



## **TERMS OF REFERENCE FOR CONSULTANCY SERVICES TO REVIEW THE PRICING MODEL**

### **1. Background:**

Uganda Development Bank Ltd (UDBL) was established under decree No. 23 of 1972 as Uganda Development Bank (UDB) with the mandate of financing development projects in the various sectors of Uganda's economy. UDBL is the designated policy development finance institution ('DFI') in the country.

UDBL is a limited liability company that is wholly owned by the Government of Uganda and governed by the Companies Act and UDBL's Memorandum and Articles of Association.

The financing practices of UDBL are guided by the Bank's lending and Investment policies as well as its Risk Management Framework.

Being a National development finance institution, UDBL is at the centre of driving the country into middle income status by playing a catalytic and counter cyclical role, including provision of affordable financing.

UDBL has a pricing model that is used to price its loan facilities. The purpose of the pricing model is to ensure that UDBL is applying the right price for its products and remains financially sustainable. The model ensures that the UDBL's facilities are adequately priced in line with stakeholders' expectations while ensuring sustainable operations of the Bank.

UDBL requires the services of a consultant to review the parameters used in the Pricing model as well as provision of assurance to the Board of Directors that the model takes into consideration best practice and is aligned to the evolving focus of National development banks.

### **2. Purpose:**

The purpose of the consultancy is to review the current pricing model and its variables and make recommendations for improvement.

### **3. Scope of Services:**

The consultant will work with the management Assets and Liabilities committee whose members have already undertaken considerable groundwork through the preparation of an interim pricing model. The consultant will lead and guide the process of reviewing the current pricing model and the variables in the model. Specific consideration should be given to the determinant of the current cost of funds as one of the variables. The review will include:

- a) A review of the existing pricing model, the variables, methodology, adoption and viability;
- b) Advise UDBL on the most appropriate pricing methodology in consideration of its primary objective of socio-economic development, balancing the same with financial sustainability;
- c) Development of an economically sound methodology for determining UDBL's shillings and dollar or foreign currency cost of funding;
- d) Situation analysis, including identification of constraints to the current pricing model and identifying opportunities for improvement; and
- e) Determination of an economic rate of return for UDBL.
- f) Determination of fees and charges levied on projects.

#### **4. Specific Tasks:**

The Consultant will:

- a) Carry out a desk review of UDBL's current pricing model and relevant documents to facilitate an appreciation of UDBL's socio economic role and its mandate.
- b) Develop an understanding of the current situation of the business while paying special attention to issues of sustainable development and development impact.
- c) Hold discussions with the staff of the Bank and members of the ALCO Committee to facilitate a common approach to the assignment.
- d) Hold consultations and facilitate interviews with relevant stakeholders including but not limited to Ministry of Finance Planning and Economic development and other development finance institutions.

#### **5. Deliverables:**

- a) Inception Report

This report shall include:

- i. A comprehensive desk review of relevant documents to facilitate an understanding and execution of the assignment; and
- ii. An elaboration of a methodology/action plan, work plan and contacts of key stakeholders to be engaged.

b) Advanced Draft Report

The Draft Report should be at an advanced stage of completion including all relevant sections outlined in section 3 above. The report will be available to the Management Asset and Liability Committee for feedback and will also form the basis for the final report.

c) Final Report

The final product of the review process will be a final report which shall be issued within a period of one month from the date of engagement and key features in the report amongst others will be:

- i. An executive summary
- ii. An overview of the mandate of UDBL and the pricing implications in the market
- iii. Determination of the cost of funds
- iv. Determination of the risk premium
- v. Determination of the profit margin
- vi. Determination of the intermediation costs
- vii. Determination of fees and charges levied on projects

**6. Commitment to Quality Work:**

The Consultant shall use an evidence-based approach and ensure the highest standard of work and timely delivery of the assignment. The Consultant shall ensure clarity of objectives and process.

**7. Eligibility:**

Applicants must fulfil the following requirements;

- a) Be a firm
- b) Have a bank account whose holder name must be the same as the applicant.
- c) The Applicants may form Partnerships and or subcontract another party provided that the legal applicant plays a substantial role in implementing the assignment. The applicant will be the only legal entity with which the contract will be established.

**8. Qualifications:**

8.1 The Applicant's team leader should possess the following qualifications and experience:

- a) At least a postgraduate degree in economics, business, or political economy (including relevant Masters qualification like an MBA)
- b) At least 10 years' experience in the area of private sector development, of which at least 5 years relate to development finance.
- c) Experience working for or with development financial institutions on related issues.
- d) Strong professional knowledge in business issues with particular reference to policy research and development.
- e) Strong professional knowledge of economics and business statistics.
- f) Experience in program management and understanding of the planning and funding cycles of the public sector and development financing organizations.
- g) Good understanding of sustainable development issues, including inclusive and green economic growth.

8.2 The following qualifications and experience from key staff for this project are desirable:

- i) Expertise in the fields of labour, sustainable development, and investment.
- ii) Experience working for an international financial institution such as the World Bank / IFC or AfDB will be an added advantage.
- iii) A Chartered financial Analyst

The following documents should be submitted to UDBL:

**9.1 Mandatory Requirement**

- i. The Applicant's Certified copy of the Memorandum and Articles of Association or its equivalent
- ii. Current Tax Clearance Certificate
- iii. Certificate of Registration/Incorporation
- iv. Attach the latest two years' audited books of accounts.

## 9.2 Technical

- i. The Applicant should develop a proposal on the content provided under section 3 above elaborating the methodology of how to handle the scope of work.
- ii. Profile and project references (maximum 2 pages): the Applicant(s) should submit a brief explanation of the Team leader (CVs shall be included) and project references on the topic.

### a. Duration:

The assignment will be executed within a period of one month from the date of engagement.

### b. Questions and clarifications:

Any query regarding this Request for consultancy may be directed to [info@udbl.co.ug](mailto:info@udbl.co.ug) or on telephone number +256 414 355 550 up to 3 working days before the submission date.

All communications in relation to this Request including requests for clarification or additional information shall be directed solely to the e-mail address and telephone number indicated above.

### c. Submission:

Your proposal should be submitted to Manager Procurement [Uganda Development Bank Limited] Plot 6 Nakasero Road, Rwenzori Towers, 1st floor, Wing B. by [3:00 pm] (East African time) on or before **24<sup>th</sup> April 2021**.

Accounting Officer