TERMS OF REFERENCE

“Gap Assessment for the Implementation of CECL”

PUBLIC TENDER
No. 033/2020

August, 2020
Table of Contents

Institutional Information .......................................................................................................................... 4
Terms of Reference Conditions ................................................................................................................. 4

1. SERVICE REQUIRED .......................................................................................................................... 5
   1.1 Background ................................................................................................................................... 5
   1.2 Purpose or Objective of the Engagement ...................................................................................... 5
   1.3 Scope of the Engagement .............................................................................................................. 5
   1.4 Firm’s General and Specific Required Experience ........................................................................... 6
   1.5 Required Experience of the Task Team Assigned ................................................................……… 6
   1.6 Deliverables ................................................................................................................................... 6
   1.7 Term .............................................................................................................................................. 6
   1.8 Contract Execution Schedule ...................................................................................................... 7
   1.9 Guarantees ...................................................................................................................................... 7
   1.10 Obligations of the Firm ............................................................................................................... 7
   1.11 CABLE obligations .................................................................................................................... 8
   1.12 Fees and Payment Method .......................................................................................................... 8
   1.13 Immunities, Extensions, and Privileges ...................................................................................... 8
   1.14 Coordination and Supervision of Services .............................................................................. 9

2. EVALUATION, CONTENT, AND PRESENTATION OF BIDS .......................................................... 9
   2.1 Bid Evaluation Form ...................................................................................................................... 9
   2.2 Technical Evaluation - 80% .......................................................................................................... 9
   2.3 Economic Assessment - 20% ...................................................................................................... 10
   2.4 Bid Submission Form .................................................................................................................. 10
   2.5 Technical Bid Contents ................................................................................................................ 11
   2.6 Compliance Documentation ...................................................................................................... 12
   2.7 Economic Bid Contents .............................................................................................................. 12
   2.8 Bid Language .............................................................................................................................. 12
   2.9 Bid Submission Form .................................................................................................................. 13
   2.10 Deadline for Submission of Bids .................................................................................................. 13
   2.11 Coordination and Period for Consultations .............................................................................. 13
   2.12 Validity of Bids ........................................................................................................................... 14

3. GENERAL NORMS .............................................................................................................................. 14
   3.1 Performance Standards ................................................................................................------------- 14
3.2 Bank Rights.........................................................................................................................14
3.3 Reasons for Disqualification of Bids ..................................................................................14
3.4 Prohibitions .........................................................................................................................15
3.5 Protests or Appeals in the Bidding process .........................................................................15
3.6 Confidentiality Clause.........................................................................................................16
3.7 Acceptance of the Code of Ethics.......................................................................................16
3.8 Annexes ................................................................................................................................16
Institutional Information

The Central American Bank for Economic Integration (CABEI) is a multilateral development bank that aims to promote economic integration and balanced economic and social development in the Central American region, which includes the founding countries and the non-founding regional countries, serving and aligning itself with the interests of all its members.

CABEI was founded in 1960 as the financial arm of Central American integration and development; it is a unique organization, both as a result of the breadth of the fields of competence in which it carries out its operations and for its objective and foundational principles. Since then, CABEI has been led by visionaries, whose leadership has brought to fruition the ends for which CABEI was established.

CABEI has 15 member countries:
- Founding countries: Guatemala, El Salvador, Honduras, Nicaragua and Costa Rica.
- Non-founding regional countries: Panama, Dominican Republic and Belize
- Extra-regional countries: Mexico, Republic of China (Taiwan), Argentina, Colombia, Spain, Cuba and Korea.

CABEI is headquartered in Tegucigalpa, Honduras with regional offices in Guatemala, El Salvador, Nicaragua, Costa Rica and Panama. For further information visit the CABEI website, [www.bcie.org](http://www.bcie.org).

Terms of Reference Conditions

This Terms of Reference document is the property of CABEI, and its content may not be reproduced by mechanical or electronic means, nor redistributed without the consent of the Institution.

In a reciprocal fashion, CABEI agrees not to disclose, copy or disclose the information provided by the bidders in response to this public tender.

