

# TOR

## RISK MANAGEMENT DEPARTMENT

DIVISIONS	NO	TOR
Operational Risks	1	Terms of reference (TOR) for the recruitment of a consultant to develop an operational risk management procedure manual focusing on risk map updating process and RCSA (risk control self-assessment) exercises.
	2	Terms of reference (TOR) for the recruitment of a consultant for the review and update of EBID operational risk management policy
Credit Risks/Transverse	3	Terms of reference (TOR) for the review and development of EBID's risk appetite statement
Financial Risks	4	Terms of reference (TOR) for the recruitment of a consultant for the review and strengthen its ALM framework, tools, and policies in line with international best practices and the bank's evolving funding and project profile
	5	Terms of reference (TOR) for the recruitment of a consultant for the review and development of EBID pricing framework
	6	Terms of reference (TOR) for the development of exchange rate risk management and foreign currency risk management policies

## **OPERATIONAL RISK'S ToR**

# TERMS OF REFERENCE (TOR) FOR THE RECRUITMENT OF A CONSULTANT TO DEVELOP AN OPERATIONAL RISK MANAGEMENT PROCEDURE MANUAL FOCUSING ON RISK MAP UPDATING PROCESS AND RCSA (RISK CONTROL SELF-ASSESSMENT) EXERCISES

## 1. Background

The ECOWAS Bank for Investment and Development (EBID), in line with its overall strategy, is in the process of updating its risk management framework to (i) Enhance its credit rating by international rating agencies to an investment grade; (ii) Develop balance sheet optimization and risk transfer mechanisms; (iii) Design a risk management framework in line with large ticket transactions. The Bank has therefore developed a comprehensive Risk Register with contributions from all departments. To ensure the sustainability and effectiveness of its risk management framework, the bank seeks to formalize the process for updating the risk map and clearly define the roles and responsibilities of all stakeholders involved in risk identification, assessment, and monitoring.

## 2. Objective

The objective of this consultancy is to engage a qualified consultant to develop a Risk Management Procedure Manual that:

- Establishes a standardized process for updating the risk map.
- Clearly defines the roles and responsibilities of all relevant stakeholders.
- Provides practical tools and templates to support the implementation of the procedure.

## 3. Scope of Work

The consultant will be expected to:

- Review the existing Risk Register and related risk management documentation.
- Conduct consultations with key departments to understand current practices and expectations.
- Design a formalized process for:
  - Periodic review and update of the risk map.
  - Integration of new risks and emerging threats.
  - Escalation and validation of risk changes.
- Define roles and responsibilities of:
  - Risk owners
  - Departmental focal points
  - Risk Management Unit
  - Senior Management and Risk Committees
- Develop a Procedure Manual that includes:
  - Step-by-step guidance for updating the risk map
  - Templates and tools (e.g., risk update forms, review checklists)
  - Timeline and frequency of updates

- Facilitate a validation workshop with stakeholders.
- Provide a final version of the manual incorporating feedback.

#### **4. Deliverables**

- Inception report with a detailed work plan and methodology.
- Draft Risk Mapping Procedure Manual.
- Final validated Procedure Manual.
- Presentation and orientation session for staff.

#### **5. Consultant Requirements**

The ideal consultant should have:

- Proven experience in enterprise risk management, particularly in multilateral development bank.
- Demonstrated ability to develop risk management procedures and manuals.
- Familiarity with international risk management standards (e.g., ISO 31000, COSO).
- Advanced degree in Risk Management, Finance, or related fields.

#### **6. Duration of assignment**

The duration of the contract will be for a period of three (3) months.

#### **7. Submission Requirements**

Interested consultants should submit:

- A technical proposal outlining their understanding of the assignment, methodology, and work plan.
- CV(s) of the consultant(s) highlighting relevant experience.
- References or examples of similar work completed.
- A financial proposal.

#### **8. Reporting**

The Consultant will report to EBID's Risk Management Department and will provide weekly updates on the progress of the assignment. Regular meetings will be held with the VPRC and relevant stakeholders to ensure alignment with EBID's objectives and timelines.

