

Section 3 – Terms of Reference

Accelerating Private and Public Investment in Infrastructure Programme

1. Overview

1.1 Through this TOR, DFID is seeking the services of a supplier to undertake the implementation of Lot 1 of DFID Nepal's Programme, Accelerating Investment and Infrastructure (AiIN). The Programme is scheduled to run until March 2020 and will have three main results areas:

Output 1: Increased Investment in Large Scale, Growth Enhancing Infrastructure

Output 2: Streamlined Economic Policies and Regulations to Promote Growth

Output 3: Subnational Growth enhanced through a combination of economic policies and infrastructure delivered locally.

To deliver these results DFID is issuing contracts to three separate suppliers for three main components which will be procured under a Negotiated Procedure divided into Lots. These lots are as follows:

- i. Lot 1: Accelerating Private and Public Investment in Infrastructure Component (APPIIC) delivering the full requirements of Output 1.
- ii. Lot 2: Economic Policy Incubator (Anchor Component) delivering most but not all of the requirements for Outputs 2 and 3.
- iii. Lot 3: Financial Sector Stability Component delivering the macroeconomic stability component of Output 2.

1.2 Suppliers are welcome to bid for one or more lots and a distinct proposal will be required for each lot for which a bid is submitted. Regardless of bidding approach, suppliers should demonstrate how:

- The proposal will maximise Value for Money (refer to the VfM framework in the BC);
- They propose to create excellent synergies and complementarities between lots irrespective of the number of suppliers involved;
- They will ensure effectiveness in monitoring, management and reviews;
- They will ensure excellent relationship management with multiple stakeholders and DFID.

2. Recipient

2.1 The principal recipient of the APPIIC services will be the public stakeholders charged with infrastructure investment in Nepal, principally the Ministry of Finance, National Planning Commission, Investment Board of Nepal (IBN), the Ministries of Energy (MoE) and Physical Infrastructure and Transportation (MOPIT), the Ministry of Local Development MOFALD and affected local governments. Secondary recipients may be Nepal's civil society, parliament and research/academic bodies. The ultimate beneficiaries of this support will be small and medium enterprise owners and poor households in Nepal who will benefit directly from better infrastructure and indirectly from more economic opportunities as a result of better infrastructure.

3. Scope of Work and Delivery Approach

3.1 A lack of adequate energy, transport and irrigation infrastructure have been identified by multiple analyses as critical constraints to economic growth in land locked and mountainous Nepal. The work under this TOR aims to help Nepal increase productive private and public investments in large scale growth enhancing infrastructure that can both accelerate economic growth and expand job opportunities. The country has massive infrastructure needs that require large amounts of both public and private investment. They also require technical expertise to design and execute projects and stronger institutions to manage and maintain infrastructure assets and services. Some of the root causes of these needs include:

- Low rates of public expenditure in growth enhancing infrastructure of high quality due to range of factors including: low capacity for project design, procurement and execution, a lack of technical expertise to conduct costed analyses, poor maintenance practices including budgeting, implementation and quality assurance.
- Deficiencies in regulatory frameworks in infrastructure sectors like energy and transport, including laws that need to be amended or replaced and regulations and policies that need to be formulated adequately enforced and implemented.
- Poor market fundamentals in infrastructure services markets, including energy prices below cost, lack of regional purchasing agreements to expand demand markets, poorly planned and executed licensing approvals, cartelling behaviour in transportation services, poor energy distribution networks among many other issues.
- Unclear institutional mandates with complex sets of institutional players and weak or non-existent actionable sector strategies with little to no prioritisation and sequencing and weak coordination amongst players.
- Lack of clear gender and inclusion policy frameworks, benefit sharing approaches and consultation processes to ensure that investments project proceed without local disenfranchisement and are promoted in a way that is considered equitable, especially for projects that are considered to be in 'the national interest'. There is immense diversity in Nepal, increasing claims on the state from marginalised groups, making issues of consensus more challenging.
- Political and bureaucratic uncertainty which makes investment unattractive and weak institutions for designing, delivering, maintaining and managing infrastructure services.

3.2 The critical measure of overall success of APPIIC will be the total amount of public and private investment in growth enhancing infrastructure that improves Nepal's economic performance. This is Output 1 in the AiiN Programme logframe which seeks to achieve the following 3 results by 2019:

1.1.Total private investment in Large Scale Infrastructure Projects of at least US\$2.5bn reach financial close through Public Private Partnerships.

