



Agence Française de Développement
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OBJET : Technical support to BRDE (Regional Development Bank of Brazil's Southern region)

SYF-2025-0287

TDR - Lot 2 - Support to BRDE's Asset and Liability Management

Procédure de passation

Appel d'offres ouvert – En application des articles R. 2124-1, R. 2124-2 1° et R. 2161-2 à R. 2161-5 du Code de la commande publique

1. Detail of the AFD-BRDE project

Context and strategic challenges of the project

The southern region of Brazil, composed of the states of Paraná, Santa Catarina and Rio Grande do Sul, covers an area of 580,000 km² with a population of more than 30 million inhabitants. The region hosts sectors that are essential to the Brazilian economy and is one of the main agricultural areas of the country. Despite high human development indices (HDI), the territory is not free from socio-economic disparities. Rural areas and urban peripheries are often marked by high social vulnerability, where access to essential services remains limited.

In recent years, the southern region has experienced a series of extreme climate events, including torrential rains, storms, frosts and droughts. In May 2024, the state of Rio Grande do Sul faced devastating floods, leading to significant human and material losses. It caused the death of more than 160 people, while over 2.3 million inhabitants were affected with 60,000 houses damaged or destroyed. In this context, the urgent need for adaptation to climate change is a political priority in Brazil.

Faced with the increase in the frequency and intensity of natural disasters related to climate deregulation in the southern region, it seems essential to develop financing solutions that contribute to the effort to reduce greenhouse gas emissions (GHG) and allowing better adaptation to the effects of climate change.

Brazil's 34 state-owned banks, development agencies and credit unions working together as part of the National Development System (Sistema Nacional de Fomento - SNF) play a structuring role in investment financing and medium- to long-term social policy. Among the actors of the SNF, the Regional Development Bank of the Far-South - BRDE was one of the first to integrate the 2030 Agenda at the heart of its strategy. As an AFD partner since 2018, the BRDE aims to further support the climate resilience of territories, particularly in the agricultural sector and public infrastructure.

Objective and specific objectives of the project

The project aims to improve the financing of sustainable investments and contribute to better adaptation to extreme climate events in the southern region of Brazil.

More specifically, the project aims to:

- Continue to support the BRDE in its financing strategy for sustainable development goals, with a focus on financing low-carbon and climate-smart assets;
- Accompany the BRDE in its ability to offer communities and economic actors of the southern region financial instruments to anticipate, reduce and, if necessary, deal with the consequences of extreme climate events.

Project content and strategy

The project will be implemented through two instruments:

- A long-term credit line totalling EUR 120 million to the BRDE;
- A grant for the financing of a technical cooperation programme in favour of the BRDE and its clients.

Article 2. Object of the contract

1. Purpose

Technical cooperation aims to support the bank in implementing its sustainable banking strategy. In the training, the main themes of technical cooperation were identified. All these supports are part of the Bank's multi-year action plan 2025-2028, which aims to strengthen its policy of environmental and social responsibility.

2. Specific objectives

The program of activities plans to support the sophistication of asset and liability management of BRDE.

As part of previous AFD support, a study revealed several gaps in the structure, strategy and governance of asset and liability management (ALM) of the BRDE. External consultants presented proposals to speed up implementation and disseminate best practices:

1. **Structure:** full integration of ALM into management processes;
2. **Strategy:** define methodologies to optimize financial performance;
3. **Governance:** Train teams, improve systems, clarify responsibilities and strengthen the role of the ALM committee.

From 2017, the Bank began an effort to diversify its financing in order to reduce its dependence on BNDES resources. Since 2023 and following a diagnosis funded by AFD, the BRDE has intensified the internal reorganization of the Financial Superintendence. The Bank has strengthened its team to manage the integration of its resources in a more flexible manner.

Thus, the BRDE issued in 2024 financial securities on the national market (agricultural letters of credit and bank deposit certificates). The BRDE is considering expanding its financing horizon to thematic bonds (green bonds, sustainable bonds, etc.) on national and international markets and is requesting technical support to assist it in this initiative.

In this perspective, the BRDE seeks to implement some of the recommendations described in the diagnosis. Based on the recommendations, BRDE should develop its own pricing methodologies (Funds Transfer Pricing/curves/trends) and apply more robust controls on unlisted positions, market risk management, liquidity, derivatives, ALM management, among others.

