

Terms of Reference

Independent Evaluation of African Risk Capacity (ARC)

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1. Introduction

- 1.1 African Risk Capacity (ARC) is an African-owned climate risk insurance pool and early response mechanism that will enable participating African governments to insure themselves against drought and respond early when their citizens experience harvest failure. It is an innovative initiative in climate risk management, designed to be highly scalable. Five African countries are eligible for drought insurance in the first year and, in coming years, insurance cover is expected to be extended to countries and other hazards, such as floods and tropical cyclones.
- 1.2 The programme is implemented by the African Risk Capacity Specialised Agency of the African Union (ARC Agency) and its financial affiliate, an independent mutual Insurance Company domiciled in Bermuda, the African Risk Capacity Insurance Company Limited (ARC Ltd.). DFID has provided over £30m to ARC Agency and ARC Ltd., and may provide up to a further £70m over the next 20 years. Other donors include Germany's KfW (formally KfW Bankengruppe, or German Development Bank) to ARC Ltd, and the Swedish International Development Cooperation Agency (SIDA), Swiss Development Agency for Development and Cooperation (SDC) and the Rockefeller Foundation to ARC Agency.
- 1.3 **A Supplier is sought to design and deliver an Independent Evaluation of ARC.** These Terms of Reference set out the scope of work – of which there will be two components, the

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first, a two stage formative evaluation in 2016 and 2017 and a pilot Impact Evaluation, and the second, a two stage impact evaluation in years 2019 and 2024. Each stage of the evaluation process will inform performance reviews of the mechanism by DFID and other funding partners, and so contribute to the reform of the mechanism, if needed.

2. Purpose and Objectives of the Evaluation

2.1 ARC is a priority for evaluation due to its innovative and potentially transformative nature, as well as the significant risks that come with setting up a new instrument. The evaluation process should be robust, with both quantitative and qualitative methodologies.

2.2 The **purpose** of this evaluation is twofold:

1) **to identify and feed lessons learnt into the management of the programme.** Component 1, the two-stage **formative evaluation** will consider if ARC is operating effectively and identify lessons to improve performance for ARC as well as insights for other risk pooling mechanisms. It will inform DFID's performance reviews and management of its investment in ARC, including recommendations on any adjustments needed to ensure that ARC's intended outcomes and impacts are achieved. It will also consider and make recommendations on donor capital requirements to cover additional countries or additional risks (DFID decision points for which are likely in 2016, 2018 and 2025).

2) **to test if risk pooling and transfer is a cost effective way to incentivise contingency planning and ensure rapid responses to drought and other extreme weather events.** Component 2, the two-stage **impact evaluation** will assess the value of contingency planning and early responses in minimising the impact of (and accelerating recovery from) extreme events. It will consider where, when, why and how the ARC programme is or is not effective in each instance. This will contribute to the global evidence base on managing and responding to weather hazards – considering the ARC programme in the context of national and international response mechanisms to weather hazards in Africa and drawing out lessons to improve this and other sovereign insurance programmes.

2.3 It is hoped that the evaluation will contribute to (and may be co-ordinated with) an ongoing DFID review of Sovereign Disaster Risk Financing and Insurance. It should also inform the ongoing global body of work on climate risk management.

2.4 The evaluation's **objectives** are:

- a. **Develop and test ARC's Theory of Change**
- b. **Analyse and measure ARC's impact on planning, protecting livelihoods and ensuring food security in the event of a drought**
- c. **Assess ARC's efficiency, effectiveness and value for money (for donors and insured countries)**, including whether it has a greater impact than alternative financing mechanisms?
- d. Throughout, **identify lessons learnt that are relevant for ARC, and lessons to inform other risk pooling and transfer initiatives**, i.e. insights on enabling and constraining factors, critical actions and gaps which could affect future programmes or in other contexts.

3. Recipients of Evaluation

- 3.1 The **recipients** expected to use the evaluation findings are:
- 3.1.1 DFID, in the management of our investment, and to inform the development of other parametric and pooled insurance initiatives.
 - 3.1.2 ARC stakeholders: ARC Insurance Company Limited (ARC Ltd), ARC Agency, the African Union, African countries (and their citizens, particularly those covered by Contingency Plans linked to ARC insurance policies), and donors (particularly those supporting ARC Agency, or with capital invested in ARC Ltd).
 - 3.1.3 International risk management community: The humanitarian and climate change communities including academics and practitioners, and other regions considering setting up risk pooling mechanisms.

4. Background

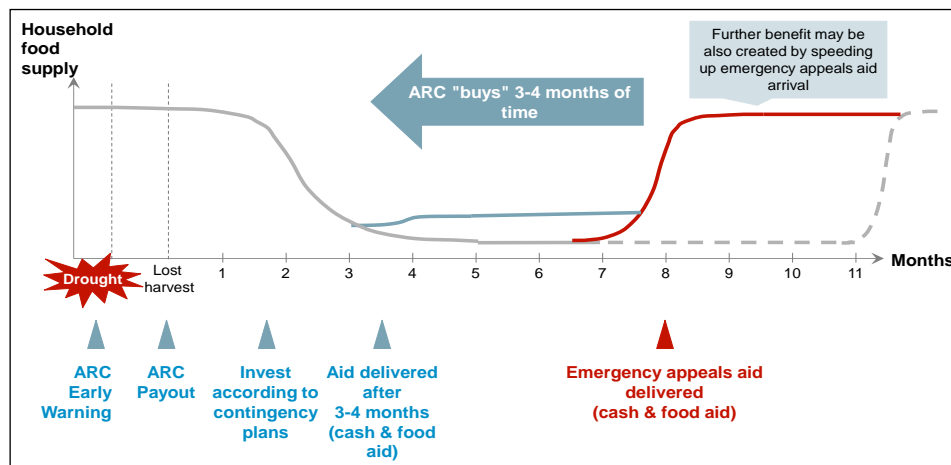
- 4.1 ARC is a sovereign climate risk pool that enables participating African governments to insure themselves against drought (cover may be extended to floods, cyclones and other hazards in the future) and respond rapidly when their citizens experience harvest failure.