1.2 At least two major bottlenecks in the Government of Nepal's ability to finance infrastructure improvements with its budget are addressed, helping to increase the rate and quality of productive capital expenditure.

1.3 Approaches for identifying, approving, developing, constructing and maintaining key publicly funded infrastructure integrated into relevant Nepalese Public Institutions with all processes and systems including cross ministerial coordination active and functioning well.

Associated indicators to monitor progress towards these, as well as consideration of underlying measurability, will be developed further in collaboration with the successful contractor. Competitive bidders may wish to set out the process they would follow to monitor and measure progress on these results to demonstrate a more sophisticated understanding of the TOR requirement.

3.3 To deliver these changes the selected service provider will need to combine the skills of practical problem solving with the facilitation and influencing skills to strengthen local actors' effectiveness. It will need honest and transparent management with a team culture of learning from failure, building strong relationships with local partners and communicating effectively. The supplier should be able to work flexibly in a range of infrastructure areas that are critical for Nepal's economic growth principally energy and transport (road, aviation and rail) but potentially also irrigation, with the dual objectives of both addressing critical issues in the relevant infrastructure area and strengthening the institutions and processes for infrastructure planning, implementation, cost recovery, maintenance and strategic management of services.

3.4 The supplier will need to effectively integrate social equity, gender, environmental and social analyses into its facilitative role across its workplan, helping Nepali stakeholders to integrate these issues into their delivery. It will be expected to support Nepali institutions to implement effective prioritisation and sequencing as well as implementing it in APPIIC's own manageable work plan.

3.5 This Terms of Reference will be actioned in two related areas of engagement which will need to be handled distinctly yet with synergies proactively managed and strengthened: one for private investment and the other for public investment.

3.6 The main activities of the APPIIC will include financial and performance management of a DFID resourced fund to finance core IBN staff and specialist legal, engineering, commercial and social expertise to support privately funded infrastructure; core technical assistance to IBN and GoN ministries for the delivery of high quality infrastructure services including on infrastructure financing, infrastructure enabling environment and organisational strengthening to support delivery of large scale publicly and/or privately financed infrastructure. This will require a 3 month inception phase for both public and private investment areas but certain elements of the private investment work should begin operation within the first month of mobilisation. In more detail:

For Large Scale, Growth Enhancing Private Investment

3.7 The Supplier will be working primarily through an Investment Board of Nepal (IBN) and DFID partnership providing logistical and advisory support to the IBN. Since this is picking up an existing work area a maximum one month period to set up an office and key staff and core functions is expected. Other areas, especially developing synergies with the public investment work and full development of performance, results and management processes and systems may take closer to the full three month inception.

3.8 The supplier will take on the roles of Fund manager, technical skills pool manager and staff performance quality assessor either by playing the role of IBN's human resources

manager or by providing support to IBN's designated HR manager. It will have lead responsibility for quality assurance oversight of the use of DFID funds including liaising with IBN's HR systems and leadership to report on the performance of DFID-funded IBN staff and of the technical pool of short term experts. It may also provide IBN with periodic technical assistance from the APPIIC core team as requested by IBN. It will develop clear joint accountability lines to IBN and to DFID and will be equally accountable and report to both.

3.9 DFID, through the supplier, will fund 25+ qualified Nepali consulting staff that possess a high degree of educational, professional and ethical standards to work for the Investment Board of Nepal (IBN) until IBN achieves self-sustainability through a change in its legal status and organizational maturity. The consultants will be recruited based on a competitive recruitment or job reconfirmation process, and in consultation with the Chief Executive Officer (CEO) of IBN. These Nepali consulting staff will work under the direction, supervision and guidance of the CEO of IBN, and will take responsibility for all aspects of IBN's project related activities, including but not limited to the following areas:

Project Management	Office Management	Financial & Economic Analysis	Legal Counsel	Negotiations of PDAs	Communications	Relocation Rehabilitation & Benefit Sharing
Risk Identification & Assessment	Cumulative Impact Assessment	Project Design & Costing	Office Systems Design	Administration	Human Resource	Environmental Safeguards

The consultants will remain accountable to IBN and its objectives, and their association with DFID and the supplier will be limited to performance management and results delivering value for money for DFID funds as well as other administrative matters. The terms of reference (ToRs) for these Nepali consulting staff will be drafted and approved by IBN. These consultants shall be permitted to carry business cards and email addresses identifying themselves as consultants to IBN.