3. The expected results of the program

The expected results of the technical cooperation programme are as follows:

Expected results	Activities
Start-up phase	Definition of a precise plan of activities and the schedule for implementing technical cooperation
Support the sophistication of asset and liability management of the BRDE	1. Diagnosis of current practices
	2. Implementation diagnosis
	3. Funds Transfer Pricing
	4. Data and systems for ALM

4. Scope and duration of service

The scope of the intervention includes the entire southern region of Brazil, mainly the three states of Paraná, Santa Catarina and Rio Grande do Sul. It should be noted that links with the state bordering on Mato Grosso do Sul, in which BRDE intervenes, may be necessary within the framework of the TA.

The full implementation of this batch is planned for a maximum period of 24 months from the launch of the service.

The team should be operational in Q4 2025 for the launch of technical cooperation operations.

Article 3. Nature of the services requested

The consultant will begin, at the beginning of the technical service, a phase of exchanges and discussions with the BRDE and the AFD in order to frame technical cooperation activities. This initial phase, particularly important for the smooth running of the service and its proper appropriation by all, will be materialized by (i) the issuance of a start-up report including the detailed plan of Technical Cooperation activities and (ii) The holding of a dedicated meeting involving BRDE and AFD.

Support the sophistication of the BRDE's asset-liability management

Sub-component 1: Diagnosis of current practices

- Objectives: Development of a diagnosis of current practices regarding financial responsibility management (ALM) within the ERD.

This objective will result in an assessment of current practices for integrated asset and liability management in the face of strategic planning and risk appetite. For this, the activities to be developed are, among others, deemed necessary by the diagnostician:

1. Evaluation of ALM policies,
2. Assessment of market risk (including IRRBB) and liquidity measurement and treatment methods from the perspective of the sector responsible for ALM
3. Assessment of organizational structure, segregation of duties, personnel and knowledge of ALM,
4. Evaluation of the alignment of ALM practices with strategic planning,
5. Assessment of current practices in meeting risk appetite.
6. Evaluation of the methodology for valuing financial instruments subject to ALM at fair value

- Planned deliverable: diagnostic report on the current practices of Asset Liability Management at BRDE.

Sub-component 2: Implementation diagnosis

- Objectives: Development of a diagnosis on the desirable scenario in terms of good asset and liability management (ALM) practices and the actions necessary for its implementation.

This objective will be reflected in the following activity: evaluation of convergence actions towards good market practices as regards ALM, addressing at least the themes highlighted in the activities of sub-component 1.

- Planned Deliverable: Detailed report indicating the actions required to implement good asset and liability management practices under BRDE and an assessment of risks arising from non-implementation.

Sub-component 3: Funds Transfers Pricing (FTP)

- Objectives: Convergence with market best practices in FTP.

This objective will result in the following activities: based on sub-component 1 activities, the shortcomings of the FTP methodology currently in place within the BRDE will be assessed against market best practices in order to adapt, where appropriate, the processes, controls and actions. The scope of

work includes the construction and documentation of the Bank's FTP curve methodology where applicable.

- Deliverable planned for the year:
 1. Construction, implementation and documentation of the BRDE transfer pricing (FTP) methodology
 2. FTP policy proposal construction

Additional requests may be made by the BRDE in connection with this sub-objective. If applicable, a purchase order will be validated between BRDE, AFD and the consultants.

Sub-component 4: Data and systems for ALM

- Objectives: provide useful data for ALM and identify the need for system development/acquisition

This objective will result in the following activities: evaluation of data generated by existing financial systems and their usefulness for ALM. With respect to system development/acquisition, the systems available at the time of work will be audited to assess the security, relevance and timeliness of the information generated, as well as the risks involved and other relevant topics.

- Expected deliverables:
 1. Detailed report that highlights the usefulness of data generated by existing financial systems and indicates improvement needs in terms of, among other things, processing, level of detail, and creation of data useful to ALM.
 2. Inventory report detailing the systems dedicated to ALM at the time of the work. Indication of need for incremental systems development/acquisition.
 3. Specification of the system (including functional requirements, from a commercial point of view) for the development/acquisition of the solution(s) indicated in article 2.

