

Al-Amanah Islamic Investment Bank of the Philippines
Terms of Reference (TOR)
Procurement of Consulting Services for the PFRS 9 Conversion Project

I. BACKGROUND

A. About the Procuring Entity

Al-Amanah Islamic Investment Bank of the Philippines (AAIIBP)

The AAIIBP is a government financial institution duly organized and existing under and by virtue of the laws of the Republic Act No. 6848, with principal office address at G/F PHIDCO Building A, Veterans Avenue, Zamboanga City Philippines, and Makati Executive Office address at G/F and 4th Floor DBP Building, Sen. Gil Puyat Avenue corner Makati Avenue, Makati City, Philippines. Its primary purpose is to promote and accelerate the socio-economic development of the Autonomous Region of Muslim Mindanao (ARMM) through banking, financing and participating in agricultural, commercial and industrial ventures based on the Islamic concept of banking.

B. Project Overview / Objectives

The Bank requires consultancy services for the PFRS 9 Classification and Measurement (C&M), and Expected Credit Loss (ECL) Conversion project for loans and receivables, treasury and other credit exposures.

The objectives of the project are:

1. To train key AAIIBP personnel through knowledge transfer sessions on the requirements of PFRS 9 Financial Instruments, in accordance with Bangko Sentral ng Pilipinas issuances.
2. To determine and quantify the impact of adopting PFRS 9 on the classification and measurement of AAIIBP'S portfolios of financial instruments.
3. To develop business models and Expected Credit Loss computation in accordance with PFRS 9 for the following portfolios of the Bank:

➤ Islamic Financing

- a) Al-Murabaha Working Capital Financing
- b) Al-BaiBithamAjil Financing
- c) Al-Ijarah (Lease to Own)
- d) Al-Ijarah (Car) Financing
- e) Islamic Salary Loan Program
- f) And other Islamic Products and Investments

➤ Conventional Loans:

- g) Agricultural Loan
- h) Real Estate Loan
- i) Large enterprises
- j) Medium enterprises
- k) Micro and small enterprises
- l) Electric Cooperatives
- m) Water Districts
- n) Local Government Units
- o) Car loan
- p) Loans to Individuals for other purposes
- q) And other Conventional Products

Al-Amanah Islamic Investment Bank of the Philippines
Terms of Reference (TOR)
Procurement of Consulting Services for the PFRS 9 Conversion Project

- Treasury Operations (RRP, ODF, GS, etc.)
- Investments
- And Other Credit Exposures

4. To develop operations and accounting manuals on the classification and measurement of financial assets and liabilities based on PFRS 9
5. To establish a Loan Loss Methodology in compliance with BSP issuances in relation to PFRS 9 to improve risk and regulatory compliance management of the Bank
6. Gain flexibility in creating new reports and other requirements relative to Bank's financial statements and disclosures that will address changes in the regulatory conditions.
7. Continuously monitor compliance of the implemented activities to ascertain timely completion.
8. Maintain comprehensive documentation of the Bank's loan loss methodology and its underlying systems and processes.

C. Project Scope

The engagement shall cover the following key activities:

Classification and Measurement Conversion

- a. Consultancy service through knowledge transfer sessions on the Classification and Measurement conversion
- b. Development of business models that will fully comply with PFRS 9 requirements
- c. Perform contractual cash flow characteristics test or solely for payment of principal and interest test
- d. Perform impact assessment on the financial instruments, accounting and reporting policies, and regulatory requirements
- e. Provide technical guidance to the Bank on the quantification of transition adjustments and preparation of pro-forma journal entries
- f. Proposed adjustments as of agreed cut-off date
- g. Preparation of operations and accounting manuals related to PFRS 9 Classification and Measurement

Expected Credit Loss Conversion

- a. Assist and facilitate data collection for model development
- b. Perform data cleansing
- c. Conduct knowledge transfer sessions on ECL model
- d. Development of ECL models such as Loss rate, LGD, EAD and Overlay

Portfolio	Loss Rate	LGD	EAD	Overlay	ECL Calculation
Treasury Products and Other Exposures					
	✓	✓		✓	✓
Islamic Financing					
Al-Murabaha Financing	✓	✓		✓	✓
Al-Bai-Bithaman Ajil Financing	✓	✓		✓	✓