3.10 The activities of the supplier in its work on private infrastructure investment are expected to include but not be limited to:

- As soon as possible at the start of the engagement, conducting either a job confirmation or recruitment process for IBN staff and setting them up on transitional contracts until IBN becomes autonomous and self-sufficient.
- Clarifying accountability lines and reporting structures between APPIIC, IBN, GoN and DFID and ensuring an appropriate balance is struck between IBN's authority to take decisions, APPIIC's facilitative role, DFID's need for accountability and delivery of results and GoN's own accountability and transparency needs.
- Conducting a competition to select a legal firm to continue to provide advice to commercial negotiations and to increasingly transfer knowledge to one or more Nepali legal firms.
- Providing continuity in the provision of legal, commercial and technical experts to advise on and oversee ongoing and new negotiations in both energy and transport and potentially other areas, this should include provide technical assistance to strengthen IBN's expertise in implementing and monitoring environmental and social safeguards for each project.
- Provide a full time, on the ground project manager to the Investment Board to support its CEO, or a senior IBN staff member designated by the CEO, to oversee the work of DFID funded IBN staff and technical experts, providing independent quality assurance and advice to DFID and the IBN CEO and taking on the IBN's reporting burden to DFID.

This role will need to be carefully designed and managed to ensure it complements the role of IBN staff and should be increasingly integrated into IBN's own organisational structures within 2 years.

- Refining and reshaping the management of the existing IBN pooled fund for technical expertise to ensure it meets IBN and DFID objectives. The fund supports legal expertise and a pool of short term technical experts and it may be expanded to also fund IBN core staff directly. The supplier will need to ensure that the IBN project manager responsible for managing it transparently reports on its financial and performance status to both IBN and DFID. The service provider will need to balance the need to empower IBN to take decisions on the funds while providing quality assurance oversight to DFID. Ultimately this Fund will be integrated into the IBN's financial management practices by the time the IBN's legal amendments are passed.
- Setting up a funding mechanism for IBN to be able to pool funding from multiple donors, the Ministry of Finance and from its deal fees. This will replace the DFID- specific Fund and will be integrated into the IBN's financial management system.
- Completing the work already well advanced in setting up the IBN's organisational structure including HR, performance management and strategic organisational workplan functions so that it is ready to perform independently and can withstand external auditing and other scrutiny with only periodic technical advice which it can draw down on as needed.
- Building in a strong knowledge transfer approach for most of the work of the project's international staff so that the IBN and GoN are increasingly able to lead on project work areas.
- Facilitating the IBN's deepening engagement in GoN and developer commitments that are prerequisites to financial close of a large infrastructure deal and managing technical expert inputs. This forms part of the broader enabling environment for private infrastructure investment and could involve financial guarantees, legal and regulatory reforms, policy changes and land acquisition issues.
- Helping and advising the IBN and GoN to strengthen critical processes and procedures in local and national consultations and mechanisms for addressing major disagreements and bottlenecks.
- As requested and advised by IBN, supporting relationship management with key stakeholders include key line ministries and other development partners and strengthening working relationships with each. This could include helping build broader support for IBN through critical opinion makers and media.

For Large Scale, Growth Enhancing Public Investment

3.11 The Supplier will be starting a new area of work for DFID Nepal which is expected to require a 3 month inception to refine and crystalize the draft workplan submitted in the winning proposal, including identifying initial entry points. Activities expected during the first year of this part of the component are likely to include but need to be limited to:

- Using existing analyses and filling major gaps in analysis to assess the state of the transport and energy sectors primarily but also potentially the irrigation sector, identify entry points for engagement and informing sensible prioritisation and sequencing.
- Acquiring and managing the expertise to conduct feasibility and technical studies for designing priority infrastructure projects that are publicly funded including technical, economic and institutional requirements.

- Conducting institutional assessments to identify key bottlenecks in effective capital expenditure from the government's budget and working with GoN personnel to prioritise areas for institutional strengthening including on public financial management using problem driven iterative adaptation approaches.
- Identifying linkages with other donor partner initiatives in energy, transport and possibly irrigation and where possible, developing and implementing joint workplans. This could include using a limited amount of additional AiiN funds to partially co-finance an infrastructure project through a Multilateral Development Bank and using this as an influencing and leveraging tool to generate the space and demand for difficult institutional reforms that increase the overall pace and quality of public capital investment.
- Supporting the enabling environment for both public and private infrastructure investment including legal and regulatory reform processes in different infrastructure sectors where DFID can add value, in particular to the deeper institutional constraints on which successful reforms depend and where it can use private investment deals and public projects to leverage momentum to incentivise wider institutional reforms. This should form a core part of a deliberate strategy of exploiting synergies between the private and public sector parts of the component.
- Providing ongoing, structured and evidence-based political economy analysis to inform DFID and other donors in each sector on opportunities and blockages and how to navigate complex networks of actors in the sectors.
- Identifying areas where the AiiN Economic Policy Incubator might engage from an economic policy angle and deepen that component's objectives in economic sectors.

