

**Implementation of ECL Solution in line with
'Nepal Financial Reporting Standards 9 (NFRS 9)'**

In

Nepal Infrastructure Bank Limited

Requested by:

Nepal Infrastructure Bank Limited
Krishna Tower, New Baneshwor, Kathmandu

September 6, 2024

Nepal Infrastructure Bank Limited
Request for Proposal (RFP)

1. Declaration

We _____ (Bidder's Name) hereby confirm that we comply with all the conditions mentioned in this RFP document. It is understood that failing to meet any of the requirements, scopes and standards for the Bank may lead to disqualification in the selection process at any point in time.

Further, we declare that We "(Bidding Firm/Company)" do not have any "Conflict of Interest" or Financial Interest with NIFRA.

Authorized Signature:

Name and Title of Signatory: _____

Office Address:

Duly authorized to sign the proposal for and on behalf of _____ (Bidder's Name)
Date:

2. Invitation of sealed Bids

Nepal Infrastructure Bank Limited (NIFRA) herein referred as "the Bank" Intends to invite bids from eligible applicants/bidders (herein referred as "Bidder(s)") for implementation of ECL Solution in line with NFRS9'.

The complete set of Request for Proposal (RFP) can be obtained from either Administration Unit of Human Resource and Administration Department (HRAD) of the Bank, Head Office, New Baneshwor or can be obtained via e-mail (by the concerned bidder upon formal request and deposit of non-refundable bid document fees in the account) having title "Implementation of ECL Solution in line with Nepal Financial Reporting Standards 9 (NFRS9)".

- a. For bidders Inside Nepal, deposit of NPR 3,000 (In words: Nepalese Rupees three thousand only) is to be made in Account Number 55501099662 and Account Name 'Nepal Infrastructure Bank Ltd.' maintained at Siddhartha Bank Ltd.
- b. Please mention remarks 'Bid Fee for ECL System Implementation' while depositing the account mentioned above.

3. Submission Details

- a. RFP response should be submitted at Administration Unit of HRAD of Nepal Infrastructure Bank Limited, Head Office, New Baneshwor, Kathmandu, Nepal no later than September 22, 2024 (i.e. Ashwin 6, 2081) within 5:30 PM. In the event of public holiday on the last date of submission, the bid will be received up to the same time in next working day.
- b. The proposal shall be submitted in a single sealed envelope marking "Proposal for Implementation Solutions for NFRS-9" containing two separate sealed envelopes Inside mentioning:
 - i. Technical Proposal on Implementation of ECL Solutions in line with NFRS 9
 - ii. Financial Proposal on Implementation of ECL Solutions in line with NFRS 9
- c. The Technical Proposal should also be submitted in soft copy. In the event of any discrepancy between original and softcopy, the original shall govern.

4. Disclaimer

The information contained in this Request for Proposal (RFP) document or information provided subsequently to bidder(s) by or on behalf of the Bank is provided to the Bidder(s) on the terms and conditions set out in this RFP document.

This RFP document is neither an agreement nor an offer by the Bank. This RFP is to invite proposals from the bidders who are qualified to submit the bids. The purpose of this RFP is to provide the bidder(s) with Information to assist them in the formulation of their proposals.

The Bank reserves the right of discretion to change, modify, add, or alter any or all of the provisions of this RFP and/or the bidding process, without assigning any reasons whatsoever. Such a change may be intimated to all bidders. Any information contained in this document will

be superseded by any later written information on the same subject made available to all bidders by the Bank. Any expenses Incurred by the bidders in responding to this RFP will have to be borne by themselves; the Bank will not compensate/ reimburse any such costs.

The Bank reserves the right to reject any or all proposals received in response to this RFP document at any stage without assigning any reason whatsoever. The decision of the Bank shall be final, conclusive, and binding on all the Bidders.

5. Introduction of the Bank

Nepal Infrastructure Bank Limited (NIFRA) is first and only National Level Infrastructure Development Bank of Nepal licensed by central bank, Nepal Rastra Bank under Bank and Financial Institution Act (BAFIA), 2073. The concept of having specialized infrastructure development bank in Nepal was laid down by Government of Nepal (GoN) through the Budget Speech of Financial Year 2015/16. Later on, the Central Bank i.e. Nepal Rastra Bank (NRB) came up with the Monetary Policy for FY 2015/16, which stated that “A special policy provision will be made in order to provide license for the establishment of a national level Infrastructure Bank with paid up capital NPR 20 Billion”.