Innovating in risk management and risk transfer

- 4.2 24 African countries have now signed the African Union (AU) treaty to establish the ARC Specialised Agency of the African Union. These countries constitute the ARC Conference of Parties (COP), with a Governing Board of eminent Ministers and experts from across Africa (led by Nigerian Finance Minister Dr Ngozi Okonjo-Iweala) and supported by a Secretariat housed within the World Food Programme (WFP). On the instructions of ARC Agency, and with initial capital of \$100m from DFID and KfW, a mutual insurance company (ARC Insurance Company Limited (ARC Ltd.) has been established in Bermuda as ARC's financial affiliate. It offers parametric insurance that is underpinned by a rainfall-based index called Africa RiskView (ARV). ARV uses satellite information to track rainfall during a country's growing season, comparing this with the local crop's water requirements. At the point of harvest, the model can predict whether the harvest is likely to have been successful, or failed, and (by comparison to historical aid responses and using available population vulnerability data) what will be the likely needs as a result. It therefore provides early warning and real-time indication of drought onset, indicating both likely intensity and the regions affected and allowing countries to refine their plans to tackle the expected drought scenario.
- 4.3 ARC Ltd capitalises on Africa's diverse weather, sharing ("pooling") risk from numerous countries to reduce the cost of insurance and reinsurance as it is unlikely that there will be extreme drought in the different regions of Africa at the same time. Quantifying and pricing risks should incentivise better risk management by Governments. A similar concept underpins the Caribbean Catastrophe Risk Insurance Facility (CCRIF) that provides quick financial liquidity to participating governments after hurricanes and earthquakes.
- 4.4 Using a parametric trigger for pay-outs means countries receive funds more reliably and quickly than after loss adjustment or appeals based on needs assessments. Insurance pay-outs will be made directly to Governments within 17 business days of the model predicting a failed harvest, and the government would then launch an early response, as set out in their pre-agreed Contingency Plan. This may be in the form of conditional or non-conditional cash

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transfers via a safety net programme, targeted food or other assistance, vouchers or other mechanism of the Government's choice. This should accelerate the receipt of aid by beneficiaries by around 4 to 6 months. There is strong evidence that by responding at the point of harvest failure, or when livestock are no longer thriving, families do not have to reduce their food or lose/sell their assets. This protects their livelihoods and allows them to bounce back faster from the shock. The benefit of an early response is estimated to be around US\$3 for every US\$1 spent when compared to traditional humanitarian response mechanisms.



- 4.5 DFID, Germany's KfW (formally KfW Bankengruppe, or German Development Bank), the Swedish International Development Cooperation Agency (SIDA), Swiss Development Agency for Development and Cooperation (SDC) and the Rockefeller Foundation have supported the development of ARC, with DFID and KfW providing returnable capital to kick start ARC Ltd's insurance pool.
- 4.6 The insurance premiums paid by countries increase the capital that ARC Ltd. has available to offer insurance. This growing ownership of the company is intended to create a virtuous circle among the African countries – with a shared interest in the integrity of the instrument and in the expectation that pay-outs are used to finance good plans. Over 20 years, country premiums should accumulate to a level that can sustain the company, allowing donors to have their initial investments reimbursed.

Transparent and accountable use of pay-outs

- 4.7 ARC Ltd will only insure countries with robust plans for using any insurance pay-outs. ARC Agency sets the standard for the contingency plans and assesses proposed response activities for appropriateness and speed of implementation. They also support governments to understand their risk and participate in ARC through training and close support for an ARC-sponsored coordinator within the national government. ARC is already learning lessons, with an independent review of the Contingency Planning process currently underway.
- 4.8 The insurance policy ARC Ltd provides to countries will be conditional on the transparent and accountable use of the pay-out. All insured countries are required by the ARC to monitor the delivery of their plans and there will be an independent audit of responses. An agreed compliance policy sets out what will happen if a country fails to use the funds properly – including return of funds and suspension of Certificate of Good Standing (and therefore ability

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to participate in ARC) in the worst cases. This, and countries' own stake in the company's capital, should incentivise African leaders to maintain high operational standards.

- 4.9 Using a weather index like Africa RiskView carries some inherent risk as ARC will release finance on the basis of the index and not an assessment of need. When cross-checked, Africa RiskView's predictions correctly assessed the level of hunger 77% of the time across Niger, Senegal, Mauritania, Kenya, Mozambique and Malawi, the six countries that applied for Certificates of Good Standing to join the first risk pool¹. However, this still means there is a risk that 1 in 5 times, a mismatch may occur between the pay-outs and actual losses (known as basis risk, when, for example, ARC may not make a pay-out or pay-out less than expected given the actual on-the-ground situation). Basis risk is managed as much as possible by the ARV customisation process, a critical part of the ARC pre-participation process in-country that ensures the index-based model on which the insurance is underwritten reflects the country's actual drought risk and risk profile and incorporates local expert knowledge and information as much as possible. In the case of a mismatch between expectations and the pay-out, ARC will need to manage the expectations of national stakeholders to ensure they understand the nature of parametric insurance and continue to value the risk pool. In times of pay-out, ARC will assist the countries to use the finance available as effectively as possible and assist countries in securing other finance, in a timely manner, if required.

First payouts made

- 4.10 After poor rains in the Sahel in late 2014, the first ARC payouts have been triggered. Senegal has received \$16.5m and Mauritania \$6.5m after their Final Implementation Plans (FIP) were approved by the ARC Agency Peer Review Mechanism in January 2015. Niger will receive \$3.5m when its FIP is approved (expected in February 2015).

What are the expected results?

