TERMS OF REFERENCE
FOR THE RECRUITMENT OF INTERNATIONAL CONSULTANT (IC)
UPGRADING THE NATIONAL PAYMENTS SWITCH IN LIBERIA

GENERAL INFORMATION

<table>
<thead>
<tr>
<th>Services Required</th>
<th>International Individual Consultant for Upgrading the National Payments Switch in Liberia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post Title</td>
<td>International Consultant</td>
</tr>
<tr>
<td>Type of Contract</td>
<td>Individual Consultant</td>
</tr>
<tr>
<td>Duty Station</td>
<td>Home-based, with missions to Liberia</td>
</tr>
<tr>
<td>Expected Places of Travel</td>
<td>N/A</td>
</tr>
<tr>
<td>Duration</td>
<td>6 Months / 130 working days over a period of 18 months</td>
</tr>
<tr>
<td>Expected Start Date</td>
<td>Immediately after concluding Contract Agreement</td>
</tr>
<tr>
<td>Expected End date</td>
<td>December 2022</td>
</tr>
</tbody>
</table>

I. BACKGROUND

Geographical Location and Human Development: Liberia is bordered by Sierra Leone, Guinea, Côte d’Ivoire, and the Atlantic Ocean. The country context is characterized by high levels of capacity challenges, as it continues its transformation from over a decade of civil conflict. Subsequently, Liberia adopted multi-party democracy and has remained politically stable, making progress in addressing some development challenges. However, the country suffered from a severe Ebola crisis between 2014 and 2016 as well as the withdrawal of United Nations Mission in Liberia (UNMIL) and global commodity shock, which slowed the pace of economic progress. The COVID-19 pandemic in 2020 also exacerbated the economic slowdown. According to the Liberian Institute of Statistics and Geo-Information Services (Household Income Survey 2017), its population is roughly 4.2 million people. According to the AfDB, Liberia had a Gross Domestic Product of US$3,084 billion in 2019. With a per capita income of US$580, Liberia remains in the ‘low’ human development category, ranked at 176 out of 189 countries in the UNDP Human Development Index (2019). The country is a member of Mano River Union (MRU) and the Economic Community of West African States (ECOWAS).

Liberia’s Economy: The economy is natural resource-based with the mining, services and agriculture, forestry and fisheries subsectors accounting for over 90% of Gross Domestic Product (GDP). Mining is dominated by iron ore, gold, and diamond, while agriculture and forestry subsectors are dominated by palm oil and rubber. GDP declined by 3.1% in 2020 due to subdued economic activities induced by COVID-19 environment, while inflation was in double digit. The primary monetary policy stance of the Central Bank of Liberia (CBL) has been price stability anchored on a broad exchange rate stability. However, in recent years, the external sector of the Liberian economy has been characterized by high trade balance deficit, slow foreign exchange inflows, and depreciation of the Liberian Dollar (LRD). Inflation reached its peak at about 26% in December 2019 mainly triggered by exchange rate pass-through effect. Government adopted the International Monetary Fund (IMF) Extended Credit Facility (ECF) Programme approved in December 2019. The ECF has helped to improve the macroeconomic policy environment focusing on sound fiscal discipline and proper liquidity management to mitigate the underlying structural economic challenges. Since then, inflation has taken a moderate path and was estimated at 17.2% for 2020. Because of the expected moderation in inflation rate, the CBL reduced the...
Monetary Policy Rate from 30.0% to 25.0% in May 2020, which remained at this level through end-December 2020. Liberia has significant opportunities for private sector investment, but this potential remained affected by the challenging investment climate. The World Bank Doing Business indicators 2020 ranked Liberia 174th out of 190 countries, reflecting several major obstacles including unreliable but high electricity tariffs, poor road connectivity, limited access to land, high transaction costs and unfavorable policy environment.