# TERMS OF REFERENCE (TOR) FOR THE RECRUITMENT OF A CONSULTANT FOR THE REVIEW AND UPDATE OF EBID OPERATIONAL RISK MANAGEMENT POLICY

## 1. Background

The ECOWAS Bank for Investment and Development (EBID) is committed to maintaining a robust risk management framework to ensure the sustainability and resilience of its operations. Therefore, in line with its overall strategy, the Bank is in the process of updating its risk management framework to (i) Enhance its credit rating by international rating agencies to an investment grade; (ii) Develop balance sheet optimization and risk transfer mechanisms; (iii) Design a risk management framework in line with large ticket transactions. As part of our continuous improvement efforts in that context, we seek to review and update our Operational Risk Management Policy to align with current best practices, regulatory requirements, and the evolving risk landscape.

## 2. Objective

The objective of this consultancy is to conduct a comprehensive review of EBID's existing Operational Risk Management Policy and to update it to reflect current standards, emerging risks, and organizational needs.

## 3. Scope of Work

The consultant will be expected to:

- Review of the current Operational Risk Management Policy and related documents.
- Benchmark against international best practices and relevant regulatory frameworks.
- Identify gaps, weaknesses, and areas for improvement.
- Engage with key stakeholders to understand operational risk exposures and risk appetite.
- Draft an updated Operational Risk Management Policy, including implementation guidelines.
- Present the revised policy to senior management and incorporate feedback.

## 4. Deliverables

- Inception report with a detailed work plan and methodology.
- Gap analysis report and benchmarking summary.
- Draft updated Operational Risk Management Policy.
- Final policy document incorporating feedback.

## 5. Consultant Requirements

The ideal consultant should have:

- A minimum of 7 years of experience in risk management, particularly in multilateral development bank.
- Proven experience in developing or reviewing operational risk frameworks.
- Strong knowledge of international standards (e.g., Basel III, COSO, ISO 31000).
- Advanced degree in Risk Management, Finance, or related fields.
- Excellent analytical, writing, and communication skills.

## **6. Duration of assignment**

The duration of the contract will be for a period of three (3) months.

## **7. Submission Requirements**

Interested consultants should submit:

- A technical proposal outlining their understanding of the assignment, methodology, and work plan.
- CV(s) of the consultant(s) highlighting relevant experience.
- References or examples of similar work completed.
- A financial proposal.

## **8. Reporting**

The Consultant will report to EBID's Risk Management Department and will provide weekly updates on the progress of the assignment. Regular meetings will be held with the VPRC and relevant stakeholders to ensure alignment with EBID's objectives and timelines.

## CREDIT RISK'S ToR

# TERMS OF REFERENCE (TOR) FOR THE REVIEW AND DEVELOPMENT OF EBID'S RISK APPETITE STATEMENT

## 1. Introduction

The ECOWAS Bank for Investment and Development (EBID) has initiated a strategic shift towards financing large-ticket projects ranging from USD 100 million to 200 million. This transformation aims to align EBID's financing operations with regional infrastructure needs and the Bank's 2026–2030 Strategic Plan. In line with this new strategy, EBID is in the process of updating its risk management framework to (i) Enhance its credit rating by international rating agencies to an investment grade; (ii) Develop balance sheet optimization and risk transfer mechanisms; (iii) Design a risk management framework in line with large ticket transactions. In that context, the Bank is seeking to review and further develop its Risk Appetite Statement (RAS) in alignment with its strategic objectives, governance framework, and evolving financial landscape. The RAS serves as a critical tool in managing the institution's risk exposure and ensuring that risk-taking activities are consistent with EBID's mission, financial goals, and regulatory requirements. A well-defined RAS will guide decision-making, risk management, and resource allocation within the institution.

## 2. Objectives

The primary objectives of this exercise are to:

1. Review EBID's existing Risk Appetite Statement, identifying areas for enhancement.
2. Develop a comprehensive and updated Risk Appetite Statement that aligns with EBID's new strategy of financing large-ticket projects (strategic goals), regulatory requirements, and market environment.
3. Ensure that the RAS clearly communicates EBID's risk tolerance across various risk categories, including credit, market, operational, and liquidity risks.
4. Integrate the RAS into EBID's governance framework, ensuring that it informs decision-making processes at all levels of the organization.

## 3. Motivation

The motivation for reviewing and developing EBID's Risk Appetite Statement arises from several key factors:

- **Strategic Alignment:** As EBID continues to support economic development and regional integration within the ECOWAS region, it is essential to define the level of risk the institution is willing to accept in pursuit of its strategic objectives of financing large-ticket projects. This will ensure that EBID's risk-taking activities are aligned with its mission and financial sustainability.
- **Regulatory Expectations:** The regulatory landscape for development finance institutions (DFIs) is becoming increasingly complex, with heightened expectations around risk management and capital adequacy. A clear and well-articulated RAS will demonstrate EBID's commitment to sound risk governance and regulatory compliance.

