

GOOD GOVERNANCE FUND - MANAGED FUND: TERMS OF REFERENCE

Updated June 2016

1. Introduction

1.1. A Service Provider (SP) will be contracted by DFID to provide the services as set out below: a managed, flexible fund of up to £62m over the period to 31/03/2019 through which technical assistance will be provided to the Governments and selected partners in the following countries: Georgia, Moldova Serbia, Bosnia and Herzegovina (BiH) and Ukraine. Technical assistance will support these countries to become more resilient to internal and external shocks, both economic and political. The project will both complement and learn from the experience of a similar Managed Fund in Ukraine. From 1 July 2016, Ukraine will be included in the GGF Managed Fund with the termination of the separate Ukraine Managed Fund. There should be a seamless transition to the new arrangement with no delay in activities at country level. We expect the breakdown of funding to be approximately £20m to 31/03/2017, £17m in 2017/18 and £25m in 2018/19 but there is flexibility with the agreement of the GGF Unit.

2. Background

Since the early 1990s steps have been taken in all five target countries to develop stronger economies and democratic institutions to support poverty reduction and growth. There has been some success but many challenges remain which could undermine progress. UK support will help prevent these states regressing and in turn boost resilience to economic and political shocks. All five countries are classed as middle income Countries¹ by the OECD and ODA eligible.

We now have an opportunity through the GGF to accelerate and sustain progress. By developing targeted UK activities and building partnerships with key actors in the region we will galvanise support for reforms which have strong political and local ownership.

3. Objective

3.1. The Managed Fund (MF) will be the principal delivery mechanism of the joint DFID/FCO Good Governance Fund (GGF). It will provide a combination of a flexible Managed Fund, which will draw down technical assistance in agreed priority areas, and will provide direct technical assistance as appropriate. It is intended to operate as a responsive, flexible and timely “demand-driven” facility, responding to the needs of governments and other national institutions as appropriate for technical assistance, in line with UK priorities for these countries. . The expected impact of the GGF is that participating countries become more resilient to external and internal shocks, both economic and political. At outcome level this will entail:

¹ GDP per capita (\$USD) World Bank 2013 – Ukraine \$3900.5, Georgia \$3596.9, Moldova \$2239.6 (Lower Middle Income Countries) Serbia \$6353.8 and Bosnia and Herzegovina \$4661.8 (Upper Middle Income Countries)

- More informed and active populations that can hold their government to account;
- Demonstrable and perceived open, accountable and responsive governments;
- Higher rates of investment and job creation to support inclusive growth.

The Managed Fund will provide technical assistance outputs which will support the impact and outcome of the GGF.

3.2. The aim of the Managed Fund is to facilitate reform to economic and governance structures in participating countries, by improving access to technical assistance in a way that is responsive to the challenges faced by their governments. Technical assistance will be provided to support implementation of national reform programmes. It will help to ensure that such reforms are well sequenced and make sure that they are based on the best possible advice and take into account the impact on different social and regional groupings, including the most vulnerable groups. It will help governments to communicate with their own citizens in an open and transparent way which improves accountability. It will help move reforms forward more quickly and in a timely manner. A flexible fund will allow the UK to respond to governments' needs and priorities as they emerge.

4. The Recipients

4.1. The principal recipients of the services will be the Governments of the participating states. Other recipients will include the types of organisations described in para 5.4 below.

5. Scope of Work

5.1. The Managed Fund will provide flexible technical assistance in order to support the creation of open societies and open economies in the target countries, including through:

- a) Strengthening the rule of law and democratic accountability as well as reforming police and justice systems;
- b) Liberalisation and modernisation of key growth sectors such as energy and banking;
- c) Reform of tax systems, improvements to the business environment and the reduction of red tape to generate foreign investment and help private sector entrepreneurs to drive trade, investment and exports;
- d) Support public financial management reform and anti-corruption measures to help enhance use of public resources and improve transparency and
- e) Strengthening independent media to ensure balanced and accurate news and public affairs reporting.

5.2. Technical assistance will be delivered by a pool of pre-qualified national and international experts provided by the service provider, in response to requests from national governments and specified partners, working closely with UK missions in country. Additional specialists or organisations should be brought on board as necessary to meet the objectives of the fund and to help deliver UK country plans. Assistance will be focussed mainly at central government rather than sub-national, regional or local level and aligned with national reform strategies. At no stage should funds be disbursed directly to government officials or ministries in pursuit of the objectives of the GGF.