Liberia’s National Development Agenda: The Pro-poor Agenda for Prosperity and Development (PAPD), adopted in October 2018, is the overarching development policy document for Liberia for the period 2018 to 2023. The main objectives of the PAPD include: (i) poverty alleviation through enhanced domestic food production and job creation; (ii) improved infrastructure, particularly road and energy infrastructure; (iii) improved education and health delivery systems; and (iv) a transparent and accountable governance system. The PAPD has prioritized four Pillars namely, (1) Power to the People; (2) Economy and Jobs; (3) Sustaining the Peace; and (4) Governance and Transparency. The PAPD is ambitious and broad, but its implementation has been affected by the COVID-19 pandemic in 2020 and government financial constraints.

In line with Liberia’s development agenda, the main objective of AfDB’s Country Strategy Paper (CSP) 2019-2023 is to tackle key drivers of fragility and to strengthen the country’s resilience. In particular, the Bank has prioritized improving economic governance and enhancing private sector development. Similarly, UNDP’s Country Programme (2020-2024) focuses on: (i) Fostering Inclusive Governance; (ii) Promoting Social Cohesion; and (iii) Stimulating Inclusive Growth. Aligned with these areas, the strategic thrust of UNDP Liberia’s work is to: (i) bring government closer to its citizens by reinforcing the social contract, including through reducing corruption, fostering transparency, accountability, and inclusive governance; and (ii) create opportunities for all Liberians to contribute to the country’s sustainable development, through promoting green and inclusive growth.

Liberia’s Financial Sector: Up to 2020, Liberia’s financial sector was dominated by 9 commercial banks with 85 branches in 10 of the 15 counties, and account for over 80% of total assets of the financial sector. Until the onset of the COVID-19 pandemic the banking system was stable, safe and sound, despite operating in a challenging economic environment. However, the financial sector is shallow and remains vulnerable to economic instability, especially on account of the lingering Liberian dollar liquidity squeeze. The sector has continued to endure the effect of high non-performing loans (NPLs) ratio with 21.2% in 2020, among the highest in the region, compared to 16.2% at the end of 2019. Private sector credit to GDP is around 14.0%, reflecting one of the lowest levels of private sector financing by the banking sector in Sub-Saharan Africa. Liberia has a low level of financial intermediation, with high cost of credit and limited access to finance, especially for SMEs, manufacturing and agriculture subsectors. This continues to impede entrepreneurial activity and private sector development. Poor infrastructure still represents a major impediment to the expansion of financial services across the country. The financial sector has been further constrained by Liberian dollar liquidity squeeze as a result of several factors, including increased volume of currency outside the banking system, weak loan recovery which affected the cashflows of some banks, and the seasonal demand for cash during the two festive periods (July and December). Financial sector confidence in monetary policy is improving since the adoption of the new Monetary Policy Framework and ECF program in 2019 which have contributed to stability in the exchange rate and fall in inflation. However, the highly dollarized Liberian economy poses risks in the monetary autonomy of the CBL, while high NPLs pose risks to financial stability.

II. SCOPE OF THE WORK

The Consultancy: The CBL has undertaken key reforms aimed at modernizing the financial sector and
improving the implementation of effective monetary policy in Liberia. In particular, the CBL plans to upgrade the national payments switch. The development of a safe and efficient national payment system is critical for monetary policy, financial inclusion, and overall economic development. A national payment system is one of the principal components of a country’s monetary and financial system and, therefore, crucial to increased economic activities. The national payment system is central to the effective implementation of monetary policy using money market transactions to influence overall financial and economic activity. At the core of the CBL’s agenda is the need for increasing access to a safe and reliable financial system by most of the population. To highlight the importance of financial inclusion, a new National Financial Inclusion Strategy (NFIS) 2020-2024 was approved and endorsed by the Cabinet in November 25, 2019 and officially launched in December 2019. Its vision is anchored on “building a sustainable financial sector that is deeply rooted in digital financial services (DFS) to provide a wider range of access and usage of affordable financial services. It is expected that the upgrading of the national payment system will reduce overall transaction costs and expand the opportunities for commercial and financial transactions in Liberia. In addition, in March this year, the CBL approved and adopted a new Strategic Plan (2021-2023). Payments system integration and development is one of three pillars of the Strategic Plan as a critical foundation toward the digitization of the Liberian economy and a move toward a cashless economy.