- **Evolving Market Conditions:** The financial and economic environment in which EBID operates is constantly changing, with new risks and opportunities emerging. The RAS must be dynamic and adaptable to these changes, ensuring that EBID can effectively manage risks in a volatile environment.
- **Stakeholder Confidence:** A transparent and robust RAS enhances the confidence of stakeholders, including member states, investors, and partners, by providing clarity on EBID's risk management approach and its capacity to manage risk effectively.

#### 4. Scope of Work

The review and development of EBID's Risk Appetite Statement will encompass the following key areas:

1. **Risk Categories and Definitions:** Define the key risk categories (credit risk, market risk, operational risk, liquidity risk, etc.) relevant to EBID's operations. Provide clear definitions and descriptions for each risk category, tailored to EBID's specific context as a development finance institution.
2. **Risk Management and Control:** Introduce project risk classification models for large-scale lending, define single obligor, sectoral, and country limits tailored to large exposures, update the early warning system, with dedicated monitoring for large borrowers and Introduce policies for political risk insurance and syndication risk sharing.
3. **Quantitative and Qualitative Metrics:** Establish appropriate quantitative and qualitative metrics for each risk category, specifying the limits and thresholds that define EBID's risk tolerance. These metrics should be measurable, actionable, and aligned with industry's best practices.
4. **Risk-Taking Activities:** Identify the core activities through which EBID assumes risk, including lending, treasury operations, equity investments, and other financial transactions. Specify how the RAS will guide decision-making in these areas.
5. **Governance and Oversight:** Define the governance framework that supports the implementation and monitoring of the RAS. Clarify the roles and responsibilities of EBID's Board of Directors, senior management, risk management committee, and other relevant bodies in overseeing the RAS.
6. **Integration with Strategic Planning:** Ensure that the RAS is integrated into EBID's strategic planning processes, including capital allocation, financial planning, and performance management. Specify how the RAS will inform decision-making at the strategic level.
7. **Stress Testing and Scenario Analysis:** Incorporate stress testing and scenario analysis into the RAS to assess EBID's risk exposure under adverse conditions. Specify the types of scenarios that will be considered and how the results will be used to adjust the RAS as needed.
8. **Communication and Reporting:** Develop a communication plan to ensure that the RAS is clearly communicated to all relevant stakeholders within EBID, including the Board, management, and staff. Specify the reporting mechanisms that will be used to monitor adherence to the RAS and provide regular updates to stakeholders.

## 5. Methodology

The methodology for the review and development of EBID's Risk Appetite Statement will include the following steps:

1. **Review of Existing RAS:** Conduct a thorough review of EBID's current Risk Appetite Statement to assess its strengths, weaknesses, and areas for improvement. This will include an analysis of the existing risk metrics, governance framework, and alignment with EBID's strategic objectives.
2. **Benchmarking and Best Practices:** Benchmark EBID's RAS against those of other development finance institutions (DFIs) and leading financial institutions. Identify the best practices in risk appetite frameworks, focusing on institutions with similar mandates and operating environments.
3. **Stakeholder Engagement:** Engage with key stakeholders within EBID, including senior management, the risk management department, and the Board of Directors, to gather input on the current RAS and identify areas for enhancement. External stakeholders, such as regulators and rating agencies, may also be consulted to ensure that the RAS meets regulatory expectations and supports EBID's creditworthiness.
4. **Risk Assessment and Analysis:** Conduct a comprehensive risk assessment to identify the key risks facing EBID and assess the institution's current risk exposure. This will include both quantitative analysis (e.g., financial ratios, risk metrics) and qualitative analysis (e.g., risk culture, governance practices).
5. **Development of Updated RAS:** Based on the findings from the review and benchmarking exercise, develop an updated Risk Appetite Statement that clearly articulates EBID's risk tolerance and provides guidance on risk-taking activities. The updated RAS will include both quantitative limits and qualitative guidelines for managing risk.
6. **Validation and Approval:** Present the updated RAS to EBID's senior management and Board of Directors for validation and approval. Conduct validation workshops or meetings as necessary to gather feedback and ensure that the RAS is fully aligned with EBID's strategic objectives.
7. **Implementation and Monitoring:** Develop an implementation plan for rolling out the updated RAS across EBID's operations. This will include training for staff, updating risk management processes, and establishing monitoring and reporting mechanisms to ensure adherence to RAS.
8. **Ongoing Review and Adjustment:** Establish a process for regularly reviewing and updating the RAS to ensure that it remains relevant and effective in a changing environment. This will include periodic reviews, stress testing, and scenario analysis to assess the impact of external factors on EBID's risk profile.

