



Technical Assistance Report

Project Number: 47002-001
Capacity Development Technical Assistance (CDTA)
November 2014

Democratic Republic of Timor-Leste: Expansion of Financial Services

This document is being disclosed to the public in accordance with ADB's Public Communications Policy 2011.

Asian Development Bank

CURRENCY EQUIVALENTS

The currency of Timor-Leste is the United States dollar.

ABBREVIATIONS

ADB	–	Asian Development Bank
BNCTL	–	Banco Nacional de Comércio de Timor-Leste
BNU	–	Banco Nacional Ultramarino
PSDI	–	Private Sector Development Initiative
TA	–	technical assistance

NOTE

In this report, "\$" refers to US dollars.

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CONTENTS

	Page
CAPACITY DEVELOPMENT TECHNICAL ASSISTANCE AT A GLANCE	
I. INTRODUCTION	1
II. ISSUES	1
III. THE CAPACITY DEVELOPMENT TECHNICAL ASSISTANCE	3
A. Impact and Outcome	3
B. Methodology and Key Activities	3
C. Cost and Financing	4
D. Implementation Arrangements	4
IV. THE PRESIDENT'S DECISION	5
APPENDIXES	
1. Design and Monitoring Framework	6
2. Cost Estimates and Financing Plan	9
3. Outline Terms of Reference for Consultants	10

CAPACITY DEVELOPMENT TECHNICAL ASSISTANCE AT A GLANCE

1. Basic Data		Project Number: 47002-001	
Project Name	Expansion of Financial Services	Department /Division	PARD/PLCO
Country	Timor-Leste, The Democratic Republic of	Executing Agency	Banco Nacional de Comércio de Timor-Leste
Borrower	N/A		
2. Sector		ADB Financing (\$ million)	
✓ Finance	Inclusive finance		0.75
		Total	0.75
3. Strategic Agenda		Climate Change Information	
Inclusive economic growth (IEG)	Pillar 2: Access to economic opportunities, including jobs, made more inclusive	Climate Change impact on the Project	Low
4. Drivers of Change		Gender Equity and Mainstreaming	
Governance and capacity development (GCD)	Institutional development Organizational development	Effective gender mainstreaming (EGM)	✓
Partnerships (PAR)	Implementation Private Sector		
Private sector development (PSD)	Promotion of private sector investment		
5. Poverty Targeting		Location Impact	
Project directly targets poverty	No	Rural Urban	High Medium
6. TA Category:	B		
7. Safeguard Categorization Not Applicable			
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		0.75	
Sovereign Capacity development technical assistance: Technical Assistance Special Fund		0.75	
Cofinancing		0.00	
None		0.00	
Counterpart		0.00	
None		0.00	
Total		0.75	
9. Effective Development Cooperation			
Use of country procurement systems	No		
Use of country public financial management systems	No		

I. INTRODUCTION

1. The Government of Timor-Leste requested technical assistance (TA) from the Asian Development Bank (ADB) to support the commercial transformation of Banco Nacional de Comércio de Timor-Leste (BNCTL).¹ The TA aims to support economic growth and strengthen the Timorese finance sector. It will assist BNCTL in upgrading its institutional capacity and governance arrangements by (i) assessing BNCTL's operations and financial performance, and review its strategic and business plan for 2014–2017; and (ii) supporting BNCTL's management and staff to apply commercial banking principles efficiently and effectively. This is consistent with the government's strategic development plan, 2011–2030 and the Master Plan for Financial Sector Development, 2014–2025.² It also reflects ADB's Pacific strategy and the country partnership strategy, 2012–2016 for Timor-Leste, and is included in the country operations business plan, 2015–2017.³ The design and monitoring framework is in Appendix 1.

2. The TA fact-finding mission concluded with a memorandum of understanding outlining agreed impact, outcome, outputs, implementation arrangements, and outline terms of reference for consultants. The TA was discussed with BNCTL, development partners, government agencies, and the Banco Central de Timor-Leste (Central Bank of Timor-Leste).

