

TERMS OF REFERENCE (TOR)

Diagnostic report on Responsible Business Conduct (RBC) in the Financial Sector in Southern Africa

I. BACKGROUND

The OECD Directorate for Financial and Enterprise Affairs (DAF) assists policy makers to foster fair and efficient markets that deliver inclusive economic growth and, in turn, better lives.

Under the OECD's [Guidelines for Multinational Enterprises](#) (MNE Guidelines) the OECD developed a range of due diligence standards, including the [OECD Due Diligence Guidance for Responsible Business Conduct](#) (cross-sectoral) and standards specific.

The important role of financial service providers in driving global sustainability agendas has led to an increase in expectations of this sector with respect to responsible business conduct (RBC) and Environment, Social and Governance (ESG) considerations. The OECD work on RBC in the Financial Sector aims to support practitioners in the financial sector implement the MNE Guidelines with the broader aim of having the financial sector serve as an important driver of RBC and sustainability globally. Specifically, the project identifies practical approaches for how different types of financial institutions can implement the due diligence approach recommended under the MNE Guidelines to manage social and environmental risks associated with their clients and investments and suited for specific transactions.

Under this project the OECD has already developed guidance for institutional investors ([Responsible Business Conduct for Institutional Investors](#), 2017), corporate lending ([Due Diligence for Responsible Corporate Lending and Securities Underwriting](#), 2019) and for project and asset finance transactions ([Responsible Business Conduct Due Diligence for Project and Asset finance transactions](#)). They include targeted recommendations across the various steps of the due diligence process importantly, they help move away from traditional compliance and support an approach that is meaningful, prioritises preventing and mitigating environmental and social impacts and incorporates stakeholder engagement. These papers have been approved by 51 governments and endorsed by business, trade unions and civil society through a multi-stakeholder advisory group.

In addition, the OECD has been engaging with policymakers, practitioners and civil society in [Asia](#) and [Latin America and the Caribbean](#) to promote RBC standards and increase the uptake of due diligence in the financial sectors in these regions. Under these outreach regional programmes, the OECD has undertaken a number of activities, including training, capacity building and policy advice, as well as diagnostic reports¹ to better assess integration of RBC/ESG considerations in the financial sector, both in practice and in policy.

In a similar fashion, to support implementation efforts of responsible business conduct by host countries of financial sector practitioners in Southern Africa, **the OECD is commissioning a study and is now calling for proposals for a regional diagnostic of RBC/ESG² integration in the financial sector.**

II. RATIONALE

¹ The OECD has published three diagnostic reports on RBC in the financial in [Costa Rica](#), [Panama](#) and [Latin America and the Caribbean](#).

² "RBC" and "ESG" terminology both relate to environmental, social and governance considerations, which drive and define sustainable finance approaches and activities. "ESG" is commonly used to discuss environmental, social and governance issues which pose financial risks. RBC risks refer specifically to the risks of adverse impacts with respect to issues covered by the OECD Guidelines for Multinational Enterprises — impacts on society (including human rights and labour) and the environment, independent of financial impact to the company itself. In practice, RBC risks can also have financial implications (negative or positive) for the company concerned.

The objective of this term of reference is to source a Consultant(s) to provide a diagnostic of how the financial sector³ and related regulatory frameworks in Southern Africa, and specifically financial sector leaders in the region are integrating ESG issues and map main actors of the sustainable finance field. The diagnostic report should lead to strategic recommendations on how to advance due diligence for RBC in the financial sector and the targeted countries and inform policymakers, development finance institutions, other financial service providers and donors on how to better integrate and implement the standards.

