

DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK



REQUEST FOR PROPOSAL DOCUMENT FOR CONSULTANCY SERVICES FOR ENTERPRISE RISK MANAGEMENT



The technical assistance operation is funded by the Government of Luxembourg.

Disclaimer: The authors take full responsibility for the contents of this report. The opinions expressed do not necessarily reflect the views of the Government of Luxembourg.

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SECTION I

LETTER OF INVITATION

September 3, 2018

INTERESTED FIRMS OR PERSONS

REFERENCE: PROVISION OF CONSULTANCY SERVICES FOR ENTERPRISE RISK MANAGEMENT

The Dominica Agricultural Industrial and Development Bank (AID Bank) invites proposals for the provision of consultancy services on Enterprise Risk Management (ERM).

The scope of the consultancy includes the review and enhancement of the Bank's Enterprise Risk Management Framework, development and implementation of ERM tools and training of Management and Staff in the management, monitoring and reporting of risks affecting their respective departments.

The Request for Proposal includes the following documents:

Section I - Letter of Invitation (this letter);
Section II - Information to the Consultant.

You are kindly asked to submit your proposal to the Bank, including all attachments where necessary, on or before October 5, 2018.

Sincerely

Mathilda John Rose
General Manager (Ag.)

SECTION II

INFORMATION TO THE CONSULTANT

INTRODUCTION

The Agricultural Industrial and Development Bank (AID Bank) seeks proposals from qualified firms to assist the Bank with improving its Enterprise Risk Management function, to document related policies and procedures into a manual and to enhance the capacity of its Management and Staff in the administration, monitoring and reporting of risk.

BACKGROUND

The AID Bank is a body corporate established in 1971, which operated under the Dominica Agricultural Industrial and Development Bank Act. The Bank's main shareholder is the Government of Dominica which owns 89.6% of shares, while the Dominica Social Security owns the remaining 10.4%.

Our Mission

To be a leader, catalyst and model of sustainable development in the Commonwealth of Dominica by facilitating social and economic investments, partnering with and adding value to all our stakeholders.

Our Vision

To be a premier development finance institution in the Caribbean region.

Core Business

The Bank's core business is lending for business enterprises in all major sectors of the economy. It also provides student loans and mortgages to low income households.

Organization and Management

The day-to-day operations of the AID Bank are managed by the General Manager. The Bank's recently implemented a new organization structure and the General Manager is now supported by one Executive Manager with responsibility of operations, five senior managers responsible for the management of Credit, Finance, Information Services, Human Resources and Administration and Business Development. The management team includes Manager of Risk and Compliance, Recoveries, Industrial Estate and an Internal Auditor. The Bank has 36 employees.

The management team is responsible for the implementation of policy directives of the AID Bank Board of Directors, which comprise a Chairman and eight members who are selected by its shareholders.

Committees of the Bank include the Loans Committee, the Finance and Audit Committee, the Risk/Asset Liability and Human Resources Committee, the Finance and Audit Committee and the Industrial Estate Committee.

Regulatory Framework

AID Bank is regulated in accordance with the Financial Services Act. No. 18 of 2008, by the Financial Services Unit (FSU) of the Ministry of Finance. The FSU became effective on January 1, 2009.

Additional Information

A profile of the Board, Management and Staff in addition to the Bank's financial highlights can be found in its recent Annual Report located on the Bank's website.

Risk Management

AID Bank is mindful that its ability to maximize shareholders' value is heavily reliant on the enterprise wide management of risks, more specifically the inherent risks associated with development financing and other events with the potential to adversely impact Bank operations. To this end, the Bank has been slowly enhancing its Enterprise Risk Management (ERM) Framework. The Bank has an established Risk/Asset Liability and Human Resources Committee that oversees Enterprise Risk Management. Enterprise Risk is coordinated under the Risk and Compliance Department. The Risk and Compliance function provides the objective view of risk taking activities supports management with the development of risk management strategies and provides guidance to staff to ensure that there is a consistent approach to risk mitigation. Department managers are responsible for identifying, analyzing, evaluating and managing the risks affecting their respective departments.

Notwithstanding the progress made to date, the Bank has identified the need to further enhance the ERM Framework to achieve a more developed and robust stage of risk management, monitoring and reporting in line with its mandate and operating environment, the economic conditions, the emerging industry and technological risks or expectations, and best practices.

