

## Section 3 – Terms of Reference

### The Economic Policy Incubator Programme

#### 1. Overview

1.1 Through this TOR, DFID is seeking the services of suppliers to undertake the implementation of Lot 2 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 three contracts to separate suppliers for three main components which will be procured under a Lots negotiated procurement process. Under this procurement process (more information on this is provided in the EOI documentation), there will be a maximum of one supplier per lot but one supplier can bid for and deliver all 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 of the 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 Economic Policy Incubator will be the public stakeholders charged with economic management in Nepal, principally the Ministry of Finance, National Planning Commission and Central Bank. Secondary recipients will be Nepal's civil society, sector line ministries, parliament and research/academic bodies. The ultimate beneficiaries of the component's results of "expanded economic opportunities from better economic policies implemented", will be small and medium enterprise owners and poor households in Nepal.

### **3. Scope of Work and Delivery Approach**

3.1 Economic policy is at the heart of AiiN's objectives and its core outcome in paragraph 10.5 below. This TOR addresses Output 2 of the Strategic Logframe of the AiiN Programme: "Government streamlines administration of business regulations, maintains efficient and transparent regulatory systems and implements key evidence-based policy to promote inclusive growth and macroeconomic stability". The Incubator will also lead the scoping work for Result 3: "Subnational Economic Growth Enhanced" and, depending on progress and performance, may also fully implement it. There are a number of critical constraints in economic policy-making that undermine Nepal's growth prospects. These include:

- Low rates of public expenditure in growth enhancing infrastructure due to public financial management deficiencies including weak budget formulation, cumbersome procurement process and weak economic analysis of options.
- Weaknesses across the economic policy making "system": data generation, data analysis, policy formulation, decision-making, implementation (this being especially weak) and few actors involved in policy making. Current policy making processes are opaque, driven by informal advisory systems and lack transparency and supporting evidence.
- Weak economic reporting in response to periodic economic data.
- A lack of basic and objective economic analysis informing most policy decisions. This is due in part to a lack of economic skills within government, a lack of formalised processes for requiring them as well as a weak system for procuring or strengthening existing economics skills.
- A lack of capacity in non-government actors to effectively generate and advocate evidence-based economic policy. There is no effective and evidence-based Economic Policy Think Tank in Nepal although there are several local organisations which could develop into one.
- Fragmented Economic Institutions that do not take a holistic approach to economic management, and do not share common approaches to economic analysis.
- A politicised civil service whose preferences tilt more towards political gain over and above the public good.

- A costly and unpredictable regulatory environment for business that hinders private investment rates.
- Non-strategic, fragmented and poorly evidenced approaches to economic development at a subnational level with a high level of regional inequality and growing regionalist demands that are likely to shape the policy and political process.
- Low levels of voice of women and excluded groups in the conduct of economic policy, economic decision making and leadership with a poor understanding of how economic policies create unequal economic opportunities for women and the socially excluded. There is immense diversity in Nepal, increasing claims on the state from marginalised groups, making issues of consensus and delivery of economic policies that deliver a broad “public good” more challenging.

3.2 These are common constraints across Nepali institutions and organisations which cannot be addressed generically. The supplier will need to embed an approach that identifies practical problems that Nepali institutions are willing to address - either through influencing, advocacy, well- disseminated analysis or pre-existing demand - and facilitate Nepali actors to address them as policy issues within the context of also addressing the broader root causes set out above. The critical measure of overall success of this component of AiiN will be the number of economic policies that are well implemented and sustained<sup>1</sup> and that improve Nepal’s economic performance. Substantial work will be needed to define and account for facilitating policy change and its effects and this will need to be underpinned by a thorough and flexible results framework and a sophisticated approach to dynamic Theory of Change formulation, analysis and updating.

The Incubator will need to be ready to partner with others from the very beginning and share responsibility for several results. The proposed results of Output 2 in the AiiN logframe that underpin the critical success measure to be achieved are the following with expected partnerships set out in brackets[]:

1. 25% Reduction in time and/or cost for at least 10 regulatory processes related to starting a business, registration/approval of selected licenses, paying taxes, insolvency/liquidation, land rights or contract enforcement with a reasonable positive impact on business dynamics such as investment or productivity rates by 2019.
2. Annual business surveys report an improvement in a majority of businesses’ costs and predictability in engaging with government, producing evidence of a positive impact on business investment and productivity by 2019.