This document does not oblige any natural or legal person to submit a proposal. Likewise, the presentation of proposals by the bidders does not oblige CABEI to enter into any contract.

This document, as well as the technical and economic proposal presented by the selected bidder, will form part of the annexes to the contract to be signed for the required services.
1. SERVICE REQUIRED

1.1 Background

1.1.1 CABEI uses U.S. GAAP accounting standards, which are enforced by the Financial Accounting Standards Board (FASB).

1.1.2 In June 2016, the FASB announced a new standard (FASB ASU 2016-13) for credit risk calculation called Current Expected Credit Losses (CECL).

1.1.3 CABEI will be required to implement the CECL model in January 2023. This model, which is based on the estimate of expected losses in the life of the asset, replaces the current model (ALLL) that is based on incurred losses.

1.1.4 CABEI believes that, in order to have a better implementation plan, it is a best practice to conduct a gap assessment of its current operation versus the requirements of the CECL model.

1.2 Purpose or Objective of the Engagement

To hire an independent external firm, hereinafter referred to as the Firm in this document, to perform the following:

a) A gap assessment for the implementation of CECL in accordance with FASB ASU 2016-13.

b) Design of an implementation plan.

1.3 Scope of the Engagement

1.3.1 The Firm will need to carry out a comprehensive review of CABEI with the purpose of identifying the Bank’s needs for the proper incorporation of the CECL model in its operation; after such review the Firm is also expected to collaborate with the design of the implementation plan.

1.3.2 The required services are described in more detail below:

a. Report on the findings regarding the current status of CABEI versus the needs for the implementation of CECL. Such report (or separately) must contain at least the following:

   i. Identification of gaps on data and information.
   ii. Identification of gaps on normative documents (missing or to be modified).
   iii. Recommendation on model options for CABEI.
   iv. Details on the needs of new technological infrastructure.
b. Implementation plan design in line with CABEI’s needs or a similar document.

1.3.3 The points referred to in subparagraph "a" of numeral 1.3.2 are not restrictive, so the Firm may include additional activities in order to perform the hired services.

1.3.4 The point referred to in subsection "b" of numeral 1.3.2 may be in collaboration with CABEI.

1.4 Firm’s General and Specific Required Experience

1.4.1. General Experience: The Firm must have general experience in U.S. GAAP accounting models and in-depth knowledge of the FSB ASU 2016-13 standard.

1.4.2. Specific Experience: The Firm must have experience in developing gap assessments related to CECL implementation, in multilateral banks or banks using U.S. GAAP and with a loan portfolio of no more than US$ 10 billion.

1.5 Required Experience of the Task Team Assigned

1.5.1. The team assigned by the Firm to work on this project must have relevant experience in the evaluation and implementation of CECL. Experience in international work will be positively valued.

1.5.2. The team assigned by the Firm to work on this project must have at least the bachelor’s degree. It will be positively assessed that the members of team have a master’s degree and/or certifications relevant to the subject.

1.6 Deliverables

1.6.1. Document(s) containing the gap assessment in accordance with point 1.3 of these terms of reference.

1.6.2. Document with the design of an implementation plan or similar.

1.7 Term

1.7.1 CABEI and the Firm will sign a contract for a period of approximately two (2) months, in accordance with the Contract Execution Schedule, which will be defined between both parties. The start date of the work will be negotiated with the Firm.

1.7.2 Whenever there are causes of force majeure or fortuitous events that justify it, and there is an agreement between CABEI and the Firm regarding the causes, the term may be extended for a reasonable time deemed necessary for it to satisfactorily conclude the contracted services.
1.7.3 The Bank reserves the right to unilaterally conclude the service contract without any responsibility on its part, if it is verified that the Firm is not adequately executing any of the tasks set forth in the Technical Bid and Terms of Reference or when the contracted services do not conform to or comply with them.