Considering the need of investment in infrastructure development of the country to support nation’s prosperity, Banks and Financial Institutions (BFIs), Life and Non-Life Insurance companies, Public companies, private sector entities and leading entrepreneurs in joint participation with the GoN incorporated Nepal Infrastructure Bank Limited with a brand name of NIFRA on June 08, 2018. NIFRA obtained operating license from Nepal Rastra Bank on February 11, 2019 and started its commercial operations since March 6, 2019. In FY 2020/21, NIFRA issued public IPO of NPR 8 billion which was fully subscribed.

The primary objective of the bank is to raise long term funds from Domestic and Global market to invest into various sectors of Infrastructure development by providing debts, mezzanine debts or equity to the projects. The purpose of the bank is to act as Nodal bank for unlocking the infrastructure development opportunities of Nepal. The functions and activities of the Bank are guided primarily by provisions of Bank and Financial Institution Act (BAFIA), 2073 and Central Bank’s Unified Directive for Infrastructure Development Banks.

In the journey of five plus years, the Bank has approved **twenty-eight infrastructure projects** in energy, tourism, health, IT, Cement, etc. with total active limit of **NPR. 30.77+ Billion** and the total facility disbursed/outstanding in these projects at present is **NPR 20.95+ Billion**.

Further, the credit facilities with NIFRA portion of financing **NPR. 10 + Billion** are under discussion and appraisal stage.

In line with the new regulatory requirement, the Bank is aiming to have a robust Implementation Solutions for NFRS-9 which supports the Bank for building resilient Expected Credit Loss (ECL) solution and framework. The proposed system should enhance the reporting requirements as per NFRS 9 and regulatory requirements. Hence, the Bank is looking for highly Interoperable,

modular, intelligent, advanced, scalable and secure Implementation Solutions for NFRS 9.

6. Information to the Respondents

- i. This section of this RFP sets out NIFRA's contracting requirements and the general conditions relating to this procurement process.
- ii. The documents and information exchanged/provided to the Respondent during procurement process shall be the supplied in good faith. The information contained in this RFP and the supporting documents and in any written or oral communication is believed to be correct at the time of issue but NIFRA will not accept any liability for its accuracy, adequacy or completeness and no warranty is given as such. This exclusion does not extend to any fraudulent misrepresentation made by or on behalf of NIFRA.
- iii. The respondent is responsible for analyzing and reviewing all information provided by NIFRA during the RFP Process and to form their opinions and seeking advice as required.
- iv. The respondent should notify NIFRA promptly of any perceived ambiguity, inconsistency or omission in the information provided as part of the RFP Process.
- v. At any time prior to the response deadline, NIFRA may amend this RFP. Any such amendment shall be issued to all respondents, and if appropriate to ensure respondents have reasonable time in which to take such amendment into account, the Response Deadline shall, at the discretion of NIFRA, can be extended.
- vi. Each respondent is responsible for obtaining all information necessary for preparation of a response to RFP and for all costs and expenses incurred in preparation of RFP response. The respondent will not be entitled to claim from NIFRA any costs, expenses or liabilities that is incurred in this RFP process irrespective of whether or not the respondent is selected for this procurement.
- vii. NIFRA reserves the right to disclose all documents relating to the RFP Process, including without limitation respondent's response to RFP, to any provider of management services to NIFRA, advisers or other third parties involved in the RFP or support of the Services.
- viii. The language of the RFP shall be in English.
- ix. Alternative RFP responses are not permitted. In case one respondent submitted more than one RFP responses, all the responses shall be rejected.
- x. Response submission in Joint Venture (JV)/Association will be accepted. However, the Lead Partner should be Nepali Firm/Company registered at Nepal.
- xi. The payment to the selected bidder will be made in Nepalese Rupees.

- xii. The physical copies of required forms and documents mentioned below shall be minimum required documents for RFP responses completeness. The incomplete RFP responses shall not be considered for further stage of evaluation.