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<sup>1</sup> Measured using the following types of characteristics: evidence based, transparent, predictable, well consulted and quality of enforcement.

[Likely core Incubator deliverables or support to primary delivery by IFC subject to confirmation. If confirmed, the supplier will lead on testing the viability of the partnership.]

3. Qualitative improvement in the analytical quality, transparency and inclusiveness of the economic policy making process in government by 2019.

[A core Incubator deliverable which is likely to be delivered in a close partnership with the World Bank and possibly ADB. The supplier will have a lead responsibility for this result and in designing and testing this partnership.]

4. A comprehensive assessment of how business climate policies impact on women's economic opportunities is completed to inform prioritisation, sequencing and design of reforms by the end of 2015.

[Primary Incubator responsibility in delivery]

5. All of the domestic regulatory and policy changes required to proceed with Large Scale Energy and Transport Public Private Investments passed and ratified by GoN and under active implementation by end of 2017.

[In close collaboration with APPIIC]

The proposed results of Output 3 in the AiIN logframe that this programme will aim to achieve are:

6. Relevant Districts and Administrative Regions develop a comprehensive economic region development strategy and implementation plans incorporating all relevant line ministry and donor support, with clear results monitoring and accountability lines across three levels of government (national, regional and district) by end of 2019.

[Primary Incubator responsibility in scoping and design and likely delivery]

7. At least 2 priority policy reforms and 2 infrastructure investments within an integrated, "economic region's" development plan are under active implementation by district and administrative region authorities, line ministries and with other sources of financial support by end of 2019.

[Primary Incubator responsibility in scoping and design and likely delivery]

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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 deeper understanding of the TOR requirement. The primary means of delivery are

expected to be facilitating and quality assuring analysis, research and policy formulation to support policy development, direct technical assistance in a limited set of strategic interventions, training of Nepali stakeholders, building of systems and processes to strengthen institutions, developing and managing incentive mechanisms to generate effective policy development and implementation.

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 economic policy reform areas that are critical for Nepal's economic growth including:

a. Economic governance functions like: public financial management reforms that support efficient and effective capital budget execution, macroeconomic forecasting, business regulations, corruption affecting private sector growth and subnational growth strategies.

b. Focus in a flexible range of economic reform sectors and topics including agriculture, tourism, industry, competition, market failure, productive investment of remittances and trade.

Engagement in any of these must meet the dual objectives of addressing the identified issue but also doing so in a way that strengthens the institutions and processes for responsive economic policy generation, implementation and feedback.

3.4 The objectives of the Incubator will need to effectively integrate and operationalise equity, gender, environmental and social analyses into its facilitative role across its workplan. It will be expected to support Nepali institutions to implement effective prioritisation and sequencing as well as implementing it in the Incubator's own manageable work plan.

3.5 The implementation of this TOR will be expected to include but not be limited to the following areas of work in the first year of the programme:

- A 3 month inception phase to develop programme structures and systems including crystallising and finalising the workplan, build relationships and networks and the analytical underpinnings for the programme.
- Exploring the potential for developing the Incubator as a joint programme with the World Bank and the Asian Development Bank and, if incentives and vision sufficiently align, delivering the joint programme structure and mechanism by the end of its first year.
- Developing partnerships with other Development Partners in Nepal and developing joint workplans in areas where objectives align.

- Developing a range of tools and approaches for engagement on institutional reform and regulatory change and making use of them to facilitate change within Nepali stakeholders in at least two major reform areas.
- Building the reputation of the Incubator by delivering quick wins in the first year to demonstrate its value to DFID and other stakeholders. Among these will be an analysis of how economic policies affect women's range and access to economic opportunities and as a result how the Incubator's delivery approach and results should be amended to have an impact on women's economic empowerment.
- Conducting scoping and analysis with which it develops an approach to addressing the challenges of Subnational Economic Growth.