- 4.11 The impact of ARC will be that African countries are better able to manage extreme climate risk. The outcome will be that ARC member countries develop robust and effective contingency plans for programming and early response funds.
- 4.12 Five African countries are eligible for ARC's first (2014) risk pool (Niger, Senegal, Mauritania, Kenya and Mozambique). A further 8 countries have begun preparations to join in 2015. The results that ARC is expected to deliver include:
- By 2015, 120 days for the first contact to assist communities affected by a drought, accelerating the average response from 210 days. The benefit of such an early response is currently estimated to be US\$3 for every US\$1 spent when compared to traditional humanitarian response mechanisms.
 - By 2015, 1.9 million men and women are covered by ARC insurance policies and so guaranteed an early response in the event of a drought.
 - By 2034, 25 drought vulnerable countries will have contingency plans covered by ARC insurance policies (5 by 2015).
 - By 2034, US\$200 million of African public finance mobilised for climate change purposes as a result of ARC (US\$6 million by 2015).

¹ Malawi's application was not approved in 2014, so just five countries can join the first risk pool. As of 4 Feb 2015, four had done so.

Monitoring and evaluation architecture

- 4.13 A logframe has been agreed between ARC and the donors as overarching programme results framework. Milestones have been set for indicators each year until 2016 and then year 10 (2023) and year 20 (2033). Progress will be monitored against the results framework and annual work plans, looking at delivery of outputs and how well the outputs are delivering the outcome. Indicators will be reviewed, and if necessary adjusted, annually – including to support the evaluation framework. Annual reviews will review the milestones and set further milestones from year 2017 onwards on a rolling basis.
- 4.14 A review of ARC's Contingency Planning, Monitoring and Evaluation took place in 2014 and made recommendations to improve the Contingency Plan and Final Implementation Plan templates (introducing standard operating procedures and named responsible officers as well as setting the response more clearly in the national planning framework). It also made recommendations for ARC's internal monitoring and evaluation, including national baselines and monitoring systems for national drought responses. Whilst the additional ARC staff that were recommended by the review (Contingency Planning support and M&E) are not yet in place, the same review team are currently working with the Government of Senegal on the monitoring of the 2015 response, so some early systems are being put in place to capture impact accurately.
- 4.15 ARC will provide regular narrative and financial reports summarising performance against the results framework and drawing out lessons for improving delivery. There will be some beneficiary feedback, through spot checks as part of reporting, to provide stakeholder insights on the delivery of the programme at country level (subject to agreement after the Contingency Planning review) as well as, it is hoped, open and interactive beneficiary engagement. The Board of Directors will also report to ARC Ltd members (and ARC Agency Board), through an annual report, annual independent audit and other financial reports.
- 4.16 Regular performance reviews will be undertaken jointly by DFID, KfW and other donors. They will take stock of overall progress against planned results, identify lessons and risks, and consider what changes are needed to maximize the likelihood of achieving outcomes.

5 Scope of Work

- 5.11 The Evaluation will consider the ARC programme in its entirety - the activities, operations and management of ARC Agency and ARC Ltd, as well as the use of the insurance pay-outs in country, and the wider context. It will therefore take place at overall programme level, as well as a sample of national responses.
- 5.12 The activities expected within the scope of this work include:

Component 1

- a. Evaluation design – addressing the challenges for evaluation given the nature of the mechanism
- b. Establishment of baselines, including for the counterfactual
- c. Regular review and analysis of ARC monitoring data (to ensure validity for the evaluation)

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- d. Two-stage formative evaluation
- e. Pilot of impact evaluation method and approach in one country
- f. Communication of findings throughout the process, including engagement with stakeholders at each stage to ensure the relevance and utility of the evaluation products to ARC and to the global risk management community

Component 2

- g. Two-stage impact evaluation
 - h. Continued communication of findings and engagement of both sets of stakeholders.
- 5.13 The Evaluation design phase will set the evaluation framework and methodology to be applied for all stages of the evaluation. The approach therefore needs to combine a clear evaluation framework with flexibility to adapt to country contexts. The approach to developing baselines and a counterfactual will be challenging and are likely to require considerable innovation (see evaluation challenges in paragraph 7.6). However, once the approach has been agreed, the supplier will need to agree targets to ensure actions are taken in a timely manner. For example, the establishment of baselines should take place within an agreed period (potentially 6 months) of countries being eligible for a pay-out (ie becoming an ARC Ltd member/being selected for the counterfactual).

Geographic Scope

- 5.14 ARC is a pan-African mechanism, set up under the African Union to provide risk pooling through the diversification of weather risks across Sub-Saharan Africa. 24 countries are currently signatories of the AU treaty, and Pool 1 (2014) comprises four countries (Kenya, Niger, Mauritania and Senegal), with more countries preparing to participate in 2015 and thereafter.

6 Evaluation Questions

- 6.11 Through engagement with ARC stakeholders, DFID has constructed an illustrative list of questions that should form part of the Evaluation of the ARC Programme. The Evaluation Design phase should involve a wide range of stakeholders (including ARC beneficiaries if possible) and a review of the ARC programme's theory of change in order to refine the evaluation questions to ensure all important issues have been covered, and that they can be answered (bids should include an evaluation matrix indicating when questions will be answered and how the questions will be approached).
- 6.12 The questions have been organised by the evaluation objectives – but focus on the Organisation of Economic Co-operation (OECD) Development Assistance Committee (DAC) “Principles for Evaluation of Development Assistance” of:
- Relevance e.g. are interventions in the contingency plans appropriate to the needs of the poor and vulnerable;
 - Effectiveness e.g. does ARC influence government incentives for effective planning for disasters;
 - Efficiency e.g. do countries transfer the right risks in the right places at the right levels to ARC;

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- Impact e.g. does ARC assist countries in protecting their citizens' more effectively from drought; and
- Sustainability e.g. does ARC have effective accountability to member countries, donors and vulnerable communities.

6.13 The questions have also been split nominally into those relevant to the formative evaluations in component 1 (in italic) and those relevant to the impact evaluations in component 2 (in normal script). However, some questions could be usefully explored in both types of evaluation and so this will need developing.

