

BANKIGA DHEXE EE SOOMAALIYA



البنك المركزي الصومالي

CENTRAL BANK OF SOMALIA

## Terms of Reference for Central Bank of Somalia (CBS) Reserve Management (RM) Expert

Country:	<b>Republic of Somalia</b>
Project:	<b>Somalia Capacity Advancement, Livelihood, and Entrepreneurship, through Digital Uplift Program (SCALED-UP)</b>
Implementing Agency:	Ministry of Finance
Funded by:	World Bank

### 1. Background to the Organization

The Central Bank of Somalia plays a crucial role in driving inclusive economic growth and poverty reduction within the Somali nation. Its primary objectives are to ensure price stability and establish a robust, modern, and sound financial system. To achieve these goals, CBS has implemented a reform program focused on formalizing the financial sector, implementing effective monetary policies, and strengthening banking operations. These reforms prioritize good governance, organizational effectiveness, and transparent reporting.

The Central Bank is benefitting from the Somalia Capacity Advancement, Livelihoods and Entrepreneurship through the Digital Uplift Project (SCALED-UP), a World Bank-funded investment lending project. The project aims to enhance access to digital financial and government services, focusing on helping women entrepreneurs and workers. It consists of three parts: strengthening institutions, enabling financial and digital services, and project management.

### Central Bank Reserve Management

The CBS Reserve Management function aims to achieve three objectives: (i) provide sufficient foreign exchange reserves to meet the country's needs, (ii) prudently manage liquidity, market, and credit risks, and (iii) generate reasonable earnings over the medium to long term, considering to liquidity and other risk constraints.

Somalia is currently undergoing an extensive process of structural reform, with a focus on revitalizing its financial sector after a thirty-year hiatus. The country has embarked on a comprehensive, wide-ranging reform agenda to enhance macroeconomic policy management, economic governance, and institutional capacity. The Central Bank is working towards a vision of a modern, competitive financial sector and has established a roadmap to facilitate and this transition.

As Somalia's FX reserves are expected to increase in the coming years, CBS management recognizes the need to enhance the skills of their Reserve Management Division's front, middle, and back-office staff. They aim to develop policies and strategies that align with global best practices for CBS Reserve Management. Prior to launching investment operations, it is crucial to establish Reserve Management Policies and Asset Allocation strategies in line with the ongoing institutional reforms of CBS.

The objective is to improve the CBS reserve management function by enhancing the professional capacity of the Financial Market department's Reserve Management Division. This will involve training the core staff in the skills and expertise to identify investment opportunities and recognize risks associated with specific investment assets.

To successfully implement CBS's RM operations and improve efficiency, the consultant will provide extensive guidance in developing policies, procedures, and practices that align with global standards and best practices.

## **2. Objectives and Scope of Assignment**

As a consultant, your role will be to provide assistance to the Financial Markets Division in the establishment of a fully Operational Reserve Management department. Your expertise and experience will be put to use in mentoring and guiding Reserve Management employees on practical risk control and analysis processes using relevant tools. Additionally, you will collaborate with the department's staff to review and finalize drafts of the Reserve Management investment policy, operational procedures, and governance structure, with the objective of developing appropriate asset allocation strategies.

The consultant will be required to undertake the following tasks:

- Provide guidance on how CBS can effectively manage its asset exposure in different currencies.
- Offer solutions to address potential issues that may arise in countries where CBS has a portfolio while creating necessary reports and deliverables for CBS.
- Provide guidance on how to create effective governance, policies, and procedures for managing CBS reserves. This will include establishing a clear framework of responsibility and accountability.
- Recommend, where necessary, any actions that CBS may be required to undertake to optimize the performance of identified investments.
- Prepare and submit monthly, quarterly, and annual progress reports.

## **3. Deliverables and Reporting Requirements**

The Consultant shall prepare and deliver the following report to CBS throughout the assignment:

- Develop an investment enhancement plan and risk mitigation strategy.
- Draft operational procedures manuals for the core banking system with department staff.
- Design a training manual to help the Financial Markets staff improve their skills and knowledge and fill any gaps in their capacity.
- Evaluate CBS's financial positions to recommend asset allocation and investment portfolios.
- Provide guidance on how CBS can effectively manage its asset exposure in different sectors.
- Ensure that the risk measures used, and their calculation methods follow industry standards.

- Provide guidance on how to create effective governance, policies, and procedures for managing CBS reserves. This will include establishing a clear framework of responsibility and accountability.
- Recommend, where necessary, any actions that CBS may be required to undertake to optimize the performance of identified investments.
- Assist Department employees in preparing and submitting comprehensive, quarterly, and annual progress reports.

### **Quarterly and Annual Management Report**

During the project, the Consultant will help the department employees create Quarterly and Annual Management Reports that outline the tasks completed in each quarter. The reports will showcase important achievements, noteworthy milestones, and any obstacles faced.

**Acceptance:** Upon acceptance by the Executive Director/Deputy Governor/Governor, the Quarterly Management Report and Consolidated Summary Report are approved, along with their acceptance certificate.

## **4. Duty Station**

The consultant will be stationed in Mogadishu during his contract, and his service will be delivered on-site in Mogadishu; other related arrangements will be discussed and confirmed with the consultant prior to signing the contract.

## **5. Duration of Assignment**

The contract period will run for twelve (12) months, with an option for extension depending on the performance.

## **6. Remuneration**

This is a lump sum contract payable against milestone and accompanying report submitted to CBS—the Executive Director overseeing the Financial Markets Department.

## **7. Reporting and Organizational Arrangements**

The Consultant shall report to the Director of the Financial Markets department, who will facilitate and organize all the necessary access to resources and communication with all stakeholders and expert teams.

## **8. Consultant qualifications**

- Holding a master's degree in finance economics or an MBA with a finance concentration is preferred.
- The Consultant shall have ten years of practical experience in Central Bank's Reserve management (sovereign FX management); having monetary policy implementation experience is an added advantage.
- The consultant should have experience operationalizing sovereign Forex Reserve, including Modelling financial instruments and portfolio strategies, evaluating risk-return strategies, performing Asset and Liability matching, and analyzing, recommending, and reporting on the structure.

**Preferred skill and competence**

- Demonstrating experience trading across a variety of platforms and demonstrates a high degree of comfort in understanding, communicating, taking, and managing risk.
- Possessing excellent relationship management, interpersonal, and communications skills