Payment systems reforms shall focus on key elements which include but are not limited to (i) payment instruments used to initiate and direct the transfer of funds between the accounts of payers and payees at financial institutions; (ii) payment infrastructures for transacting and clearing payment instruments; (iii) financial institutions that provide payment accounts, instruments and services to consumers, and businesses and organizations that operate payment transaction, clearing and settlement service; (iv) market arrangements such as conventions, regulations and contracts for producing, pricing, delivering and acquiring the various payment instruments and services; (v) laws, standards, rules and procedures set by legislators, courts and regulators that define and govern the mechanics of the payment transfer process and the conduct of payment service markets, and matters related to payment systems. With technical assistance from World Bank, the CBL has submitted the amended National Payments Act to the National Legislature, reflecting both current and future needs of the Liberian economy. The World Bank had also carried an assessment of the NEPS and submitted the report. The World Bank, to take forward the implementation had suggested reforms, which amongst other included the termination of remittances to transaction accounts (since notified), usage of the infrastructure for utility payments, etc. The World Bank also facilitated in setting up the National Electronic Payment Switch Implementation Committee (NEPSIC) with stakeholders as members. The first meeting of the committee was held in December 2019.

**Overall Objective of the Consultancy:** In this context, the Government of Liberia intends to recruit an international consultant to: (i) undertake an assessment of the current environment and address the key elements of the National Electronic Payment Switch (NEPS); develop a business case for NEPS and a feasibility study that provide CBL management clarity for approving a sustainable implementation and (ii) support roll-out of the NEPS, including ensuring quality assurance and capacity-building. The work shall entail extensive review of relevant regulatory instruments, assessment of the effectiveness and efficiency of the existing payment system, consultations with all key stakeholders, including the World Bank, and making recommendations for improvement going forward. The consultant shall prepare a detailed report of his/her findings and a Concept Note for soliciting financial support for the implementation of the proposed payments system reforms and upgrading. The assignment is divided into two phases (the expected duration of Phase one is 2 months, and the duration of phase two is 4 months).

**Specific Key Objectives— Phase 1 (2 Months) June to July 2021:**
The purpose of Phase 1 of the assignment is to carry out an institutional review of the current state of Liberia’s Payment System Landscape to:

i. Develop a business case and conduct feasibility study that provide CBL management clarity for approving a sustainable implementation
ii. Determine the current Products and Services available including usage.
iii. Assess what additional Products and Services are required.
iv. Establish the current Payment Systems Personnel provisioning.
v. Determine what training and development exist including organizational structure.
vi. Review and validate the current National Switch capabilities and deliverables.
vii. Review current business continuity plans and procedures.
ix. Review appropriateness of the current regulatory framework for Payment Systems, including the Advisory Committee.
x. Review the Payment Advisory Committee and what is required to become active.
xi. Review and assess Card Payment Services rollout and usage, as well as Real-time Payment Services roll out and usage.
xii. Recommend sustainable approaches and use cases (including for Social Protection) for roll out of Wallet Accounts in Liberia.
xiii. Ascertaining/ identify existing Financial Educational Programmes.
xiv. Assess/ identify stakeholder engagements required.
xv. Perform a GAP analysis for the identified areas above and make recommendations on what is required to ensure appropriate Payment Services Provisioning for Liberia.
xvi. Develop a roadmap to ensure stakeholder readiness, including assessing the readiness of the participants and proposing initiatives to ensure buy-in of the various stakeholders.
xvii. Design awareness programmes for the public users of the various payment systems.
xviii. Provide suggested roadmap for coordinated donor financial and technical support.