Document
The RFP issued by NIFRA signed and stamped in each page
The Letter of RFP Submission
The Letter confirming that Firm/Company is not Blacklisted in the past. In case of association/ JV, all members confirmation/declaration will be required
Power of Attorney of RFP signatory
Completed Technical Proposal covering the methodology, approach, details of consulting team, Generic and Specific Experiences related to SoW as detailed in Section 9 of the RFP
Completed Financial Proposal as per the format provided in the Section 12 of the RFP

- xiii. The RFP responses must be valid for a period of Sixty (60) days from the last submission date.
- xiv. The clarification queries/questions on RFP can be sent in email provided in Section 15 within 7 days from the date of RFP issue. NIFRA's to response to clarification queries/questions shall be circulated to all respondents within 10 days from the date of RFP notice.
- xv. The evaluation and selection of respondents shall be subject to the respondents fulfilling the documents completeness, selection and evaluation criteria as follows:
- a. Stage 1: Completeness of RFP Response
 - b. Stage 2: Technical and Financial Evaluation
 - c. Stage 3: Selection of respondent having highest score as per evaluation criteria.
 - d. Stage 4: Engagement through Contract as Consultant
- The bid evaluation and selection are sequential process, meaning respondents qualified in stage 1 shall be considered for stage 2 and so on.
- xvi. NIFRA may reject all and/or any RFP responses without assigning any reason.
- xvii. NIFRA reserves the right to procure the full / partial scope of work OR not to procure any.
- xviii. The financial proposal must be a genuine reflection of the cost you anticipate of delivering the Services. The respondents are requested to propose their terms and conditions on payment of fees on milestone basis as mentioned in **section 12** of this RFP.
- xix. The respondents are encouraged to propose the best suited methodology/approach to deliver this assignment. However, the onsite visit/interaction shall be encouraged and evaluated with higher weightage.

- xx. The respondents can propose the additional scope of work than scopes of engagement mentioned in **section 9**, if the addition scope/work as felt necessary. The rationale of additional scope/work and cost for same, if any, has to be presented separately by respondents. NIFRA reserves the right to include/exclude the additional scope/work in the engagement through this RFP.

7. Eligibility Criteria

The bidder must fulfill the following minimum eligibility criteria:

- a. The bidder must be in existence for a minimum period of the last 5 (five) years;
- b. The bidder must be CA firm/company and/or firm/company operating in business of developing/implementing ECL system/migration of BFIs data in NFRS 9/IFRS 9 with minimum two Chartered Account in implementation team/partner;
- c. The bidder should have sufficient capacity to execute the work with respect to personnel and technical competence;
- d. The proposed engagement team should have minimum two Fellow Chartered Accountant (FCA), preferably in Team Lead and Engagement Manager role. Further, the proposed team should have at least: one ECL Technical Specialist, one ECL Model Development Specialist and two financial/engagement consultant having Financial Accounting or Management Background.
- e. The bidder should have implementation experience of providing similar solution/service (designed, developed, and Implemented) in at least 3 domestic and/or international Banks and Financial Institutions;
- f. Foreign partner company supporting the implementation and/or supplying the technology/solution may participate in association/JV with the local firm/ company registered in Nepal as Lead JV.

8. Minimum Requirements of Technical Proposal

Each bidder must include the following as minimum required in their technical proposal:

a. Profile of the bidder - A concise profile of the bidder including, but not limited to, the following points:

- i. Brief description of bidder including information on the nature of the organization/partners and their clientele (Mainly the Banks and/or Financial Institutions inside or outside Nepal as client with service provided relevant to the Scope of this RFP).
- ii. The list of modules implemented on the referenced organization.
- iii. The name of advisory partners, if any, with whom the solutions were implemented.

b. Documents Requirement: The bidder should submit under-mentioned self-attested/notarized and duly signed and stamped documents in a sealed envelope of technical proposal in the following order:

- i. The entire original bid documents duly endorsed.
- ii. Valid copies of Firm/ Company Registration Certificate
- iii. Valid copies of PAN/ VAT/ Tax Registration Certificate.
- iv. Partnership deed/ JV agreement in case of JV.
- v. Audited financial statements of last three years.
- vi. Latest tax Clearance Certificate.
- vii. Power of Attorney for signing the bid documents.
- viii. Self-certified CV Key Management Personals (Proprietor/Partners/ Implementation Team)
- ix. Details of proposed system/solution, the methodology, approach, consulting team, timeline of implementation (not exceeding then 3 months) including the detailed features of 'NFRS-9 Solutions' defined In Scope of Work.
- x. Details of Roles & Responsibilities for implementation if the bidder has applied in JV/partnership arrangement (including roles and responsibility of Foreign JV partner, if any).

9. Scope of Work

The scope of work under this RFP, including but not limited to, for Implementation ECL Solutions in line with NFRS 9 is as follows:

Scope 1: Diagnostic Analysis/Gap Analysis

- ✚ Review of the existing policies (Accounting, Credit, Risk, etc.) against ECL Benchmarks under the NFRS 9 framework for potential gaps.
- ✚ Review credit approval/underwriting policies (Risk Appetite/Tolerance, Credit, Risk, etc.), process and tools
- ✚ Review and restructure roles & responsibilities in line with upscaled policies & procedures compliant with NFRS 9.

Scope 2: Develop the Expected Credit Loss (ECL) model in line with NFRS 9 Financial instruments, covering

- ✚ Classification of Financial Instruments
 - Determination of financial instruments classification criteria in line the requirements of standards
 - Establishing the financial assets classification process for financial instruments covering Contractual Cash Flow characteristics (SPPI test); and Business Model Test
 - Determining the appropriate classification and the financial asset impact for the Bank
- ✚ Segmentation of Portfolio based on risk characteristics and types.
- ✚ Defining the relevant Internal and external factors that may affect ECL estimates, such as underwriting standards, insurance, guarantees and industry, geographical, economic and political factors.
- ✚ Defining the process of using collateral valuation data in the computation of the ECL.
- ✚ Staging – Determining the staging/impairment criteria and staging of portfolio.
 - Identifying staging indicators for the impairment computation
 - Assessing the impact of ECL on financial assets in line with requirement of NFRS 9
 - Determining the applicability of 12-month ECL vs Lifetime ECL in determining the expected loss provision
- ✚ Developing Probability of Default (PD) Model over time horizons
 - Developing the PD model relating various time horizons (Monthly, Quarterly, Annual, etc.)
 - Computing PD for the product segments determined for different time horizon
- ✚ Computing the LGD for the product segments determined for a selected time horizon.
 - Developing the LGD model relating various time horizons (Monthly, Quarterly, Annual, etc.)
 - Computing LGD for the product segments determined for different time horizon
- ✚ Developing the EAD and Credit Conversion Factor (CCF) model in line with NFRS 9 considering revolving and term nature instruments.

- Developing the EAD model in line with NFRS 9 considering revolving and term nature instruments
- Developing the Credit Conversion Factor (CCF) used for revolving and off-balance sheet products
- Computing EAD for the product segments determined for different time horizon
- ✚ Developing the Multiple Economic Scenario/Economic Factor Adjustment (EFA) model and template considering national and international qualitative and quantitative information and computing EFA for product segments.
- ✚ Computing EFA for the product segments determined for different time horizon.
- ✚ Developing the ECL computation sheet and dashboard.
- ✚ Computing the ECL for product segments determined for a selected time horizon.

Scope 3: ECL System/tools Customization, implementation and migration

The solution provided to the Bank should be able to provide the automated NFRS 9 system complied value to impairments/provision data by taking manual/automated the data values from the Core Banking Software and other database. The calculation engine/tool should be well customized in line with the requirement of NFRS 9, well tested, integrated required reports for making regulator reporting.

