STRENGTHENING THE REGIONAL DEVELOPMENT BANK PROJECT (RRP SRI 52219-001)

TERMS OF REFERENCE FOR CONSULTANTS

1. The consultants will be recruited to support the implementing agencies to achieve the outputs of the technical assistance (TA) as specified in the TA report.

2. The consultants will be selected and engaged by the Asian Development Bank (ADB) with the following arrangements:

<table>
<thead>
<tr>
<th>Type of Contract (component)</th>
<th>Consulting Services</th>
<th>Key Tasks and Activities</th>
<th>Implementing Agency</th>
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</thead>
<tbody>
<tr>
<td><strong>Individual 1</strong> (team leader)</td>
<td>Banking advisor and team leader (4 person-months, international)</td>
<td>Provide overall coordination among key stakeholders, technical advice to other consultants (for all the TA activities except for the white paper), and advice and implementation support to RDB</td>
<td>RDB</td>
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<td>*Output-based contract</td>
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<tr>
<td><strong>Individual 2</strong> (safeguard)</td>
<td>Safeguard expert (24 person-months, national)</td>
<td>Strengthen RDB’s safeguard management, including establishing and operationalizing an ESMS</td>
<td>RDB</td>
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</table>
| **Firm 1** (banking) | • Banking expert (6 person-months, national)  
• Risk management expert (12 person-months, national)  
• Deposit mobilization expert (2 person-months, national)  
• Strategy expert (2 person-months) | • strengthen RDB’s credit operations and risk management, including providing trainings courses on loan origination to RDB loan officers;  
• strengthen RDB’s liquidity risk, interest rate risk, and foreign exchange risk management;  
• formulate a board strategy to increase outreach to micro and small-sized enterprises including women-led; and  
• restructure RDB’s deposit mobilization program including deposit marketing. | RDB |
| *Output-based contract | | | |
| **Firm 2** (information technology) | Information technology experts (6 person-months, international and 6 person-months, national) | Support procurement and installation of a new loan origination system | RDB |
| *Output-based contract | | | |
| **Firm 3** (Women entrepreneurship training) | • Women entrepreneurship training expert—program manager (4 person-months, national)  
• Women entrepreneurship training experts—trainors (16 person-months, national) | • provide business development training to at least 500 of RDB’s female MSME clients and  
• certify at least 60 RDB staff through a train-the-trainer program on MSME financial literacy. | RDB |
<p>| *Output-based contract | | | |
| <strong>Firm 4</strong> | • MSME finance policy experts (2) | Prepare a white paper on evaluating the effectiveness of government programs | MOF |</p>
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<tbody>
<tr>
<td>(White paper on government program)</td>
<td>person-months, international; 6 person-months, national</td>
<td>that support MSMEs with an emphasis on their impact on women borrowers.</td>
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<tr>
<td>*Output-based contract</td>
<td>• Research assistant (6 person-months, national)</td>
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</tbody>
</table>

ESMS = environmental and social management system, MSME = micro, small, and medium-sized enterprise, MOF = Ministry of Finance and Economic Affairs, RDB = Regional Development Bank, TA = technical assistance.


3. Despite the different recruitment arrangements, the consultants are expected to work as one team and take an integrated approach to strengthening RDB under the leadership of the international banking advisor as prescribed in the terms of reference for consultants below.

4. During TA implementation, the consultants should
   (i) coordinate with ADB’s existing small and medium-sized enterprise (SME) Cluster Development TA financed by the Japan’s Fund for Poverty Reduction (JFPR) and the Women Entrepreneurs Finance Initiative (We-Fi)\(^1\) to avoid any duplication and incorporate inputs from the ongoing initiatives for supporting women entrepreneurs, such as by seeking guidance from the gender finance specialists (international and national), who will carry out the gender gap analysis and develop a gender development plan for RDB; and
   (ii) comply with the Guidance Note on Japanese Visibility under the JFPR’s Policy Guidelines For Technical Assistance Grant when disseminating consultant’s reports or other materials.