## 6. Deliverables

The key deliverables for this assignment will include:

1. A detailed review report on the existing Risk Appetite Statement, including findings from the benchmarking exercise and stakeholder consultations.
2. An updated Risk Appetite Statement document, clearly defining EBID's risk tolerance across key risk categories.
3. A governance framework for implementing and monitoring the RAS, including roles and responsibilities for oversight.

4. A risk Management and Control framework, including (i) project risk classification models for large-scale lending, (ii) single obligor, sectoral, and country limits tailored to large exposures, (iii) the early warning system, with dedicated monitoring for large borrowers and (iv) policies for political risk insurance and syndication risk sharing.
5. A communication and training plan to ensure that the updated RAS is effectively rolled out across EBID.
6. An implementation plan for integrating the RAS into EBID's strategic planning and risk management processes.
7. A monitoring and reporting framework for tracking adherence to the RAS and providing regular updates to stakeholders.

## **8. Duration**

The duration of the contract will be for a period of three (3) months.

## **8. Team Composition**

The review and development of the Risk Appetite Statement will be led by a team of risk management experts with experience in:

- Development of finance institutions and their risk management frameworks
- Credit, market, operational, and liquidity risk management
- Governance and regulatory requirements for financial institutions
- Strategic planning and risk integration

## **9. Reporting**

The consulting team will report to EBID's Chief Risk Officer (CRO) and provide regular updates on the progress of the assignment. Weekly progress reports will be submitted to the CRO, with periodic updates provided to the Board of Directors as necessary.

## **FINANCIAL RISKS' ToR**

# TERMS OF REFERENCE (TOR) FOR THE RECRUITMENT OF A CONSULTANT FOR THE REVIEW AND STRENGTHEN ITS ALM FRAMEWORK, TOOLS, AND POLICIES IN LINE WITH INTERNATIONAL BEST PRACTICES AND THE BANK'S EVOLVING FUNDING AND PROJECT PROFILE

## 1. Context and background

The ECOWAS Bank for Investment and Development ('EBID'; 'the Bank') is the financial arm of the Economic Community of West African States (ECOWAS, Region) comprising fifteen (15) Member States namely, Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, The Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo. The mission of the Bank is to help create the conditions for the emergence of an economically strong, industrialized, prosperous West Africa, fully integrated both internally and within the global economic system, to take advantage of the opportunities and prospects offered by globalization.

To finance its activities, the Bank relies on two main categories of resources: internal resources within the community and external resources. Internal resources refer to those mobilized within the subregion and include capital resources, resources from regional financial markets. External resources refer to those mobilized from bilateral or multilateral technical and financial partners such as governments, multilateral development banks, or other international banks or financial institutions. Beyond the need to mobilize resources, balancing the cost of the resources to be mobilized with the pricing of planned operations is a critical issue for the Bank's profitability, competitiveness, and sustainability.

In addition, The ECOWAS Bank for Investment and Development (EBID) has initiated a strategic shift towards financing large-ticket projects ranging from USD 100 million to 200 million. This transformation aims to align EBID's financing operations with regional infrastructure needs and the Bank's 2026–2030 Strategic Plan. This transition demands a more sophisticated Asset and Liability Management (ALM) system capable of addressing increased funding, liquidity, interest rate, and currency risks. It is within this framework that these terms of reference are presented for the recruitment of a firm to review and strengthen EBID's ALM framework, tools, and policies in line with international best practices and the Bank's evolving funding and project profile.

## 2. Objectives of the Assignment

The primary objective of this assignment is to support EBID in realigning its ALM function to meet the liquidity and funding challenges of large-ticket project finance. The consultant will:

- Review EBID's existing ALM policy and recommend updates.
- Propose and implement simulation tools for liquidity and risk monitoring.
- Define pricing strategies that align with funding costs and risk-adjusted returns.
- Establish maturity and currency matching guidelines for long-term projects.
- Develop stress-testing tools to evaluate large project impacts on EBID's balance sheet.

## 3. Scope of Work

The Consultant will be responsible for:

### a. ALM Policy Review

- Assess the current ALM policy's adequacy for large-scale financing.
- Recommend revisions covering liquidity thresholds, funding tenor mix, and exposure limits.