II. ISSUES

3. The finance sector with its institutions and processes plays a crucial role in supporting economic development. Improving the provision of financial services is critical to increasing the living standards of all Timorese. Without access to financial services, businesses cannot grow; entrepreneurship is stifled; and people on low incomes cannot save securely to invest, pay bills, or move beyond subsistence living standards. They have little chance to manage economic risks. The still developing financial system in Timor-Leste constrains rural and urban populations in achieving these development objectives. At the end of 2013, the value of private sector credit was \$177 million, equivalent to only 11% of gross domestic product. Lending to the agriculture sector was only 3% of total outstanding credit at the end of 2013.

4. The banking industry comprises three foreign-owned banks—ANZ Bank from Australia, Bank Mandiri from Indonesia, and Banco Nacional Ultramarino (BNU) from Portugal—and one locally owned bank, BNCTL, which the government owns. The foreign banks dominate the sector; BNCTL accounted for about 7% of banking system deposits and about 11% of banking system credit at the end of 2013. Nonbank credit providers include two microfinance institutions—Moris Rasik and Tuba Rai Metin—which offer financial services to the low-income and mainly rural population. Both institutions are financially weak, despite lending at high interest rates (around 20% annually). There are also several small and financially weak credit unions with a limited customer base.

5. Despite the presence of foreign banks, provision of credit remains constrained. The loan–deposit ratio for the banking system was only about 30% at the end of 2013. Banks have been reluctant to lend to Timorese businesses because they consider the risks too high, whether for agricultural or small and medium-sized enterprises. A lack of collateral, incomplete

¹ The TA first appeared in the business opportunities section of ADB's website on 19 November 2014.

² Government of Timor-Leste. 2011. *Strategic Development Plan, 2010–2013*. Dili; and Central Bank of Timor-Leste. *Master Plan for Financial Sector Development, 2014–2025*. Dili.

³ ADB. 2009. *ADB's Approach to Assisting the Pacific, 2010–2014*. Manila; ADB. 2012. *Country Partnership Strategy: Timor-Leste, 2012–2016*. Manila; and ADB. 2014. *Country Operations Business Plan: Timor-Leste, 2015–2017*. Manila.

legal frameworks, weak contract enforcement mechanisms, and poor financial information on borrowers due to the absence of a credit bureau have contributed to these unfavorable risk assessments. Banks' nonperforming loan ratios have been persistently high, and stood at 27% for the banking sector as a whole at the end of 2013. Two of the three foreign banks operate only in Dili, while the third, BNU, has moved only recently to increase its presence outside Dili. BNCTL, by contrast, is well established outside Dili and is represented in Timor-Leste's 13 districts. BNCTL also operates a sub-branch in Atauro and a mobile banking service whereby vans visit selected remote districts. While it has a lower nonperforming loan ratio than the industry as a whole, it has a very narrow product offering—a major share of the total loan portfolio consists of low-risk multipurpose loans⁴—and has not fully shed its microfinance legacy.

6. BNCTL was established in July 2011, when the former *Instituição de Micro Finanças de Timor-Leste*, founded in 2002, was transformed into a commercial bank and granted an unrestricted banking license. BNCTL's original mandate was to increase access to finance for the poorer sections of the population and small businesses, but on commercial terms. ADB provided technical assistance to the former *Instituição de Micro Finanças de Timor-Leste* and BNCTL to support this objective.⁵ To date, still a significant portion of BNCTL's customer base comprises government employees and veterans. At the end of August 2014, BNCTL had 17,100 loan accounts and 151,100 savings account customers and a total balance sheet of \$48.1 million. The government, as the sole shareholder, and the central bank have now directed BNCTL to play a more active role in the banking sector and hasten its transformation into a mainstream commercial bank. The primary objectives are to finance local business activity, including agriculture, and extend the range and quality of financial services in Timor-Leste. The central bank also wants to increase the number of banks in Timor-Leste to boost competition, but it is reluctant to do so until BNCTL is strong enough to withstand additional competition.

7. To this end, *Secretária de Estado para o Apoio e Promoção do Setor Privado Timor-Leste* (State Secretary for Support and Promotion of the Private Sector Timor-Leste), the shareholder representative, has increased BNCTL's board to include people with commercial banking experience in Timor-Leste. The new board has overseen the development of the 2014–2017 strategic and business plan, which requires support for implementation. The Pacific Private Sector Development Initiative (PSDI) has been working with the BNCTL board and management to support the implementation of this plan by appointing an internal audit advisor, hoping that this support also provides the foundation for longer-term ADB assistance.⁶ The PSDI is also working with the government to implement the secured transactions reform. The reform will complement the transformation of BNCTL by unlocking the collateral value of movable assets to reduce risk and increase lending. More recently, the PSDI has begun discussions with the central bank, at the request of the governor, on a package of financial sector development activities.

