TERMS OF REFERENCE

ENVIRONMENTAL & SOCIAL (E&S) RISK MANAGEMENT CAPACITY BUILDING AND ENVIRONMENTAL & SOCIAL MANAGEMENT SYSTEM (ESMS) AUDIT

Reference No: NG-DBN-289289-CS-CQS

Hiring of a firm of consultants to assist Development Bank of Nigeria to build capacity of Participating Financial Institutions in Environmental & Social Risk Management.

1 BACKGROUND

The Development Bank of Nigeria (DBN) is a wholesale Development Finance Institution licensed and supervised by the Central Bank of Nigeria, with the objective of addressing the access to finance gaps of underserved Micro, Small and Medium Enterprises (MSMEs) in Nigeria. With business and governance models based on internationally recognized good practice and substantial commitment of capital, the DBN will perform a catalytic role with potentially transformational impact, by facilitating financially sustainable and transparent access to finance for underserved MSMEs. This will be achieved by supporting the development of diverse lending products, including the provision of medium- and long-term loans in local currency (Naira) and partial credit guarantees (through its wholly owned subsidiary IMPACT Credit Guarantee Company [ICGL]), to be provided to eligible Participating Financial Institutions (PFIs) with a view to expanding their outreach to MSMEs and, to a limited extent, small corporates. The DBN has been registered as a public limited liability company and is regulated, licensed, and supervised by the Central Bank of Nigeria (CBN).

The operations of Development Bank of Nigeria (DBN) are being supported by funding provided by the World Bank and other development partners, namely: the African Development Bank (AfDB), the German Development Bank (KFW), the French Development Agency (AFD) and the European Investment Bank (EIB). Together, these partner institutions are providing contributions in the form of debt, equity and technical assistance for a combined value of over US$1.3 billion.

To date, the DBN has achieved substantial implementation progress with initiating lending operations. Lending operations have been extended to fifteen microfinance banks, one mortgage Bank and nine commercial banks, with a volume of over N350billion all of which has been on-lent to over 135,000 borrowers, 57 percent of which were women. In addition, DBN issues Credit guarantees to support MSMSs through its wholly owned subsidiary IMPACT Credit Guarantee Company Limited.

To ensure environmentally and socially sustainable banking practices the DBN has developed and adopted the Environmental and Social Policy and Procedures[1]. x To ensure that PFIs continue to have what it takes to operationalize their ESMS, DBN has supported PFIs with capacity building especially for the Microfinance Banks who traditionally have limited resources to invest in such. So far, in four different modules cutting across Commercial Banks,

[1] https://devbankng.com/cms/uploads/Environmental-and-Social-Risk-Management-Policy.pdf

Mortgage Banks, and Microfinance Banks, DBN has trained over 200 employees of various PFIs ranging from policy making Executives to Environmental and Social Risk Coordinators to field loan officers as well as back-office control officers.

2 OBJECTIVES

In continuation of this deliberate effort to build industry capacity in operationalization of Environmental and Social Risk Systems, DBN seeks a qualified firm of consultants to provide capacity building sessions targeted at Loan Officers, Senior Business Managers, Risk Managers, Environmental and Social Risk Coordinators as well as allied roles from various PFIs including Merchant Banks, Mortgage Banks, Commercial Banks and Microfinance Banks.

An Individual consultant recently engaged provided support to DBN, IMPACT, and four selected PFI's towards implementation and compliance with DBN's Environmental and Social Policy and Procedures. Specific deliverables included the review of DBN's processes and procedures for managing Environmental and Social Risks as well as develop efficient and user-friendly tools and templates for identification, measuring and reporting E&S risks by PFIs in addition to training designated staff of PFIs and DBN in using such tools. Target PFIs were those whose ESMS were not very advance.

The proposed consulting service has a broader scope and wider target on PFIs, including those with fairly or already sophisticated ESMS.

3 SCOPE OF WORK

The assignment is expected to be conducted in two phases. In each phase of the assignment, the Environmental & Social Risk Management Consulting firm will conduct an audit of the DBN Group's ESMS. The Consulting firm will also deliver capacity building sessions for PFIs. The capacity building aspect of the assignment would be conducted in each phase, for a specific set of PFIs. Each phase of trainings will cover the topics listed in Section 3(a) below.

a. Capacity Building:

In each phase, the Environmental and Social Risk Management Consulting firm will develop capacity building content, share with DBN /WB for clearance and deliver same in a classroom or webinar format using appropriate tools and resources. The firm will conduct two sets of trainings, one in each phase of the contract. Trainings in each phase will be targeted at a specific set of PFIs prioritizing PFIs that are lagging in E&S compliance, in two different quarters splitting the topics listed below into two mutually exclusive sets OR all topics listed below taken in each training phase but split into basic sessions and advanced sessions.