## **b. Maturity and Currency Matching Guidelines**

- Develop detailed guidelines for:
  - Asset-liability maturity alignment,
  - Currency risk mitigation (natural hedges, swaps),
  - Duration gap limits.

## **c. Liquidity Buffer and Disbursement Planning**

- Define **liquidity buffer thresholds** to manage large disbursements.
- Recommend mechanisms to forecast and fund large outflows using revolving facilities.

## **d. ALM Simulation and Stress Testing Tools**

- Design Excel or system-based tools for:
  - Scenario simulations (interest rate hikes, FX shocks, delayed inflows),
  - Stress testing the impact of large project cycles on liquidity and solvency metrics.

## **e. Pricing Strategy Design**

- Propose pricing models integrating:
  - Cost of funds (multi-currency),
  - Risk-weighted capital allocation,
  - Liquidity premium and credit spread benchmarks.

## **f. ALM Dashboard Development**

- Develop a dashboard (Excel or Power BI) with real-time tracking of:
  - Funding structure,
  - Currency exposures,
  - Liquidity ratios,
  - Project disbursement schedules.

## **5. Expected Deliverables**

The key deliverables for this assignment will include:

1. An inception Report to understanding of EBID ALM context and proposed workplan
2. A Draft of the revised ALM policy with new guidelines
3. A simulation & Stress Test Tools in Excel or system-based templates with user manuals
4. A fully functional ALM dashboard + training
5. A liquidity risk appetite in line with the bank's mandate and strategy
6. A liquidity policy based on international best practices and the Bank's mandate
7. A Liquidity Contingency Plan
8. A Final Report with recommendations

## **6. Duration**

The duration of the contract will be for a period of three (3) months.

## **7. Qualifications and Experience**

The consultant/firm must demonstrate:

- At least **10 years of experience** in ALM, treasury risk, or capital markets.
- Prior work with **development finance institutions (DFIs)** or multilateral banks.
- Proven track record in **ALM policy development, pricing tools, and simulation models**.
- Familiarity with **IFRS, Basel II/III, and sovereign project financing**.
- Strong analytical and financial modeling skills (Excel, Power BI, TMS integration).

## **8. Reporting Line**

The Consultant will report to the **Vice President in charge of Risk and Control** and work closely with the **Treasury Department, ALCO Secretariat, and Finance Department**.

# TERMS OF REFERENCE (TOR) FOR THE RECRUITMENT OF A CONSULTANT FOR THE REVIEW AND DEVELOPEMENT OF EBID PRICING FRAMEWORK

## 1. Context and background

The ECOWAS Bank for Investment and Development ('EBID'; 'the Bank') is the financial arm of the Economic Community of West African States (ECOWAS, Region) comprising fifteen (15) Member States namely, Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, The Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo. The mission of the Bank is to help create the conditions for the emergence of an economically strong, industrialized, prosperous West Africa, fully integrated both internally and within the global economic system, to take advantage of the opportunities and prospects offered by globalization.

To finance its activities, the Bank relies on two main categories of resources: internal resources within the community and external resources.

Internal resources refer to those mobilized within the subregion and include capital resources, resources from regional financial markets.

External resources refer to those mobilized from bilateral or multilateral technical and financial partners such as governments, multilateral development banks, or other international banks or financial institution.

Beyond the need to mobilize resources, balancing the cost of the resources to be mobilized with the pricing of planned operations is a critical issue for the Bank's profitability, competitiveness, and sustainability as development bank.

The Bank, in line with its overall strategy, is in the process of updating its risk management framework to (i) Enhance its credit rating by international rating agencies to an investment grade; (ii) Develop balance sheet optimization and risk transfer mechanisms; (iii) Design a risk management framework in line with large ticket transactions. It is within this framework that these terms of reference are presented for the recruitment of a firm to review and improve the pricing framework of the Bank.

## 2. Key objectives

The main objectives of this assignment are:

- (i) to review EBID's existing pricing policy and propose a new version in line with international best practises, the Bank's developments and mandate, and the current challenges inherent to its activities. This policy shall cover the main products offered by the Bank.
- (ii) to operationalize the pricing policy through a pricing model.

