

Terms of Reference for Consultancy Services in Sovereign Risk Analysis

Background:

The Credit Risk Analysis Division (CRAD) plays a critical role in JICA's institutional risk management framework, as it is responsible for assessing and monitoring the credit risk of the countries to which JICA provides concessional sovereign loans. JICA requires skilled and knowledgeable experts, preferably with relevant regional backgrounds, who can supplement CRAD's work through professional macroeconomic assessment and sovereign risk analysis of the four (4) selected countries—Jamaica, Kenya, Vietnam, and India.

Objectives:

The objectives of the consulting services are:

1. To review the current political and economic situation of the selected countries, as well as strategies and policies currently being implemented by their national governments and to specify issues to focus during the macroeconomic assessment.
2. To make an assessment of the current political and economic situation of the selected countries, including prospects/risks over the medium term and possible structural reforms to address them, based on discussions with government authorities and private sector representatives undertaken during the mission.
3. To improve the macroeconomic analytical skill of economists in CRAD including a Financial Programming (FP) exercise that provides a medium-term economic outlook for each of the selected countries over the next five (5) years, and a Debt Sustainability Analysis (DSA) to assess the selected countries' current level of debt and prospective borrowing which affect their ability to service sovereign and / or sovereign-guaranteed debt over the next five (5) years for Market Access Countries (MAC) or the next twenty (20) years for Low Income Countries(LIC).
4. To conduct a four (4)-day training seminar in Tokyo on FP and DSA for JICA staff members to develop their knowledge and skills in these areas.

Scope of Work:

1. The consultants shall attend a kick-off meeting at the JICA USA office, which CRAD personnel will attend remotely, after signing the contract in order to confirm the overall schedule and framework of each mission.
2. The consultants shall perform the following for each mission;

2-1 Before the mission

- a) After preliminary study, the consultants shall attend a country-specific kick-off meeting at the JICA USA office, which CRAD personnel will attend remotely, and make a fifteen (15)-minute presentation about their view of the current political and economic situation of the country, as well as provide an initial risk assessment and propose a detailed focus of the mission. The country-specific kick-off meetings will be held one and half (1.5) months prior to each mission.
- b) The consultants shall submit to JICA a list of contacts for meetings, questionnaires for discussion, as well as a mission Strategy Note (SN) at least one (1) month prior to each mission. The SN shall address the current political and economic situation of the country, its macroeconomic and socioeconomic challenges, a medium-term outlook including risks, and the detailed focus of the mission.

2-2 During the mission

- c) One (1) consultant assigned to each selected country shall accompany a mission from JICA to the country and hold meetings with government ministries/agencies and relevant institutions, including commercial banks and international organizations, in line with the outcomes of the kick-off meeting and approved SN. In addition, the consultant and the economist in CRAD, who is in charge of the mission, visit at IMF Head Quarter for discussing the current macroeconomic situation with IMF mission chiefs (if possible).
- d) The consultant trains the economist in CRAD for improving their analytical skill mainly for conducting FP and DSA related to each of the selected four (4) countries.

2-3 After the mission

The consultant shall submit the draft Final Report (FR) for JICA's comments within two (2) weeks after the conclusion of the appraisal mission. JICA will give feedback to the consultants with comments on the draft FR within two (2) weeks after receiving the draft FR. The consultant shall revise the FR reflecting JICA's comments, and re-submit to JICA the revised FR within two (2) weeks after receiving JICA's feedback. The entire report writing and review process following the mission will take six (6) weeks in total.

3. Seminar

One (1) consultant shall prepare and conduct a four (4)-day training seminar on FP and DSA in Tokyo. The seminar will target JICA staff with an intermediate level of skill in these areas. The training course shall cover the frameworks of FP and DSA,

as well as practical exercises to elucidate these frameworks. The detailed methodology of the seminar shall be elaborated after the signing of the contract, in consultation with CRAD. The consultant is requested to submit the materials and presentation slides for the seminar one (1) week before the seminar is held for JICA's comments. The tentative agenda of the seminar is as follows:

Period	Topic/agenda
1st day	Concept and framework of FP in the context of International Monetary Fund (IMF) programs
2nd day	Discussion on real sector, monetary accounting and analysis, fiscal accounts and Balance of Payments accounts
3rd day	Interrelations among macroeconomic accounts: the flow of funds Practical application of FP (case study)
4th day	Concept and framework of DSA Integration of FP and DSA Practical application of DSA (case study)

Minimum Qualifications of Consultants:

1. One (1) well-experienced economist, who must have a Master's degree or, preferably, a Doctorate degree, shall be assigned to each of the selected countries.
2. The consultant for each selected country is required to possess extensive practical experience (5+ years) carrying out FP exercise and DSA according to International Monetary Fund standards.
3. The consultant is preferred to be familiar with the political and economic issues of the selected countries or the regions in which the selected countries are located.

Deliverables to be submitted to JICA:

1. Lists of meetings, questionnaires for discussion, and the mission Strategy Notes (SN) which outline the strategy of each mission;
2. Documents and materials obtained during the missions;
3. Final Reports (FR) with references, figures and tables (Maximum fifty (50) pages in general)*;
4. Other relevant materials requested by JICA.

*The basic structure of the FR is as follows:

Review of recent political and macroeconomic developments:

- a) Political situation;
- b) Real sector: economic growth, inflation, domestic investment and savings;

- c) Fiscal policies (including impact of and response to shocks, and sustainability issues) and public debt;
- d) Monetary policy, financial sector and exchange rate (including impact of and response to shocks, and health/soundness of the banking system and its resiliency/capacity to cope with shocks);
- e) External sector: current account, capital and financial account, international reserves, and external debt.

Note: Discussions in the report shall be clearly supported by data. The consultants shall also clarify all citations made and data sources used in the report. All tables and graphs in the FR are requested to be formatted in a way that facilitates readability.

Tentative Schedule:
 April 2018 – March 2019

	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19
Start of contract	█											
Kick-off meeting after contract		█										
Kick-off meeting for Jamaica			█									
Strategy note for Jamaica				█								
Mission for Jamaica					█							
Training for Jamaica						█						
FR for Jamaica							█					
Kick-off meeting for Kenya		█										
Strategy note for Kenya			█									
Mission for Kenya				█								
Training for Kenya					█							
FR for Kenya						█						
Kick-off meeting for Vietnam						█						
Strategy note for Vietnam							█					
Mission for Vietnam								█				
Training for Vietnam									█			
FR for Vietnam										█		
Kick-off meeting for India						█						
Strategy note for India							█					
Mission for India								█				
Training for India									█			
FR for India										█		
FP/DSA seminar											█	
End of contract												█

The above schedule is subject to political and security situation.
 The actual schedule will be determined jointly by JICA and the consultant team after the selection of consultants is made.

Total Estimated Person/Months Required:

1. The estimated Person/Months (P/M) required for the credit risk assessment work is 15.33 P/M (including research assistants).
2. The estimated P/M required for the FP/DSA training seminar is 0.43 P/M.