**TERMS OF REFERENCE (TOR)**
**Implementation of L-PRES Project**

**Consultancy Services for Comprehensive Institutional Diagnostic, Restructuring and New Strategy Development for the Bank of Agriculture (BOA), Nigeria**

**Client: Development Bank of Nigeria Plc.**

**Country: Nigeria**



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# Terms of Reference

## Comprehensive Institutional Diagnostic, Restructuring and New Strategy Development for the Bank of Agriculture (BOA), Nigeria

## 1. Background

The Bank of Agriculture Limited (“BOA” or “the Bank”) is Nigeria’s agricultural development finance institution (DFI), wholly owned by the Federal Government through the Ministry of Finance Incorporated (MOFI - 60%) and the Central Bank of Nigeria (CBN - 40%). Established in 1972 and operating the largest agricultural-finance footprint in the country - in excess of 110 outlets across six geopolitical zones - the Bank has nonetheless performed sub-optimally for much of its history and carries a long-standing, structurally material burden of non-performing loans (NPLs).

The Federal Government has approved the recapitalization of the Bank with ₦1.5 trillion (approximately US$1 billion) to reposition it as a functioning institution serving smallholder farmers, women, youth, cooperatives, processors and agribusinesses. A new Board of Directors was inaugurated in July 2026 and charged with rebuilding the Bank into a stronger, well-governed DFI.

The prevailing official position is that a capital injection alone will not resolve the Bank’s difficulties: the CBN and the Ministry of Finance have signaled that Nigeria’s DFIs must be made “bankable and investable,” with reformed structures and disciplined, risk-based lending rather than administratively directed credit. Consistent with this, the recapitalization must be deployed onto a verified, cleaned balance sheet and paired with governance, credit-process, systems and ownership reform.

Against this background, and in partnership with the BOA, the Development Bank of Nigeria (DBN) under the World Bank supported Livestock Productivity and Resilience Support Project (L-PRES) seeks to engage a qualified firm (the “Consultant”) to conduct a comprehensive institutional and financial diagnostic of the Bank, design its restructuring, and develop a new corporate strategy.

## 2. Objectives

The objective of the assignment is to equip the BOA with an independent, evidence-based basis for its restructuring and recapitalizing, and with a credible new strategy for its future. Specifically, the Consultant shall:

1. Establish the Bank’s true financial position through an independent asset quality review, yielding a verified opening balance sheet and a quantified provisioning gap;
2. Design the balance-sheet restructuring, including the carve-out of legacy non-performing assets, the disposal or monetization of non-core assets, and the restructuring or transfer of legacy liabilities;
3. Size and structure the recapitalization against the verified, cleaned balance sheet;



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4. Design governance, credit-process, systems and legal/regulatory reforms consistent with the applicable prudential and corporate-governance framework and insulating the Bank from political interference;
5. Design the ownership restructuring, including dilution of the current shareholders and the introduction of private and cooperative participation in line with the reform design and tested against prospective investor requirements; and
6. Develop a new corporate strategy and business plan, grounded in a market and financing-gap analysis, an explicit delivery-model choice, and international lessons, for a bankable, investable agricultural development finance institution.

## 3. Scope of services

The assignment comprises six workstreams:

### Workstream 1: Comprehensive diagnostic (current state assessment)

- **Asset quality review (AQR).** Reconcile the loan and investment ledger to the general ledger and core banking system; segment the portfolio; conduct file-level review (full review above an agreed materiality threshold and of all large and connected exposures, with a statistically representative sample below it); independently classify exposures under the CBN Prudential Guidelines reconciled to IFRS 9; assess collateral, restructured and "evergreened" exposures, connected and directed lending, intervention and guarantee balances, and off-balance-sheet items; and quantify the provisioning shortfall. The output is a verified opening balance sheet, the Bank's true financial position and a quantified provisioning gap.
- Agriculture portfolio and NPL root cause diagnostic: Assess portfolio performance by commodity, value chain, geography, crop cycle, borrower segment, and delivery mechanism. Particular attention should be given to exposure concentrations in specific commodities, vulnerability to climatic events, pest outbreaks, commodity price volatility, and weaknesses in value-chain structures. Beyond identifying the stock of NPLs, the assessment should determine whether historical portfolio deterioration resulted from political interference, directed lending programs, weak underwriting standards, poor monitoring practices, unsustainable interest-rate subsidies, debt forgiveness programs, or deficiencies in risk management. The consultant should assess the portfolio's exposure to drought, flooding, changing rainfall patterns, heat stress, and other climate-related vulnerabilities.
- **Institutional diagnostic.** Assess governance and board effectiveness, the credit process end-to-end (origination, appraisal, approval, disbursement, monitoring, recovery, use of agriculture related data including agriculture cash flows, market linkages, climate information and data), risk management, core banking and management information systems and data integrity, organization and staffing, and branch network economics, and assess compliance with the applicable DFI regulatory framework. Establish, in particular, the economics and sustainability of the current retail operating model: cost-to-serve and cost-to-income by channel; branch-level viability and the contribution of the outlet network; origination volumes, yields, loss rates and recovery performance by delivery channel and by crops or value chains, the staffing and systems intensity of direct retail intermediation; and the capital and liquidity it consumes per naira of financing delivered. Establish also the extent to which the Bank's present retail posture duplicates, or competes with, the offerings of



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commercial banks, microfinance banks, cooperatives, fintechs, agritechs and other intermediaries, rather than enabling them.

- **Strategic and organizational assessment.** Identify the human, physical, network and systems resources of the current Bank that can be leveraged, or rationalized, to support the reformed institution.
- **Regulatory and prudential diagnostic**. Establish how the Bank is presently licensed, regulated and supervised, and what that regime costs it: its licensing category and permissible activities under BOFIA 2020 and the CBN DFI guidelines; the capital-adequacy, risk-weighting, single-obligor, concentration, leverage and liquidity requirements as applied to the Bank; classification and provisioning treatment under the Prudential Guidelines reconciled to IFRS 9; supervisory reporting obligations and the Bank's standing against them; and the balance-sheet treatment of intervention funds, on-lending lines, guarantees, insurance and other risk-sharing arrangements. Identify specifically where the current regulatory treatment constrains and can constrain the Bank's ability to price, extend, share or lay off agricultural risk, implement data-led credit and where it produces capital or provisioning outcomes that are not commensurate with the risk the Bank actually bears, quantifying the capital and earnings cost of each such constraint.

### Workstream 2: Balance-sheet clean-up and legacy NPL carve-out

- **Legacy asset carve-out**. Design the mechanism to remove impaired and irrecoverable legacy exposures from the Bank's balance sheet, specifying the perimeter of assets to be carved out, transfer pricing, funding, legal form, recovery strategy and accounting and tax treatment.
- **Non-core assets and liabilities**. Identify non-core assets that can be disposed of or monetized, and legacy liabilities (including legacy CBN intervention and on-lending liabilities) that can be restructured or transferred to third parties.
- **Restated balance sheet**. Restate the Bank's balance sheet to reflect all proposed adjustments, producing the cleaned opening balance sheet used to size the recapitalization.

### Workstream 3: Recapitalization sizing and structuring

- Size the recapitalization against the restated, cleaned balance sheet and against the applicable minimum capital and capital-adequacy requirements, distinguishing the clean-up layer (absorbing the impairment shortfall and funding the carve-out) from the growth layer (capitalizing forward lending at a sustainable, risk-based capital adequacy ratio with an appropriate buffer). Compute additional capital needs on adjusted risk-weighted assets. Recommend the capital structure (paid-in versus callable), the instrument, the phasing of the injection against reform milestones, optimal capital levels having regard to single-obligor and concentration limits, and the treatment of existing shareholder claims.