1.8 Contract Execution Schedule

1.8.1 As part of the technical bid, the Firm shall submit a draft of the detailed schedule of activities for the execution of the service requested in this document. It should include the following:
   a) Estimated duration: two (2) months.
   b) If possible, at least two (2) face-to-face visits should be scheduled at CABI’s Headquarters located in the city of Tegucigalpa, Republic of Honduras for interviews, knowledge of personnel and processes, and presentation of the report. If physical visit is not possible, virtual sessions should be scheduled for the same purpose.

1.8.2 The final schedule shall be adjusted by common agreement between CABI and the Firm.

1.9 Guarantees

Advance Payment Guarantee: No monetary advances are considered for this contract. In the event that the firm requires the delivery of an advance, it must present a bank guarantee that covers one hundred percent (100%) of the advance payment prior to disbursement, with a validity of said guarantees may be constituted by means of a bank guarantee issued by banking institutions duly registered in the Republic of Honduras, or in any of the Bank’s member countries, where it has established representative offices, that is acceptable to the CABI. Likewise, they may be constituted by bonds issued by an insurer that is acceptable to CABI, pursuant to its internal policies.

1.10 Obligations of the Firm

The Firm will be responsible for:

1.10.1 Complying with this Terms of Reference, technical bid, financial bid and other conditions that are expressed in the corresponding contract.

1.10.2 Accepting CABI supervision and vigilance as appropriate, and addressing CABI’s observations and/or recommendations

1.10.3 Agreeing to adopt the necessary security measures to guarantee access to the facilities only to authorized personnel.
1.11 CABEI obligations

CABEI will be responsible for:

1.11.1 Providing the information (verbal or written) and documentation necessary for the preparation of the analyses and studies required within the framework of the services requested.

1.11.2 Providing the corresponding space to carry out the activities necessary for the fulfillment of the contracted services.

1.12 Fees and Payment Method

1.12.1 CABEI will pay for the services pursuant to the provisions of the signed contract, in United States Dollars or in the currency that is deemed most convenient.

1.12.2 For this services CABEI has a budget of up to US$170,000 (one hundred and seventy thousand U.S. dollars) which considers: fees according the deliverables set in section 1.6 and travel expenses that the Firm incurs.

1.12.3 The prices presented by the bidders are their sole responsibility; any omission will be interpreted as voluntary and tending to obtain prices that allow it to present a more advantageous offer.

1.12.4 The payment indicated in numeral 1.12.1 will be made by CABEI as detailed below:
   i. Payment No. 1: Fifty percent (50%) of the total amount, against the delivery of the final report of the gap assessment.
   ii. Payment No. 2: Fifty percent (50%) of the total amount, against the delivery of the implementation plan design.

   The bidder may propose the form of payment in a separate document within the financial bid, which will be reviewed by CABEI and who will decide whether to accept or propose other alternatives

1.12.5 CABEI makes its payments by means of Bank transfers; the bidder must indicate the name of the institution and account number, and the authorization will be made pursuant to the provisions of Annex 2.

1.13 Immunities, Extensions, and Privileges

Pursuant to its constitutive agreement, CABEI, its income, assets and other assets, as well as the operations and transactions that it carries out in accordance with said agreement, will be exempt from all kinds of tax and customs duties or others analogous in nature. It is also exempt from all responsibility related to the payment, withholding or collection of any tax, contribution or right; consequently, the taxes and other contributions that correspond to the Contractor as a result of its fees will be its own responsibility.
1.14 Coordination and Supervision of Services

The coordination and supervision of the services will be carried out by CABEI’s Risk Management area.

2. EVALUATION, CONTENT, AND PRESENTATION OF BIDS

2.1 Bid Evaluation Form

2.1.2 The bid will be evaluated using a rating system, where there will be two types of grades: technical and economic, totaling 100%.

2.2 Technical Evaluation - 80%

2.2.1 The technical evaluation aims to evaluate CABEI’s satisfaction with the characteristics of the services to be contracted and the relevant aspects to be met by the Firm.

2.2.2 Although the technical evaluation has a total value of 80%, to obtain the technical grade, according to the evaluation criteria, the total value of 100% will be used. This result will be then weighted on the value of the technical evaluation (80% of 100%).