6.14 Develop and test ARC's theory of change

Component 1 – formative evaluation

- *Do the outputs it delivers influence as expected? Will ARC deliver the expected outcome? Is ARC likely to deliver the expected impact? Are there unexpected outcomes?*
- *Is ARC measuring the right indicators to track its effectiveness?*

Component 2 – impact evaluation

- Does ARC theory of change work? Does ARC deliver the change it aspires to, including:
 - **Early responses to drought protects livelihoods** i.e. households are supported before they have to reduce food or sell their productive assets. ARC is index linked and so provides payments earlier than a humanitarian response could, and before development support could be scaled up. And these payments are in support of a sound plan, with the funds flowing to the right instruments and benefiting the right people.
 - **Changing incentives for risk management** i.e. that by quantifying their extreme weather risks for insurance, African governments become aware of the costs they face with each drought and are motivated to reduce these risks as far as they can, and transferring the residual risk to the insurance policy.
 - **Membership to ARC conditional on strong contingency plans** ie ARC requires countries to identify the right risks to transfer and to have strong contingency plans in place before they can join ARC and through an effective monitoring process, they identify for themselves the most cost effective early responses in the event of drought.

6.15 Analyse and measure ARC's impact on protecting the livelihoods of the poor and ensuring food security in the event of a drought

6.15.1 Effectiveness of interventions to prevent asset depletion, targeting the poor...

Component 1 – formative evaluation

- *Are the contingency plans being approved appropriate to the country contexts (i.e do they include relevant and effective interventions)?*
- *Are the interventions selected effective at protecting livelihoods i.e. reducing asset depletion? How could this be improved?*
- *Which interventions are most effective at reaching the poor and vulnerable? Why?*
- *Is beneficiary targeting effective? How could ARC incentivise improved targeting?*

Component 2 – impact evaluation

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- Are countries protecting their citizens more effectively against drought risk as a result of ARC? Is what countries are doing with ARC pay-outs reduce vulnerability and build resilience?
- Are the interventions provided timely, cost effective and appropriate to their needs? ie Are livelihoods protected (eg assets not sold or consumed nor nutrition of women and children compromised with consequences on future well-being of household)? Which interventions are most effective and efficient for delivering early support and why?
- Is ARC influencing the political economy of citizen targeting? Does this ensure that the poorest and most vulnerable to food insecurity are receiving the ARC finance? How could it improve?

6.15.2 Effectiveness of influence on member governments' planning for disasters, sustainability of change...

Component 1 – formative evaluation

- *Are contingency plans improving with experience? How could this improve?*
- *Are governments developing efficient responses with effective financial controls (ie interventions that can be delivered rapidly and targeted efficiently and without leakage)?*
- *Could ARC countries make better use of regional food markets to improve effectiveness of drought responses?*
- *Do countries and the ARC team ensure that ARC risk finance is coordinated with and complements on-going social protection and humanitarian responses? How could it improve?*

Component 2 – impact evaluation

- Is there evidence that ARC is improving the longer-term drought response i.e. are African governments changing what they do and what they invest in to improve risk management? E.g. are they investing in social protection schemes that build resilience? How could this improve?
- Is there evidence that ARC provides an incentive for countries to improve national contingency plans through monetising the cost of risk? How could it improve?
- Is there evidence ARC supports governments to develop better risk reduction frameworks?

6.16 Assess ARC's efficiency, effectiveness and value for money (for donors and insured countries), including whether it has a greater impact than alternative financing mechanisms?

6.16.1 Effectiveness of the insurance mechanism ie appropriate risk coverage, barriers to uptake, triggers for payments, overpayments...

Component 1 – formative evaluation

- *Do participating governments see the value in a pooled risk mechanism? What are the barriers to entry (premiums etc)? What are the drivers that overcome resistance?*
- *Does the ARC process and the use of Africa RiskView enable countries to take coverage for the right levels of risk in the right places (transparent and evidence based decision)? If not, why not? How could it improve?*
- *What is the correlation between ARV triggers and the impact of the drought on the ground – is ARV triggering payments at the right time and at the right level?*

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- *Are the final implementation plans appropriate to the actual experience of drought? Is basis risk being well managed? Are any mismatch between payments and the drought context in country handled effectively, with available finance used appropriately?*

Component 2 – impact evaluation

- Will changing risk profiles with climate change affect the sustainability of the risk pool? Is the level of pay-outs, the risks covered and the number of participating countries appropriate to ensure continued sustainability?
- Does ARC displace or leverage in other investment eg investing in social protection or private sector investment in the agricultural sector?
- Does ARC provide an effective mechanism to increase Africa's resilience to (increasing) exposure to extreme events? Is it cost effective compared to alternatives?

6.16.2 ARC's organisational set-up i.e. ARC structure, decision making, membership, peer review mechanism...

Component 1 – formative evaluation

- *Did the ARC founding process set up a strong governance framework effectively? What could be improved?*
- *Have feedback loops been developed and sustained? Is ARC supporting effective learning on reducing the risk and impact of drought? Is ARC learning about how best to support countries in capacity building?*
- *Is the ARC secretariat providing useful technical support to countries? What changes, if any, are needed? Is the ARC approach effectively guiding countries to decide what risks to transfer, where and at what level?*
- *Does the ARC Peer Review Mechanism for assessing contingency plans learn from experience? How is learning and past experience used to improve the standard of Contingency Plans? Is the Peer Review Mechanism approving the right plans - that deliver rapid, effective responses in the event of an insurance pay-out? Do countries receive useful and effective feedback for their contingency planning?*
- *Is the ARC Agency (COP, Board and Secretariat) decision-making process effective? How could this improve?*
- *Is the speed and effectiveness of the response affected by the type of financial controls in place?*

Component 2 – impact evaluation

- Does ARC have effective accountability to members, donors and vulnerable communities? Is there sufficient transparency to enable accountability to citizens?
- Is the financial oversight of fund and disbursements effective?
- Are governments able to afford the premiums and preparedness activities?
- Does the ARC process in country enhance or displace other important activities?

6.17 Throughout, identify lessons learnt that are relevant for ARC, and lessons to inform other risk pooling and transfer initiatives

- How does the African context affect the ARC approach? What are the lessons for other regions in setting up a risk sharing mechanism?

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- What are the enabling and constraining factors for the success of ARC in Africa? Would this change in other regions?
- What actions address constraining factors and safeguard enabling factors? Have these been taken effectively?

