



Federal Democratic Republic of Ethiopia
National Bank of Ethiopia (RUFIP II)
REQUEST FOR EXPRESSION OF INTEREST
Ref.No. NBE/ ICB /EOI/C/03/2015/16

For recruiting an international consultant to conduct a study on **“Assessment of Corporate Governance Challenges/problems of MFIs and the way forward”**

This request for expression of interest follows the general procurement notice for this project that appeared in **Assessment of Corporate Governance Challenges/Problems of MFIs and the way forward”**.

The Government of the Federal Democratic Republic of Ethiopia has received a grant and a loan from International Fund for Agricultural Development (IFAD), with IFAD loan No. 1-844-ET, Grant No.1/DSE/8086/ET, and intends to apply part of the proceeds of this towards eligible payments under the contract for **Assessment on Corporate Governance Problems/Challenges of Microfinance Institutions (MFIs) and the Way Forward**

The mandate of the National Bank of Ethiopia (NBE), which is the regulatory and supervisory body of financial institutions, is to maintain price and exchange rate stability, foster sound financial system and contribute for rapid and sustainable economic development of Ethiopia. Thus the National Bank of Ethiopia with a financial assistance from RUFIP II has started **“Studying Corporate Governance Challenges/Problems of MFIs and the Way Forward**. Consequently, using this financial assistance, NBE is seeking the services of external consultants to conduct detailed and comprehensive study on corporate governance challenges/ problems of MFIs and propose workable and applicable system of corporate governance within the existing laws and regulations.

The services among other things include:

TERMS OF REFERENCE

1. Objectives

1.1. General objective

To clearly identify the corporate governance challenges/problems of MFIs, analyzes and propose standard and workable recommendation which improve and bring the corporate governance of the Ethiopian Microfinance Institutions to the international best standard.

1.2. Specific objectives

The Corporate Governance MFIs study document to be done by the consultancy service, at the end of the project, should at least enable NBE to achieve the following specific objectives:

- i. Understand the existing corporate governance problems and challenges;
- ii. Identify and assess, among others, major problems related to ownership of MFIs, the organization of board of directors, the link between the shareholders and board of directors, the ability of board of directors to lead each MFI; the management of MFIs, the interrelationship among these three governing bodies;
- iii. Clearly indicate how different categories of MFIs' board of directors are functioning, their strengths and limitations.
- iv. Clearly show the existing board sub- committees of MFIs, their presence, duties and if not the impacts on the overall achievements of the institutions.
- v. Fully address the overall problems of corporate governance of MFIs
- vi. Provide adequate knowledge transfer and training to enhance MFIDs' staff and other stakeholders, on MFIs Corporate Governance.

2. Task/Scope

The scope of the consultancy services shall at a minimum include the following:

- i. assess the main objectives of MFI i.e. business/profit making and dividend sharing objective vs social objective (plough back profits to the institutions operation);
- ii. critically examine and assess the current ownership structure of MFIs including:
 - the current status of founding shareholders and their number,
 - the degree of involvement of shareholders in the MFIs governance,
 - the manner of funding of paid up capital at the time of establishment and since then,
 - the manner of attachment of shareholders with the major and founding shareholder etc.,
- iii. assess the size and adequacy of General Assembly members and Board of Directors (BODs) so as to ensure and exercise effective internal check and balance within the institution;
- iv. assess the current Corporate Governance related problems of MFIs using primary and available secondary data;
- v. assess the potential risk that may arise from ownership and shareholding related issues particularly from those with nominal shareholding;
- vi. assess the degree of compliance of MFIs with the commercial code, National Bank of Ethiopia (NBE) proclamation and directives and international corporate governance principles;
- vii. assess the capability, independence and efficiency of BODs in discharging their main responsibility of defining corporate strategy and objectives, monitoring and overseeing company performance and ensuring adequate internal control within their institutions;

- viii. assess the level of motivation and incentive package for MFIs board ;
- ix. assess the capability, independence and efficiency of BODs in discharging their main responsibility of defining corporate strategy and objectives, monitoring and overseeing company performance and ensuring adequate internal control within their institutions;
- x. assess the potential and likelihood of MFIs to meet the current paid up capital requirement of the National Bank either through issuance of shares or transfer from retained earnings;
- xi. make concrete recommendation on ways and means of curving down the identified corporate governance problems challenges and risks by giving due emphasis on the objectives of MFIs, their form of establishments and factors.
- xii. discuss the drafted Corporate Governance MFIs study with counterpart team as well as all stakeholders and incorporate comments;
- xiii. train and on board MFISD staff and stakeholders on proposed corporate governance for MFIs;
- xiv. produce final Corporate Governance study document and other deliverables by accommodating all relevant and appropriate feedbacks and comments of MFISD staff and stakeholders.

3. DELIVARABLES/OUTPUT

The consultancy services should be provided through a combination of formal reports, meetings, trainings and advice and support to ad-hoc requests which arise as the service progresses. During completion of each project milestones, the consultant accompanied with each of the below mentioned deliverables shall produce respective mission completion reports. Accordingly, some of the major deliverables include but not limited to:

1. **Stocktaking /inception report** – including detailed existing corporate governance structure and the challenges in the existing structure. This includes analysis of the ownership of the MFIs, the shareholders stake in the MFIs, the role and responsibility of Board of Directors in line with the existing rules and regulations of the country; the number, composition and functions of BODs, the strength and weakness of management of MFIs, the link and cooperation of the three corporate governance organs: the General Assembly, the BODs and the Management. In general the current corporate governance structure along with its shortcomings and improvement areas and recommendations.
2. **Draft Corporate Governance study document of MFIs that clearly shows the current weakness and challenges with comprehensive recommendation how it is going to be structured in best and effective ways.**
3. **Standard corporate governance structure of MFIs which includes every aspects of corporate governance of the MFI sector:** – this shows full structure of an MFI, the linkage among General Assembly, BODs and MFIs, the ownership structure, the optimum number of Bods which include the necessary sub-committees of board of directorate, in general the standard structure should clearly indicate the way forward for the current challenges of MFIs corporate governance.

4. **Workshop and knowledge exchange to MFSD staff and MFIs:-** training for Microfinance Institutions Supervision Directorate staff and MFIs at least for two days on the deliverables as appropriate, to get input to finalize the Corporate Governance study in particular and create awareness for proper implementation at large. Moreover, Recommendation report on the way forward for strengthening and effective working of the corporate governance body of MFIs.

Final Corporate Governance study document for MFIs - incorporating all relevant and appropriate feedbacks and comments of staff and stakeholders, a well-structured, effective and efficient corporate governance study document is expected

The National Bank of Ethiopia now invites qualified and competent firms to indicate their interest for providing **Studying Corporate Governance Challenges/Problems of MFIs and the Way Forward** stated above. Interested firms must provide copies of testimonials and a statement of capability and experience indicating that they are qualified to develop and implement such automated system. The advertisement is open to consultants from eligible source countries.

A short list of five to seven firms will be compiled in accordance with the procedures set out in the International Fund for Agricultural Development rules and procedure for the procurement of such items.

Interested bidders may obtain further information at the address given below during office hour 09:00 to 17:00 hours (local time), Monday through Friday.

Written expression of interest must be delivered to the address below in hand or through post or courier not later than one month of the issuance date.

Applicants must have currently renewed appropriate legal documents and may associate to enhance their capacity and qualifications.

Interested consultants can get additional information through the following address;

E-Mail: abateMitiku@nbecom.gov.et,

Tel: +251 11517 5169

Address for EOI submission

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Procurement Service Management Directorate

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Addis Ababa

Ethiopia