In this regard the Bank is desirous of engaging a consultant to review and enhance its Enterprise Risk Management Framework, to develop and implement ERM tools and to enhance the capacity of Management and Staff in managing, monitoring and reporting on risks affecting their respective departments.

INSTRUCTIONS

1. Interested firms or persons are asked to submit One (1) original and two (2) copies of their proposals to

**Attention: Mathilda John-Rose (Mrs.)
General Manager (Ag.)
Dominica Agricultural Industrial and Development Bank
Corner of Charles Avenue and Rawles Lane
Goodwill
Commonwealth of Dominica**

Reference: PROPOSAL FOR PROVISION OF ENTERPRISE RISK MANAGEMENT CONSULTING SERVICES

2. Proposals must be presented on business letterhead, should be concise and include all attachments where necessary.
3. Proposals must be marked "ORIGINAL" or "COPY" as appropriate. If there are any discrepancies between the original and the copies of the proposal, the original shall govern.

4. Proposal must be received no later than October 5, 2018.

CONTACT DETAILS

1. Any clarification of any matter related to the proposal should be made in writing to any of the following persons:
 - i. Mathilda John Rose, General Manager (Ag) - telephone number 767-255-9464 or email Mathilda.john.rose@aidbank.com Or
 - ii. Pamela Pogson, Risk and Compliance Officer- telephone number 767-255-9406 or email pamela.pogson@aidbank.com Or;

OBJECTIVES AND SCOPE OF WORK

	Key Output	Details
1	Risk Appetite Statement	<ol style="list-style-type: none"> i. Create <ul style="list-style-type: none"> • Risk appetite policy and procedures document • Risk appetite periodic reporting document ii. Develop defined risk appetite measures. This include risk appetite, risk tolerance definitions and limits iii. Define various department's responsibilities in contributing to risk measures. Special emphasis on Credit, liquidity, market risk and operational risk
2	Policy on Concentration Limits	Establish of concentration limits to include sectors, groups of related parties and geographical locations in Dominica
3	Risk Profiling Tool	Develop customer risk profiles for individuals and businesses
4	Risk Rating System	Establish a risk rating system for borrowers(individuals and business). <ul style="list-style-type: none"> • Borrower Risk Rating should be linked to repayment capacity and probability of default • Facility Risk Rating should be linked to the

		terms, collateral and loss given default
5	Enterprise Risk Management Policies and Procedures Manual	<p>Develop an Enterprise Risk Management framework</p> <ol style="list-style-type: none"> a. Strategic Risk b. Credit Risk c. Operational Risk d. Liquidity Risk e. Environmental Risk f. Market Risk g. Legal and Regulatory Risk h. Reputational Risk <ol style="list-style-type: none"> i. Develop the Risk Management Framework incorporating: <ul style="list-style-type: none"> • COSO Framework • The Three Lines of Defense Models (Business Line, Risk Department, Internal Audit). • Risk Appetite Statements ii. Development of Draft policies and Procedures for a, b, c, d, e, f, g, h and i. iii. Develop models and procedures for measuring risk exposure. iv. Develop an enterprise wide risk monitoring framework to include various levels (Departments, Management, Risk Department, Board). v. Create periodic reporting documents for a, b, c, d, e, f, g, h and i. vi. Provide training to staff to build skills on items i to v. <p>Note: The framework must be tailored specifically to the needs of AID Bank.</p>
6	Financial Simulation for Stress Testing	Develop of a financial simulation model for stress testing the banks financial position.
7	Revised Credit Policy/Procedures Manual	<p>Refine the credit appraisal and credit processes for greater efficiency and proper management of credit risk</p> <ul style="list-style-type: none"> • Amend the policy and procedures manual to incorporate new requirements: concentration

