of a loan where savers are paid deposit rate with borrowers paying lending rate, the difference being interest rate spread.
2. **Investment banks/merchant banks:** These banks offer a broader range of financial services, which are generally related to the business and financial institutions sectors. These forms of banks guide businesses in accessing and structuring various forms of finance, including the issuance of corporate bonds.
3. **Universal banks:** These banks perform all the functions of commercial banks, in addition to performing the financial services offered by the investment banks.
4. **Mortgage banks:** These banks specialized services when it comes to mortgages and offering finance for the purchase of properties.
5. **Contractual savings institutions:** These are notably the pension funds and insurance companies where resources/savings are pooled from members and invested in order to generate sufficient funds to meet their liabilities. These liabilities are largely the payment of insurance claims and pension liabilities.
6. **Asset management firms:** These companies offer portfolio management services for retail and institutional investors by analyzing both public and privately available information in the financial sector. They make technical and fundamental analyses by respectively using past records of financial statements and public information.
7. **Venture capitalists/private equity companies:** These institutions offer seed capital for start-ups and also to viable firms seeking to expand their operations.

Quasi-commercial financial institutions

Beyond the clearly defined commercial banks, there are other financial institutions that also play the role of a commercial bank. Such banks are called the quasi-commercial financial institutions. Below are a number of such financial institutions:

1. **State development banks:** These banks, which are directly owned by governments (either wholly or partially) are used to channel credit and other financial resources to areas identified by the government as critical to the economy.
2. **Mutual/cooperative banks/credit unions:** These banks are collectively owned by their members and operated in a way that benefits the members. They are not strictly commercial banks but also takes deposits and offer loans where members are given relatively lower lending rates.
3. **Microfinance institutions (MFI):** These are institutions that may be organized as a bank, or cooperative/credit union. While the objectives of the MFI may vary depending on its construct, they tend to provide the poor and vulnerable with access to financial services.

Towards a multi-dimensional financial sector

While financial institutions and traditional (commercial) banks in particular dominate the financial system in Africa, there has been the proliferation of other forms of banks within the financial sector operating crucial roles in resource allocation, bridging information gap, monitoring investment among others. In addition, countries' level of financial markets has evolved overtime in a way where individuals are offered different opportunities/options to save with firms being offered alternative ways of raising funds (via stocks, bonds, etc.) beyond the traditional banking system. Collectively, assessing financial sectors from the use of a single-based indicator offers limited insights especially to policy makers. This is because modern financial systems are increasingly becoming multi-faceted hence the need to incorporate the different indicators when conducting financial sector diagnostics of a country.

By recognizing the multidimensional nature of the financial sector, the International Monetary Fund (IMF) developed a broad-based index of financial development that summarizes how developed financial institutions and financial markets are in terms of their depth, access, and efficiency.⁵ Financial institutions include banks, insurance companies, mutual funds, and pension funds while the financial markets are stock exchange and bond markets. The overall index of financial sector development is therefore constructed using nine indices in terms of depth (size and liquidity of markets), access (ability of individuals and companies to access financial services), and efficiency (ability of institutions to provide financial services at low cost and with sustainable revenues, and the level of activity of capital markets) of the financial markets and institutions (Svirydzenka, 2016). Indices formed from both the financial markets and institutions are aggregated into an overall index of financial development which is normalized to range between 0 and 1. A country with an overall financial sector development closer to 1 means that, such country has well-developed financial sector while countries with financial development index closer to 0 have under-developed financial sectors.

Information sharing offices

Increasing financial access for improved financial sector development has led to the establishment of information sharing offices also known as the credit reference agencies. The establishment of these

⁵ See Svirydzenka, K. (2016). Introducing a New Broad-based Index of Financial Development, IMF Working Paper Number WP/16/5.

agencies is aimed at bridging the information gap between lenders and borrowers. According to Tchamyou and Asongu (2017), the credit reference agencies are institutions that gather information on financial obligations of individuals or commercial borrowers from multiple sources within the financial sector where such information are used by lenders to assess the risk levels of borrowers.⁶ Therefore, the creation of information sharing officers (whether private credit registry or public credit bureau) is a genuine channel of reducing information asymmetry aimed at developing the financial sectors since they remove information bottlenecks in a way addressing adverse selection and moral hazard within the financial sector.

Theoretically, countries with active information sharing officers are expected to have well-developed financial sectors relative to countries with less active information sharing offices.