Al-Amanah Islamic Investment Bank of the Philippines
Terms of Reference (TOR)
Procurement of Consulting Services for the PFRS 9 Conversion Project

Al-Ijarah M.B. (Lease to Own) Financing	✓	✓		✓	✓
Al-Ijarah (Car) Financing	✓	✓		✓	✓
Conventional Loans					
Agricultural Financing	✓	✓		✓	✓
Real Estate	✓	✓	✓	✓	✓
Large enterprises	✓	✓	✓	✓	✓
Medium enterprises	✓	✓	✓	✓	✓
Micro & Small enterprises	✓	✓	✓	✓	✓
Government Affiliated entities					
Electric cooperatives and Water Districts	✓	✓		✓	✓
Local government Units	✓	✓		✓	✓
Consumer Loan					
Car Loan	✓	✓		✓	✓
Loans to Individuals for Other Purposes	✓	✓		✓	✓
Other Exposures					
Accounts receivable and other receivables	✓	✓	✓	✓	✓
Sales contract receivable	✓	✓	✓	✓	✓

- a. Prepare a model development documentation for ECL models
- b. Prepare a documentation for staging assessment criteria
- c. Prepare accounting policies and manuals related to PFRS 9 ECL

Nota Bene: All subsequent BSP issuances in relation to PFRS9 shall be covered in this engagement, free of cost.

D. Implementation Strategy / Development Schedule

The project shall be undertaken for a period of **three (3) months or twelve (12) weeks/ or not later than September 30, 2018** from Notice to Proceed.

II. PROJECT ESTIMATES

A. Approved Budget Cost

The AAIBP intends to apply the sum of **SEVEN MILLION EIGHT HUNDRED THOUSAND PESOS (PHP 7,800,000.00)** being the Approved Budget for the Contract (ABC) to payments under the contract for the Procurement of Consultancy Service for the PFRS 9 Financial Instruments project. ABC is inclusive of the consultation services, meal expenses, travel, other expenses, VAT, and other applicable taxes. Bids received in excess of the ABC shall be automatically rejected at the opening of the financial proposals.

B. Source of Funds

The ABC authorized for the Procurement of Consultancy Service for the PFRS 9 Classification and Measurement and Expected Credit Loss Conversion project shall be sourced from AAIBP's Approved Corporate Operating Budget for CY 2018.

III. GENERAL SCOPE OF WORK / BID REQUIREMENTS

Al-Amanah Islamic Investment Bank of the Philippines
Terms of Reference (TOR)
Procurement of Consulting Services for the PFRS 9 Conversion Project

The procurement of Consultancy Service for PFRS 9 Conversion project which is open to local consulting service providers or joint ventures or SEC-registered foreign bidders, shall involve a detailed assessment of the potential impact and preparation for adoption of PFRS 9.

A. Project Management Documentation

1. Risk Management Plan

To prevent the occurrence of loss, the winning Bidder shall provide a risk management plan. Risk is defined as the probability of an unforeseen incident and its consequent penalty. Exposure to risk could lead to disaster or loss in the form of diminished quality of the product, increased cost, delays or failures, etc. The plan shall detail the following:

- Risk Management Organization and Responsibilities
- Risk Management Structure and Procedures for identification, assessment, handling, control and monitoring of risks

2. Change Management Plan

The change management plan must deal with specific actions required in sharing of their resources and participation in the development/enhancement of the information systems, application systems, among others. Modification, if any, shall be communicated and thoroughly discussed with the AAIBP PFRS 9 TWG provided that, any and all material modifications shall be subject to the Management Committee and/or BOD approval.

The plan shall describe the following:

- Preparing for change to cover change management strategy and change management team
- Actions for managing change
- Reinforcing change

3. Documentation

The winning Bidder shall provide a comprehensive documentation for every deliverable and at every end of each development stage and milestone. AAIBP shall own all documents and shall reserve the right to reproduce at no additional cost.

The documentation must be written in English of durable construction with concise and high-quality presentation to include but not limited to the reference manuals and other forms of documentation.

All documentation must be in hard and soft copies accompanied with a compact disk/DVD/USB copy on Microsoft Word/Excel for Windows format and Portable Document File (PDF).