## 3. Activities

The selected firm will be required to perform the following tasks (but not limited to):

- Conduct a critical assessment of the Bank's current pricing regime in conjunction with an in-depth analysis of its profitability.
- Conduct a comparative analysis of the pricing policy of institutions similar to EBID.
- Propose a consistent pricing policy to EBID that can ensure consistent profitability while remaining competitive.
- Develop a model for implementing this pricing policy.
- Provide a sensitivity analysis of the key parameters of the proposed pricing model.
- Estimate the cost/ benefit impact of the proposed model.

#### **4. Deliverables**

The expected deliverables of the assignment are:

- (i) A detailed report covering the assessment of the existing pricing policy and framework
- (ii) A pricing policy, based on international best practises, covering main products offered by the Bank (direct mid-long/ long-term loans, short term/ trade loans, guarantees) including Pricing strategy + modeling templates
- (iii) An operational pricing model deriving from the proposed policy

#### **5. Duration of assignment**

The duration of the contract will be for a period of three (3) months.

#### **6. Required qualifications**

The successful firm shall:

- Have an international reputation and a good knowledge and understanding of the ECOWAS region.
- Meet all statutory requirements in its country.
- Have successfully completed similar assignments of a similar complexity in similar organization. Experience on similar assignment in a Multilateral Development Bank is highly desirable.

In addition, the firm's experts must have the following qualifications and experience:

- At least a master's degree in mathematics/economics/finance
- A minimum of 10 years of relevant professional experience in financial risk modelling, econometrics, or related field
- Good knowledge of ECOWAS context and financial sector
- Good knowledge in banking products and Basel II/ III regulatory framework
- Strong expertise in model development
- Critical thinking, problem solving, and creativity
- Strong written and verbal communication skills
- Highly motivated and ability to work independently as well as within a team
- Strong organizational skills
- Ability to communicate fluently, in writing and orally, in French and/or English with a good knowledge of the other language

# TERMS OF REFERENCE (TOR) FOR THE DEVELOPMENT OF EXCHANGE RATE RISK MANAGEMENT AND FOREIGN CURRENCY RISK MANAGEMENT POLICIES

## I. Background

The ECOWAS Bank for Investment and Development (EBID) is a Development Finance Institution focused on promoting economic development and integration across ECOWAS member states. Given the nature of its operations, EBID manages diverse portfolios in multiple currencies, which exposes it to exchange rate and foreign currency risks. To safeguard its financial resources and ensure stability, EBID seeks to engage a qualified consultant to develop comprehensive policies for exchange rate risk management and foreign currency risk management. The Bank, in line with its overall strategy, is in the process of updating its risk management framework to (i) Enhance its credit rating by international rating agencies to an investment grade; (ii) Develop balance sheet optimization and risk transfer mechanisms; (iii) Design a risk management framework in line with large ticket transactions.

Without an exchange rate risk management policy and a foreign currency risk management policy, a Development Finance Institution (DFI) like the ECOWAS Bank for Investment and Development (EBID) faces significant financial and operational risks. Here are some key risks:

### 1. Currency Mismatch Risk

- **Challenge:** DFIs often lend in multiple currencies and raise funds from various sources, creating a mismatch between assets and liabilities in different currencies.
- **Risk:** Without a structured policy, EBID might face severe losses if liabilities in a stronger currency (like USD) outpace assets denominated in local or weaker currencies (like XOF), eroding net worth and creating solvency concerns.

### 2. Income Volatility and Profitability Risk

- **Challenge:** Foreign exchange fluctuations can result in unpredictable income and profit levels, especially for institutions financing in volatile or emerging market currencies.
- **Risk:** Unmanaged exchange rate fluctuations can lead to volatile interest and fee income, reducing predictability in EBID's revenue streams. This unpredictability can strain operational budgets and hinder effective long-term planning.

### 3. Liquidity Risk

- **Challenge:** Foreign currency liabilities may require EBID to maintain certain levels of liquidity in multiple currencies, adding complexity to liquidity management.
- **Risk:** Without a policy, EBID may struggle to maintain adequate liquidity in required currencies, especially if currency volatility restricts access to foreign currency for servicing obligations, risking a liquidity crunch.

### 4. Capital Erosion Risk

- **Challenge:** Sudden devaluations in currencies held by EBID can significantly impact the value of assets and capital resources.
- **Risk:** Without proactive currency risk management, EBID's capital base can shrink due to currency depreciation, undermining its financial stability and creditworthiness, and leading to potential downgrades from rating agencies.

## 5. Reduced Development Impact

- **Challenge:** Exchange rate volatility can reduce the purchasing power of funds allocated for projects when converted into local currency, diminishing project effectiveness.
- **Risk:** Projects may receive less financing than initially intended, potentially leading to delays or the need for additional funds, undermining EBID's mission to drive development in ECOWAS states.