Financial inclusion and digital finance

Broadening the level of financial access and improving on the quality of the financial services provided have been major concerns of countries in Africa. Promoting access and usage of a broad range of quality and affordable financial services and products in a way convenient and dignified manner to the financially excluded. In Africa, while access to bank accounts for individuals hitherto excluded, has increased over the past years, there are still significant differences across countries hence providing deeper opportunities to scale up the current level of inclusion.

Indeed, digital finance in general and mobile money usage in particular, have played significant role in increasing access to quality financial services and products in Africa. The higher mobile phone penetration provides an opportunity to leverage towards an all-inclusive financial sector.

Key indicators of financial sector development and data sources

Remarkably, countries’ levels of financial sector are diagnosed using the various indicators of financial development. Specifically, financial sector development indicators within the market based financial system are largely gleaned from the equity or capital markets while that of the bank-based systems are obtained using notable indicators attributable to the banks. For the most part, majority of the indicators are measured as a percentage of GDP until there is a special need for the usage of other relative measures. The Table 2 shows some of the indicators of financial development and their respective data sources.

Table 2: Some non-exhaustive indicators of financial sector development

Indicators of financial sector development	Unit of measurement	Data source(s)
a. Market-based financial system		
1. Stock market capitalization	% of GDP	<ul style="list-style-type: none"> • World Development Indicators (WDI) of the World Bank: [https://databank.worldbank.org/source/world-development-indicators#] • Financial Structure Database: [https://www.worldbank.org/en/publication/gfdr/data/financial-structure-database] • AfDB [https://dataportal.opendataforafrica.org/nbyenxf/afdb-socio-economic-database-1960-2021]

⁶ See Tchamyou, V. S. and Asongu, S. A. (2017). Information sharing and financial sector development in Africa. *Journal of African Business*, 18(1), 24-49.

		<ul style="list-style-type: none"> • Various Central Bank websites • PIFD • Country Statistical Service website • Various donor reports (Long term finance diagnostic studies, financial sector diagnostics etc)
2. Number of listed companies	Count	<ul style="list-style-type: none"> • WDI • PIFD • Country Statistical Service website • Various donor reports (Long term finance diagnostic studies, financial sector diagnostics etc)
3. Others		
b. Bank-based financial system		
1. Private sector credit provided by: (i) banks and (ii) financial institutions	% of GDP	<ul style="list-style-type: none"> • WDI • AfDB [https://dataportal.opendataforafrica.org/nbyenxf/afdb-socio-economic-database-1960-2021] • Various Central Bank websites • PIFD • Country Statistical Service website • Various donor reports (Long term finance diagnostic studies, financial sector diagnostics etc)
2. Domestic credit provided by: (i) banks and (ii) financial institutions	% of GDP	<ul style="list-style-type: none"> • WDI • AfDB [https://dataportal.opendataforafrica.org/nbyenxf/afdb-socio-economic-database-1960-2021] • Various Central Bank websites • PIFD • Country Statistical Service website • Various donor reports (Long term finance diagnostic studies, financial sector diagnostics etc)
3. Bank assets	% of GDP	<ul style="list-style-type: none"> • WDI • Bankscope: [https://banks.bvdinfo.com/version-2020922/home.serv?product=orbisbanks] • AfDB [https://dataportal.opendataforafrica.org/nbyenxf/afdb-socio-economic-database-1960-2021] • Various Central Bank websites • PIFD • Country Statistical Service website • Various donor reports (Long term finance diagnostic studies, financial sector diagnostics etc)
4. Liquid liabilities	% of GDP	<ul style="list-style-type: none"> • WDI • AfDB [https://dataportal.opendataforafrica.org/nbyenxf/afdb-socio-economic-database-1960-2021] • Various Central Bank websites • PIFD