5.3. As part of the MF a new facility will be developed for the five GGF countries, specifically for peer to peer support through the use of UK government and non-government expertise and technical assistance. This will be designed specifically to meet GGF objectives. In Ukraine the new GGF facility will be utilised for peer-to-peer support rather than the existing IFUSE facility for support to investment climates, as long as the deployment of expertise meets GGF objectives. All deployment activities will be managed by the supplier and approved by the DFID/FCO GGF Unit. The supplier will have no responsibility and accepts no liability (including without limitation to DFID or to the UK partners and beneficiaries) for i) the selection of the specialists from the UK partners, including their suitability for any assignment, other than to the extent set out in these TORs, or ii) the work done by those specialists in connection with their assignments.

5.4. The MF may also support work which will strengthen the relationship between citizens and the state around national reform programmes. This could include grants to organisations to advocate for reform, eg business organisations, civil society representatives, non-state media, and to ensure that the voice of citizens are heard by government.

5.5. The MF will encourage women's participation in relevant areas as a matter of priority and seek to reduce gender inequality where relevant. We will look to ensure that projects approved for funding seek to address governance issues affecting women and girls, eg women's access to justice, a level business playing field for women entrepreneurs including access to finance and assets, women's political representation, and women's voice and priorities fully reflected in the media.

5.6. The project may also support donor coordination activities to ensure that technical assistance is well coordinated and in line with priorities agreed by national governments and with donors.

5.7. To ensure the project maximises any window of opportunity that emerges over its duration, it will work with a range of stakeholders focussed in the public sectors, with particular reference to national ministries of finance, economic development, trade and investment, energy, social policy, revenues and customs, and anti-corruption institutions. Given the need for flexibility and to take advantage of opportunities, it may also work with other donors and with established international NGOs. By working with a wide range of stakeholders, the project should ensure that

open, accountable and inclusive reforms gain momentum and are sustainable over time.

5.8. DFID agreed to provide up to £20 million to establish the GGF in Financial Year 2015/16 for five countries (Ukraine, Georgia, Moldova, Serbia and BiH) on a demand led basis through a variety of delivery channels i.e a managed fund, a small grants facility (Strategic Support Fund) and direct support to international financial institutions. £180m funding for financial years 2016/17 to 2020/21 was confirmed in the Spending Review which will be programmed through the three streams. The Managed Fund should work in a complementary way with the other streams.

6. Methodology

6.1. The project will primarily deliver assistance to beneficiaries through arranging the provision of national and international expert advice and support as appropriate. It will operate on a demand driven principle, ie requiring that all project applications include evidence of the commitment of the beneficiary.

6.2. The following paragraphs set out the arrangements in place for similar funds in other DFID programmes, notably the UK-Ukraine Technical Assistance programme. The SP is invited to consider how such arrangements may be adapted appropriately for operations in several countries, and to propose alternatives and variations as they think necessary.

Governance and Organisational Structure

6.3. It is proposed that the MF's organisational structure will comprise a small, centrally-managed Coordinating Unit (CU), supported by in-country Programme Management Units (PMUs). The Service Provider will propose appropriate staffing for both the CU and PMUs. A central Strategic Review Panel (SRP), comprising DFID and FCO staff and known as the GGF Unit, as set out in para 6.9, will provide strategic direction to the Service Provider and project oversight. Service Providers may propose alternative structures, provided that these also offer good access to national and international expertise, effective and efficient coordination and common standards, and facilitate lesson-learning across all three countries.

Coordinating Unit

6.4. The CU will maintain day-to-day oversight of country PMUs and set common standards, coordinate the project overall, have responsibility for efficient, effective and economic financial and resource management across the project, and ensure that opportunities to share experience and lesson-learning across all three countries are maximised.

6.5. The CU will maintain a database of high quality sector specialists who can be brought in as and when required. This will include details of international specialists who can work across country programmes, and national specialists identified by PMUs who bring in-depth knowledge and understanding of their country's requirements, some of whom will also be able to operate in other countries. The CU

will bring in additional specialists and organisations as needed to meet the objectives of the fund and in line with the British Embassy country plans, in order to address all the priorities in this ToRs.

The CU will also consider whether the peer-to-peer support facility can provide appropriately qualified personnel to meet the demand.