### Workstream 4: Governance, credit-process, systems and legal/regulatory reform

- **Operating model and credit/systems reform.** Design a target operating model covering a rebuilt credit-risk framework, policies and delegated authorities; an IFRS 9 provisioning policy; monitoring, evaluation and collateral-management systems; and the core banking and MIS upgrade required for reliable reporting and prudential compliance, including adherence to the NPL ceiling for a DFI.



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- **Data driven underwriting opportunities**. Evaluate the extent to which BOA can use data-driven underwriting to reduce credit risk and therefore optimize capital utilization. This implies to review internal and external data sources that can improve borrower assessment and portfolio monitoring, including transaction histories, savings behavior, payment records, mobile money data, cooperative records, input purchase histories, warehouse receipt systems, satellite data, weather information, geospatial analytics, and farmer registries. The objective should be to engage with the regulatory body to determine how improved data availability can lead to more accurate probability-of-default and loss-given-default estimates, thereby supporting more granular risk pricing, improved portfolio management, and potentially be taken into account for the risk- weight consideration of agriculture lending.
- **Governance and autonomy.** Design a governance framework, aligned to the CBN Code of Corporate Governance for DFIs, that insulates the Bank from political interference in its operational and credit decisions. Document the roles and responsibilities of shareholders, board and management; board composition and the appointment process; the management selection process; the accountability, transparency and disclosure framework; and the relationship between the Bank and Government, including a performance and accountability compact between the Bank and its shareholders.
- **Legal, regulatory and licensing pathway.** Assess whether the Bank's enabling instrument, its licensing category under the Banks and Other Financial Institutions Act (BOFIA) 2020, the CBN DFI guidelines and the Companies and Allied Matters Act (CAMA), accommodate the reformed operating and ownership model; identify the required amendments to the legal, regulatory and prudential framework; and map the regulatory-approval pathway, including CBN change-of-control and licensing approvals and any legislative amendment. Specify, in particular, the approvals required to give effect to the recommended delivery model, including any change of licensing category, amendment of the Bank's enabling instrument or variation of its permissible activities needed for the Bank to operate as a wholesale or second-tier lender; the CBN approvals, no-objections and conditions attaching to each; the prudential requirements that would apply to the Bank in the new category; the approvals required for the intermediaries through which it would lend; and an indicative sequencing, timeline and responsibility matrix for each approval, distinguishing those that are administrative from those requiring legislative amendment.
- **Regulatory dialogue and prudential treatment of the BIA's products**. Define, and prepare BOA for the regulatory dialogue required to secure prudential treatment commensurate with the risk the Bank actually retains. This shall address, at a minimum: the recognition of agricultural insurance, data led- underwriting, credit guarantees and other risk-sharing and de-risking instruments as eligible credit-risk mitigants qualifying for capital relief, and the eligibility conditions (counterparty rating, coverage, tenor, unconditionality, payout record and enforceability) on which such recognition would depend; the corresponding risk weights, exposure measurement and provisioning and staging treatment under the Prudential Guidelines reconciled to IFRS 9; the treatment of wholesale on-lending exposures to intermediaries, and of intervention, pass-through and agency funds, for capital, single-obligor and concentration purposes; and the treatment of the Bank's own callable capital and sovereign shareholding.

