

## **TERMS OF REFERENCE (TOR)**

### **Feasibility Study on the Establishment of a Credit Union Bank in Tonga**

The Cooperative movement plays a significant role in the economy of Tonga, with 22 co-operative societies and 9 Credit Unions registered and active in 2005/06. They are managed by the department of co-operatives and credit unions within the Ministry of Commerce, Labour and Industries (MCLI). Most of the coop societies are in the agricultural sector, Consumer credit and marketing. In 2006, they had nearly 10,000 Tongans as members, with a combined turnover of \$36 million and an asset base of over \$15m.

The sector is rapidly growing and therefore a viable and vibrant credit union bank may play a crucial role in further development of the sector and the country. If found viable, the credit union bank established would cater for the financial needs of the low income groups, thus encouraging savings and investments and contributing to poverty alleviation in the country.

The project is being supported through the Commonwealth Service Abroad Programme (CSAP), under the Governance and Institutional Development Division (GIDD) within the Secretariat. The study is expected to take a maximum of three months in two possible phases.

#### **i. Tasks to be performed by the experts:-**

The following are the main tasks to be performed by the experts;

1. An initial desk study and literature review on the feasibility of establishing a credit union bank in Tonga. This will cover the following main areas;
  - (i) The economic situation and trends;
  - (ii) Review the financial services sector and how it interfaces with the existing credit unions and co-operatives in the country.
  - (iii) The status of existing credit unions in the country, their viability including their financial viability and growth trends
  - (iv) The legal and policy framework currently in place and any changes necessary to improve the operating environment of the credit unions;
2. Liaising with the necessary Government Departments; consult with relevant stakeholders, including staff of the Ministry of Commerce, Labour and Industries, Ministry of Finance, the Reserve bank of Tonga and the existing credit unions and members of the credit union league in the country in order to determine economic and financial viability of a credit union bank (CUB).
3. Prepare a report outlining outcomes of the study and recommendations.
4. Liaising with the Ministry of Commerce, Labour and industries staff, present the report to the relevant authorities and GIDD/CSAP.

If the study recommends the establishment of a credit union bank in the country, activities of a possible phase II of this assignment may entail;

5. Assist in designing an appropriate model for a credit union bank recommending an appropriate funding and shareholding requirements of the proposed Credit Union Bank, in line with legal and policy framework in the country;

6. Recommending an appropriate legal and management structure of the proposed CU bank.
7. Advise on the necessary capital and staffing requirements of the proposed credit union bank.
8. Advise on the initial strategy of rolling out the Credit Union Bank

The expert will be expected to develop a plan of action to be agreed with the Permanent Secretary in the Ministry of Commerce, Labour and Industries and submit it two weeks after being in post.

**ii. Duration:-**

The expert/s time is required initially for a maximum of six weeks. If the initial study recommends the establishment of a credit union bank, the expert/s will be expected to assist in designing an appropriate model for a credit union bank, with the total period not exceeding three months.

**iii. Desirable qualifications:-**

The following are the desired qualification for the expert;

- A minimum of bachelor's degree in social sciences, Business administration, Economics or Finance.
- Ten years experience in management within the co-operative sector, particularly in the management of credit unions credit union bank, savings and credit organisations or commercial banking or a financial services organisation.
- Good liaison and communication skills in a multi-cultural setting;
- Proficiency in IT applications for business.
- Good report-writing and editing skills with ability to produce high quality work independently.

**iv. Conditions of Service:-**

The expert would serve under the following conditions;

- All travel expenses will be paid including a return economy class air ticket.
- An allowance will be paid to cover accommodation & living costs.
- Medical and personal accident insurance will be provided.