7 Evaluation Approach

- 7.1 The Evaluation must conform with the Development Assistance Committee (DAC) [Quality Standards for Development Evaluation](#) and [DFID's Embedding Evaluation approach](#), Evaluation Policy and ethics principles. In line with Paris Declaration principles, it is expected that the Supplier takes account of national M&E systems, draws on existing data where available, and ensures new data collection is complementary to existing systems and that data is made available to national stakeholders as far as possible. Beneficiaries should be consulted where possible.
- 7.2 The evaluation should use robust quantitative and qualitative methodologies and the impact evaluation should consider the counterfactual of what would happen without the programme. This will ensure the credibility of the evidence generated, ensuring it achieves the purpose of creating a strong evidence base for the future.
- 7.3 Bids should propose a clear, well-articulated, robust and rigorous methodology, including a formal evaluation framework, structured to provide reliable answers to all the key questions and to cover sub-questions to a large extent. Methods are expected to require a mix of robust quantitative and qualitative approaches and should include as much quantification as possible (and appropriate to answering the evaluation questions). The proposed methodology should ensure that there is effective triangulation of evidence so as to provide assessments that are credible, informative and reliable, and recommendations that are grounded in evidence.
- 7.4 Systemic disaggregation of data, including by sex, geographical location and income status will be important throughout the evaluation. The approach should also consider what [kinds of beneficiary feedback flows could be integrated at different stages of the evaluation if possible](#).
- 7.5 The Programme Logframe and theory of change will act as the reference point and guide the evaluation approach. The Evaluation Team will need to assess what data is routinely collected by ARC, and what is needed in addition, including to provide a counterfactual. The ARC team is currently considering how to improve the quality and check the validity of monitoring data collected during a Country's delivery of a Contingency Plan Response financed by ARC. Initial assessments suggest that the country level monitoring is weak. The Supplier will need to engage in these discussions and recommend improvements to ARC's routine data collection, and make an assessment of where additional data collection is required to inform the Evaluation.

Challenges

- 7.6 The evaluation of ARC will face a number of challenges due to the nature of the mechanism. Bids should discuss approaches to dealing with those challenges. These include:
- a) ARC provides countries with a pay-out and the country then delivers interventions according to its contingency plans – ARC therefore has limited control over the actual implementation of the interventions.

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- b) ARC pay-outs fund an early intervention after a harvest failure. Social protection systems and humanitarian responses will also be operating before, after and alongside the ARC-funded interventions, often at greater scale. It may therefore be difficult to isolate the results of ARC funding from those of other funding sources.
- c) The timing and location of ARC pay-outs cannot be predicted in advance, making the development of a baseline and counterfactual more complicated, i.e. the selected interventions, numbers of beneficiaries, location etc may vary from one insurance year to another, and between the contingency planning phase and the final implementation phase.
- d) Insurance cover is expected to expand to more countries and additional perils (floods, cyclones etc.) in the future, but these expansion plans and timelines are not yet confirmed.

7.7 The evaluation approach will therefore need to be flexible. It is anticipated that the evaluation will seek to cover all Insured Countries to some extent, but could focus on a few case studies to test the impact of ARC in the event of an insured drought, where there is no or limited pay-out due to basis risk and where there is no drought event. The evaluations should cover at least one example of each peril/hazard cover type, if ARC expands beyond drought coverage.

7.8 The Evaluation design should set out a clear methodology for what it will cover in all countries and how to identifying case studies in which to evaluate in more detail,. We anticipate that around 6 detailed country level evaluations will feed into the overarching evaluation of ARC. Bids should include indicative cost estimates for fieldwork, country visits etc. DFID acknowledges that exact costs will be affected by the number of locations and their accessibility.

8 Management and governance of the Evaluation

8.1 An **Evaluation Management Group** (EMG) within DFID (lead advisor, programme officer and evaluation advisor) will manage the evaluation contract, monitor progress and performance and review emerging findings. The Supplier will report directly to the EMG.

8.2 A **Reference Group** will also be established consisting of key ARC stakeholders. This will include representatives of KfW, ARC Agency, ARC Ltd, and representatives of Countries insured or seeking to purchase insurance from ARC Insurance Company.

8.3 **Peer review and quality assurance** will be provided by an independent Evaluation expert or through DFID's independent peer review mechanism, SEQAS. At minimum, the following evaluation outputs will be subject to peer review:

- These Terms of Reference (done)
- Inception report, including design, detailed approach /evaluation framework
- Key data collection and analysis tools / approaches
- Interim and final reports of all evaluations.

9 Deliverables and timeframe

9.1 All Evaluation deliverables will subject to quality assurance and are expect to meet DAC quality standards for evaluation. The timing of deliverables will important to inform critical meetings – of ARC COP and ARC Ltd members. DFID's annual performance reviews of ARC will take place each year (probably March but to be agreed with all donors), with decisions on additional financial

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inputs likely in years 2016, 2018 and 2025. The following are the expected deliverables of this contract:

Component 1 deliverables

i) Inception Report

9.2 The Evaluation Design Phase is expected to run for the first 6 months of the evaluation contract. During the Design Phase, the Suppliers will be expected to work closely with the ARC team and DFID. At the end of the Design Phase, the Supplier should produce an Evaluation Inception Report that sets out:

- An agreed and finalised set of evaluation questions to be addressed at each stage of the evaluation,
- The evaluation methodology for all stages of the evaluation, including how this work will build upon, and not duplicate, ARC Agency's ongoing Contingency Planning review
- The evaluation framework and how the evaluation will build on existing data sources.
- Recommendations for how to refine the ARC theory of change
- Assessment of the probable quality and credibility of the identified datasets and sources and implications for primary data collection;
- A detailed proposal for the collection of primary data and the division of responsibilities between ARC, ARC members and the Supplier;
- A stakeholder engagement and communication plan, reflecting DFID's Open Access Policy, and specifying the approach for different target audiences – including lessons for global risk management community, for ARC bodies and for ARC stakeholders at the national and continental levels. This will be expected to be regularly updated.
- A review of the main risks and challenges for the evaluation and how these will be managed;
- Discussion of how to ensure that the design and application of methods will be ethically sound and which relevant ethical standards will be applied
- Detailed plan for how the Suppliers will manage conflicts of interest between formative, mid-term and final evaluation.
- Detailed evaluation work plan and costing for the six month inception phase and component 1 (Years 0.5 to 4) as well as indicative costs for component 2 (Years 5 to 9.5) of the contract.