**Workstream 5: Ownership restructuring**

- **Restructuring design.** Design the ownership restructuring in line with the reform design, including the dilution of the current Federal Government shareholders and the introduction of private and cooperative participation, together with the transaction structure, sequencing, valuation basis, eligibility and governance safeguards, and the indicative target shareholding structure to be confirmed with the Bank.
- **Investor sounding and design-to-requirements.** Assess the interest and key requirements of prospective investors broadly, domestic private institutions, cooperatives, development-finance and international financial institutions as shareholders, providers of long-term debt and technical-assistance partners; and design the ownership and capital structure to meet those stated requirements, so that the Bank is demonstrably bankable and investable.
- **Cooperative ownership, and mutual capital formation pathway assessment.** Assess whether BOA could, over the medium term, incorporate producer organizations, cooperatives, commodity associations and rural financial intermediaries as long-term shareholders and distribution partners, drawing on relevant lessons from cooperative and mutual banking models such as Rabobank, Crédit Agricole and cooperative banking networks in Germany and Austria, while adapting them to Nigeria's legal, regulatory and institutional context. The assessment should not presume that cooperative participation is appropriate or immediately feasible; rather, it should test whether such participation could become a credible pillar of BOA's capitalization, governance and market outreach. It should identify the legal form, membership eligibility, voting and governance safeguards, capital instruments, valuation approach, sequencing, regulatory approvals, investor protections and transition arrangements required to introduce cooperative ownership in a prudent manner. It should also assess whether mutual or opportunities to do cooperative capital formation including through cooperative platform on capital markets can be appropriate.

**Workstream 6: New corporate strategy and business plan**

- **Market and financing-gap analysis.** Review the agricultural and rural private-sector landscape with a focus on agri-MSMEs, smallholders and cooperatives; estimate demand for, and supply of, financial and non-financial services (from commercial banks, microfinance banks, other DFIs and intervention schemes); estimate the financing gap; and identify the Bank’s additive role.
- **Delivery-model choice.** Assess and recommend the Bank’s delivery and operating model: direct retail lending, wholesale on-lending through microfinance banks, fintechs, agritechs, cooperatives and agent networks, or a hybrid, having regard to the Bank’s NPL history, the ownership design and capital efficiency, and align the recommended model with the ownership structure.
- **Digital Agriculture Infrastructure and Data Ecosystem Development.** Assess whether BOA can evolve beyond its traditional role as a lender and serve as well as a market catalyst for Nigeria's digital agriculture finance ecosystem by supporting shared agricultural data infrastructure, common data standards, interoperable platforms and risk-information systems accessible to eligible market participants. The assessment should determine possible impact of such infrastructure on the market, costs, and interest of the market lenders to participate, and engage with the regulator on compliance, data protection, and open data framework that this will imply



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- **International benchmarking.** Review international experience of agricultural development-bank turnarounds as well as of second-tier and wholesale development-finance models, and identify replicable lessons (products, structures, delivery mechanisms) adapted to the Nigerian context.
- **Strategy and business plan.** Synthesize the above into a new corporate strategy and a five-year business plan: refined mandate, positioning and target segments; product and channel strategy including digital, agent banking and value-chain finance, with product features specified by pricing, term and target clientele; a five-year financial model and projections on the cleaned, recapitalized balance sheet reflecting single-obligor and concentration limits and optimal capital levels; risk appetite; a partner-mobilization strategy; and a costed, sequenced implementation roadmap with milestones and KPIs.

## 4. Approach and phasing

The assignment shall be delivered in two phases, with a formal decision gate at the end of each:

a) Phase 1 (Diagnostic) delivers the verified, restated balance sheet and institutional assessment. It shall also deliver the regulatory and prudential diagnostic and the Consultant's preliminary determination on the retail-versus-wholesale delivery model, both of which shall be taken at the Phase 1 decision gate.

b) Phase 2 (Reform design and strategy) delivers the balance-sheet restructuring, recapitalization sizing, governance/credit/systems/legal reform blueprints, ownership-restructuring plan and new corporate strategy and business plan.