B. Project Management Methodology

Project direction shall be done by Al-Amanah Islamic Investment Bank of the Philippines (AAIBP)– PFRS 9 Technical Working Group (TWG). All technical designs, specifications, or recommendations shall be subject to review/approval by the AAIBP-PFRS 9 TWG. If there are disagreements, the AAIBP-PFRS 9 TWG shall have the final say on the matter.

Al-Amanah Islamic Investment Bank of the Philippines
Terms of Reference (TOR)
Procurement of Consulting Services for the PFRS 9 Conversion Project

The PMM shall undertake activities including, but not limited to, the following:

1. Periodic review of the following:
 - project deliverables, progress and status
 - activities for managing the allocated requirements
 - activities for project planning
 - activities for project tracking and oversight
 - activities related to Quality Assurance
 - activities and work products of the project's Quality Assurance group by experts
2. Describe the monitoring and control process, frequency of status reporting and other tracking activities.
3. Describe the organizational structure to be used on the project and the roles, responsibilities and allocated activities for each team member.

C. Agency Counterpart Resources

The scope of usage of the resources that shall be provided by AAIBP to the winning bidder, to include, but not limited to, access to needed systems, communication lines, and relevant documentations

The winning bidder shall bring its own Information Communication Technology (ICT) resources needed in the project development and implementation. All other costs and expenses arising from the project implementation shall be shouldered by the winning bidder.

D. Project Site Preparation

Site preparation including the development environment (workstations, etc.) shall be performed by the winning Bidder at the **AAIBP Makati Executive Office**.

E. Performance Security

To guarantee the faithful performance by the winning Bidder of its obligations under the contract, The Bidder shall submit a Bid Securing Declaration or any form of Bid Security in the amount stated in the **BDS**, which shall be not less than the percentage of the ABC in accordance with the following schedule:

- a) Cash, cashier's/manager's check.

F. Delivery

Deadline for the delivery of services shall be determined upon awarding of the contract. The project must be completed within 3 months from the issuance of the Notice to Proceed.

- Specifically, the winning Bidder shall guarantee the delivery of services within the specified period as stipulated in the contract.

IV. PROJECT MILESTONES / PAYMENT SCHEDULE

In consideration of the consulting services to be rendered for the project, AAIBP agrees to pay the amount of the contract inclusive of Value Added Tax (VAT) and other application taxes and other expenses in accordance with the payment schedule below under paragraph B. The consideration shall be paid under the following terms and conditions and shall not exceed the specified ceiling.

Al-Amanah Islamic Investment Bank of the Philippines
Terms of Reference (TOR)
Procurement of Consulting Services for the PFRS 9 Conversion Project

A. Payments shall be made within fifteen (15) calendar days after completion and acceptance of each milestone per this TOR after submission of the following required documents:

1. Statement of Account / Billing
2. Certified True Copy of Accomplishment Report per milestone
3. Original Certificate of Acceptance issued by an authorized officer of AAIBP

B. Completion Period. The project shall be undertaken and completed in a period of three (3) months or 12 weeks after receipt of Notice to Proceed.

A. CLASSIFICATION AND MEASUREMENT			
Step	Description	Deliverables	Timeline
Initiation	Define and agree on engagement scope, overall delivery method, project planning method and kick-off meeting	<ul style="list-style-type: none"> ➤ Completed questionnaire and document detailing design and required data extract 	1 st week after NTP
Data Collection	Assist and facilitate data collection for model development	<ul style="list-style-type: none"> ➤ KT and facilitated sessions ➤ Data collection template 	Within 4 weeks from receipt of NTP
Impact Assessment	Perform impact assessment on the Bank's financial instruments, accounting and reporting policies, and regulatory requirements	<ul style="list-style-type: none"> ➤ Impact assessment ➤ Summary of test results ➤ Result of business model test and documentation 	Within 6 weeks from receipt of NTP
Quantify Transition Adjustments	Determine and quantify transition adjustments	<ul style="list-style-type: none"> ➤ Transition adjustment 	
Implementation Review	Propose solutions for implementation	<ul style="list-style-type: none"> ➤ Accounting policies on C&M ➤ Financial disclosure checklist ➤ Review comments on the converted financial statements 	Within 8 weeks from receipt of NTP
B. EXPECTED CREDIT LOSS			
Step	Description	Deliverables	Completion Period
Model	Develop models in	<ul style="list-style-type: none"> ➤ KT and facilitated 	Within 12 weeks