Subsequent years should, through a process of iteration and subject to implementation feedback either scale up, continue or drop these areas of work and/or develop alternative new areas of work that support achievement of the AiiN results under Output 1.

3.12 The work of APPIIC cannot be exhaustive. It must be highly strategic, nimble and catalytic. The deficiencies and complexities in infrastructure across sectors are multiple and significant and cannot be addressed solely by a single actor. The energy sector in particular is crowded with donors with upcoming major investment and technical assistance scale ups from the World Bank and Asian Development Bank. The APPIIC project will need to identify its comparative advantage and how to leverage the work and support of other donors and ensure it is playing its part in strengthening coordination and a common approach to sectoral reform and development. Part of APPIIC's performance assessment will include its ability to build strong coordination links with other development partners and local stakeholders and, where there is a strong value for money prioritisation rationale, implementing joint initiatives with them.

Background on Existing Private Investment Work with IBN

3.13 The private sector area of work will take over from the existing work of DFID's Centre for Inclusive Growth which ended in December 2014. That programme has:

1. Provided legal, commercial and technical support to the negotiation of large hydropower deals between the Government of Nepal and Private Developers including negotiations led by IBN and the Ministry of Energy.
2. Built the Investment Board of Nepal as an institution including developing its organisational systems, temporarily paying most of its staff while its legal standing is clarified and financing short term technical expertise.

3. Engaging in regulatory and policy issues linked with getting the deals to financial close including on land acquisition, resettlement and rehabilitation, regional power trading agreements among other areas.
4. Engaging in the wider development impacts of these large scale investments including market linkages and local economic development and local consultations, national political consultations and developing an effective communications strategy so that the public and politicians remain well informed about large scale investments.

4. Management and Delivery Structures

4.1 During the inception phase, the Service Provider should put in place all necessary **arrangements to ensure that the component begins operating within one month of contract signature**. This includes the mobilisation of all core staff, establishment of the component in suitable premises, formation of the governance structure (linking with other components) and the development and adoption of clear policies and procedures to ensure smooth functioning of the component. This will include plans, policies and procedures to support:

- a. Programme management and reporting processes;
- b. Procurement, financial management and reporting following best practices;
- c. Design and establishment of a results framework and a monitoring and evaluation system;
- d. Management and contractual arrangements for all staff and ensuring clarity in reporting lines and accountability given the strong links to IBN.
- e. Developing a risk management strategy.
- f. Approaches for ensuring Evidence-based analysis underpin all interventions and for prioritising and sequencing interventions
- g. Approaches for ensuring all interventions have theories of change with clear problem identification analysis and linkage to the objectives of AiiN.
- h. Clear milestones in workplans, reflecting the articulated theories of change to track progress on a regular basis and judge performance.

The Service Provider, working in close collaboration with DFID staff, will strive to maximise synergy with other components under the AiiN programme. The component will be subject to DFID's annual reviews, a mid-term evaluation, a project completion review and an ex-post evaluation.

4.2 The contract will be issued for the full period, until the end of March 2020. **However, it will be** subject to two break points: after the inception phase and the mid-term evaluation of the entire AiiN programme in order to ensure agreement of detailed milestones for the next phase, and satisfactory performance of the supplier. Suppliers are expected to provide appropriate staff/consultants appraisal systems with which they will be expected to engage DFID on key performance issues arising. Programme performance will be reviewed at least annually by both DFID and the supplier as part of DFID's annual review process and be either continued or terminated accordingly. Contracts may be renewed for the outer years subject to performance and to the recommendations of the AiiN mid-term evaluation (see section 11 below for more details). If DFID wishes to terminate or amend the contract at any time, this will take place at no cost to DFID and will follow standard DFID procedures.

5. Core Requirements of the Supplier

Technical

5.1 The Technical proposal should respond to and demonstrate a deep understanding of the analysis in the Business Case to (a) identify the issues (including those identified in the Social Inclusion Assessment and Governance and Conflict Assessment) that are critical for increasing public and private investment rates in infrastructure in Nepal; (b) identify further evidence based diagnosis that needs to be undertaken and how it should be undertaken (c) use (a) and (b) to formulate a technical strategy for achieving the target outcome of AiiN. A clear separation between the private and public work areas should be included in the technical approach but a section describing the proposed areas of synergy between the two areas and how these synergies would be maximized and delivered should also be included.