Scope 4: ECL System/tool and data validation in line with NFRS 9 Financial instruments, covering

- ✚ Portfolio Segmentation
 - Assessing the appropriateness of the portfolio segmentation determined by the management by risk characteristics of each product
 - Assessing the completeness of data
- ✚ Staging
 - Assessing the appropriateness of staging indicators used for impairment computation
 - Validating the reasonability of the assumptions used for determining the staging
 - Assessing the completeness and consistency of the data, and accuracy of the functional methodology used to identify the staging
- ✚ Probability of Default (PD) Model
 - Validating the PD model and propose the improvements on overall estimates relating to various time horizons
 - Assessing the appropriateness of extrapolation methodology
 - Assessing the consistency of the data, and accuracy of the functional methodology used to compute PD
 - Determining the accuracy of PD estimates by using PSI and K-S statistics
- ✚ Loss Given Default (LGD) Model
 - Assessing the reasonability of virtually closed point determined by management by back testing the models

- Assessing the appropriateness of segmentation used for the LGD model
- Assessing the consistency of the data, and accuracy of the functional methodology used to compute LGD
- ✚ Exposure at Default (EAD) Model
 - Assessing the EAD at customer level for ECL computation
 - Assessing the CCF used for revolving and off-balance sheet products
 - Assessing the consistency of the data, and accuracy of the functional methodology used to compute EAD
- ✚ Multiple Economic Scenarios (Economic Factor Adjustment)
 - Establishing the reasonability of qualitative and quantitative factors determined by the management for ECL computation through back testing and validating the appropriateness of such factors
 - Determining the accuracy of extrapolation methodology and assumptions made to build the multiple economic scenarios
 - Back testing of the economic factor model to be performed in line with the requirements of NFRS 9
 - Assessing the consistency of the data, and accuracy of the functional methodology used to compute EFA

Scope 5: Capacity Building and Liaising/Communication with auditors and regulators

The bidder should spare good time and effort to transfer the knowledge and technology to the Bank staff by organizing different training/workshop programs, not limited to, as follows have to be provided to key management personnel and working team of the Bank.

Name	Type	Participants	Mode
Introduction to NFRS 9	Min. 1 Day Workshop	KMPs and Working Team	Physical
ECL Computation	Min. 2-3 Day training	Working Team	Physical
ECL Model Validation	On the Job Training	Working Team	Physical/Virtual

Note: The expenses of training logistics shall be made by bank.

Further, the details ‘Standard Operating Procedure/ Manual’ should be provided in both Hardcopy and Softcopy.

Similarly, the selected bidder should assist and guide the Bank in liaising with auditors (Internal auditor, system auditor and external auditor) and regulators (Nepal Rastra Bank, ASB and ICAN) while convincing the regulators of the rationality of the data, models, and Its validations.

10. Operational Capabilities and security features of proposed model

The Bidder should provide the details of operational capabilities and securities features of the proposed ECL tool in detail.

In addition to above, the bidder should also provide the minimum hardware and software platform to run the proposed solutions for the next 5 years without the requirement of any upgrades/update.

11. Timeline of completion for assignment, preferably in format below:

Activity	Preferable Timeline	Respondents proposed timeline
Scope 1	Within 20 days from the date of Contract	
Scope 2	Within 50 days from the date of Contract	
Scope 3	Within 60 Days from the date of Contract	
Scope 4	Within 75 days from the date of Contract	
Scope 5	Within 85 days from the date of Contract	

12. The Financial Proposal

The professional fees from the bidder has to be on costing units as man-days for each scope of work (including administrative expenses) in man-days. Further, the cost of tool/system should be in lump-sum. The proposed cost shall be in Nepalese Rupee and grossed with applicable taxes in Nepal. The format of financial proposal to provide the cost shall be desired as per below:

S.N.	Particulars	Units (Man-Days)	Rate (NPR)	Amount (NPR)
A	Professionals Fees			
i.	Scope 1			
	Team Leader/Manager			
	ECL Development Specialist			
	ECL Technical Specialist			
	Financial/engagement consultant			
ii.	Scope 2			
	Team Leader/Manager			
	ECL Development Specialist			
	ECL Technical Specialist			
	Financial/engagement consultant			
iii.	Scope 3			
	Team Leader/Manager			
	ECL Development Specialist			
	ECL Technical Specialist			
	Financial/engagement consultant			
iv.	Scope 4			
	Team Leader/Manager			
	ECL Development Specialist			
	ECL Technical Specialist			
	Financial/engagement consultant			
v.	Scope 5	Lump-sum		
			Sub Total (A)	
B	System/Tool	Lump-sum		
			Total	
			Applicable Taxes	
			Total	