Al-Amanah Islamic Investment Bank of the Philippines
Terms of Reference (TOR)
Procurement of Consulting Services for the PFRS 9 Conversion Project

Development and ECL Computation	accordance with PFRS 9 ECL requirements	<ul style="list-style-type: none"> ➤ sessions ➤ Credit models for ECL calculation (Loss Rate, LGD, and Overlay) 	from receipt of NTP
Documentation	To prepare a model development documentation for review and validation	<ul style="list-style-type: none"> ➤ Transition adjustment 	
Knowledge Transfer	Training the Bank's project team and key personnel	<ul style="list-style-type: none"> ➤ KT and facilitated sessions ➤ Training materials and certificates of attendance 	

C. The final payment shall be made only after the final report and a final statement, identified as such, shall have been submitted and accepted as satisfactory by the AAIBP TWG-PFRS 9.

NO.	MILESTONE	DELIVERABLES	COMPLETION PERIOD	PERCENTAGE OF PAYMENT BASED ON CONTRACT PRICE
1	Upon completion of business model assessment and SPPI test	<ul style="list-style-type: none"> ➤ Impact assessment ➤ Summary of test results ➤ Result of business model test and documentation 	Within 4 weeks from receipt of NTP	20%
2	Upon completion of transition adjustments and accounting policies	<ul style="list-style-type: none"> ➤ Accounting policies on C&M ➤ Financial disclosure checklist ➤ Review comments on the converted financial statements 	Within 4 weeks after approval of 1 st milestone	20%
3	Upon completion of Loss rate and overlay models	<ul style="list-style-type: none"> ➤ ECL Manual and documentation for specified portfolios 	Within 2 weeks after approval of 2 nd milestone	20%
4	Upon completion of LGD, EAD and ECL calculation	<ul style="list-style-type: none"> ➤ ECL Manual and documentation for specified portfolio 	Within 2 weeks after approval of 3 rd milestone	30%
5	Knowledge Transfer	<ul style="list-style-type: none"> ➤ Seminar-Training to the Officers/Employee 		10%

Al-Amanah Islamic Investment Bank of the Philippines
Terms of Reference (TOR)
Procurement of Consulting Services for the PFRS 9 Conversion Project

		s of the Bank		
	Total		12 weeks	100%

The winning Bidder obligates itself to perform and complete all stages of this Project within the specified period as abovementioned, exclusive of such extensions of time as may be mutually agreed upon. Should the winning Bidder fail to complete the service within the stipulated time, the winning Bidder shall pay liquidated damages, not by way of penalty, in the amount equal to one-tenth of one percent (1/10 of 1%) of the total contract price for each calendar day of delay until the services are completed, without prejudice to end-user justification that delay is caused by AAIBP and the winning Bidder should be discharged of any liability.

In order to complete the procedure as described above in a timely and cost-effective manner, AAIBP may have to provide the winning Bidder the requested references and reports.

V. NON-DISCLOSURE CONDITION

The provider/winning Bidder shall commit to adhere to the strict confidentiality treatment of this Agreement by the Bank, including any confidentiality agreement with the Bank, information about AAIBP and its risk data whether or not related to the accomplishment and execution of the term and conditions in the contract that are considered proprietary and confidential. In the same manner, the responses to this TOR which shall be specified as confidential shall not be disclosed to any third party.

- a) Each party agrees to hold and maintain confidential all materials and information which shall come into its possession or knowledge whether or not in connection with or related to the project or its performance, and not to make use thereof other than for the purpose of this project;
- b) After completion of the project, all materials, data, proprietary information and other all documents provided to the winning bidder and which are hereby deemed owned by AAIBP shall be returned to AAIBP;
- c) The winning bidder undertakes to cover all its employees on the confidential obligation as may be set forth in the Agreement/contract.
- d) The confidential obligation likewise extends to the winning bidder/supplier/service provider;
- e) The confidential obligation shall survive even after the termination of the contract;
- f) The winning bidder's breach of any of the confidentiality provision, shall be considered breach of contract that entitles the Bank to cancel the Agreement/Contract and/or to claim for damages and alternate injunctive relief;
- g) AAIBP may also stop future access by the winning bidder to any data and information about the Bank.