3.6 The implementer of this TOR will work flexibly and is expected to include but not be limited to, using some or all of the following approaches, tools and ways of working:

- Addressing underlying institutional constraints to effective economic management such as improving management and accountability systems within government or embedding new processes for transparent and effective policy-making.
- Taking a proactive approach to influencing, relationships and networks building and navigating Nepal's complex political economy by combining local knowledge with international skills.
- Adapting world class tools and techniques for institutionalising change to fit Nepal's unique context such as self-discovery workshop processes and stakeholder generated process system maps.
- Possible design and use of a small Flexible Fund to drive economic policy analysis and advocacy from multiple directions and build the market place of knowledge as part of the wider economic policy-making system.
- Working with a local partner to conduct economic research in key areas with the aim of turning it into a local owned policy development and implementation process that leads to policy implementation by the GoN .
- Supporting non-government Nepali institutions to conduct independent economic policy analysis with the specific objective of advocating for effective policy implementation with success measured by GoN implementing such policies effectively.
- Supporting Parliament, media, political parties and other stakeholders to develop economic analysis skills, generate a successful market place of economic ideas which the government is incentivised to manage and respond to and build cadres of economics expertise in the civil service and in civil society.
- Distinguish through its implementation approach and strategy between objective policy analysis to support the public good versus analysis designed to advocate benefits to particular interest groups.

- Making effective use of DFID programmes like LASER and iFUSE that can provide specialist legal or regulatory expertise from UK lawyers and regulators to support or as prerequisites to the delivery of economic policies.

3.7 The Incubator will play a central role in the overall AiiN programme (hence its status as the anchor programme), focusing on the deeper sustainability of economic reforms. This opens the space for the Incubator to deepen the institutional sustainability of other AiiN components as its own entry points or develop new areas of work that may be scaled up into separate intervention areas of their own. In summary, as the anchor component, as well as its own core areas of work it should play a leading role in:

- Embedding institutionalisation and sustainability across the AiiN programme: providing DFID an objective assessment of sustainability and transformative change in processes and incentives being delivered across AiiN components and advising on current approaches being taken and how they can be made more sustainable.
- Deepening institutional change in a strategic number of initiatives in other AiiN components where these are likely to be catalytic or otherwise significantly enhance value for money or the Incubator's own positioning and stakeholder buy-in.
- Generating new intervention areas of economic policy work which can be scaled up as part of its own workplan or be taken up by a separate DFID programme.
- Building stronger coordination links with other development partners in Nepal and, possibly, if there is a strong value for money prioritisation rationale, implementing joint initiatives with them.

#### 4. Management and Delivery Structures

4.1 During the three-month inception phase, the Service Provider should put in place all necessary **arrangements to ensure that the programme begins operating within one month of contract signature**. This includes the mobilisation of all core staff, establishment of the programme 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 programme. 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
- e. Developing a risk management strategy.
- f. Propose approaches and structures for ensuring Evidence-based analysis underpinning all interventions and for prioritising and sequencing interventions

- g. Suggest an appropriate payment modality for a programme that will combine clear, measurable deliverables with more exploratory and difficult to measure work areas which DFID reserves the right to revise and refine with the chosen supplier.
- h. Propose approaches and structures for ensuring all interventions have theories of change with clear problem identification analysis and linkage to the objectives of AiiN.
- i. 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 and with other DFID programmes working on PFM and governance. The programme will directly report to DFID and its stakeholder partners. It 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 period, and satisfactory performance of the supplier. Suppliers are expected to provide appropriate personnel 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 confirmed 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 consultancy contract at any time, this will take place at no cost to DFID and will follow standard DFID procedures.

## 5. Core Tender Requirements for Proposal Submission

### Technical

5.1 **The Technical proposal should respond to and build on 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 improving economic policy-making in Nepal to increase economic growth rates; (b) identify further analysis and research that needs to be undertaken and how it should be undertaken (c) use (a) and (b) to formulate a technical programme strategy for achieving the target outcome of AiiN.

5.2 This technical proposal should include:

- 1. **A strategic theory of change (ToC) for the Incubator** 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 which includes an action plan for the integration of gender and social inclusion and empowerment into the Incubator's delivery approach** which balances broad growth needs with social inclusion and gender empowerment needs. This should include conducting analysis on the impacts of economic policy on women's economic opportunities as set out in the business case, supporting processes for inclusive consultation that ensure the voices of women and excluded groups are integrated into policymaking, approaches for integrating social equity and distributional factors and their social dimensions in the conduct of economic analysis and the formulation of economic policies. It might also include designing mechanisms to address or monitor inclusion and empowerment issues in particular economic policies. It would be expected that any results framework indicators would, where appropriate, consider the need for disaggregated data to inform gender and inclusion objectives.
3. **Listing possible instruments for incentivising the effective implementation of economic policy reform with at least one of these set out in detail with a costing and its own Theory of Change and proposed key outputs.**
4. Propose an approach for **linking with and leveraging DFID and other donor partner programmes**, especially those in AiiN and maximizing the Incubator's influencing capacity.
5. If applicable a rationale for combining lots into a single programme delivered by the service provider and a justification of value added. This will not form part of the evaluation, but instead be read should one supplier be the top scoring bidder on each lot and form the basis of final negotiations on synergies
6. Examples of **'quick win' interventions and analyses** to ensure early delivery of results. At least one of 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 achieve its economic policy objectives and how the programme can engage with Government (including through capacity building).
8. **Propose an approach for tackling subnational growth constraints.**
9. 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.