2.2.3 The criteria and weights to be used to carry out the technical assessment are as follows:

<table>
<thead>
<tr>
<th>Evaluation Criteria</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experience (general and specific) of the Firm in gap assessment and implementation of the CECL model.</td>
<td>25%</td>
</tr>
<tr>
<td>Experience (general and specific) of the task team in gap assessment and implementation of the CECL model.</td>
<td>30%</td>
</tr>
<tr>
<td>Professional profile of the members of the task team.</td>
<td>20%</td>
</tr>
<tr>
<td>Quality of the proposal (clarity, methodology to be used, schedule of activities, scope of the deliverables, and other guidelines established in the terms of reference).</td>
<td>25%</td>
</tr>
<tr>
<td><strong>Total Technical Assessment</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

a. Firm's experience in gap assessment and implementation of the CECL model: The Firm must have general experience (similar assessment on bank that use U.S. GAAP standards) and specific (gap assessment and implementation of CECL). It will be considered as an added value if the experience in gap assessment and/or advice on CECL implementation was in international or multilateral development banks.
b. **Experience of the task team in gap assessment and implementation of the CECL model:** The assigned team must have in-depth knowledge of the FASB ASU 2016-13 standard and extensive professional experience in gap assessment and/or consultancy on the implementation of the CECL model; experience in similar work carried out in banks comparable to CABEI will be positively assessed.

c. **Professional profile of the team:** The assigned team must have at least the bachelor's degree. It will be positively assessed that the team has a master's degree and certifications or specializations relevant to the subject. In addition, the team’s average experience in the industry, measured in years (desirable between 10 and 15 years), will be considered.

d. **Quality of the proposal:** To evaluate the quality of the proposal, CABEI will consider: the clarity of the proposal, detail of schedule of activities, methodological approach, deliverables and other requirements established in the terms of reference.

To validate the above criteria, the Firm must include within the technical proposal all the necessary information including the resume of the task team.

2.2.4 For the submitted bid to be technically acceptable, it must obtain a minimum rating of 80%; i.e. 80%/100% of the total technical assessment; or 64%/80% of the weighted technical rating. A bid that does not meet that score will be disqualified from the process.

### 2.3 Economic Assessment - 20%

2.3.1 The economic assessment shall assign the maximum weight of 20% to the lower-cost bid.

2.3.2 The rest of the proposals will be given the weight as follows:

\[
P_i = \frac{(E_m * 20)}{E_i}
\]

- \(P_i\) = Economic Proposal Score \(i\)
- \(i\) = Bidder.
- \(E_i\) = Economic Proposal \(i\).
- \(E_m\) = Economic Proposal of lower amount or price.

2.3.3 The sum of the technical and economic evaluation will result in the final qualification that will serve as the basis for the award.

### 2.4 Bid Submission Form

2.4.1. The offer must consist of three (3) duly identified sections:

a. Technical bid.

b. Compliance documentation.
2.5 Technical Bid Contents

The technical bid shall contain the following documents, which must be submitted in the following order:

2.5.1. Letter of Presentation (Annex 1) duly sealed and signed by the legal representative. **If the CABI’s format is not used, the offer will be disqualified.**

2.5.2. Bank Transfer Authorization Form (Annex 2) duly completed.

2.5.3. Technical Bid must include the following documentation:

   i. Firm profile, which accredits the overall and specific experience in gap assessment and implementation of the CECL model in accordance with the FASB ASU 2016-13 standard, making sure to include at least the following information:
      - Type of project performed.
      - Description of the main activities carried out.
      - Name of the company to which the service was provided.
      - Project duration.
      - Date of completion.

   ii. Plan/Proposal of work that includes at least the following information:
      - Methodology of work to be employed.
      - Detailed schedule of activities.
      - Deliverables.
      - Work team assigned.
      - Value added for consideration.

   iii. Work team resume, that includes at least the following information:
      - Academic studies carried out.
      - Accreditation of certifications and/or specializations.
      - Years of experience.
      - Current position held.
      - General experience.
      - Specific experience indicating the type of projects in which they have participated.