Article 4. Monitoring reports

A kick-off meeting will take place at the beginning of the mission, in the presence of the consultant, BRDE and AFD.

In addition to the technical deliverables related to each activity, the Consultant must submit, for general service monitoring, the following reports.

A launch report:

No later than 20 working days after the start of the mission, the Consultant will present a start-up report, submitted for validation to AFD (in collaboration with BRDE) and including:

- The detailed plan of technical cooperation activities,
- The detailed methodology of the service,
- A detailed work program for the first two quarters included the proposed deliverables,
- A detailed schedule for the mobilization of different experts for the next two quarters.

Quarterly reports including at least the following:

- A report on the consultant's activity (progress of activities) for each component and sub-activities,
- Financial report of the Consultant contract
- Comparison of the actual compared to the planned and justifications for potential deviations;
- Identification of potential difficulties and proposals to address them
- The work programme for the past quarter and the provisional programme for the next two quarters,
- A detailed schedule for the mobilization of short-term experts for the next two quarters.

The reports of the steering committees organized at least every three months comprising:

- The presentation made to the steering committee including among others: the planning of activities for the coming months, the detail of the activities carried out
- A summary of the steering committee discussions

At the end of the contract, the Consultant will produce a final report comparing the activities carried out with the objectives set at the launch of the programme, describing the results of the programme and possible areas for improvement. A draft final report will be submitted to AFD one month before the end of the work. The final version of the final report, taking into account AFD's comments, must be sent to BRDE and AFD 30 days before the end of the mission.

Article 5. Terms of delivery and execution

The contract will be awarded to a single contractor. Consortia are allowed.

For the realization of all actions defined in article 3, the BRDE will provide on its premises rooms for the realization of workshops, coffee breaks, invitations, fixed support equipment (microphones, internet, projectors). A temporary room for the consultant on contract and, as regards expert assignments from outside the consultant, for interpreters and translation equipment.

The tenderer shall make available the remaining equipment necessary for the provision of technical assistance. AFD will not provide any logistical support to the Technical Cooperation structure.

The local TA will take the form of a decentralized structure. The proposer must propose the organization of the team and its movements. You must follow the following instructions:

- **A local Portuguese-speaking project manager** with an excellent command of English or French, directly responsible for the implementation of the components of the technical cooperation programme and for coordinating the technical experts involved in the execution of other activities. The project manager must devote approximately 25% of his/her time to coordinating activities.
- **A group of technical experts specialized in ALM**, mobilized at the request of the project manager to support the BRDE throughout the mission.

Required profiles

Proven provision of ALM advisory, diagnostic, implementation or maintenance services over the past 5 years in individual financial institutions or conglomerates led by a financial institution.

Proven provision of advisory, diagnostic, implementation or update ALM services over the last 5 years in Brazilian credit institutions, in this order:

- of Segment 1 or
- of Segment 2, or
- of the S3 Segment.

The provision of services for at least 4 of the 6 activities listed in sub-component 1 must be proven. The technical manager shall have adequate qualification and experience in advising, diagnosing, implementing or maintaining ALM in the entities under this point.

Article 6. SCHEDULE AND SERVICE MANAGEMENT

The service is scheduled for a period of approximately 19 months. Contractually, the duration of the contract will be 24 months.

Indicative implementation schedule

[illegible]

The direction of the service will be provided by Laurent Mélère, Paulo Simplicio and Camila Leotti from the agency in Brasilia.

On the BRDE side, the interlocutors will be the SUFIN.

To ensure the coherence of the programme and coordinate the mobilization of the departments concerned, the BRDE will have a coordinator for the technical cooperation programme.

Article 7. WORKING LANGUAGE

The language of the contractual documents is French.

The execution of the contract requires the use of the Portuguese language as well as English or French in relations with the contracting authority and the BRDE (documents, meetings, telephone calls, e-mail), notably for:

- Holding or participating in meetings,
- Drafting of the results, which must be submitted in Portuguese, with the exception of the semi-annual monitoring report, which will be submitted in English or French.
- The monitoring reports of the services executed.

The mastery of both languages (Portuguese and English or Portuguese and French) by the Project Manager and of Portuguese by the team of experts proposed by the Service Provider is imperative.