6.6. The CU will collate country-level strategies, work plans and budgets for presentation to the GGF Unit, and will coordinate and collate reporting on progress in implementing them. It will also prepare an Annual report on the project for presentation to the GGF Unit, DFID and to other donors and key stakeholders.

Programme Management Units

6.7. PMUs will be the principal interlocutors with national governments and beneficiaries. The SP will establish PMUs which will manage the provision of technical assistance to key government departments, ministries and agencies engaged in the management and delivery of reforms in the countries in which they are based. PMUs will work closely with UK Missions to help deliver UK country strategies and plans in line with overall objectives of the GGF. PMUs will also have a role in eliciting proposals around clearly defined Terms of Reference to encourage work from civil society organisations in support of transparency and accountability objectives and in support of advocacy around national reform programmes. They will also develop country-specific technical assistance strategies, identifying key priorities for UK support and where technical assistance adds value. PMUs will be small teams, agreed by DFID, who will be selected primarily on the basis of their programme delivery and relationship management skills. They will include professionals with in-depth knowledge and understanding of the political economy issues involved in economic and governance reform development in their countries, as well as programme and financial management experience and expertise.

6.8. PMUs will be responsible for managing the day-to-day project operations, including:

- Preparing annual workplans and budgets for submission to the CU, and reporting to the CU on progress in implementing them;
- Soliciting and reviewing proposals for assistance in accordance with agreed criteria and procedures (see section below);
- Procuring and supervising the efficient delivery of fund activities to beneficiaries. This could include undertaking due diligence assessments of local beneficiaries and managing grant disbursement;
- Developing and maintaining constructive relationships with interlocutors including government officials, private sector operators, civil society organisations, donors, international NGOs and professional institutions involved in economic and governance reform;
- Identifying and recruiting national sector specialists for inclusion in the CU database.

PMUs will also consult with national governments on their key priorities for technical assistance, to ensure that activities are aligned with government needs and have ownership from relevant stakeholders.

Strategic Review Panel (SRP) - GGF Unit/UK Missions

6.9. The GGF Unit, comprised of DFID and FCO staff, including programme managers and advisers, will oversee the Managed Fund as a whole. The CU will report the GGF Unit on the progress and delivery of the Fund. UK Missions will work directly with the PMUs to approve projects and with the GGF Unit. This will be supported by bi-annual meetings with stakeholders. This will help steer the fund as a whole and advise on strategy in fund sectors or topic areas. It will be chaired by the DFID Head of the Good Governance Fund, and attended by the GGF Deputy Head, DFID programme management and advisory staff and FCO UK-based programme management staff. Posts will be represented by Ambassadors or Deputy Heads of Mission. Representatives of other UK Government Departments may have inputs into the panel's activities as appropriate. Representation from host governments on the SRP will be kept under review.

6.10. The Strategic Review Panel (as comprised above) will be responsible for:

- Defining strategies and policies which will guide the management of the project;
- Ensuring that strategies and policies are aligned with HMG's policies and, where appropriate, with the National Security Council's strategies;
- Approving country programme strategies, rolling work programmes and budgets;
- Monitoring the operation and performance of the CU and PMUs;
- Ensuring the integrity and effectiveness of fund internal controls and procedures.

Policies and Procedures

6.11. The CU will propose, in consultation with DFID, FCO and the PMUs, an appropriate framework to support scrutiny of, and guidance on, specific interventions where appropriate. The CU should take the following guiding principles into account in developing a proposed governance framework to support the SRP:

- Provision of a high level of assurance to DFID that the project is being managed in a manner that is likely to achieve a good development return on the effort and resources being committed;
- Maintenance of project independence and avoidance of capture by particular political, sectoral or other interests;
- Consistency with the project operation as a demand-led response facility;
- Avoidance of unnecessary bureaucracy, cost, and/or additional workload for the project management team and others.

6.12. The CU will be required to review and expand as necessary project policies and procedures in key areas and recommend changes for approval by the GGF Joint Unit throughout the course of the project.

Planning and Programming

6.13. The project is intended to operate as a “demand-driven” facility, responding to the needs of governments and other national agencies for assistance. PMUs, under coordination by the CU, will prepare annual work plans setting out the intended focus of effort and the expected level of support among types of activity, sectors and types of beneficiary.

Screening and Approval

6.14. The process for evaluating and approving proposals for assistance should be designed to strike a balance between speed of response, thorough evaluation and ensuring transparency within reasonable cost constraints.

