TERMS OF REFERENCE

Review of Risk Management Policies and Framework and Other Support

Reference No: NG-DBN-288997-CS-CQS

Hiring of a consultant to review relevant risk management policies and framework and provide support to Development Bank of Nigeria's current risk management processes and procedures.

1. Background

The World Bank-funded US$500 million Development Finance Project supports the establishment of the Development Bank of Nigeria (DBN), 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. The DBN provides private sector lenders with longer term financing in local currency and partial credit guarantees (through its wholly-owned subsidiary Impact Credit Guarantee Company – "IMPACT") in order to expand their outreach to MSMEs. With business and governance models based on internationally recognized good practice and substantial commitment of capital, the DBN is to perform a catalytic role with potentially transformational impact by facilitating financially sustainable and transparent access to finance for underserved MSMEs.

In addition to the World Bank, DBN is also being supported by funding provided by other development partners, namely: the African Development Bank, the German Development Bank (KFW), the French Development Agency (AFD) and the European Investment Bank (EIB). Together with the World Bank 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 achieve its mandate of increasing access to finance for MSMEs, DBN continuously seeks innovative and sustainable channels to reach MSMEs. Green & Climate Finance and Foreign Exchange Finance have been identified as means through which expanded lending can be provided to MSMEs.

As these channels introduce new risks to the operations of the Bank, risk management frameworks have been developed to help identify, mitigate, and monitor these risks to which the Bank would be exposed. The developed frameworks are namely:

- The Green Finance & Climate Risk Management Framework
- The Foreign Exchange Risk Management Framework

The Green Finance & Climate Risk Management Framework

This framework supports the Bank's strategy to expand its lending business to include green and other climate/low-carbon products. The Green Finance strategy details the Bank's strategy to lend to the green market sector through a Green Credit Line program and other permissible avenues. The Green Finance and Climate Risk Management Framework supports this strategy by defining the modalities for managing the risks associated with funding Green and Climate Finance.

The Foreign Exchange Risk Management Framework

This framework supports the Bank's strategy to explore alternative funding mechanisms and crowd-in other investment sources by raising capital from international partners through a bilateral agreement. It outlines the Bank's framework for Foreign Currency Exposure i.e., Funding, Lending, and Investment for Development Bank of Nigeria Plc ("the Bank" or "DBN"). This risk management framework provides guidelines for the identification, assessment, measurement, monitoring, controlling, and reporting of foreign exchange risk in line with the Bank's enterprise-wide risk management framework and best FX risk management practices.

2. Objective of the Assignment & Scope of Work

The purpose of the assignment is to:

I. Ensure that the newly developed risk management frameworks have correctly and adequately captured all relevant risks.

II. Put in place robust risk management processes and other related support services to ensure that DBN is fully protected.

The broad scope of work will include the following:

i. Review of the Green Finance & Climate Risk Management Framework
The Consultant will be required to review the existing Green Finance & Climate Risk Management Framework in accordance with international best practice for Development Finance Institutions (DFIs). The review shall consider the peculiar nature of DBN's operations and those of its clients and ensure that the relevant risks are captured and well mitigated.

ii. Review of the Foreign Exchange Risk Management Framework
The Consultant will be required to review the existing Foreign Exchange Risk Management Framework in accordance with international best practice for Development Finance Institutions (DFIs). The review shall consider the peculiar nature of DBN's operations and those of its clients and ensure that the relevant risks are captured and well mitigated.

iii. Carry out a Gap Analysis of the reviewed frameworks
Following the review of the two frameworks, the Consultant shall conduct a gap analysis showing improvement areas and relevant recommendations based on identified gaps.

iv. <u>Review the Bank's "green and climate finance" and "foreign exchange" processes</u>
The Consultant will also be required to review the processes of DBN with regards to green & climate finance and foreign exchange finance to ensure alignment with the reviewed frameworks and to ensure operational efficiency.

v. <u>Carry out a Gap Analysis of the processes reviewed</u>
Following the review of the processes, the Consultant shall conduct a gap analysis showing improvement areas and relevant recommendations.

vi. <u>Cure Identified gaps from Gap Analysis</u>
The Consultant will be required to cure all gaps identified by updating the relevant frameworks and proposing value adding amendments to the processes.

3. Deliverables and Reporting

The Consultant is expected to provide a detailed workplan, with details of job specific milestones and the timeline for completion of each milestone.

The Consultant shall work with relevant departments of the Bank in line with the job specific milestones that will be agreed upon.

The Consultant shall also be required to provide the following:

i. Report on the Gap Analysis of the reviewed frameworks.
ii. Report on the Gap Analysis of the processes reviewed.
iii. Final Report.

4. Terms of Payment

The firm will be paid upon timely submission and approval of deliverables as stated below. Deliverables shall be approved by the DBN's appointed Project Supervisor.

i. Report on the Gap Analysis of the reviewed frameworks (3 weeks after contract execution) – 20% of the total contract sum
ii. Report on the Gap Analysis of the processes reviewed to be delivered 5 weeks from the contract start date – 20% of the total contract sum
iii. Final Report to be delivered 8 weeks from the contract start date – 60% of the total contract sum

Terms of payment as stated above are subject to final agreed milestones/ deliverables to be agreed upon receipt of proposed workplan.

5. Timeline

The assignment will be over a period of two (2) months from the agreed commencement date.

6. Minimum Criteria for Selection

The Firm must be qualified to and have experience and proven track record of providing the proposed services. The Firm must moreover have the necessary team of experts and subject specialists required to deliver the services outlined in the Scope of Work and should show evidence of the following:

a. Evidence of at least five (5) years' demonstrated experience with the successful implementation of similar Green Finance & Climate risk projects in top financial institutions.
b. Evidence of at least five (5) years' demonstrated experience with the successful implementation of similar foreign exchange risk projects in top financial institutions.
c. Demonstrated experience in carrying out at least two (2) Development Finance institution projects in the last ten (10) years.
d. References (contact's name and email address) must be provided (in line with items a, b and c above).
e. Demonstrated understanding of the Scope of Work.
f. A workplan and implementation strategy must be presented.
g. Capacity to perform work within the proposed timeline; and
h. The qualification and experience of the key staff proposed.

7. Key Experts' Requirements

i. Green & Climate Finance Expert with over ten (10) years of experience and a Masters in a finance/business related field.

ii. Foreign Exchange Finance Expert with over ten (10) years of experience and a Masters in a finance/business related field.

iii. Project Manager with at least five (5) years of experience managing projects in financial institutions.