5. Qualification requirements and expected activities per contract are as follows.

1. **Individual 1 (Team Leader)**

6. **Banking advisor and team leader** (one international, 4 person-months, intermittent). The international banking advisor should have a graduate degree in finance, business administration, or economics and at least 10 years of professional experience in management of commercial banks. Experience working on donor-funded grant project in financial sector in South Asia is an advantage. The main role of the international consultant is to support the overall process of RDB’s TA implementation and to act as an advisor to and special projects manager for RDB’s board and senior management. This advisory work will include the items under TA implementation but may extend to other areas. The international consultant will work closely with the RDB’s management and the project management unit and support the consultants under firm 1 and firm 2 to achieve the following outputs in line with international best practices:
   (i) **Credit operations and risk management.** Strengthening RDB’s credit operations and risk management by (a) upgrading the loan origination system with information

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technology (IT) solution, (b) developing a credit scoring system, (c) revising the credit policy and procedures, and (d) training RDB loan officers on loan origination.

(ii) Market risk management. Developing RDB’s risk management framework for liquidity risk, interest rate risks and foreign exchange risk, which will include better reporting to RDB’s board.

(iii) Strategy. Formulating a board strategy to enhance outreach to micro and small-sized enterprises and women-led clients.

(iv) Deposit mobilization and marketing. Restructuring RDB’s deposit products and relaunching a deposit mobilization program, including a women-targeted deposit product to increase retail saving deposits. The output includes designing and overseeing the implementation of the accompanying marketing campaign.

2. Individual 2 (Safeguard)

7. Safeguard expert (one national, 24 person-months, full-time). The national safeguard expert should have a bachelor’s degree in environmental management, environmental engineering, sociology, or related field and at least 10 years of working experience in environmental and social safeguards management. Experience working on ADB-funded projects is an advantage. The consultant will prepare an environmental and social management system (ESMS) for RDB in compliance with ADB requirements, implement the ESMS, train RDB board, senior management, and branch staff on the ESMS, monitor RDB’s compliance with the safeguard requirements over project implementation period, and handover responsibilities for ESMS implementation to RDB staff at the end of the engagement.

3. Firm 1 (Banking)

8. A national firm with the following experts will be recruited to enhance RDB’s development banking and risk management under the guidance and supervision of the international banking advisor (Individual 1).

9. Banking expert (one national, 12 person-months, intermittent). The national consultant should have a bachelor’s degree in finance, accounting, business administration, or economics and at least 10 years of professional experience in banking. As the local team leader, the national consultant will work as part of RDB’s project management unit to oversee the overall TA project in cooperation with the international banking advisor. The national consultant will be responsible for carrying out the following tasks: (i) improve RDB’s credit operation and risk management; (ii) support the other consultants to strengthen RDB’s risk management, deposit mobilization, and development banking strategy; and (iii) act as an advisor to and special projects manager for RDB’s board and senior management. Specific deliverables include:

(i) Review RDB’s credit procedures and loan officers’ appraisal skills to identify knowledge gaps. Based on this review, develop a multiday training program on loan origination for RDB’s loan officers to strengthen their skills in assessing the creditworthiness of MSME clients. Administer the course to RDB’s loan officers across the branches ensuring that at least 90% of loan officers eventually pass the course.

(ii) Following the implementation of the new loan origination system (firm 2), develop a new credit policy framework and manuals for loan origination and administration in corporation with the risk management expert.

(iii) Develop a training course on the new credit policy framework and the new digitized loan origination system in corporation with the risk management expert and IT experts (firm 2).
(iv) Ensure timely and quality deliverables on the individual tasks by the risk management expert, strategy expert, and marketing expert.

(v) Assist with and advise on other RDB projects and initiatives as requested.

10. **Risk management expert** (one national, 4 person-months, intermittent). The national consultant should have a bachelor's degree in finance or business administration and at least 10 years of experience in risk management of banks. The main role of the risk management expert is to upgrade RDB's overall integrated risk management framework to strengthen foreign exchange, liquidity, and interest rate risk management by revising applicable policies and procedures, updating the terms of reference for the asset-liability committee, strengthen risk reporting, and revise the analytical tools used to monitor liquidity and market risks. The risk management expert is also expected to suggest measures to strengthen treasury operations and cooperate with the international banking advisor and the national banking expert to develop a new credit policy framework in line with the new loan origination system. The risk management expert will provide necessary training to RDB's board, senior management, and staff on the charges to market and liquidity risk management and support the banking expert to develop a training course on the new credit policy.