VI. BIDDER'S EVALUATION

A. Eligible Criteria for Bidders

- 1. Corporations duly organized under the laws of the Philippines;
- 2. Persons/entities forming themselves into a joint venture, i.e. a group of two (2) or more persons/entities that intend to be jointly and severally responsible or liable for a particular contract;
- 3. In order to ensure the acquisition of the required consultancy services, foreign consultants may be considered in the event that Filipino consultants are found not to

Al-Amanah Islamic Investment Bank of the Philippines
Terms of Reference (TOR)
Procurement of Consulting Services for the PFRS 9 Conversion Project

have the sufficient expertise and capability to render the services required under the project, as determined by the Head of the Procuring Entity.

B. Shortlisting

1. Consultants/bidders shall be rated and ranked based on the criteria for shortlisting per attached Annex A Only the top three (3) highest rating bidders shall be shortlisted, provided bidder has garnered at least a total average rating of one (1) point.
2. In case the bidder is a joint venture (JV), rating shall be collective (only one rating) based on collective submission/compliance.
3. Notification shall be issued to the shortlisted bidders for the next stage of bidding.

C. Quality-Cost Based Evaluation

1. Only shortlisted bidders declared “passed” during the submission of technical documents shall be evaluated, rated and ranked based on Quality-Cost Based Evaluation per attached Annex A-2. Financial proposal of bidders who will not pass the Technical Requirements shall be returned.
2. In case of a JV, rating shall be collective (only one rating) based on collective submission /compliance.
3. The Financial Proposals of bidders who “passed” the Technical Requirements shall be opened publicly in the presence of the Consultant’s representatives who choose to attend.

VII. POST QUALIFICATION

The post-qualification shall verify, validate and ascertain all statements made and documents submitted by the bidder with the Lowest Calculated Bid / Highest Rated Bid, using non-discretionary criteria, as stated in the invitation to Apply for Eligibility and to Bid and the Instructions to Bidders. These criteria shall consider, but shall not be limited to, the following:

- A. Legal Requirements. To verify validate and ascertain licenses and agreements submitted by the bidder and the fact that the bidder is not included in any Government “blacklist.” For this purpose, the Government Procurement Policy Board (GPPB) shall maintain a consolidated file of all manufacturers, suppliers, distributors, contractors and consultants “blacklisted” by the Government or any of its procuring entities
- B. Technical Requirements. To determine compliance of the consulting services offered with the requirements of the contract and bidding documents, including, where applicable.
 - a. Verification and validation of the bidder’s stated competence and experience, and the competence and experience of the bidder’s key personnel to be assigned to the project, for the procurement of infrastructure projects and consulting services
 - b. Verification of availability and commitment, and/or inspection and testing, of equipment units owned or to be leased by the bidder, as well as checking the performance of the bidder in its ongoing government and private contracts (if any of these on-going contracts shows a reported negative slippage of at least fifteen percent (15%), or substandard quality of work as per contract plans and specifications, or unsatisfactory performance of his obligations as per contract plans and specifications, or unsatisfactory performance of his obligations as per contract terms and conditions, at the time of inspection, and if the BAC verifies any of these deficiencies to be due to the contractor’s fault or negligence, the

Al-Amanah Islamic Investment Bank of the Philippines
Terms of Reference (TOR)
Procurement of Consulting Services for the PFRS 9 Conversion Project

agency shall disqualify the contractor from the award), for the procurement of infrastructure projects.

- c. Verification and /or inspection and testing of the goods/product, after-sales and/or maintenance capabilities, in applicable cases, for the procurement of goods.
 - d. Ascertainment of the sufficiency of the Bid Security as to type, amount, form and wording, and validity period.
- C. Financial Requirements. To verify, validate and ascertain the bid price proposal of the bidder and, whenever applicable, the required bank commitment to provide a credit line to the bidder in the amount specified.

--00--