8. The commercial transformation of BNCTL in line with the requirements of its commercial banking license will expand its product portfolio, strengthen its balance sheet, and increase its attractiveness to strategic investors. To fully achieve the desired transformation, BNCTL requires substantial assistance. It will need to expand its customer base and product range, including savings and fee-based products, review its pricing structures, and implement

⁴ These are provided to formal employees, guaranteed by the payroll.

⁵ ADB. 2000. *Report on a Project Grant from the Trust Fund for East Timor and a Technical Assistance Grant from the Asian Development Bank to the United Nations Administration in East Timor for the Microfinance Development Project*. Manila; ADB. 2004. *Technical Assistance to Timor-Leste for Strengthening Microfinance Operations*. Manila; ADB. 2004. *Technical Assistance for the Pacific Private Sector Development Initiative, Phase I*. Manila

⁶ ADB. 2013. *Technical Assistance for the Pacific Private Sector Development Initiative, Phase III*. Manila.

branchless banking or internet technologies if it is to operate competitively and provide a wider range of banking services. For this, an adequate core banking system needs to be in place. In addition, BNCTL will need to develop staff capability to implement the business plan and improve service levels to match the foreign banks' offerings. BNU, in particular, is aggressively expanding ATMs and point-of-sale electronic fund transfers. The use of these technologies is increasing quickly, so much so that by June 2014, transaction volumes were higher for BNU ATMs than for BNU branches. Accordingly, BNCTL has identified priority areas for assistance: credit and treasury operations, banking information technology infrastructure, product development, and staff capacity building.

III. THE CAPACITY DEVELOPMENT TECHNICAL ASSISTANCE

A. Impact and Outcome

9. The expected impact will be that a large portion of the population has access to and uses a range of financial services. The intended outcome will be an improved BNCTL, growing and operating sustainably, consistent with its commercial banking license.

B. Methodology and Key Activities

10. ADB's assistance will support BNCTL to upgrade its institutional capacity, covering bank operations, human resources, banking technology, and governance arrangements. To ensure ownership and compatibility with existing capacities, the TA will be implemented in two phases and have the following outputs: (i) phase one—road map and action plan for comprehensive institutional strengthening finalized; and (ii) phase two—BNCTL management and staff apply commercial banking principles efficiently and effectively. Phase one will comprise an assessment of BNCTL's operations and financial performance, including governance arrangements, and a review of the 2014–2017 strategic and business plan.⁷ A road map and action plan for institutional strengthening will be developed and agreed with BNCTL. The road map will prioritize the areas where support is needed, the required input, and the milestones to be achieved. A study tour will be organized to visit a potential role model, i.e., a fully commercialized but still government-owned institution. Phase one will be highly participatory, with the BNCTL board, senior management, and staff actively engaged throughout to ensure their commitment to the commercial transformation of BNCTL.

11. Based on the findings of phase one and resultant recommendations (documented in the road map and action plan for institutional strengthening), phase two will comprise technical support to underpin the implementation of BNCTL's business plan. This will include long-term institutional capacity building in areas identified as essential to implementing the business plan and the associated commercial transformation. While these areas can be determined conclusively only in the phase-one assessment, they are likely to be operational support for credit and treasury operations, risk management, product development, and information technology enhancement and support. Substantive hands-on training for key staff will be provided to ensure that management and staff apply commercial banking principles effectively and efficiently. This will be complemented with training courses for staff by an Asian bank training institute.⁸ Support will be provided responsively and according to the institution's absorptive capacity. This also means that support will need to be able to adjust to changes in

⁷ The assessment will be coordinated closely with ADB's Private Sector Operations Department.

⁸ BNCTL is in discussions with an Indonesian bank training institute for standard and tailor-made courses for staff.

the strategic and business plan, which may evolve with changes in BNCTL and the wider finance sector.