9.3 A draft version of this Report should be submitted in month 4. A final version incorporating stakeholder feedback should be delivered by the end of month 6.

ii) 1st Formative Evaluation Report

9.4 The first formative evaluation will take place in early 2016. By July 2016, the supplier should submit a draft Evaluation reports which includes:

- An executive summary

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- A detailed analysis of early findings.
- Recommendations on how the ARC approach might be adjusted to enhance its overall impact
- Recommendations on scope and questions for any adjustments needed in the evaluation approach and for the ARC theory of changes
- Wider lessons for the global risk management community

9.5 The supplier should organise a workshop for the evaluation management group and other stakeholders explaining the recommendations and agreeing how they can be implemented. A final version of the evaluation report, which integrates stakeholder feedback and comments from the peer review, should be produced by September 2016.

iii) 2nd Formative Evaluation Report

9.6 The second formative evaluation will take place in late 2017. By January 2018, the supplier should submit a draft Evaluation reports which includes:

- An executive summary
- A detailed analysis of early findings.
- Recommendations on how the ARC approach might be adjusted to enhance its overall impact
- Recommendations on scope and questions for the first impact evaluation, and for how to refine the ARC theory of change
- Wider lessons for the global risk management community

9.7 The supplier should organise a workshop for the evaluation management group and other stakeholders explaining the recommendations and agreeing how they can be implemented. A final version of the evaluation report, which integrates stakeholder feedback and comments from the peer review, should be produced by March 2018.

iv) Pilot of impact evaluation report

9.8 The supplier will undertake a pilot impact evaluation to test the methodology and approach during the delivery of the first component – the timing being open to negotiation. The draft report should include:

- An executive summary
- A detailed analysis of findings with recommendations on how the ARC approach might be adjusted to enhance its overall impact and wider lessons for the global risk management community.
- A review of the methodology and approach proposed during the inception phase and recommendations of how to adjust the impact evaluation framework and how the impact evaluations should be conducted.
- A final design for the two impact evaluations

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- 9.9 The supplier should organise a stakeholder workshop including with the evaluation management and reference groups to discuss the recommendations and agree which ones should be implemented in component 2.

v) Second component workplan and budget

- 9.10 This will be an update to the first inception report – learning the lessons from the formative evaluations and the pilot impact evaluation, providing a detailed evaluation work plan and costing for the final years of the contract.

Component 2 deliverables:

vi) 1st Impact Evaluation Report

- 9.11 The first impact evaluation will take place in 2019. By September 2019, the supplier should submit a draft Evaluation report which should include:
- An executive summary and dissemination plan to ensure the information gleaned reaches the intended audience outlined above.
 - A detailed analysis of early findings and an assessment of progress towards programme outcomes and impacts, as well as
 - Recommendations on how the ARC approach might be adjusted to enhance its overall impact and any recommendations for the ARC theory of change
 - Recommendations about possible scale up, exit or modification of any future investment in ARC
 - Wider lessons for the global risk management community
 - The detailed work plan and budget for the final 7 years of the evaluation, as well as recommendations for any changes in scope needed.
- 9.12 The supplier should organise a workshop for the evaluation management group and other stakeholders explaining the recommendations and agreeing how they can be implemented. A final version of the evaluation report, which integrates stakeholder feedback and comments from peer review, should be produced by December 2019.

vii) 2nd Impact Evaluation Report

- 9.13 A mid-term evaluation will take place in 2024. By September 2024, the supplier should submit a draft Evaluation report which should include:
- An executive summary and dissemination plan to ensure the information gleaned reaches the intended audience outlined above.
 - A detailed analysis of early findings and an assessment of progress towards programme outcomes and impacts, as well as
 - Recommendations on how the ARC approach might be adjusted to enhance its overall impact
 - Wider lessons for the global risk management community

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- Recommendations on scope and questions for future evaluations and for the ARC theory of change.
- Recommendations about possible scale up, exit or modification of any future investment in ARC

9.14 The supplier should organise a workshop for the evaluation management group and other stakeholders explaining the recommendations and agreeing how they can be implemented. A final version of the evaluation report, which integrates stakeholder feedback and comments from peer review, should be produced by December 2024.

Deliverables expected throughout component 1 and 2

viii) Peer review

9.15 At all stages of the evaluation, all evaluation outputs should be made available for peer view. These other outputs could include sampling strategies, questionnaires and data collection tools, analytical framework, interim outputs etc.

ix) Biannual reports for management and assessing monitoring and evaluation data

9.16 The ongoing evaluation process should be summarised in biannual reports throughout the evaluation process. These reports should cover:

- Overall progress against work plans, updates on risks and challenges, emerging findings etc.
- 'Issues reports' on particular interest to DFID
- A review of any monitoring and evaluation data
- Financial reports.
- The first biannual report should report on the establishment of baselines.

x) Support to ARC and member countries on specific M&E issues

9.17 Fully developed indicators methodology manual or guidance notes for data that are needed to undertake the independent evaluation but are not yet collected through ARC's own monitoring and evaluation systems.

9.18 Quality Assurance of ARC and national data as required for evaluation purposes, and implementable guidance on any improvements required or desirable.

xi) Stakeholder engagement and communication

9.19 This will be set out in the inception report and regularly updated, at least annually. It will include at a minimum:

- Workshops for the key stakeholders, including the Joint Evaluation Group after each evaluation stage (5 in total, including the Inception report), explaining the analysis, finalising recommendations and agreeing how they can be implemented.
- Regularly updated 'key findings' communication products presenting evidence relevant to development actors beyond the ARC programme and for ARC bodies and their national stakeholders.

xii) Instruments and data

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- 9.20 An electronic copy of all the instruments used, including research protocols, questionnaires, guidance notes.
- 9.21 A database or databases with all the qualitative and quantitative data in a commonly used format, together with clear metadata, and which is anonymised and safeguards confidentiality. Copies should be provided at no more than 12 month intervals year at times coinciding with submission of the reports.