The OECD Secretariat is seeking an experienced Consultant(s) with an extensive knowledge of the financial sector and the region to analyse the stock state of ESG and due diligence practices in financial services in the region. This would require thorough understanding and experience with the OECD MNE Guidelines and financial sector-specific guidances. **The diagnostic will be based on desktop research and interviews with relevant stakeholders, and result in a report with key findings and strategic recommendations based on the research. The main deliverable will be submitted as a final draft for publishing by the OECD.**

III. SCOPE OF WORK

The OECD will work in collaboration with the Consultant(s) to produce a diagnostic based on the format developed for other countries and regions (see footnote 1). The diagnostic report will include an analysis on the following:

1. **High-level mapping of regulatory actors.** This will include an overview of the main regulatory agencies involved in overseeing the financial sector in Southern Africa (e.g., central banks, supervisors, securities regulators, etc.). It may also include key sub-national or regional bodies. Other than identifying the stakeholders, the mapping exercise will include the agencies' competencies (and the respective legal/regulatory reference).
2. **Research on regulations/policies or initiatives⁴ (or lack thereof) regarding expectations of financial sector practitioners⁵ to integrate RBC/ESG issues⁶ into governance, strategy and risk management.** Relevant areas of policy analysis may include:
 - Disclosure/reporting expectations on ESG issues for financial service providers, including taxonomies.
 - Scope of fiduciary duties (as relevant) and existence (or lack thereof) of mandates for financial service providers to integrate ESG issues into investment, finance, or advisory processes.
 - Expectations (or lack thereof) that ESG risks are understood and discussed at board level and embedded into the strategy of a financial service providers.
 - Extent to which supervisory authorities are called on to support/engage with financial service providers to ensure effective integration of the ESG issues into risk management and activities.
 - Product specific frameworks (i.e., green, social or sustainability bonds frameworks).

For all policy areas examined the scope of application (e.g., types of funds, products or services covered) as well as types of risks covered (e.g., climate, human rights, corruption issues etc.) and any thresholds (materiality, monetary value etc.) should be outlined.

³ For the purposes of this diagnostic the term 'financial sector' includes institutional investors (investment managers and asset owners including pension funds), commercial and public banks, export credit agencies, and capital markets. The scope of the research may be further refined by the consultant in consultation with and with the agreement of the OECD.

⁴ This may include law/regulation as well as government policy, action plans, or voluntary stakeholder initiatives related to promoting ESG in the financial sector

⁵ See footnote 3

⁶ See footnote 2

3. **Research on policies and practices of Southern Africa financial institutions⁷ with respect to RBC/ESG integration**
 - a. Extent to which the top 10 largest Southern African institutional investors, funds, commercial banks and development finance institutions integrate ESG issues into their activities and decision making processes. This may include:
 - i. Scope of RBC/ESG policies and coverage of those policies, including reference to international standards such as the OECD MNE Guidelines, Equator Principles, UN PRI, UN Guiding Principles on Business and Human Rights, IFC Performance Standards, etc.)
 - ii. Overview of ESG strategies (exclusion, integration, impact) and coverage of strategies across client/investment portfolios.
 - iii. Size and profile of ESG teams.
 - iv. Incentive structures related to ESG performance (where relevant)
 - b. Extent to which the stock and commodity exchanges of Southern African economies requires ESG reporting by listed companies.

For ESG policies and practices the scope of application (e.g., types of funds, products or services covered) as well as types of risks covered (e.g., climate, human rights, corruption issues etc.) and any thresholds (as relevant) (materiality, monetary value etc.) should be outlined.

The Consultant(s) is also expected to perform an analysis of the how financial institutions in Southern Africa (including local branches of foreign financial institutions) are currently implementing risk-based due diligence approach that would foster alignment and consistent application of the MNE Guidelines and guidances across countries. This includes the following components:

IV. PHASES OF WORK

In developing the diagnostic report, the consultant will carry out the following three phases of work:

- ▶ **Phase 1: Desktop research and selected interviews.** The consultant(s) will conduct desktop research and interviews on the topics covered by the diagnostic report, following a kick-off and scoping meeting with the OECD. The OECD will review the research methodology for the desktop research including the sources to be used, the interview questions and list of interviewees.
- ▶ **Phase 2: Drafting of diagnostic report.** The OECD is expected to review a: draft outline (i.e., structure) of the report and three drafts of the report, however, this may be increased if needed. The final report should follow the OECD style guide. Following the second draft of the report, the OECD will manage and facilitate a consultation process with stakeholders. Feedback will be aggregated by the OECD Secretariat and shared with the Consultant(s) for inclusion in the final report.
- ▶ **Phase 3: Drafting final report.** The consultant(s) should reflect additional feedback from stakeholders in the final report. The final report should follow the [OECD style guide](#).