## 6. Operational and Hedging Cost Risks

- **Challenge:** DFIs use hedging strategies (such as currency swaps or forwards) to mitigate risks, which require proper policies and oversight.
- **Risk:** Without a clear policy, EBID may incur excessive costs through ad-hoc or misaligned hedging strategies. A lack of policy oversight could also expose EBID to operational risks, including poorly executed currency transactions and inadequate monitoring.

## 7. Strategic and Reputation Risk

- **Challenge:** Stakeholders, including governments and investors, expect DFIs to manage risks according to international standards.
- **Risk:** Failing to have formal currency risk policies can create a perception of weak governance and risk management practices. This may harm EBID's reputation, reduce investor confidence, and jeopardize relationships with other DFIs, reducing access to international funding.

## 8. Compliance and Regulatory Risks

- **Challenge:** DFIs may operate under varying regulatory frameworks that require compliance with currency risk management standards.
- **Risk:** Lack of adherence to these standards could lead to regulatory sanctions or limitations, impacting EBID's ability to operate in certain jurisdictions or secure funding from international partners.

## 9. Interest Rate Spread and Debt Servicing Risks

- **Challenge:** Many DFIs rely on debt financing, which often comes with fluctuating interest rates tied to foreign currency exchange rates.
- **Risk:** Without policies to mitigate currency risks, EBID may find itself paying higher interest costs if the repayment currency is appreciated. This increases debt servicing costs and negatively affects net income and cash flow.

In sum, not having exchange rate and foreign currency risk management policies expose EBID to financial losses, operational inefficiencies, and reputational harm, all of which could hinder its mission to support development and stability in ECOWAS countries. Robust policies would enable EBID to manage these risks systematically, protect its resources, and enhance its long-term sustainability.

## II. Objectives

The primary objective of this engagement is to:

- Develop a robust **Exchange Rate Risk Management Policy** to mitigate the risks associated with currency fluctuations affecting EBID's assets, liabilities, and income streams.

- Create an effective **Foreign Currency Risk Management Policy** to manage exposures associated with holding and transacting in multiple foreign currencies.

These policies should align with the best international practices for DFIs, providing a framework for risk identification, assessment, monitoring, and mitigation.

### III. Scope of Work

The consultant will carry out the following tasks:

#### Task 1: Review and Analysis

- Conduct a comprehensive review of EBID's current risk management practices and exposure to currency-related risks.
- Analyze EBID's asset-liability profile and cash flows to identify specific areas of exposure to exchange rates and foreign currency risks.
- Benchmark against international best practices and the policies of similar DFIs.

#### Task 2: Policy Development

- **Exchange Rate Risk Management Policy:** Develop a policy that outlines methods to manage exchange rate fluctuations, covering risk identification, assessment, measurement, and mitigation strategies. The policy should also address internal controls, reporting structures, and compliance requirements.
- **Foreign Currency Risk Management Policy:** Design a policy that addresses the risks arising from foreign currency holdings and transactions. This policy should outline guidelines for currency matching, hedging strategies, and foreign currency exposure limits.

#### Task 3: Framework and Methodologies

- Define frameworks for ongoing risk assessment and measurement (e.g., Value-at-Risk (VaR), stress testing).
- Propose methodologies for currency hedging, asset-liability matching, and other mitigation strategies tailored to EBID's operations.
- Outline procedures for monitoring and reporting exchange rate and foreign currency risks to senior management.

#### Task 4: Staff Capacity Building

- Conduct workshops or training sessions for relevant EBID staff to enhance understanding of the new policies, risk management techniques, and reporting requirements.

#### Task 5: Finalization and Implementation Roadmap

- Based on feedback from EBID's stakeholders, finalize both policies.
- Provide a step-by-step implementation roadmap, including timelines, responsibilities, and resources required.

#### **IV. Deliverables**

The consultant is expected to deliver the following:

1. **Inception Report:** An initial report outlining the consultant's understanding, work plan, and timeline for completing the assignment.
2. **Draft Policies:** Initial drafts of the Exchange Rate Risk Management Policy and Foreign Currency Risk Management Policy for review.
3. **Risk Assessment Framework:** A framework document detailing risk assessment methodology for both exchange rate and foreign currency risks.
4. **Training Workshop Materials:** Training presentations, manuals, and other materials used in the capacity-building sessions.
5. **Final Policies:** Finalized versions of both policies incorporating feedback from EBID's stakeholders.
6. **Implementation Roadmap:** A detailed roadmap for the implementation of both policies, including monitoring and evaluation procedures.