C. Cost and Financing

12. The TA is estimated to cost \$825,000, of which \$750,000 will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-V). BNCTL will provide counterpart support in the form of office space for consultants (including furniture and other office equipment, as necessary) office supplies, staff time, workshop facilities, domestic transport, and other in-kind contributions.

D. Implementation Arrangements

13. BNCTL will be the executing and the implementing agency for this TA.

14. The TA will be implemented over 42 months from 30 December 2014 to 30 June 2018, with phase one estimated to take 7 months and phase two 35 months. It is anticipated that a total of 22 person-months of intermittent international consulting services will be required to implement the TA. For phase one, an estimated 6 person-months (international, intermittent) of consulting services will be needed. This will be a banking operations advisor (3 person-months) and a banking information technology expert (3 person-months). The consulting input for phase two is unallocated and will be determined after phase one, once the findings and recommendations for implementation have been discussed and agreed with the BNCTL board. This approach is important to ensure that the design is not based on preconceived ideas but subject to actual assessment and findings. It is envisaged that phase-two services will comprise continued inputs from the banking operations advisor and banking information technology expert,⁹ plus potentially—depending on the findings of phase one—a credit risk management expert, a treasury expert, and/or a banking product and marketing expert. Their required input will be specified after completion of phase one.

15. Consultants will be recruited individually under ADB's Guidelines on the Use of Consultants (2013, as amended from time to time).¹⁰ Contracts will be intermittent and longer-term. This will be important to ensure flexibility during TA implementation and be responsive to BNCTL's absorption capacity. Consultants may be recruited as resource persons for a specific short-term input, e.g., to help organize a strategic workshop with BNCTL's board. The outline terms of reference for consultants are in Appendix 3. Consultants will arrange seminars. Specific training courses and study visits for BNCTL staff and senior management, including board members, will be paid through the TA.¹¹ ADB staff can be used as sector, thematic, or technical experts and resource persons. Their travel-related expenses will be paid through the TA.¹² The TA proceeds will be disbursed in accordance with ADB's *Technical Assistance Disbursement Handbook* (2010, as amended from time to time).

16. TA progress will be monitored against the activities, outputs, and outcome as described in the design and monitoring framework. ADB will assist BNCTL and the government in sharing

⁹ Contracts will be phased and conditional, i.e., continuation of services will be subject to meeting certain conditions.

¹⁰ To reduce administrative burden and improve economy and efficiency, and value for money, consulting services under the TA will be engaged on output-based (lump-sum) contracts, if feasible.

¹¹ Direct payment via bank transfer to the end users (the training institute or BNCTL, should expenses incurred be reimbursed) will be considered after the TA officer has approved the cost estimate or invoice.

¹² ADB. 2013. *Use of Bank Resources: Regional Technical Assistance and Technical Assistance vs. Internal Administrative Expenses Budget*. Manila (26 June).

all results, good practices, and lessons through reports with other development partners and ADB's finance sector and gender communities of practice.

IV. THE PRESIDENT'S DECISION

17. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$750,000 on a grant basis to the Government of Timor-Leste for Expansion of Financial Services, and hereby reports this action to the Board.