5.2 This technical proposal should include:

1. **A strategic theory of change (ToC) for the work on both private and public investment** which shows how the range of activities undertaken by the programme will lead to achievement of the AiiN outcome, through a detailed analysis of the anticipated change process and any key assumptions. This should also include an outline of how the ToC and its underlying assumptions will be assessed throughout implementation, and how programmatic approaches would be influenced by updated ToC analysis.
2. **A draft gender and inclusion strategy and action plan** that will inform the implementation approach and overall objectives. This should include at a minimum conducting analysis on the impacts of infrastructure investments and infrastructure regulation on women's economic opportunities, how design, decision-making and delivery of infrastructure projects should effectively integrate the voices of women and excluded social groups and how social equity and distributional factors should be integrated in the conduct of feasibility analyses and consultation mechanisms with the aim of ensuring consent in context of social diversity. This might include approaches for designing grievance redressal mechanisms (GRM) relevant to particular infrastructure policies or projects. It would be expected that any results framework indicators would, where appropriate, consider the need for disaggregated data to inform gender/inclusion objectives.
3. **Short descriptions of possible approaches for incentivising the effective institutional changes needed to generate higher rates of infrastructure investment and better infrastructure services with an example Theory of Change and proposed key outputs for one of the approaches.**
4. A strategy for **linking with DFID and other donor partner programmes**, especially other AiiN components.
5. If applicable a rationale for combining Lots into a single component delivered by the service provider with an added value justification. This will not form part of the evaluation, but instead be read should the one supplier be the top scoring bidder on each lot and form the basis of final negotiations on synergies
6. Potential **'quick win' interventions and analyses** to ensure early delivery of results. These should be appraised and costed within the financial plan.

7. **An assessment of key agents for change in the private and public sectors.** This will include a clear approach for collaborating with and supporting the Government of Nepal to raise infrastructure investment rates and how the programme can engage with Government (including through capacity building).
8. A plan for building the capacity of local non-government organisations and institutions in the areas of engagement.
9. A **detailed risk assessment** focusing not just on risks highlighted in the Business Case but any additional issues identified - to capture all foreseeable and potential risks to delivery during implementation. This should include an assessment of probability and impact and who should own each risk.
10. Any innovative approaches or other critical elements not mentioned in the TOR that the service provider would like to feature to demonstrate a competence for practical innovation or to further demonstrate the quality of understanding of the TOR requirement.
11. **Suppliers assurance of internal best practices on systems and policies** e.g. fraud, anti-corruption, HR, financial and monitoring and evaluation approaches.

Management and Delivery

5.3 In preparing bids for this work, prospective Service Providers should develop appropriate management arrangements to deliver and robustly monitor programme implementation with clear demonstrable evidence of proactive management of value for money and risks to securing it. The proposal should include the framework, principles and processes within which the component will operate and an indicative work plan for the first 2 years of the component. A clear demarcation between the private and public work areas should be included in the proposed management approach.

5.4 The proposal will include a broad 2 year management strategy, this will comprise a detailed indicative work plan and budget for the first year of operation and an updated results framework. The supplier will then select one of the most important risks from its risk assessment and set out a workplan for the second year of operation that accounts for this risk materialising at the end of year 1 with indicative milestones and budget. In detail:

- **Broad two year management strategy and budget.** Budgets should be broken down by potential output and activity and include projected timelines of key activities. For Year 2, the workplan and budget should reflect the emergence of a key risk that the supplier has selected from its own risk assessment.
- **Indicative first year work plan** and Financial Plan. Indicative milestones should also be proposed to be refined and agreed with DFID. Milestones will be reviewed and revised by the supplier and accepted by DFID at a minimum, on an annual basis if not more frequently, in order to take account of programme progress to date, reflect all lesson learning, and realisation of further synergies and VfM opportunities.
- **Proposed Results Framework** framed around the impact and outcome statements in the business case and the AiiN logframe. Drawing on projected activities in the 1 year work plan and technical strategy, this will include a full set of objectively and

quantitatively verifiable indicators for measuring progress against impact, outcome and output, including means of verification and risks and assumptions.