6.15. The PMUs will undertake an initial screening of all proposals to verify that the scope of the proposal is clearly defined, the documentation presented is complete and the proposal is consistent with the threshold eligibility criteria for type of intervention, sector and beneficiary.

6.16. Proposals that meet the threshold criteria will be subject to a detailed evaluation according to the following criteria:

a) *Consistency with the relevant country reform strategy:* All activities supported must contribute to identified national priorities for reform;

b) *Clarity of purpose:* The delivery of high quality technical assistance requires carefully defined scoping of the intervention to ensure that both the beneficiary and service provider will have a well informed and common understanding of the issues to be addressed, the expected SMART results and outcomes and their alignment to national reform priorities, and the project outputs to be delivered;

c) *Commitment of the beneficiary:* The project should only support interventions where there is clear evidence that the beneficiary actively solicits the proposal in writing and is committed to contributing to its success, as appropriate, by providing logistical support and all requisite information to the service provider, by agreeing to participate in consultative progress reviews, and to disseminate completed reports or documentation produced by the assignment;

d) *Coherent sequencing of support:* The PMUs will assess and determine that any proposal fits into a logical sequencing of technical assistance needs of the sector/beneficiary. The project should generally only support downstream activities (eg institutional capacity building or facilitation transactions) for a sector or institution if there is a clear and coherent strategy and policy framework in place;

e) *Quality assurance*: Proposals should contain verifiable indicators against which the intervention should be monitored. Larger interventions should generally include appropriate stakeholder consultative and quality review mechanisms;

f) PMUs should be working actively with UK Missions in-country to understand priorities in line with the country strategies and planning work areas and priorities accordingly. Terms of Reference should be developed for all projects and approved by GGF project staff in-country as well as the GGF Unit centrally. Formal approval is required before work begins on a project.

g) PMUs must ensure that they obtain initial approval from the GGF leads at Post for any material to be published or disseminated and must receive initial approval for general content before commencing the work, and final sign off before publication or dissemination takes place.

g) *Eligible expenditures*: Proposals should be limited to covering the following:

- Costs associated with the delivery of the services;
- Costs associated with the preparation and supervision of the intervention including due diligence of technical specialists to assist the PMUs;
- Costs of the preparation and dissemination of documentation produced by the intervention in order to increase public awareness of key issues and potential solutions.

h) PMUs will work with UK Mission GGF staff to identify desired outcomes and results and steps taken to reach those results. They will be supported by the CU who will use this information to develop the logframe for the programme.

6.17. The PMUs will prepare formal evaluations of all proposals based on a standard evaluation format. These will be quality assured by the CU and made available to the SRP.

6.18. If the SP reasonably believes that there are circumstances that pose a threat to the health, safety or security of its personnel (including subcontractors) which impact on its ability to exercise its obligations in respect of duty of care, then those circumstances will be treated as a Force Majeure event. The SP may withdraw its personnel from any affected locations and will discuss next steps with DFID.

7. Monitoring, Evaluation and Reporting

7.1. The PMUs will monitor the progress of the implementation of individual projects which it manages. The PMUs will attempt to resolve any issues encountered by beneficiaries and/or technical experts.

7.2. The PMUs will submit quarterly reports, including financial reports and spending forecasts for the next six-month period, to the CU for collation and quality assurance. These will provide an update on the status of all ongoing projects, particularly highlighting any projects considered to be a risk of failing to deliver their expected outputs. The CU will submit a collated report and a summary narrative not less than two weeks after the submission of PMU reports to the SRP and DFID.

7.3. The PMUs, in consultation with the CU which will ensure consistent standards, will propose monitoring and evaluation procedures that provide the SRP with sufficient information to:

- Evaluate the completed projects undertaken by the PMUs;
- Set strategic parameters to guide the overall strategic direction of the programme;
- Set out key milestones to assist the PMUs, CU and DFID in evaluating progress and in steering the programme;
- Provide assurance that the scope and level of effort proposed are justified by the prospective impact, taking into account the overall project logframe;
- Provide guidance in relation to other development programmes with significant technical assistance components, whether funded by DFID or other donors.

7.4. –Annual reviews and evaluation of the Managed Fund and GGF Programme will be required. Exact arrangements are to be confirmed.