Training content should cover but not limited to the following areas:

- Nigerian Sustainable Banking Principles: Operationalisation and implementation.
- IFC/World Bank Group performance standards.
- Environmental and Social risk Management Policy development and reviews.
- Operationalization of Environmental and Social Risk Management Systems.
- Environmental and Social Risk categorization process, measurement, and reporting.
- Grievance Redress Mechanism: Regulations, framework development, implementation, and reporting.

- Emergency Preparedness and response.
- Occupational Health and Safety.
- Focus on Gender, disability and inclusion
- Labour Laws.
- Green Finance: Challenges, opportunities, and quick wins.
- Fundamentals of an ESMS audit
- Fundamentals of ESG ratings & certifications
- Other topical issues on Environmental and Social Risk Management

b. ESMS Audit:

The Consulting firm will conduct two independent annual audits of the DBN Group's ESMS (DBN and ICGL), one in each phase of the assignment.

The Phase one audit will cover Financial Year 2021 (1^{st} January 2021 to 31^{st} December 2021), while the Phase two audit will cover Financial Year 2022 (1^{st} January 2022 to 31^{st} December 2022).

The audit is expected to review DBN Group ESMS against the standards of DBNs development partners.

4 DELIVERABLES AND TIMELINES

The Environmental and Social Risk Management Consulting firm will work under the supervision of DBN's Head - Risk, Assessment and Rating.

The assignment is expected to be completed in two phases over a period of 10 months. Phase 1 is expected to be concluded by November 2022, while phase 2 is expected to be concluded by May 2023.

I. **Phase 1a.**

Deliverables for the First set of trainings are listed below:

- Training materials and presentations slides for the first training session; including literature and reference materials related to the discussion topics- submitted not later than one month from contract execution.
- Classroom or webinar format capacity building sessions, including certificate of participation for attendees - delivered not later than two months from contract execution.
- Final training report and recommendations from the first training session - delivered not later than three months from contract execution.

II. Phase 1b.

Deliverables for ESMS Audit:

- Conduct annual (i.e., 2021 calendar year) audit of the DBN Group's ESMS (policy, process, procedure, and implementation, etc.) to be concluded not later than November of 2022. Submit final Audit Report approved by DBN.

III. **Phase 2a.**

Deliverables for the Second set of trainings (to be delivered Q1 2023):

- Training materials and presentations slides for the first training session; including literature and reference materials related to the discussion topics- submitted not later than 31st January 2023.
- Classroom or webinar format capacity building sessions, including certificate of participation for attendees - delivered not later than 28th February 2023.
- Final training report and recommendations from the first training session - delivered not later than 30th March 2023.

IV. **Phase 2b.**

Phase 2 is expected to be concluded by May 2023.

Deliverables for ESMS Audit: Conduct annual (i.e., 2022 calendar year) audit of the DBN Group's ESMS (policy, process, procedure and implementation, etc.) to be concluded not later than May of 2023. Submit final Audit Report approved by DBN.

5 PAYMENT SCHEDULE

The firm will be paid upon timely submission of agreed deliverables as stated in Section 4 above. Payment of contract sum will be made with respect to each deliverable as follows:

1. Phase one:

    - Development of training materials and presentations slides; Literatures and reference materials related to the topics discussed- 10% of the of phase one contract sum.
    - Classroom or webinar format capacity building sessions; Certificate of participation for attendees - 40% of phase one contract sum.
    - Acceptable final training report and recommendations- 10% of total contract sum.
    - successful audit of DBN Groups ESMS (policy, process, procedure, implementation, etc.) and submission of audit report -payment on 40% of phase one contract sum.

2. Phase two:
    - Payment structure similar to that of phase 1 stated in Section 5.1 above

6 MINIMUM QUALIFICATIONS & EXPERIENCE

The firm of consultant shall be required to possess the following experiences and qualification.

- With at least one principal partner having master's degree or equivalent in Business, Environmental Sciences, or related fields and at least 10 years of experience in the financial sector, of which at least 5 years of experience is directly related to environmental and social risk management in conjunction with financial intermediary lending, including related to donor funded MSME financing.
- Have experts with documented experiences that covers specific areas listed in the scope of work, section 2 of this TOR
- Must demonstrate recent experience with similar capacity building trainings pertaining to E&S risk management in a Development Finance Institution.
- Must demonstrate familiarity with the World Bank Group / IFC Performance Standards and Nigerian Sustainable Banking Principles.
- Demonstrated experience in Nigeria's regulatory environment with regards to environmental and social (e.g., labor) issues.
- Demonstrated working experience in financial sector operations, financial products, and credit processes particularly in MSME funding institutions.
- Demonstrated experience in delivering capacity building trainings on Environmental & Social Risk Management for Commercial and Microfinance Banks.