- Based on the identified risks in the technical proposal and any management risks identified in the management strategy, a detailed risk mitigation strategy. This should include an approach to handling any sensitive information related to stakeholders obtained as part of implementation.
- **Whilst it is preferable but not mandatory that the proposed project manager for APPIIC be a core member of supplier personnel, irrespective they must be fully accountable for the quality and performance of the programme to DFID and have a direct reporting line to the suppliers' internal management. This person must provide a clear rationale for how the past results they have delivered in their CV match the needs of this component. A one-page Statement of Assurance is required as part of the signoff and must be written by the proposed manager. This should state their professional views on how to implement APIIC and their commitment to deliver meaningful results.**
- **A payment modality for the component that incentivises the achievement of results, value for money** and effective and equitable risk sharing with suggested key performance indicators closely linked to the outcomes required by the component. The budget should show the management overhead cost if appropriate and demonstrate how that delivers maximum value for money. DFID will make payments according to its procedures.
- All bidders should ensure that they assure DFID of appropriate due diligence approaches including for sub-contracted partners and that these approaches are part of the bid.

6. Formal Reporting Requirements

6.1 The key formal reports will be as follows although these may be amended by mutual agreement of DFID and the supplier:

- **Six-monthly work plans and budgets** to be delivered one month before the start of the next six monthly cycle to allow adequate time for consultation with and feedback from DFID and key stakeholders
- **Quarterly Progress Reports** in a succinct and readable format that links directly to the results framework.
- **Monthly Progress Updates with the lead DFID advisor**
- **Annual Report** on total progress and achievements and lessons learned from feedback mechanisms.

6.2 Outputs under the proposed scope of work in this TOR may be amended or refined during the post tender discussion between the successful bidder and DFID. The targets agreed in the revised results framework and work plans and strategies will form the basis upon which performance will be monitored and tracked. The supplier will propose key performance indicators which will be used alongside reviews to monitor performance.

6.3 Overall coordination of the component will rest with the DFID Nepal Senior Economic Adviser. The supplier will report to the Programme Manager, Economic Development Team for programme administration, finance and contracting issues.

7. Handling Sensitive Information

7.1 Supplier personnel working for APPIIC may be required to handle sensitive information and will be expected to uphold the highest levels of integrity and professionalism in the use, management and dissemination of such information. Such information should not be disclosed to outside parties other than DFID and the relevant Nepali stakeholders without the consent of both. APPIIC staff may need to sign non-disclosure and confidentiality agreements to this effect.

8. Key Competency Requirements for the Supplier

8.1 The Supplier will suggest the complement of full-time technical and support personnel and accompanying technical experts able to deliver the outputs and outcomes and how the split between the private investment work and the public investment work will be managed and staffed. Value for Money and building local capacity are integral to DFID's work. Hence, bidders are encouraged to include qualified regional/ national experts and local/regional firms where possible.

8.2 Having said that the project will need to retain the flexibility to work with multiple stakeholders which could be made more difficult if exclusivity/partnership agreements are included in bids before workplans and strategy have been properly defined. For this reason we do not recognise the use of exclusivity agreements and suppliers simply must not propose these to partners.

8.3 The Service Provider must be able to demonstrate a clear strategy for supporting and building national capacity both internally, within the management structures of the component, and externally.

8.4 At the technical level the Supplier will demonstrate the following capabilities:

- Proven experience of supporting local partners to scale up delivery and improve management of infrastructure services and assets.
- A small core full time team based in Kathmandu with infrastructure engineering, commercial, institution building, governance, business management/financial expertise that can drive change on either private or public investment areas or both including an overall lead with a proven ability to identify gaps in the proposed team's expertise and the ability to fill this without necessarily holding full time expertise in all areas.
- The ability to procure, coordinate and quality assure specific technical expertise in a range of infrastructure sectors at relatively short notice and different experts in different infrastructure areas including: water, energy , transport engineers, financial analysts (or individuals with both financial and engineering expertise), lawyers, regulators, inspectors, policy-makers and institutional experts (HR, management systems, organisational behaviour experts etc);
- Very strong networking and relationship-building skills at both the leadership and advisory levels including a robust approach to maintaining excellent and constructive relationships with the DFID client, with a common understanding

across the team that behavioural change of Nepali and development partner stakeholders is at the heart of policy change and the theory of change.

- Ability to work with a wide range of stakeholders especially government and the private sector but also civil society and other donors and to understand their different perspectives and incentives and incorporate them in the approach and strategy for delivery. Each proposed team member should include a verifiable description of how they have excelled at building relationships and how they have influenced stakeholders to achieve an objective.
- Capacity to take an incremental approach to delivery especially in the public investment area, starting small and focused and expanding incrementally subject to implementation feedback.