		<ul style="list-style-type: none"> • Country Statistical Service website • Various donor reports (Long term finance diagnostic studies, financial sector diagnostics etc)
5. Broad money	% of GDP	<ul style="list-style-type: none"> • WDI • AfDB [https://dataportal.opendataforafrica.org/nbyenxf/afdb-socio-economic-database-1960-2021] • Various Central Bank websites • PIFD • Country Statistical Service website • Various donor reports (Long term finance diagnostic studies, financial sector diagnostics etc)
6. Total bank deposit liabilities	% of GDP	<ul style="list-style-type: none"> • WDI • AfDB [https://dataportal.opendataforafrica.org/nbyenxf/afdb-socio-economic-database-1960-2021] • Various Central Bank websites • PIFD • Country Statistical Service website • Various donor reports (Long term finance diagnostic studies, financial sector diagnostics etc)
7. Overhead costs of the banking system	% of total banking assets	<ul style="list-style-type: none"> • WDI • Bankscope: [https://banks.bvdinfo.com/version-2020922/home.serv?product=orbisbanks] • AfDB [https://dataportal.opendataforafrica.org/nbyenxf/afdb-socio-economic-database-1960-2021] • Various Central Bank websites • PIFD • Country Statistical Service website • Various donor reports (Long term finance diagnostic studies, financial sector diagnostics etc)
8. Number of respective banks	Count	<ul style="list-style-type: none"> • Bankscope: [https://banks.bvdinfo.com/version-2020922/home.serv?product=orbisbanks] • Various Central Bank websites • PIFD • Country Statistical Service website • Various donor reports (Long term finance diagnostic studies, financial sector diagnostics etc)
9. Number of quasi-commercial financial institutions	Count	<ul style="list-style-type: none"> • WDI • Bankscope: [https://banks.bvdinfo.com/version-2020922/home.serv?product=orbisbanks] • AfDB [https://dataportal.opendataforafrica.org/nbyenxf/afdb-socio-economic-database-1960-2021] • Various Central Bank websites • Finance in Common [https://afdshiny.shinyapps.io/developmentbanksdatabase/]

		<ul style="list-style-type: none"> • PIFD • Country Statistical Service website • Various donor reports (Long term finance diagnostic studies, financial sector diagnostics etc)
10. Others		
c. Multidimensional financial sector		
Index of financial development	Index (0 – 1)	<ul style="list-style-type: none"> • Svirydzienka (2016) https://www.imf.org/en/Publications/WP/Issues/2016/12/31/Introducing-a-New-Broad-based-Index-of-Financial-Development-43621
Financial inclusion and access		
1. Account ownership	% age 15+	<ul style="list-style-type: none"> • The Global Findex database [https://globalfindex.worldbank.org/]
2. Gender gaps in account ownership	% age 15+	<ul style="list-style-type: none"> • The Global Findex database [https://globalfindex.worldbank.org/]
3. Number of ATMs (per 100,000 adults)	Count	<ul style="list-style-type: none"> • WDI [https://databank.worldbank.org/source/world-development-indicators#]
4. Others		
Digital finance		
1. Ownership of mobile money account		<ul style="list-style-type: none"> • The Global Findex database [https://globalfindex.worldbank.org/]
2. Use of mobile phones or internet to access accounts	% age 15+	<ul style="list-style-type: none"> • The Global Findex database [https://globalfindex.worldbank.org/]
3. Made or received digital payments in the past year	% age 15+	<ul style="list-style-type: none"> • The Global Findex database [https://globalfindex.worldbank.org/]
4. Received or sent remittances through a mobile transfer service	% age 15+	<ul style="list-style-type: none"> • The Global Findex database [https://globalfindex.worldbank.org/]
5. Used mobile to pay utilities and other transactions	% age 15+	<ul style="list-style-type: none"> • The Global Findex database [https://globalfindex.worldbank.org/]
6. Others		

Documenting Country Financial Sector Profiles

Indeed, it is imperative to note that, the indicators outlined above are not exhaustive. Irrespective of the form of financial system and measurement, higher level of the indicator suggests higher financial development and vice versa. Given the increased activities of transactions and the presence of banks, Africa's financial systems are largely bank-based where majority of the banks are foreign-owned.

Given the above information, documenting countries' financial sector profiles would entail conducting and providing detailed information on the above indicators beginning with an overview of the country's macroeconomic environment. Specifically, providing background statistics, trend analysis and description of the state of the financial sector are important in providing diagnostic profiles of countries' financial sector. In addition, the financial sector profiles would also include the regulations, collateral registry, credit bureau, housing finance, financial dispute resolution mechanism, data protection, anti-money laundering/counter-terrorism financing (AML/CTF) legislations, opportunities, enablers/strengths and challenges facing the financial sector. To the extent that MFW4A already has Country Profiles on the website, the current task would involve the following:

1. Updating the Country Profiles with up-to-date information
2. Adding/developing new Country Profiles or areas with the new proposed sections of the financial system.