11. **Strategy expert** (one national, 2 person-months, intermittent). The national consultant should have a bachelor's degree in business administration or finance and at least 10 years of experience in corporate strategy and business development in a commercial bank. The main role of the consultant is to (i) evaluate the progress of RDB’s ongoing 5-year corporate strategy, and (ii) develop an RDB board-approved strategy to increase outreach to underserved clients, particularly women and those clients in the lagging regions, which will be incorporated into RDB’s next 5-year corporate strategy. The strategy should be aligned with RDB’s gender development plan prepared under the ongoing TA funded by We-Fi and incorporate where appropriate previous recommendations on RDB introducing customer segmentation.

12. **Deposit mobilization expert** (one national, 2 person-months, intermittent). The national deposit mobilization expert should have a bachelor’s degree in business administration, finance, marketing, or economics and at least 10 years of experience in marketing and/or retail banking. Experience in launching a retail saving deposit program is preferred. The main role of the consultant is to (i) assess the reasons for RDB’s slow savings deposit growth, (ii) restructure and relaunch RDB’s savings deposit products including a redesign of RDB’s women-targeted deposit product, and (iii) design and implement a marketing campaign to increase retail savings deposits as a proportion of RDB’s liabilities.

4. **Firm 2 (Information Technology)**

13. An international information technology (IT) firm will advise RDB on the procurement and installation of a new digitized loan origination and credit scoring system. The international firm should have experience in advising financial institutions in emerging economies on fintech solutions to promoting financial inclusion.

14. **IT experts** (one international, 6 person-months, intermittent; one national, 6 person-months, intermittent). The international IT expert should have a graduate degree in computer engineering, computer science, or business administration with associated IT-related certificates and at least 10 years of working experience in developing IT architecture in the banking industry. The national IT expert should have a diploma or bachelor’s degree in computer engineering, computer science, or associated IT-related certificate and at least 10 years of working experience in developing IT architecture in the banking industry. The IT experts are preferred to have a
thorough understanding of the banking business and credit risk management procedure. The IT experts will carry out the following tasks:

(i) conduct an as-is process analysis on RDB’s loan origination and administration system with the international banking advisor (Individual 1) and the national banking expert (Firm 1);
(ii) identify processes to be redesigned with IT solutions to streamline RDB’s loan origination and administration along with expected service standards in line with business objectives such as cost reduction, time reduction, output quality improvement;
(iii) develop the parameters for a revised credit scoring system that would be integrated with the new loan origination system;
(iv) recommend IT solutions (enterprise resource planning, hardware, network, IT security, database, backup, and disaster recovery) to achieve the proposed redesigned processes in line with other industries’ best practices;
(v) support RDB’s IT department through all steps of developing a request for proposal to elicit bids from potential IT vendors and completing the selection process; and
(vi) support RDB’s IT department to ensure the quality and timeliness of work by the selected vendor.

15. The areas to be considered for the IT solutions are (i) improvement of customer data capture including sex-disaggregation; (ii) automation of credit documentation system; (iii) introduction of advanced credit scoring; (iv) upgrade of management information system, including risk reporting mechanism; and (v) introduction of mobile banking for better customer experience. The IT experts will coordinate with the banking expert and risk management expert to identify functional requirements for the digitized loan origination system.