8.5 At a management level the Service Provider will demonstrate capabilities including, but not limited to:

- The ability to manage and account for substantial levels of funds, through a range of potential instruments;
- Knowledge in the procurement of services and the application of international best practice, with knowledge of DFID's own Procurement Agent processes where relevant;
- Ability to honestly record, communicate and learn from failures and change and adapt at pace to an evolving country context and with an aptitude for identifying opportunities and blockages in advance.
- Ability to implement strong management, results and monitoring systems linked to payments to ensure progress is adequately tracked, poor performance is identified early and the team can manage effectively in a complex operating environment.

8.6 The Service Provider will be expected to support the establishment of the component in a main office in Kathmandu with appropriately skilled and qualified personnel. The Service Provider will be expected to access a full range of technical outreach support to implement and ensure that outputs of the component are achieved.

9. Brief Background on Strategic Scope and Objectives

9.1 Poor people in Nepal need jobs. Getting more and better-paying jobs is only possible through private sector-led economic growth. A faster growing Nepal, that can mobilise private and domestic tax resources will be better able to deliver public services, higher wage employment and transition out of aid dependency. Poor transport and energy infrastructure, uncertain and costly business regulations and the risks of financial sector instability are the main bottlenecks to accelerating growth beyond the current 4.4% rate. As a small and landlocked country, Nepal will need to improve economic links with its neighbours to sustain economic growth over the medium to long term.

9.2 This DFID funded AiiN programme will work with both the Nepalese public and private sectors to put in place the conditions for higher rates of economic growth by: i. improving Nepal's ability to formulate and implement economic policies that balance the objectives of

economic growth, equity and inclusion; ii. accelerating public and private investment in transport, energy and other growth-enhancing infrastructure; iii. reforming laws, policies and regulations that directly affect the perceived and real costs and uncertainty of doing business; and iv. deliver meaningful economic reforms and infrastructure investments subnationally that have a compound effect on accelerating growth and that take advantage of Nepal's spatial economics.

9.3 This programme is continuing the unfinished work of existing DFID economic programmes in Nepal, all due to close in 2014, on hydropower, investment climate reform and financial sector stability. The existing programmes are predicated on major institutional reforms but these take time and have encountered unforeseen delays outside of the control of programmes, not least because of Nepal's fragile context.

9.4. The primary vehicle for delivering these improvements will be technical assistance from specialist expertise and there is potential for some programme funds to be used to invest in Nepal's capital investments or to fund demand-based initiatives generated and executed by Nepali stakeholders.

9.5 The **outcome** that the programme is targeting is a more conducive policy, regulatory and infrastructure environment that creates the conditions for sustaining higher rates of economic growth. The programme will target:

- Number of major economic policies and regulations improved. This is measured against the following "improved" criteria: evidence-based, transparent, predictable, well consulted, and enforced.
- Increases in Government Civil Works Expenditure as a % of GDP;
- Annual nominal growth of 14% in the average number of private firms investing and in the average value of investment.

9.6 The **impact** of the programme will be improved private and public investment rates and an increase in Nepal's overall capital stock¹. These impacts are expected to lead to more and better paying jobs for the vast majority of Nepalis and, through policy analysis and implementation that addresses inclusion and poverty issues, especially improve the lives of the poor and excluded. All intervention areas will be contributing to this shared outcome and impact.

10. Recipient

10.1 The principal recipient of these services will be the public stakeholders charged with economic management in Nepal, principally the Ministry of Finance, National Planning Commission and Central Bank. Secondary recipients may be Nepal's civil society, sector line ministries and research/academic bodies. The ultimate beneficiaries of the programme's effects will be small and medium enterprise owners and poor households in Nepal.

11. Programme Structure and Timing

11.1 The AiiN programme will have a three tiered governance and management structure. At the top DFID will have meetings every six months with the partner Government of Nepal ministries (Finance, Central Bank and Planning Commission) to discuss programme strategy and overall progress. Implementing partners and local partners will be invited to attend on a case by case basis. Quarterly formal update meetings will be undertaken with each

¹ An increase in household income by NPR 40,000 per annum is taken as equivalent to the creation of one job.

implementing partner, in each intervention area with key local stakeholders invited to update the results and value for money management systems and take formal decisions on each intervention area. These may be done either separately or jointly. More regular (1 to 1.5 month) individual and informal update meetings will be undertaken at the discretion of the lead DFID advisor with the implementing partner. At each level, outcomes and action points should feed into the other level's meeting agenda and decision-making.