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and Indicators with Baselines ^a	Data Sources and Reporting Mechanisms	Assumptions and Risks
<p>Impact</p> <p>A large portion of the population has access to and uses a range of financial services</p>	<p>Number of account holders increased by 5% within 12 months of the completion of TA inputs (2019) (2014 baseline: Central Bank statistics for 2014)</p>	<p>Central Bank statistics</p> <p>Financial service sector assessment</p>	<p>Assumptions</p> <p>Regulatory, competition, infrastructure, and economic conditions remain at least at current levels in targeted areas</p> <p>Transport infrastructure and mobile network coverage expansion is not forthcoming in rural areas</p> <p>Risk</p> <p>Financial institutions lose interest in providing services in rural areas</p>
<p>Outcome</p> <p>An improved BNCTL, growing and operating sustainably, consistent with its commercial banking license</p>	<p>Return on equity of BNCTL increases by 5% by year 3 of support provision (December 2013 baseline: 11%)</p>	<p>Management report</p> <p>Audited financial statements</p>	<p>Assumption</p> <p>SEAPRI's commitment remains but without government interference in operational matters</p> <p>Risks</p> <p>BNCTL does not reach performance targets</p> <p>BNCTL board and management lack capacity and commitment to implement the business plan</p>
<p>Outputs</p> <p>1. Road map and action plan for comprehensive institutional strengthening finalized</p>	<p>All BNCTL board members approve gender-sensitive road map and action plan by Q3 2015</p>	<p>Consultant's report</p> <p>Board minutes</p>	<p>Assumption</p> <p>Board, management, and staff have time for consultation</p> <p>Risk</p> <p>Findings and recommendations not agreed by the board and management</p>
<p>2. BNCTL management and staff apply commercial banking principles efficiently and effectively</p>	<p>Cost-income ratio^b remains on average below 75% during TA input (December 2013 baseline: 74%, as per management report)</p> <p>Share of multipurpose loans in total loan portfolio volume reduced to at least 60:40 by 2018 (December 2013 baseline: 70:30)</p> <p>At least one women-specific</p>	<p>IT management reports</p> <p>Management report</p> <p>Audited financial statements</p>	<p>Assumption</p> <p>Management reports are accurate</p> <p>Risk</p> <p>Improvement of staff capacity takes more time than anticipated</p>

Design Summary	Performance Targets and Indicators with Baselines ^a	Data Sources and Reporting Mechanisms	Assumptions and Risks
	<p>business loan product developed by 2018.</p> <p>Nonperforming loan ratio (PAR 30^c) is below 5% on average by 2018 (December 2013 baseline: 0.5%)</p> <p>Savings portfolio volume increased by 15% by 2018 (December 2013 baseline: \$31.4 million)</p> <p>Number of women's savings account increased by 15% by 2018 (December 2014 baseline: no sex-disaggregated data available)</p>		
<p>Activities with Milestones</p> <p>1. Road map and action plan for comprehensive institutional strengthening finalized</p> <p>1.1 Conduct institutional assessment, including review of job descriptions with capacities of staff filling these positions. The review should be carried out from a gender perspective (Q1 2015).</p> <p>1.2 Review the IT system and recommend improvements where needed (Q1 2015).</p> <p>1.3 Review BNCTL's strategic and business plan 2014–2017 (Q1 2015).</p> <p>1.4 Conduct workshop with management team on findings and recommendations and achieve agreement on targeted support areas. The workshop should include gender issues (Q1 2015).</p> <p>1.5 Prepare terms of reference for consulting inputs in phase two, and performance targets for BNCTL (Q2 2015). Consultants should have gender background, indicators and performance targets should be gender sensitive, data should be sex-disaggregated.</p> <p>1.6 Prepare and coordinate training plan for staff (Q2 2015)</p> <p>2. BNCTL management and staff apply commercial banking principles efficiently and effectively—based on the outcomes of phase one, likely activities in phase two might be:</p> <p>2.1 Support implementation of the agreed strategic and business plan (2015–2018).</p> <p>2.2 Support the business development unit to develop new loan, savings, and fee-based products, including pilot rollouts and gender-sensitive products (2015–2018).</p> <p>2.3 Assist the business development units in marketing strategies for branding BNCTL and promoting services to the population, in particular women (2015–2018).</p> <p>2.4 Support the credit department to implement new products and develop appropriate credit policies, processes, and procedures. These should include at least one gender-sensitive product (2015–2018).</p> <p>2.5 Support the credit department in credit analysis and risk assessment of business loans to SMEs (2015–2018)</p> <p>2.6 Support the operations department to implement new savings products and develop appropriate policies and procedures. These should include at least one</p>		<p>Inputs ADB: \$750,000</p> <p>Note: BNCTL will provide counterpart support in the form of staff time, office space for consultants (furniture and other office equipment), office supplies, workshop facilities, domestic transportation, and other in-kind contributions.</p>	

Design Summary	Performance Targets and Indicators with Baselines ^a	Data Sources and Reporting Mechanisms	Assumptions and Risks
<p>gender-sensitive product (2015–2018).</p> <p>2.7 Support operational staff in credit and retail departments with hands-on and on-the-job training (2015–2018).</p> <p>2.8 Support the proper functioning of the treasury department (2015–2018).</p> <p>2.9 Once correspondent relationships with foreign banks are established, assess the potential for establishing trade finance facilities at BNCTL (2015–2018).</p> <p>2.10 Provide strategic advice about a core banking system and IT needs to accommodate future growth of BNCTL (2015–2016).</p> <p>2.11 Support capacity building activities, such as study visits to potential “role model” banks, for BNCTL board and senior management (Q3 2015).</p>			