5. Firm 3 (Women Entrepreneurship Training)

16. A local firm with the following experts will be recruited to carry out business development training that at least 500 RDB women clients will complete and certify at least 60 RDB staff, out of which at least 30 staff are female, through a train-the-trainer program. The consultants are expected to (i) reflect the lessons learned from similar ADB training programs for women-led MSMEs under the TA projects funded by JFPR and We-Fi in the training curriculum; (ii) ensure 500 women complete the training with a special emphasis on those leading MSMEs located in lagging regions, including post-conflicted areas; (iii) ensure that MSME participants prepare a loan proposal as part of the final output of the training course; (iv) ensure that at least 60% of those loan proposals are assessed as viable by a third party; (v) partner with government and civil society organization where applicable to achieve the training outcomes; and (vi) design and implement the training program to RDB staff in alignment with (a) RDB’s gender development plan prepared under the existing TA component funded by We-Fi and (b) RDB’s board strategy to increase outreach to underserved clients including women.

17. Women entrepreneurship training expert–program manager (one national, 4 person-months, intermittent). The program manager should have a bachelor’s degree in social sciences, business administration, education, finance, or economics and at least 10 years of relevant professional experience in financial inclusion. Experience working on donor-funded grant project in Sri Lanka is an advantage. The program manager is responsible for the design and implementation of the overall training programs on women entrepreneurship development to RDB’s women clients and RDB staff. The program manager will (i) develop comprehensive financial literacy and business management program for existing and potential women clients of RDB by making appropriate revisions to the existing training programs and materials for women
entrepreneurs under the existing TA funded by JFPR and We-Fi; (ii) oversee the implementation of training programs with RDB branch officers to ensure that at least 500 of RDB’s women clients complete the training; (iii) report on training attendance and outcome to ADB on a quarterly basis; and (iv) develop a trainer’s manual and implement a train-the-trainer program which at least 60 RDB staff, out of which at least 30 are women, complete.

18. **Women entrepreneurship training experts—trainers** (two national, 16 person-months, intermittent). The women entrepreneurship trainers should have a bachelor’s degree in social sciences, business administration, education, finance, or economics and at least 5 years of relevant professional experience in financial inclusion. Experience working on donor-funded grant project in Sri Lanka is an advantage. One national trainer must be able to speak in Sinhala and the other must be able to speak Tamil. The trainers are expected to suggest to the program manager any change in the design and delivery method of the training program during the implementation.


19. A local firm with the following experts will be recruited to develop a white paper to evaluate the effectiveness of government MSME support programs with an emphasis of women borrowers.

20. **MSME finance policy experts** (one international, 2 person-months, intermittent; one national, 6 person-months, intermittent). The international MSME finance policy expert should have a graduate degree in economics, public policy, finance, or business administration with extensive experience in advising governments for developing MSME finance policy over 10 years. The local MSME finance policy expert should have a graduate degree in economics, public policy, finance, or business administration and at least 10 years of experience in finance. For both international and national experts, experience working on donor-funded grant project in South Asia is an advantage. The main role of the MSME finance policy experts is to draft a white paper evaluating the effectiveness of government MSME support program, including interest subsidies, credit guarantees, and refinancing facilities with an emphasis on those programs’ impact on women borrowers. The MSME finance policy experts will be responsible for carrying out the following tasks to ensure comprehensiveness of the evaluation within limited resources:

(i) identify all government MSME financial inclusion programs that had been implemented for at least 12 months as of 1 January 2018;
(ii) identify key criteria to assess the effectiveness of the programs;
(iii) categorize those MSME financial inclusion programs, using quantitative data, focus groups, surveys, and interviews, broadly into those that were (a) unsuccessful and should be discontinued, (b) partially successful and should be either discontinued or reformed, and (c) successful and should be expanded;
(iv) identify key general lessons learned and recommendations that should be applied to future initiatives;
(v) develop the policy actions with their rationale for a policy matrix for a potential ADB sector development program on improving the enabling environment for MSMEs’ access to finance; and
(vi) disseminate key research findings at a stakeholder workshop in Colombo and through a publication of an ADB working paper.

21. **Research assistant** (one national, 6 person-months, intermittent). The local consultant should have a bachelor’s degree in economics, public policy, finance, or business administration and at least 5 years of relevant professional experience in MSME finance. The national research
assistant is expected to support the national MSME finance policy experts in (i) gathering quantitative and qualitative data from the government, financial institutions, MSMEs, and other stakeholders through field interviews and questionnaires and (ii) preparing presentations and reports to disseminate the research findings.