#### **V. Duration of assignment**

The duration of the contract will be for a period of three (3) months.

**Annex 1:**  
**RISK MANAGEMENT DEPARTMENT'S  
MISSIONS & DUTIES**

## **I.RISK MANAGEMENT DEPARTMENT**

### **1.1. Missions**

- Propose and promote an appropriate framework for the management of the Bank's exposures.
- Design and establish procedures, tools, scope and controls for sound management of counterpart risks, financial risks and operational risks of the Bank.
- Ensure identification, evaluation, mitigation and provisioning of the risks of the Bank.

### **1.2. Duties and Specific Responsibilities**

- Assess and manage risks within the Institution, particularly credit, operational and market risks.
- Strengthen the Bank's capacity to identify, measure and manage credit risks in private and public sector transactions, especially the risks of EBID's exposure to an entity or group of associated entities, investment risks, and country risk, as well as its treasury and liquidity activities.
- Manage the Bank's exposure to market and operational risks.

### **1.3. Operational Risk Division**

#### **1.3.1. Operational Risk Management**

- Assist in planning, managing, and providing ongoing support for the implementation of the Bank's operational risk management framework.
- Provide guidance and support to business and support units to ensure successful management, identification, measurement, and monitoring of operational risk.
- Facilitate Risk and Control Self-Assessment (RCSA) workshops for business units and help identify and monitor relevant Key Risk Indicators (KRI).
- Assist business units in developing KRI for key risks and ensure their reporting within the risk dashboard.
- Follow up with business units to implement controls and action plans that mitigate operational risks.
- Analyse operational risk incidents and prepare relevant reports to Management.
- Perform any other related activity.

#### **1.3.2. Internal Control over Financial Reporting (ICFR)**

- Design and prepare the Bank's annual internal control work programme using the COSO framework and the Risk Control Assessment (RCA).
- Conduct periodic risk assessments to identify key financial statement processes, risks, and mitigating controls, and design test and remediation plans accordingly.
- Update internal control documentation, perform walkthroughs, and test key controls for annual attestation.
- Develop risk and control matrices for key business processes and determine controls to be tested periodically.

- Use test scripts to verify key controls and collaborate with business units to remediate weaknesses.
- Report on the periodic review of control effectiveness and monitor completion of enhancement plans.
- Coordinate with external auditors for certification of internal controls over financial reporting.
- Perform any other related activity.

#### **1.4. Financial Risk Division**

##### **1.4.1. Financial Risks**

- Design and establish financial risk management and monitoring procedures (exchange rate and liquidity risks).
- Develop financial risk assessment tools.
- Identify, analyse, and propose measures to mitigate financial risks.
- Establish treasury risk management and supervision policies, including investment vehicles, maturity, and limits.
- Maintain financial risk analysis and monitoring records.

##### **1.4.2. Market/Liquidity Risks**

- Establish market and liquidity risk management and surveillance procedures.
- Develop a rating system for market and liquidity risks.
- Identify, analyse, and propose measures to mitigate market and liquidity risks.
- Monitor market and liquidity risk exposures.
- Maintain market and liquidity risk analysis and monitoring sheets.

#### **1.5. Credit Risk Division**

- Design and establish counterpart risk management and surveillance procedures.
- Develop a rating system for counterpart risks.
- Identify, analyse, and propose mitigation measures for counterpart risks.
- Monitor counterpart risk exposures.
- Maintain counterpart risk analysis and monitoring sheets.

#### **1.6. Chief Information Security Unit/Officer (CISO)**

- Provide strategic direction and guidance in information security operations and planning.
- Develop security and business continuity standards and action plans.
- Design security architecture and policies based on business needs, risk assessments, and regulatory requirements.
- Conduct information security risk analyses and system audits.
- Lead the IT risk management programme including disaster recovery and business continuity planning.
- Implement cybersecurity policies, standards, and procedures ensuring coverage against emerging threats.

- Supervise implementation of system security plans and oversee compliance with policies.
- Develop and manage information security and risk management awareness and training programmes.
- Review risk assessments for applications, systems, and data centre physical security.
- Review investigations, audits, and modelling studies to provide direction and recommendations.
- Review and manage information security budgets.
- Perform other related duties as assigned.