BNCTL = Banco Nacional de Comércio de Timor Leste, IT = information technology, PAR = portfolio at risk, SEAPRI = Secretária de Estado para o Apoio e Promoção do Setor Privado Timor-Leste (State Secretary for Support and Promotion of the Private Sector), SMEs = small and medium-sized enterprises, TA = technical assistance

^a All data should be recorded as sex-disaggregated. Currently data is not sex-disaggregated.

^b The cost–income ratio is calculated by dividing total income by total expense.

^c Portfolio at risk 30 (PAR 30) measures the outstanding principal balance of all loans past due more than 30 days as a percentage of the outstanding principal balance of all loans.

Source: Asian Development Bank.

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Amount
Asian Development Bank^a	
1. Consultants	
a. Remuneration and per diem	436.0
b. International and local travel	199.0
c. Reports and communications	4.0
2. Training, seminars, and conferences	70.0
3. Miscellaneous, administrative, and support costs	20.0
4. Contingencies	21.0
Total	750.0

Note: The technical assistance (TA) is estimated to cost \$825,000, of which contributions from the Asian Development Bank are presented in the table above. Banco Nacional de Comércio de Timor Leste will provide counterpart support in the form of staff time, office space for consultants (including furniture and other office equipment), office supplies, workshop facilities, domestic transportation, and other in-kind contributions. The value of government contribution is estimated to account for approximately 10% of the total TA cost.

^a Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF-V).

Source: Asian Development Bank estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

A. Objectives and Scope

1. The outline terms of reference (TOR) for consultants describes the main tasks for the outputs of the proposed capacity development technical assistance (TA). The Pacific Liaison and Coordination Office of the Asian Development Bank will coordinate the TA. The required areas of expertise for the international experts for phase one include, but are not restricted to, commercial banking, audit, financial management, strategy, branchless banking, information technology (IT), and training. The inputs for phase two are not yet allocated and the respective TOR for phase-two consultants will be determined after phase one. More detailed TOR will be formulated at a later stage but before consultant recruitment. Language is an issue at BNCTL. Most operational staff do not speak English. All TOR therefore include a request for conversational Bahasa or Tetum. Should this significantly reduce the likely pool of qualified consultants, BNCTL will organize an interpreter.

B. Terms of Reference for Phase-One Consultants

2. **Banking operations advisor** (individual, international, 70 person-days, intermittent). The advisor will review, with the operations department manager, the operations of Banco Nacional de Comércio de Timor-Leste (BNCTL) with a view to realigning them, as necessary, with the board's commercial transformation objectives. The advisor will especially assess the credit, treasury, and retail operations to ensure that products and systems are appropriate for a commercial bank. With the IT specialist, the advisor will review the IT infrastructure needed to support bank operations.

3. The advisor must have (i) experience in establishing and/or managing operations departments in commercial banks in developing countries, and preferably in Asia and the Pacific; (ii) at least 10 years of relevant professional work experience in operational aspects of commercial banking, particularly in credit, retail, and treasury operations; (iii) at least 5 years of relevant professional work experience in a managerial capacity in a commercial bank; (iv) demonstrated experience in developing and implementing business plans for a commercial bank; and (v) demonstrated experience in developing and/or enhancing deposit and loan products, including electronic banking products.

4. The advisor will have suitable tertiary academic qualification in business administration, economics, or finance, preferably at a postgraduate level (master of arts [MA], MA in Business Administration [MBA], or equivalent). The advisor will need to be fluent in English and be able to converse in Bahasa Indonesia and/or Tetum. Sensitivity to gender issues will be crucial to ensure that data is collected on a sex-disaggregated basis. The expert will be able to work in phase two, if required. Phase-two input will be determined after completion of phase one.