11.2 The Programme will be conducted in two phases lasting until end of March 2020 with a contract break at the end of the third year. The first phase will last for a total of three years from the signing of the contract date. It will include up to a 3 month inception period-although this will vary depending on the intervention area - which will include a break point after inception to check on quality and content and strategic alignment. After 2.5 years a midterm evaluation of the entire programme will be carried out to determine whether to: continue with existing plans, scale back or drop intervention areas or expand or generate new intervention areas. The Programme may be extended by an additional two years up to 2022 if there is a value for money and performance-based rationale.

11.3 The contract will have adequate provision for variation to adapt to changes that occur during the life of the programme. DFID will have the right to request changes to the contract, including services, the terms of reference and the contract cost to reflect lessons learned, or change in circumstances, policies or objectives relating to or affecting the programme. DFID will also have the right to terminate the contract at any point where it has strong justification that the programme is not delivering the intended results and/ or does not offer value for money to DFID.

12. Financing Mechanism

12.1 Suppliers should note the funding available for lots 1, 2 and 3 for the five years is approximately £25m with Lot 1 expected to take up a share above 40% to accommodate the pooled fund for IBN. Suppliers should not craft their bids in such a way as to reach the budget ceilings this split implies. Bids will be evaluated based on value for money in pursuit of achieving the Terms of Reference, competitiveness of costs proposed, a strong understanding of the need to start small and scale up in response to stakeholder demand and/or success achieved on the work on public infrastructure, as well as demonstration of maximising the effective utilisation of the proposed budget linked to results to be achieved. Bidders will be asked to provide details of the construction of their financial proposals when full tenders are requested (after the PQQs are shortlisted). The Service Provider should be prepared to amend the strategy, work plans and budgets should DFID decide to scale up or down on the programme and should be aware of the need for a contract amendment should this be the case. During implementation the supplier's ability to provide accurate forecasts and spending risks analysis will be a key performance criteria.

12.2 The total cost will include the Service Provider fees for management and the retained portion of personnel fee rates (the competitiveness of which will be evaluated in the commercial proposal) and technical assistance demonstrating good value for money outcomes to deliver the maximum intended results. **The supplier is required to include a table in the Commercial proposal demonstrating key activities, value of the funds in each activity, and the transparent breakdown of management and administrative costs associated with delivery of these activities.**

12.3 The Service Provider should propose an appropriate mix of full-time personnel and short-term technical assistance to implement the programme. Suppliers will maximise the

proportion of mix of international and national experts where possible and maximise the overall funding being provided for grants and beneficiary assistance.

12.4 The Service Provider will be responsible for financial administration of allocated funds. The Service Provider will provide advance resources which will be reimbursed by DFID on a monthly basis in accordance with agreed milestone payments. The Service Provider will be responsible for monitoring and forecasting of all spending and be fully accountable to DFID for all expenditure.

12.5 Neither the Service Provider nor any of its consortium members will be eligible to receive grants, technical assistance or any form of financial assistance or support of any kind as part of the implementation of the programme. The Service Provider should be solely implementing the project using the funds agreed through its contract with DFID.

13. Duty of Care

13.1 The Service Provider is responsible for the safety and well-being of their personnel and third parties affected by their activities detailed in this TOR. They will also be responsible for the provision of suitable security arrangements for their domestic and business property

13.2 The Service Provider is responsible for ensuring appropriate safety and security briefings for all of their short-term personnel delivering work as defined in these TOR and ensuring, where appropriate that their long-term personnel register and receive briefing as outlined above. Travel advice is also available on the FCO website and the service provider must ensure they (and their personnel) are up to date with the latest position.

13.3 This Procurement will require the Supplier to operate in a seismically active zone and is considered at high risk of earthquakes. Minor tremors are not uncommon. Earthquakes are impossible to predict and can result in major devastation and loss of life. There are several websites focusing on earthquakes, including <http://geology.about.com/library/bl/maps/blworldindex.htm>. The Supplier should be comfortable working in such an environment and should be capable of deploying to any areas required within the region in order to deliver the Contract (subject to travel clearance being granted).

14. Reference Documents

- i) AiiN Programme Business Case
- ii) AiiN Logframe
- iii) Centre for Inclusive Growth (CIG) Terms of Reference, including ToRs for programme teams
- iv) CIG Annual Review 2014
- v) Media monitoring reports
- vi) IBN Operational Plan
- vii) ODI Constraints Study:
<http://www.odi.org/publications/8500-structural-economic-transformation-nepal-diagnostic-study-submitted-dfid-nepal>