**Note:** The information described in this section must be presented in its entirety, if it does not include the required documentation, it will be deducted from the technical offer score.
2.6 Compliance Documentation

2.6.1. The compliance documents to be sent in this section shall include the following information:

   a. Copy of the Articles of Incorporation duly registered in the Commercial or Company Register or its equivalent, in which the corporate composition of the company can be found.

   b. Copy of the Taxpayer Register (RUC, RTN, NIT or its equivalent in the country).

   c. At least one original bank reference no older than 30 days from the date of submission of the offer.

   d. Affidavit Form for the Prevention of Money Laundering and Terrorism Financing, (Annex 3) completed and signed by the legal representative.

   e. Photocopy of Power of Attorney or Certification issued by the Secretary of the Council. In which the appointment of the legal representative of the company can be found.

   f. Photocopy of the identification document for the Legal Representative.

2.6.2. The Bank reserves the right to request additional information or update of documents as it deems appropriate.

2.7 Economic Bid Contents

2.7.1. The economic bid shall contain the following documents placed in the following order:

   a. Properly sealed and signed economic bid format (Annex 4).

   b. Detailed document of the sealed and signed financial bid, in which the detail of fees and related expenses to provide the services must be included.

2.7.2. The economic bid shall be subject to the following guidelines:

   a. The economic bid must include the direct and indirect costs related to the quoted service and clearly indicate the currency in which it is expressed.

   b. If the payment is made in United States dollars, the official exchange rate in effect at the date of its execution will be used.

2.7.3. The financial bid must be submitted tax-free. CABEI will be submitting the waiver document of this tax to the winning bidder.

2.8 Bid Language

All documentation required to participate in this contest will be in Spanish or English.
2.9 Bid Submission Form

Bids must be uploaded electronically to the C Abei Institutional Procurement Portal, at https://proveedores.bcie.org and upload all documentation in the Public Bidding Process No. 033/2020 "Gap Assessment for the Implementation of CECL" following the instructions below:

a. Proposals must be uploaded separately, as indicated in the My Bid tab.
b. Once the documents are uploaded in full on the Portal, you will need to click Submit Bid.
c. It must be only sent only by the C Abei Institutional Procurement Portal, not by sending a copy to an email address.

2.10 Deadline for Submission of Bids

2.10.1. The deadline for receiving bids is on August 25th, 2020 recommended to upload the documents before 17:00 hours (time of the Republic of Honduras) to avoid inconveniences.

2.10.2. The bids presented after this date shall be deemed extemporaneous and will not be taken into consideration.

2.10.3. Once the bid is presented, it cannot be withdrawn, replaced nor modified.

2.11 Coordination and Period for Consultations

2.11.1. If there are doubts or questions regarding the Terms of Reference or the bidding process, they can be made at the C Abei Institutional Procurement Portal “Public Bidding Process No. 033/2020 “Gap Assessment for the Implementation of CECL”, in the tab denominated Questions and answers.

2.11.2. Questions regarding the Terms of Reference will be accepted until August 19th, 2020.

2.11.3. All questions will be answered to all Bidders in order to maintain equality in the information provided, these will be uploaded to the C Abei Institutional Procurement Portal.

2.11.4. If necessary, requests to extend the deadline for submitting a bid must be presented no later than August 20th, 2020, either through the Institutional Procurement Portal or by sending the request to adqinstitutionales@bcie.org C Abei shall the extension of the requested period for authorization.
2.12 Validity of Bids

2.12.1. The bids must have a validity period of at least ninety (90) calendar days, starting on their presentation deadline.

3. GENERAL NORMS

3.1 Performance Standards

3.1.1. The Firm is committed to providing its professional services and execute the tasks indicated in the Contract Documents, certifying that it meets the highest standards of integrity and professional competence, taking in consideration the nature and purpose of the Bank as an international organization of public law and guaranteeing that it will carry out the services indicated in the Contract to be signed in a manner consistent with the aforementioned.