Indicative Timeframe for deliverables

- 9.22 An indicative timeframe is provided as follows:

	Deliverable
Feb 2015	Invitation to Tender
26 March 2015	Bids received
To be confirmed April 2015	Potential Clarification Presentations with short-listed bidders
June 2015	Contracts signed, mobilisation
June to December 2015	Design Phase
January 2016	Inception report
September 2016	Final 1 st Formative evaluation report
March 2018	Final 2 nd Formative evaluation report
TBC (before June 2017)	Pilot impact evaluation report
August 2018	2 nd component workplan, budget, IE approach
December 2019	Final 1 st Impact Evaluation report
December 2024	Final 2 nd Impact Evaluation report

There is a possibility to extend the contract by a further 12 months subject to supplier performance, on-going programme needs and availability of funding.

10 Budget

- 10.1 A budget of £2m (exclusive of VAT) has been set aside for the evaluation by DFID. Bidders are encouraged to compete on the basis of their commercial proposal as well as technical proposal and show how they can provide best value for this budget. It may be possible to increase the budget by £500,000 (either from DFID or another donor to ARC) and bidders are encouraged also to demonstrate what additional work would be possible with this additional funding.
- 10.2 Bidders should set out a separate budget for each of the main activities outlined above detailing what activities constitute the output and clear cost per output. We expect the bidders to provide detailed costs for component 1 ie the first four years of the contract, and indicative costs for component 2 ie the outer years of the contract, recognising that these will be the subject of renegotiation at year 4. Bidders are also expected to include a suggestion for how outer year costs can be benchmarked at year 4, particularly focusing on the main cost drivers of the contract, to ensure continued value for money during the life of the contract. Bidders are encouraged to use the value add table which will be published together with this ITT to show how they are adding value to the programme using detailed clear examples beyond the programme cost.

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- 10.3 Key Performance Indicators (KPIs) will be agreed between DFID and the preferred bidder during contracting. Bidders are encouraged to make provisions in their commercial tenders to ensure that at least part of their fees is linked and subject to performance / specific outputs.

11 Skills & Experience Required

- 11.1 The supplier should cover the following essential competencies and experiences between team-members:
- Strong expertise and demonstrated experience in leading, designing and conducting development programme evaluations, including formative or process, theory-based and impact evaluations².
 - Strong expertise and demonstrated experience of designing and conducting quantitative and qualitative data collection in developing countries, including beneficiary monitoring, social impact assessment, desk reviews, interviews and field work.
 - Strong knowledge of climate change issues and climate-related development programmes in Africa; including excellent knowledge of climate risk assessment and management strategies.
 - Knowledge of risk transfer including (parametric) insurance and actuarial skills to assess the insurance mechanism itself.
 - Strong knowledge and experience of food security planning and emergency response in Africa (especially for drought and other natural hazards), including beneficiary impact, political economy and the management and operational frameworks for major national and regional responses.
 - Strong analytical skills and experience, including analysis and triangulation of qualitative and quantitative data, including financial risk modelling and actuarial assessments.
 - Proven track record in conducting cost benefit analysis and value for money evaluations, including of innovative financing mechanisms.
 - Demonstrated ability to take a strategic view across a large complex programme.
 - Strong record in stimulating lesson-learning and use of evidence from reviews or other evaluative exercises.
 - Excellent skills in stakeholder management, negotiation, communication, report-writing, IT, GIS and delivering quality products on time.
 - Proven track record of undertaking evaluations across all regions of Africa region and a demonstrated understanding of political economy issues in the Continent.
 - Generating data to demonstrate programme effects for different segments of the population (i.e. rural vs urban, women vs men, low income vs middle income, etc.); with particular expertise on gender.

- 11.2 There should be a designated team leader. The team leader will be expected to:

- Set strategic direction for the different project components;

² DFID Definition of an impact evaluation is an assessment of how the intervention being evaluated affects outcomes, whether these effects are intended or unintended. The proper analysis of impact requires a counterfactual of what those outcomes would have been in the absence of the intervention. This does not mean experimental and quasi-experimental methods are required. The most appropriate methods to provide a rigorous understanding of impact should be selected.

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- Co-ordinate and monitor the operational performance of the various activities of the project, including trouble-shooting when required;
- Address any problems arising, only escalating to DFID if the TL cannot resolve them to the satisfaction of all
- Act as Point of Contact for DFID, including on Reporting.

11.3 DFID encourages the bidders to include local/national expertise and consultants where appropriate.

12 Logistics and procedures

- 12.1 The Supplier will be responsible for their logistical arrangements including in-country transport, office space, translation and other logistical support. The Supplier will also be responsible for duty of care for all members of the evaluation team (see below for more details). All relevant expenses should be covered by the evaluation contract budget.
- 12.2 The Supplier will be provided with the information detailed under 'existing information sources'. DFID will facilitate contacts for the Supplier with other stakeholders and provide support where appropriate.
- 12.3 The Supplier will be expected to field teams and expertise as required to fulfil the objectives and deliverables of this contract. It is not expected that a full time staff will be needed in the field.

13 Duty of Care (DoC)

- 13.1 The Supplier is responsible for the safety and well-being 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.
- 13.2 Suppliers should use the 'Country Security Threat Assessment' document that lists all countries across the world and their security threat scores. This is updated annually, but suppliers should monitor the FCO travel advice website for the latest security information. DFID will share available information with the Supplier on security status and developments in-country where appropriate. DFID will provide a copy of the DFID visitor notes (and a further copy each time these are updated), which the Supplier may use to brief their Personnel on arrival. DFID can also arrange spot checks of the country security threat assessment. A named person from the contracted organisation should be responsible for being in contact with DFID to ensure information updates are obtained. There should be a process of regular updates so that information can be passed on (if necessary). This named individual should be responsible for monitoring the situation in conjunction with DFID.
- 13.3 The Supplier is responsible for ensuring appropriate safety and security briefings for all of their Personnel working under this Contract and ensuring that their Personnel register and receive briefing as outlined above. Travel advice is updated regularly on the FCO website and the Supplier must ensure they (and their Personnel) are up to date with the latest position.