Note:

1. The respondents have to provide the cost for each scope of work, the incomplete/partial cost proposed will result the financial proposal as non-responsive in discretion of NIFRA.
2. Respondents have to present their terms and conditions on schedule of payments, preferably the milestone based as below:
 - *On Contract Signing – 20% of Contract Amount*
 - *Completion of Scope 3 – 40% of Contract Amount*
 - *Handover and completion – 40% of Contract Amount*
3. The Financial proposals from the respondents will be assessed to determine the most economically advantageous financial proposal considering the schedule of payments. The respondents are encouraged to propose the majority of professional fees towards the end of engagement (successful completion of the assignment) and required recurring administrative cost spread over the period of engagement to arrive the most economical financial proposal.

13. Proposal Evaluation and Selection Criteria

The received RFP responses shall be evaluated and selected based on Quality Cost Based System (QCBS). NIFRA shall evaluate the received proposals based on information provided in Technical section (Generic Experience of the Firm/Company, Specific experience of the Firm/Company, Understanding of Terms of Reference, Competency of the Team and Proposed timeline) and Financial. The weight of Technical Proposal shall be 70% and Financial Proposal shall be 30%.

S.N.	Particulars	Score
1	General Experience	10
2	Specific experience – Implementation of ECL solution	25
3	Understanding of ToR – Adequacy and Alignment of the proposed methodology and timeline in responding to Terms of reference/Scope of Work and project context	30
4	Key Personnel - Qualification and technical competence of the proposed key staffs for assignment and their relevance to assignment	40
5	Timeline	5
TOTAL		100

Notes:

- The minimum technical score required to be eligible for Financial Evaluation stage is 70 in an aggregate.*
- Calculation of Final Score*
*The conversion of Technical Score (TS) = Obtained Score *0.7*
*The Financial Score (FS): (Lowest Cost / Respondent Cost) *30*
The Final Score = TS+FS
- The contract will be made with respondent having highest Final Score after evaluation and negotiation.*

14. Timeline for Completion of Project

The respondents have to propose the timeline for delivery of scope/outputs under deliverables in milestone basis. However, the total duration of assignment is expected to be completed within three months from the date of contract.

15. Communication and Correspondence Details

The communication/correspondence/queries and RFP submission has to be made in following email with subject captioned below:

Email: ecl.consulting@nifrabank.com

Subject: RFP- Implementation of ECL Solution in line with NFRS 9

16. Tenure of the contract

The Bank will enter into a contract with the selected bidder for the scope defined and tenure of complete migration of Bank's Financial Contracts in to NFRS9 (including migration in proposed system) shall be for maximum 3 months from the date of contract.

Further, the bidder shall provide the free support/advisory for implementation of NFRS9 in provided system for one-year (considered as warranty period) from the date of completion of scope of work of this RFP.

Further, the Bank may decide to engage the selected bidder after the warranty period for future support/advisory. It will be guided by the separate contract being negotiated/made between selected bidder and the Bank prior to maturity of warranty period.

17. Termination of Order

The Bank reserves the right to cancel the contract placed on the selected bidder and recover expenditure incurred on the following circumstances:

- a. The selected bidder falls to complete the task as mentioned in the Scope of Implementationsolutions for NFRS-9.
- b. The selected bidder commits a breach of any of the terms or conditions of the bid and/orcontract.
- c. The bidder goes into liquidation voluntarily or otherwise.
- d. The selected bidder falls to complete the assignment within the stipulated time *frame*, or extended period.

18. Governing Law

This document shall be governed by and construed in accordance with the laws of Nepal and the Court of Nepal shall have exclusive jurisdiction to hear and determine any matters or disputes arising here or from hereunder.

19. Force Majeure

The selected parties or the Bank shall not be held liable for failure to perform any of its contractual obligations, If such failure results from any force Majeure, Fire, Earthquake, Explosion, Transportations Embargos, the existence of State Emergency, War-Like condition, Civil Commotions, Riots, any measures taken by the government whatsoever which renders it impossible or not practicable to fulfill its contractual obligations.