The Consultant(s) is expected to provide regular updates to the OECD.

V. DELIVERABLE

The Consultant(s) is expected to produce a **diagnostic report** (the deliverable) covering the topics indicated in Scope of Work. The full report is expected to be 20 – 25 pages.

The sections of the report are expected to include the following:

- A. Summary of key findings (1-2 page)
- B. An introductory high-level overview of the financial sector in Southern Africa (2-3 pages)

⁷ With a specific focus on institutional investors, banks, and development finance institutions.

- C. Focus on Southern African economies (7-10 pages)
 - a. Methodology and also limitations of the research, including gaps in available information
 - b. Mapping of financial regulatory actors in Southern African economies
 - c. Research on regulation/policy/initiatives (or lack thereof) in Southern African economies regarding expectations of financial sector practitioners to integrate RBC/ESG issues
 - d. Research on policies and practices of Southern African financial institutions with respect to RBC/ESG integration
- D. Conclusions and recommendations (1-2 pages)

VI. ESTIMATED TIMELINE

The project is expected to take place over a period of approximately 4-6 months. Therefore, consultants bidding for the project will be expected to conduct research within the timeframe. The Consultant is expected to deliver the diagnostic report by end of **Q4 2023**, (mid December 2023).

VII. MINIMUM REQUIREMENTS FOR BIDDERS

Candidates responding to this request for proposal (RfP) shall demonstrate the following minimum requirements:

- a demonstrated 7+ years expertise on ESG issues in the financial sector
- experience working with the financial sector within the region (experience may include research or other project work)
- an understanding of the relevant policy environment of African economies
- a proven record of strong analytical and drafting skills, experience designing and conducting interviews, and project management
- full written and oral proficiency in English (and French would be a plus).
- Available to conduct the research within 4-6 months of signature of the contract (expected start date of TBC).

In addition to this, it is recommended that the candidate(s) have:

- substantive knowledge of OECD tools and instruments relating to responsible business conduct (e.g. [OECD Guidelines for Multinational Enterprises](#), the [OECD Due Diligence Guidance for RBC](#), [Responsible Business Conduct for Institutional Investors](#)), [Due Diligence for Responsible Corporate Lending and Securities Underwriting](#), and [Responsible Business Conduct Due Diligence for Project and Asset finance transactions](#)), or other relevant instruments (e.g. UN Guiding Principles on Business and Human Rights, IFC Performance Standards, etc.)

VIII. RESPONDING TO THE REQUEST FOR PROPOSAL

The deadline for submitting proposals is 30 May 2023. Offers received after this deadline may not be considered. Applications shall be sent by email before the deadline to Benjamin.michel@oecd.org and Anne.nestour@oecd.org

To participate in this RfP, interested bidders are requested to provide a technical offer (the technical offer includes the concept note, CV(s) and written sample) and budget proposal in two separate documents. The technical proposal shall not mention any information regarding the financial proposal.

Candidates responding to this RfP shall provide:

- A **CV** of the key elements of the proposed Consultant(s) team, highlighting relevant work professional qualifications and work experience related to the minimum requirements (section VII).
- A **budget proposal** providing the cost to carry out the services and provide the deliverables described above; and
- A **concept note** (no more than 2 pages) including a description of the applicants' expertise ESG, sustainable finance, policy analysis; experiences working on Southern African economies; a general description of the Consultant(s) availability to undertake the project in conformance with the proposed set of tasks and the timeline that has been proposed; proposed governance of the project (including roles and responsibilities of each member of the Consultant(s) team if applicable); and a high-level workplan including the timeframe when the bidder will be able to start and complete the tasks.