5. **Banking information technology expert** (individual, international, 70 person-days, intermittent). The expert will review the current IT systems and provide recommendations of what strategic IT infrastructure improvements are needed to be able to accommodate future growth and development into a commercial bank. In particular, this will involve (i) strategic review and assessment of current IT operations; (ii) recommendations for future IT infrastructure needs in line with BNCTL's business plan and the board's commercial transformation objectives; (iii) preparations for the business requirements for any planned IT investment, including an IT road map; (iv) support for BNCTL in consultations and negotiations with potential core banking system vendors; and (v) support for implementation and capacity building, as needed.

6. The expert must have (i) experience in establishing and/or managing IT departments in commercial banks in developing countries, and preferably in Asia and the Pacific; (ii) at least 10 years of relevant professional work experience in IT operations in commercial banks; and (iii) demonstrated experience in developing and implementing IT infrastructure in a commercial bank.

7. The expert will have appropriate tertiary academic qualification in IT, finance, or similar, preferably at a postgraduate level (MA, MBA, or equivalent). The advisor will need to be fluent in English and be able to converse in Bahasa Indonesia and/or Tetum. Sensitivity to gender issues will be crucial to ensure that data will be collected on a sex-disaggregated basis. The expert will be able to work in phase two, if required. Phase-two inputs will be determined after completion of phase one.

C. Indicative Terms of Reference for Phase-Two Consultants

8. **Credit risk management expert** (individual, international, intermittent). The expert will review the current credit risk management system, relevant policies, and procedures to ensure that system, policies, and procedures are able to accommodate growth in lending and diversification of the loan portfolio, e.g., moving from payroll lending to lending to small and medium-sized enterprises which requires different types of systems and procedures. This will include reviewing current job descriptions for loan staff as well as assessing their capacity for skills improvement. The expert will work closely with the bank operations advisor, treasury, and IT banking expert.

9. The advisor must have (i) experience in credit risk management at operational and managerial level in banks in developing countries, and preferably in Asia and the Pacific; (ii) at least 10 years of relevant professional work experience in credit risk management in commercial banks; and (iii) demonstrated experience in developing and implementing system, procedures, policies, and processes for credit assessments of various types of credit products.

10. The advisor will have appropriate tertiary academic qualification in finance or similar, preferably at a postgraduate level (MA, MBA, or equivalent). The advisor will need to be fluent in English and be able to converse in Bahasa Indonesia and/or Tetum. Sensitivity to gender issues will be crucial.

11. **Treasury expert** (individual, international, intermittent). The expert will review the financial management, asset, and liability management system in BNCTL. The expert will suggest improvements to BNCTL systems, which will enable BNCTL to adequately match assets and liabilities, terms, interest rates, liquidity, and gap analysis. The expert will work closely with the banking IT expert and banking operations advisor.

12. The expert must have (i) experience in treasury operations in commercial banks in developing countries, and preferably in Asia and the Pacific at a managerial level; (ii) at least 10 years of relevant professional work experience in treasury operations in commercial banks; and (iii) demonstrated experience in managing treasury functions in a commercial bank.

13. The expert will have suitable tertiary academic qualification in finance or similar, preferably at a postgraduate level (MA, MBA, or equivalent). The expert will need to be fluent in English and be able to converse in Bahasa Indonesia and/or Tetum. Sensitivity to gender issues will be crucial.

14. **Banking product and marketing expert** (individual, international, intermittent). The expert will work with BNCTL to develop or define BNCTL's product range. In line with the strategic plan, the expert will support the review of the current product range, including product costing; market assessments for new products, development of new credit and savings products, as well as fee-based products; and review of supporting IT systems as well as requirements for processes and procedures. The expert will suggest marketing and branding strategies for BNCTL's product range. The expert will work closely with the banking operations advisor, banking IT expert, and credit risk management expert.

15. The expert must have (i) experience in banking product development and marketing of products in commercial banks in developing countries, preferably in Asia and the Pacific; (ii) at least 10 years of relevant professional work experience in development and marketing of banking products, including using new technologies for service delivery channels such as branchless banking; and (iii) demonstrated experience in developing, marketing, and branding of banking products.

16. The expert will have appropriate tertiary academic qualification in marketing, finance, or similar, preferably at a postgraduate level (MA, MBA, or equivalent). The expert will need to be fluent in English and be able to converse in Bahasa Indonesia and/or Tetum. Sensitivity to gender issues will be crucial.