10. 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 have ownership for each risk.
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.

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, though not mandatory, that the proposed manager for the Incubator be a core member of supplier personnel, irrespective they must be fully accountable for the quality and performance of the Incubator 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 the Incubator and their commitment to deliver meaningful results over the life of the programme.**
- **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 programme 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 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 programme 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 and oversight of the incubator will rest with the DFID Nepal Senior Economic Adviser. The supplier will report to the Senior Programme Manager, Economic Development Team for programme administration, finance and contracting issues.

## **7. Handling Sensitive Information**

7.1 Supplier personnel working for the Incubator 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. Incubator staff may need to sign non-disclosure and confidentiality agreements to this effect.

## **8. Key Competency Requirements for the Service Provider**

8.1 The Service Provider will suggest the complement of full-time technical and support personnel and accompanying technical experts able to deliver programme outputs and outcomes. Value for Money and building local capacity are integral to DFID's work. Hence, bidders are encouraged to include qualified regional/ national experts where possible.

8.2 Service providers will be expected to work with local/regional firms on specific aspects of delivery but DFID does not recognise the use of exclusivity agreements and suppliers must not propose these to partners. The Incubator will need to retain the flexibility to work with multiple stakeholders which could be made more difficult if exclusivity/partnership agreements are in place before workplans and strategy have been properly defined. In its implementation approach, 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 programme, and externally.

8.3 At the technical level the Service Provider will demonstrate the following capabilities:

- A core team with economic policy, political economy and institutional strengthening expertise and the ability to engage widely on a range of economic and institutional reform areas, including the ability to identify gaps in the current team's expertise and the ability to fill it without necessarily holding permanent on the ground expertise in all of those areas.
- The ability to procure sectoral expertise in a range of sectors at relatively short notice and different experts in the policy implementation space: 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 is at the heart of policy change and the theory of change.
- Ability to work with a wide range of stakeholders, government, private sector, civil society and other donors and to understand their different perspective and incentives. 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, starting small and focused and expanding incrementally subject to implementation feedback.

8.4 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 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 to ensure progress is adequately tracked, poor performance is identified early and the programme can manage in a complex operating environment.

8.5 The Service Provider will be expected to support the establishment by the programme of 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 the project and ensure that outputs of the project are achieved.

## **9. Financing Mechanism**

9.1 Suppliers should note the approximate funding available for lots 1, 2 and 3 for the five years is about £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, 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.

9.2 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 fund in each activity, and the transparent breakdown of management and administrative costs associated with delivery of these activities.

9.3 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.

9.4 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.

9.5 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.

## **10. Brief Background on the AiiN's Strategic Scope and Objectives**

10.1 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.

10.2 This DFID funded 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.

10.3 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 delays outside of programme control, not least because of Nepal's fragile context.

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

10.5 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.

10.6 The **impact** of the programme will be improved private and public investment rates and an increase in Nepal's overall capital stock. These impacts are expected to lead to more and better paying jobs for the vast majority of Nepalis and, through policy analysis and an implementation approach that integrates 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.

## **11. AiiN 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 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 levels' meeting agenda and decision-making.

11.2 AiiN may also contain additional interventions partnering with the international financial institutions, Nepali civil society and/or directly with the Government of Nepal (GoN). These would be additional to the areas commissioned in the commercially contracted TORs but all areas would need to maintain the ability to partner with other stakeholders in Nepal as a core part of their Terms of Reference.

11.3 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 component - 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 components or expand or generate new components. The programme may be extended by an additional two years to 2022 if there is a value for money and performance-based rationale.

11.4 The contracts 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. Duty of Care**

12.1 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

12.2 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.

12.3 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)

### **13. 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) Stefan Dercon Media Pieces in Nepal
- vii) IDL Group's Impact of Corruption on Private Sector Growth for Nepal.
- viii) ODI Constraints Study:  
<http://www.odi.org/publications/8500-structural-economic-transformation-nepal-diagnostic-study-submitted-dfid-nepal>