3.1.2. The Bank will have, at all times, the right to verify the quality of the work carried out by the Contractor and to request the modifications and revisions that it deems pertinent within the approach contained in these Terms of Reference.

3.2 Bank Rights

3.2.1. In the event that none of the proposals received is considered to fully satisfy the requirements included in these Terms of Reference, CABEI reserves the right to declare the process void. Likewise, CABEI reserves the right to reject any proposal, annul or declare the process failed, decide to extend it, cancel it or partially or totally postpone it, decide to grant it totally or partially to one or more suppliers, as well as determine whether it is convenient to Institutional interests, without incurring any liability to the supplier.

3.2.2. In accordance with the provisions of the current Information Security Policy, CABEI will publish the winning bid for the process of contracting of goods, services, and consultancies on its website, as well as the amount and date of the award.

3.2.3. CABEI reserves the right to supervise the activities carried out by the Firm and determine whether said activities contravene the provisions related to information security; the Bank may take the actions it deems necessary to safeguard its information, reputation and image.

3.3 Reasons for Disqualification of Bids

3.3.1. Lack of a presentation letter signed by the legal representative of the company in the format provided by CABEI (Annex 1).
3.3.2 The bids may be disqualified at any time during the process if a breach of the terms of reference occurs or is verified regarding the veracity of the information provided or the adulteration or falsification of the documentation presented.

3.3.3 If the bids are incomplete or any of the requirements established in the terms of reference are omitted or not complied with; the latter is classified by the Bank as unrectifiable.

3.3.4 If the proposals are delivered in another place than the one established in the terms of reference and after the established date and time.

3.3.5 If the documentation is presented with erasures or unjustified amendments.

3.3.6 If the Economic bid is filed in the same file as the technical bid or include any economic information in the Technical Bid.

3.3.7 If a copy of the proposal is sent to a CABEI email address.

3.3.8 If the technical bid, once evaluated by CABEI, does not meet the minimum score established.

3.4 Prohibitions

To guarantee transparency in the procurement processes, the following persons may not participate, directly or indirectly, in the supply of goods, services and consultancies for CABEI.

3.4.1 Active officials or employees, ex-officials or ex-employees and retirees of CABEI for a period of two (2) years from their separation, in addition to spouses or housemates, nor relatives by blood or affinity up to the second degree, inclusive, of officials or active CABEI employees.

3.4.2 That juridical persons involving any of the persons indicated in the previous paragraph, considered individually or jointly, be holders of more than twenty-five percent (25%) of the share capital or hold a position of management or representation, for major purchases amounting ten thousand dollars (US$10,000), currency of the United States of America, or its equivalent in any other currency.

3.5 Protests or Appeals in the Bidding process

Any bidder who has participated in this tender and has a complaint regarding the result of the process can access the Reporting Channel available on the CABEI website to issue such complaint. www.bcie.org
3.6 Confidentiality Clause

3.6.1 The Firm and, where appropriate, the personnel in charge of offering the services described in this document, must exercise the greatest secrecy and confidentiality in relation to conversations, data, documents and general information of the Bank that by any means comes to be of their knowledge, and in general, of any prior event or element, whether material or conceptual.

3.6.2 Any serious breach of the foregoing, defined as serious and which negatively affects the Bank's official relations with national authorities at any level, or which results in public or commercial dissemination that in any way damages the confidentiality of the Bank's information, may give rise to terminate the contract; the latter will be done by written communication to the Firm denouncing such events.

3.7 Acceptance of the Code of Ethics

The bidder declares the knowledge of the principles, norms and institutional and individual ethical values that prevail at CABEI within the framework of the Code of Ethics, which is attached to these Terms of Reference, and that in case of being selected, it must follow observance and compliance without any restrictions; any breach of said norm will give the Bank the right to terminate the procurement and/or contracting in advance without any responsibility on its part and without prejudice to the pertinent criminal and civil actions.

3.8 Annexes

a. Annex 1 - Presentation letter.
c. Annex 3 - ML-TF Affidavit Form.
d. Annex 4 - Economic bid format.