		limits, risk rating of customers, credit risk,ect.
8	Liquidity Contingency Plan	Define a liquidity contingency plan and automating the liquidity gap reports
9	Currency and Interest Rate Gap Analysis Software	Automate the currency and interest rate gap analysis reports.
10	Asset and Liability Management Policy and Procedures Manual	<p>Develop ALM policies and procedures to include:</p> <ul style="list-style-type: none"> • interest rate risk and currency risk management • Asset liability management appetite statement • Liquidity portfolios and associated investment strategies • Key Risk Indicators • Systems and standards for identifying, measuring, monitoring and evaluating Asset/liability management • Internal Controls • Lines of authority and responsibility for the management and control of ALM risk.
11	Operations Policy and Procedures Manual	<p>Establish an operations manual with policies, procedures, measures and tools to specifically manage operational risk.</p> <ol style="list-style-type: none"> i. Include the establishment of Key Risk Indicators, Key Performance Indicators and Key Control Indicators, ii. Organize a structure for the Loss Event Database,
12	Training	<ol style="list-style-type: none"> i. Conduct training relating to the scope of work and tailored for the Board of Directors, the Risk Department, Management and key staff. iii. Prepare a training plan to include training on various frameworks, Items, policies, procedures, processes, models, reports, Key performance Indicators, Key Control Indicators as they relate to areas outlined in 1 to 11. iv. Execute the training plan within agreed timeframes.

B. Guidelines and Standards

The consultant is expected to utilize and incorporate:

- the COSO Framework,
- the Basel Guidelines,
- International Financial Reporting Standards
- Where there are Risk Areas without corresponding guidelines, the consultant will present draft guidelines/ standards.

C. Supervision and Reporting

The consultant will be under the direct supervision of the Risk and Compliance Officer in coordination and collaboration with other stakeholders.

D. Duration

1. The project should commence no later than November 1, 2018 and will be expected to be completed based on a mutually acceptable timeframe.
2. The consultant will propose to Management a schedule for onsite and offsite assignments and the necessary resource staff will be made available to assist.

QUALIFICATION AND EXPERIENCE

1. The Consultant must demonstrate that it possesses the knowledge, skills and other competencies needed to perform its responsibilities with due professional care. The Consultant must have at least seven years professional experience in carrying out enterprise risk management and business continuity planning services with banking experience.
2. The team leader for the assignment must be a competent trainer and must have at least seven years' experience in risk management consulting. The team leader must have a degree in finance, commerce or equivalent qualifications from a recognized university, must also be a member of a relevant Professional Body and have certification in risk management.
3. Other personnel should have a degree in finance, risk or equivalent qualifications from a recognized university and five years' experience in risk management consulting. Training in risk management and professional certifications in CPA, CISA, CRA or equivalent certifications will be an added advantage.

PAYMENTS/ REMUNERATION

The Bank proposes to make payments to the Consultant based on agreed milestones/deliverables, in tranches upon AID Bank certified completion of the deliverables. The consultant will be expected to present invoices in support of each payment.

ITEMS TO BE INCLUDED WITH YOUR PROPOSAL

A. General Firm Information

1. Provide a brief description of your firm, including but not limited to the following:
 - a. Name of the principal(s) of the firm.
 - b. Name, telephone number and email address of a representative of the firm authorized to discuss your proposal.
 - c. Number of employees of the firm.

B. Experience and Resources

1. Describe your firm and its capabilities. In particular, support your capacity to perform the Scope of Work.
2. Indicate which principals and associates from your firm would be involved in providing services to Aid Bank. Provide appropriate background information for each such person, and identify his or her specific responsibilities or tasks and estimate of time needed to carry out the engagement/assignment.
3. Provide a detailed list of references (at least three (3)), including a contact name and telephone number for organizations or businesses for whom you have performed similar work.
4. A description of the methodology and work plan for performing the engagement/assignment.

C. Fee Structure

The information requested in this section is required to support the reasonableness of your fees.

1. Please provide a cost proposal for providing the Scope of Work, to include all related activities and attendance at related meetings. Provide an itemized breakdown of billing rates and hourly costs, list of key personnel and their hourly rates, where applicable, reimbursable expenses, etc. for any services that may be requested in addition to the services previously described.
2. The fee structure should clearly identify as a separate amount any local taxes, levies or other charges imposed where applicable.
3. Please provide any other fee information applicable to the engagement that you wish to bring to the attention of AID Bank.

4. All fees shall be expressed in East Caribbean Dollars or its United States Dollars (USD) equivalent at a conversion rate of 2.7169.