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13.4 Tenderers must develop their bid on the basis of being fully responsible for Duty of Care in line with the details provided above. They must confirm in their Tender that:

- They fully accept responsibility for Security and Duty of Care.
- They understand the potential risks and have the knowledge and experience to develop an effective risk plan.
- They have the capability to manage their Duty of Care responsibilities throughout the life of the contract.
- They will give responsibility to a named person in their organisation to liaise with DFID and work with DFID to monitor the security context for the evaluation.

13.5 Acceptance of responsibility must be supported with evidence of capability (no more than 2) A4 pages and DFID reserves the right to clarify any aspect of this evidence. In providing evidence Tenderers should consider the following questions:

- a) Have you completed an initial assessment of potential risks that demonstrates your knowledge and understanding, and are you satisfied that you understand the risk management implications (not solely relying on information provided by DFID)?
- b) Have you prepared an outline plan that you consider appropriate to manage these risks at this stage (or will you do so if you are awarded the contract) and are you confident/comfortable that you can implement this effectively?
- c) Have you ensured or will you ensure that your staff are appropriately trained (including specialist training where required) before they are deployed and will you ensure that on-going training is provided where necessary?
- d) Have you an appropriate mechanism in place to monitor risk on a live / on-going basis (or will you put one in place if you are awarded the contract)?
- e) Have you ensured or will you ensure that your staff are provided with and have access to suitable equipment and will you ensure that this is reviewed and provided on an on-going basis?
- f) Have you appropriate systems in place to manage an emergency / incident if one arises?

13.6 Further information on Duty of Care is provided in the Supplier Instructions

14 Reporting and contracting arrangements

Approach to contracting

14.1 Procurement is expected to be by a competitive bidding process, advertised through OJEU. Procurement and QA of the evaluation will be supported by SEQAS helpdesk.

14.2 **Contract will be let for a period of up to 9.5 years, and will include formal break points in year 1 (at the end of the inception phase), in year 4 and in year 7.** Progression from one period to the next will be subject to the satisfactory performance of the supplier, the continuing requirement for the services and agreement on work plans, KPIs and outputs. The contract is expected to cover all evaluation activities (including a six-month Inception period, during which the

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supplier will propose an overall design and methodology for the entire evaluation, the collection of baseline data and the implementation of the formative, mid-term and final evaluations.

- 14.3 **At the year 4 break clause**, there will be a more detailed review of contract performance and an opportunity for the Supplier and DFID to renegotiate the costs of the evaluation. A value for money assessment will also be carried out. At this point, if DFID do not feel that the contract offers value for money, we withhold the right to re-tender for the final 7 years of the contract. However, successful bidders of the first contract will not be excluded from bidding at this time.

Monitoring contract performance

- 14.4 DFID will evaluate the performance of the Supplier throughout the life of the programme and at least twice yearly (coinciding with biannual reports), one of which will be as part of DFID standard Annual Review of the programme. Key Performance Indicators (KPIs) will be agreed between the Supplier and DFID during contracting. These will ensure that the management of the contract is undertaken as transparently as possible and to ensure that there is clarity of roles and responsibilities between the DFID Team, ARC and the Supplier.
- 14.5 As part of the biannual reports, the Supplier will be expected to submit progress reports and lessons presented written and orally to DFID twice annually in-line with DFID's programme cycle as outlined in the requirements section of this ToR. In addition, the Supplier will provide regular financial reports at intervals agreed with DFID. It is expected that the Supplier will take a proactive approach to notifying DFID of any matters which may require immediate attention.
- 14.6 Milestone-based payments within the first year will be based on the approval by DFID of inception and biannual reports of high standard and which correspond to the requirements of these Terms of Reference. During the first year of the programme, DFID and the Supplier will use best efforts to agree an amendment of the criteria for milestone based payments to include as an element (at approximately 5%) satisfaction of the KPIs already agreed by DFID and the Supplier and which incorporate aspects of communication, engagement and timeliness of report submissions. To ensure flexibility, activities and milestones may be reviewed as frequently as each quarter to ensure the evaluation remains focused on key issues and responds to changing contexts.
- 14.7 During the implementation phase, meetings will be held as required by agreement between the Supplier and the evaluation management group. Bids should assume that at least 4 meetings will take place during the inception phase and that 2 substantive meetings per year (coinciding with biannual reports) will take place during the implementation phase. We would also expect to have quarterly update calls with the evaluation team during implementation.
- 14.8 The Frequency of meetings with the Reference Group will be agreed between with Supplier within the first 2 months of the Inception Phase. These are likely to coincide with preparations for wider programme ARC meetings.
- 14.9 Timing for the reporting is outlined under the deliverables section. The Evaluation Management Group and Reference Group will provide any comments within 21 working days of receiving pre-specified study reports.

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14.10 The DFID's evaluation policy states that evaluations should be transparent. DFID therefore expects that all final reports will be published and that all raw datasets made available.

15 References

- ARC intervention summary and logframe: <http://devtracker.dfid.gov.uk/projects/GB-1-203469/documents/> and the full Business Case – published with ITT
- Ethics document can be found at: <https://www.gov.uk/government/publications/dfid-ethics-principles-for-research-and-evaluation>
- Evaluation skills summary matrix – published with ITT
- African Risk Capacity Agency website: www.africanriskcapacity.org
- African Risk Capacity Ltd website: www.africanriskcapacity.com
- Contingency plans of the countries in the first risk pool:
<http://www.africanriskcapacity.org/countries/risk-pool-1?sessionId=6C5696DDBAB517868C7DED2115EEB949>
- Independent review of the ARC Contingency Planning, Kimetrica – includes monitoring and evaluation challenges and potential solutions – published with ITT