Specific Key Objectives—Phase 2 (4 Months) January to December 2022:

i. Guide and supervise the implementation of a new payments switch system for Liberia, including developing a Request for Proposal (RFP).
ii. Support in finalization of policies, rules, and regulations
iii. Supporting CBL in holding consultation with stakeholders for deciding on pricing/participation fees, transaction processing fee, per transaction charges levied on customers.
iv. Assess and review current payment systems department organizational structure and advise any restructuring and capacity building required to be aligned with international best practice.
v. Undertake capacity building and training programmes for the operators of the payment switch in the financial sector.
vi. Monitor the effective use of the new payments switch and its linkages with various payment modalities including roll-out of Wallet payments, mobile money, and ATM cards.
vii. Supervise the roll-out and implementation of awareness programmes for the public users of the various payment systems.
viii. Prepare end-of-assignment report including options for medium term institutional arrangement for NEPS.

III. EXPECTED OUTPUTS AND DELIVERABLES
Phase 1 (June and July 2021): To assess and document the current state of Liberia’s Payment Systems Landscape and usage in terms of:

i. Payment System Products and Services provisioning, including gaps and recommendations for improvements.

ii. Supporting Payment System Infrastructure provisioning, Service Providers and contracts, Support Services including recommendation on future requirements.

iii. Human resource provisioning and appropriate organizational structure including training requirements.

iv. A report on a range of stakeholder engagements required to successfully implement an effective National Payment System.


Phase 2 (January to December 2022): To supervise and provide, on a quarterly basis, quality assurance for the implementation of Phase 1, in particular:

i. the installation of a new payments switch system for Liberia.

ii. capacity building and training programmes for the operators of the payment switch in the financial sector.

iii. the effective use of the new Payments Switch and its linkages with various payment modalities including roll-out of Wallet payments, mobile money, and ATM cards.

iv. the roll-out and implementation of awareness programmes for the public users of the various payment systems.

IV. INSTITUTIONAL & REPORTING ARRANGEMENTS

Technically and on a day-to-day basis the consultant will work under the direct supervision of the Executive Governor of the CBL. The consultant will also report to a Technical Committee comprised of the CBL, Ministry of Finance and Development Planning (MFDP), African Development Bank (AfDB), United Nations Development Programme (UNDP) and World Bank Group (WBG). Administratively, and for the purpose of execution of this contract and its deliverables, the consultant will be under the general supervision of the UNDP Resident Representative.

V. DURATION OF THE WORK

The overall duration of the consultancy service will be for 6 months, split into 2 phases (the duration of Phase One is 2 months, and the duration for Phase Two is 4 months). The 1st phase is the scoping and assessment, which will be conducted from June to July 2021. The 2nd phase will be a supervision of project implementation for the upgrading of the national payments switch, which is expected to start in January 2022.

VI. QUALIFICATIONS OF THE SUCCESSFUL INDIVIDUAL CONTRACTOR (IC)

Recognizing that payment systems is a highly specialized area and requires a highly-qualified and experienced expert in national payment systems. The consultant should meet the following minimum requirements:

- Proven track record in developing, operating, and promoting National Payment Systems from inception.
• A solid knowledge of National Payment Systems.
• At least ten years’ experience in large-scale IT transformational Programmes.
• Experience of working and collaborating with stakeholders (Financial Institutions, Central Banks, Government, Corporates etc.) at Executive Management level.
• Postgraduate or other advanced university degree in Physical Science, Information Technology, Financial Management, Education, or any other relevant domain.
• Professional Qualification in Project Management and Information Technology Infrastructure Library (ITIL).
• Demonstrated ability of analytical and report drafting work.
• Strong communication (oral and written) skills.
• Ability to establish and maintain good working relations with colleagues in multi-cultural environment.