8. Outputs and Deliverables

8.1. The SP will be required to submit an inception report, containing the following for DFID's approval within one month of the beginning of the contract. DFID will review the inception report and will either give approval to proceed to project implementation, or request amendments to be made before project implementation begins, within one month thereafter;

a) A standard operational manual which will include details of:

- Procurement procedures for the pool of pre-qualified technical sector experts/consultants;
- Internal rules governing relationships amongst and between the four layers of the governance structure, highlighting any area where conflicts of interest may arise and how they may be addressed;

b) A strategy and workplan for the initial six-month start-up period, with clear criteria for programme implementation and deliverables;

c) Any proposed changes to the implementation methodology, project staffing (areas of expertise, deployment times, etc) and organogram;

d) An accompanying narrative to the workplan describing how project management activities will be conducted and a budget for fund management for the initial six-month start-up period;

e) A fiduciary risk management strategy including risk management plan;

f) A monitoring and evaluation framework.

8.2. Following DFID approval of the inception report, the SP will be required to implement the project in line with its recommendations and international best practice. The SP will be monitored against the annual work plan.

8.3. The SP will be required to submit a Project Completion Report at the end of the contract, ie not less than four weeks after the last technical assistance inputs have been completed.

9. Timeframe

9.1. The project is expected to be operational in September 2015. The supplier will be contracted for a period of 3 years (including inception phase). The initial contract will be let for a period of up to 3 years in the first instance but will include a breakpoint after 8 months, ie at the end of Financial Year 15/16, and at the end of each financial year. Progression from one period to the next will be subject to satisfactory performance of the supplier, the continuing requirement of the services and budget for the following period.

9.2. In the event that the decision is taken to terminate the project, DFID will liaise with the SP to determine the time scale for, and the best means, of termination. A one-month inception phase is envisaged to establish and operationalise the project. It is expected that the first six months of the project's operation will constitute a start-up phase, during which time the PMUs will be determining strategic priorities in consultation with key stakeholders and developing their pipeline of technical assistance activities.

9.3 The contract may be further extended to a maximum of 24 months dependent on the success of the supplier, the political environment, and availability of funding.

10. DFID Coordination

10.1. The SP will report directly to the Chair of the SRP.

11. Duty of Care

11.1. The SP is responsible for the safety and wellbeing of their personnel and third parties affected by their activities under this contract, including appropriate security arrangements. They will also be responsible for the provision of suitable security arrangements for their domestic and business property. British Embassies in participating countries, in consultation with DFID, will share available information with the SP on security status and developments in-country where appropriate.

11.2. The SP is responsible for ensuring appropriate safety and security briefings for all their personnel working under this contract and ensuring that their personnel register and receive briefing as outlined above. Travel advice is also available on the FCO website and the SP must ensure they and their personnel are up to date with the latest position.

12. Open Access

12.1. All projects will be required to comply with DFID's Enhanced and Open Access Policy. At the full application stage, applicants will be required to submit an Access and Data plan. Where appropriate the costs of complying with our Open Access Policy should be clearly identified within your commercial proposal.

13. Branding

13.1. The public has an expectation and right to know what is funded with public money. It is expected that all outputs will acknowledge DFID support in a way that is clear, explicit and which fully complies with DFID Branding Guidance. This will include ensuring that all publications acknowledge DFID support. If press releases on work which arises wholly or mainly from the project are planned, this should be in collaboration with DFID's Communications Department. Country-facing and UK-facing branding guidelines will be provided by the GGF Unit.

14. Break Clause

14.1 The contract must have adequate provision for variation to adapt to changes that occur during the life of the programme. Following DFID reviews, DFID shall reserve the right to request changes to the contract, including the services, the Terms of Reference, changes in circumstances, policies or objectives relating to or affecting this programme.

14.2 DFID reserves the right to scale up or down the programme over its lifetime to include potential changes to programme scope, geographical and country reach and contract value. DFID may call on this contract for scoping work on other countries in the region in line with the overall objectives of the GGF.

14.3 The key review points for this programme will be at the end of the inception phase (1 month after contract start) and at the end of Financial Year 15/16, ie end March 2016. There will be break points at 31 October 2016 and at the end of the Financial Years 16/17 and 17/18. Clause 14.1 applies for the duration of the contract, with three months' notice to the supplier should a significant change be required.

14.4 At each point DFID reserves the right to terminate the contract in the event of unsatisfactory performance and delivery of outputs. DFID further reserves the right to terminate the contract in the event of substantial changes within the operating environment of the programme.

15.1 The supplier will be required to prepare and submit a detailed technical bid for all specified components.