## 5. Deliverables and timelines

The named deliverables, and the validation workshops built into the 6-month schedule, are as follows:

| Deliverable / milestone | Indicative timing |
|---|---|
| Inception report: Methodology, sampling design, work plan, stakeholder map | Week 2 |
| Inception validation workshop with the Steering Committee | Week 4 |
| Draft diagnostic report: AQR with verified, restated opening balance sheet, true financial position and quantified provisioning gap; institutional and organizational diagnostic; regulatory and prudential diagnostic; preliminary retail-versus-wholesale delivery-model determination | 6 weeks after inception endorsement |
| Validation workshop: Diagnostic findings | 2 weeks after draft diagnostic |
| Final diagnostic report | 1 week after workshop |
| Draft restructuring design report: Balance-sheet restructuring and carve-out; restated balance sheet; recapitalization sizing and structure; | 6 weeks after diagnostic approval |



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| Deliverable / milestone | Indicative timing |
|---|---|
| governance, credit-process, systems and legal/regulatory reform; ownership-restructuring plan and investor sounding | |
| Validation workshop: Restructuring design | 2 weeks after draft |
| Draft new corporate strategy and business plan: Market and financing-gap analysis, delivery-model recommendation, five-year financial model, operations manuals, IT plan, social/labor transition plan, M&E scorecard, implementation plan | Concurrent with restructuring design |
| Validation workshop: Strategy and business plan | 2 weeks after draft |
| Final restructuring design report and final strategy and business plan | 1 week after final workshop |

## 6. Qualifications of the firm, team composition and level of effort

The Consultant should be a firm, or a consortium, with a demonstrated track record in advising on the establishment and restructuring of DFIs and in financial due diligence and asset quality review of financial institutions, with agricultural-finance and Nigerian regulatory familiarity. Relevant comparator experience with agricultural development banks and state-owned bank turnarounds is an advantage.

The Consultant shall propose a multidisciplinary team that balances international and local expertise including, at a minimum, the following key experts:

| Key expert | Minimum qualification |
|---|---|
| Team Leader / Engagement Partner | 15+ yrs bank/DFI restructuring and recapitalization advisory |
| Asset Quality / Audit Lead | Qualified accountant; 10+ yrs bank AQR, IFRS, asset valuation, internal controls |
| Credit Risk Specialist | Credit review, classification, credit-process design |
| IFRS 9 / Financial Modelling Specialist | Recap sizing, projections, capital planning |
| Bank Restructuring / Transaction Specialist | NPL carve-out, carve-out design/solution, ownership transactions |
| Governance / Institutional Specialist | DFI governance, autonomy, target operating model |
| Core Banking / IT Systems Specialist | Core banking, MIS, IT plan and data integrity |
| Agricultural Finance / Strategy Specialist | Agri-finance strategy, market and financing-gap analysis, products |

| Key expert | Minimum qualification |
|---|---|
| Legal Specialist (Nigerian banking/ corporate) | BOFIA, CAMA, DFI regulation; licensing and transaction legal |

## 7. Evaluation criteria

Proposals will be evaluated under the Quality- and Cost-Based Selection method, with technical and financial proposals weighted 80:20 and a minimum technical qualifying score of 75 of 100. Technical proposals will be scored as follows:

| Technical sub-criterion | Points |
|---|---|
| Firm experience in bank/DFI diagnostics, restructuring, recapitalization and ownership transactions, agricultural-finance and Nigerian regulatory knowledge | 20 |
| Soundness of methodology, phasing and work plan | 20 |
| Qualifications and experience of key experts (incl. international/local balance) | 60 |
| **Total** | **100** |

## 8. Independence, conflict of interest and confidentiality

The BOA shall provide ring-fenced, read-only data-room access to the loan portfolio and core banking extracts, credit files, board and management minutes, prior audited financial statements and examination reports, the Board Charter and governance instruments, and a counterpart focal point and workspace.

The Consultant shall disclose any actual or potential conflict of interest. The firm undertaking the diagnostic and asset quality review shall not concurrently provide the Bank's recurring statutory audit, and any role in the subsequent ownership transaction shall be managed under a disclosed conflict-of-interest protocol.

All information accessed is strictly confidential and subject to a non-disclosure agreement; the Consultant shall not retain Bank data beyond the engagement except as required by law.



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