D. Miscellaneous

1. Discuss any additional information or topic not covered in this Request for Proposal that you would like to bring to AID Bank's attention.
2. Any comments or suggestions on the terms of reference and a list of services and facilities to be provided by the Bank
3. The proposal should remain valid for 60 days after the submission date, within which the Bank will make its best effort to complete negotiations. If the Bank wishes to extend the validity period of the proposals the bidders shall agree to the extension.

EVALUATION AND SELECTION

A. Selection Committee

A selection committee consisting Board Members and Management (the "Committee") will evaluate all proposals on the basis of their responsiveness to the scope of work required and will make a determination principally on the following factors:

- Professional capacity to undertake the scope of work;
- Proposed fee structure inclusive of taxes, where applicable;
- Ability to perform within time and budget constraints;
- Evaluation of potential work plans;
- Previous work experience and performance with AID Bank and/or similar organizations;
- Recommendations by references;
- Other pertinent information submitted.

The Committee will forward its report and recommendations to the Bank's Board of Directors.

B. Negotiations

The Bank will make its best efforts to negotiate with the finalist (s), once selected, to reach agreement on all points within the shortest time possible. A payment schedule will also be agreed during negotiations.

C. Award of Contract

The successful consultant, once selected, will be required to sign a contract for services. The parties to the contract shall have it signed within 30 days from the date of notification of contract award.

The Bank will promptly notify other bidders on the shortlist that they were unsuccessful.

D. Termination of Procurement Proceeding

The Bank may at any time terminate procurement proceedings before contract award and shall not be liable to any person for the termination. The Bank shall give prompt notice of the termination to the applicants.

E. Disclaimers

1. AID Bank may invite one or more finalists to make presentations.
2. In its sole discretion, AID Bank may negotiate with one or more firms who have submitted qualifications to submit more detailed proposals on specific projects as they arise.
3. By this Request for Proposal, AID Bank has not committed itself to undertake the work set forth.
4. AID Bank reserves the right to reject any and all proposals, to rebid the original or amended scope of services and to enter into negotiations with one or more respondents.
5. AID Bank reserves the right to make those decisions after receipt of responses.
6. AID Bank's decision on these matters is final.

NONDISCLOSURE/ CONFIDENTIALITY

The consultant will be expected to hold the interests of the AID Bank, including its Shareholders, Board of Directors, Staff and Clients, paramount and in so doing, will ensure that all advice and recommendations reflect the utmost professionalism. The consultant is expected to treat all records and information that comes into their possession as a result of the consultancy as confidential. To this extent, the consultant, including the officers assigned to carry out the scope of work will be expected to sign a non-disclosure/confidentiality agreement prior to the commencement of work.

FRAUDULENT PRACTICES

AID Bank requires that the Consulting firm observe the highest standards of ethics during the selection and award of the consultancy contract and also during the performance of the engagement/assignment.

CONDITIONS SPECIFIC TO TECHNICAL ASSISTANCE

The Consultant will take the necessary measures to ensure the visibility of the technical assistance provided by the Grand Duchy of Luxembourg. Therefore the following text will be included in all reports submitted: "The technical assistance operation is financed by the Government of Luxembourg"

The following disclaimer must also be included in study reports: “The authors take full responsibility for the contents of this report. The opinions expressed do not necessarily reflect the views of the Government of Luxembourg.”

The Logo of the Dominica Agricultural Industrial & Development Bank and the logo of the Government of Luxembourg will be included on the first page of all final reports submitted by the Consultant.

ACCESS TO INFORMATION AND RECORDS

The Consultant will have access to all the information necessary to carry out their work, upon written request, in order to deliver effectively on the requirements of this consultancy.

This includes financial and non-financial records and explanations from any Department.

Nevertheless, if in the opinion of management a member of the consultancy team is not considered sufficiently senior in position to be allowed unlimited access to the Bank’s information, or has not signed off the confidentiality or nondisclosure agreement as required, such a member may be denied access and the same will be communicated to the officer in charge of the Consultancy. The Consultant is not permitted to take copies of any documents without AID Bank Management’s authorization.

PERSONNEL, FACILITIES AND OTHER REQUIREMENTS TO BE PROVIDED BY AID BANK

The Bank will provide the onsite office space, when onsite visits are required, and the Bank contact persons necessary to facilitate the Consultant’s work.