Language and other skills:
- Fluency in English (written and oral)
- Computer literacy and ability to effectively use office technology equipment, Internet, and email.
- Excellent facilitation and training skills

Compliance with UN Core Values:
- Demonstrates integrity by modelling the UN’s values and ethical standards.
- Promotes the vision, mission, and strategic goals of UNDP.
- Displays cultural, gender, religion, race, nationality and age sensitivity and adaptability.
- Treats all people fairly without nepotism.
- Fulfils all obligations to gender sensitivity and zero tolerance for sexual harassment.

VII. PAYMENT MILESTONES AND AUTHORITY

The consultant must send a financial proposal based on Lump Sum Fee. The consultant shall quote an all-inclusive Lump Sum Fee for the contract period. The term “all-inclusive” implies that all costs (professional fees, communications, consumables, etc.) that could be incurred by the Consultant in completing the assignment are already factored into the Lump sum fee submitted in the proposal.

Payments will be made based on the agreed financial proposal and released upon submission of a Certificate of Payment request, indicating deliverables achieved and days worked to be verified and cleared for payment by the supervisor. The qualified consultant shall receive his/her lump sum service fees upon certification of the completed tasks satisfactorily, as per the following payment schedule:

<table>
<thead>
<tr>
<th>Installment of Payment/Period</th>
<th>Expected Deliverables</th>
<th>Approval should be obtained from</th>
<th>Percentage of Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Phase One</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1st Installment</td>
<td>Upon delivery of Inception Report</td>
<td>AfDB (following concurrence of Committee)</td>
<td>20% of the value of Phase 1</td>
</tr>
<tr>
<td>Installment of Payment/Period</td>
<td>Expected Deliverables</td>
<td>Approval should be obtained from</td>
<td>Percentage of Payment</td>
</tr>
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</tr>
<tr>
<td>2&lt;sup&gt;nd&lt;/sup&gt; Installment</td>
<td>Upon submission of draft Scoping Report</td>
<td>AfDB (following concurrence of Committee)</td>
<td>40% of the value of Phase 1</td>
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<tr>
<td>3&lt;sup&gt;rd&lt;/sup&gt; Installment</td>
<td>Upon submission of final Scoping Report including specifications for the new/improved National Payment Switch.</td>
<td>AfDB (following concurrence of Committee)</td>
<td>40% of the value of Phase 1</td>
</tr>
<tr>
<td><strong>Phase Two (quarterly payments)</strong></td>
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<tr>
<td>4&lt;sup&gt;th&lt;/sup&gt; Installment</td>
<td>Inception Phase&lt;br&gt;Inception report delivered</td>
<td>UNDP (following concurrence of Committee)</td>
<td>20% of the value of Phase 2</td>
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<tr>
<td>5&lt;sup&gt;th&lt;/sup&gt; Installment</td>
<td>Design, Customization and Development Phase&lt;br&gt;Functional Specification Document delivered</td>
<td>UNDP (following concurrence of Committee)</td>
<td>20% of the value of Phase 2</td>
</tr>
<tr>
<td>6&lt;sup&gt;th&lt;/sup&gt; Installment</td>
<td>Deployment and Training Phase&lt;br&gt;Conclusion of training and training assessment report delivered</td>
<td>UNDP (following concurrence of Committee)</td>
<td>20% of the value of Phase 2</td>
</tr>
<tr>
<td>7&lt;sup&gt;th&lt;/sup&gt; Installment</td>
<td>Quality Assurance (UAT) Phase&lt;br&gt;Certificate signed by end-user (CBL)</td>
<td>UNDP (following concurrence of Committee)</td>
<td>20% of the value of Phase 2</td>
</tr>
<tr>
<td>8&lt;sup&gt;th&lt;/sup&gt; Installment</td>
<td>Go-Live Phase&lt;br&gt;System fully implemented, and end-of-assignment report delivered</td>
<td>UNDP (following concurrence of Committee)</td>
<td>20% of the value of Phase 2</td>
</tr>
</tbody>
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