Foreign, Commonwealth
& Development Office

CALL DOWN CONTRACT

Framework Agreement with: **Cowater International**

Framework Agreement for: **Global Development Delivery Framework (GDD)**
Lot 4 – Economic Development and Trade

Framework Agreement ECM Number: **5809**

Call Down Contract For: **Ethiopia Investment Advisory Facility II**

Contract ECM Number: **7564**

I refer to the following:

1. The above-mentioned Framework Agreement dated 18 December 2023;

2. Your proposal of 28 November 2024

and I confirm that FCDO requires you to provide the Services (Annex A, Terms of Reference), under the Terms and Conditions of the Framework Agreement which shall apply to this Call Down Contract as if expressly incorporated herein.

1. Commencement and Duration of the Services

1.1 The Supplier shall start the Services no later than 30 June 2025 ("the Start Date") and the Services shall be completed by 31 December 2028 ("the End Date") unless the Call Down Contract is terminated earlier in accordance with the Terms and Conditions of the Framework Agreement.

2. Recipient

2.1 FCDO requires the Supplier to provide the Services to a range of GoE ministries, agencies and SOEs, primarily at the Federal level, and FCDO. (the "Recipient").

3. Financial Limit

3.1 Payments under this Call Down Contract shall not, exceed £17,500,000 ("the Financial Limit") and is exclusive of any government tax, if applicable as detailed in Annex B.

4. FCDO Officials

4.1 The Project Officer is:

[redacted]

Information has been withheld ooder Section 40 (Personal Information) of the Freedom of Information Act 2000 (FOIA 2000).

4.2 The Contract Officer is:

[redacted]

Information has been withheld under Section 40 (Personal Information) of the Freedom of Information Act 2000 (FOIA 2000).

5. Key Personnel

5.1 The following of the Supplier's Personnel cannot be substituted by the Supplier without FCDO's prior written consent:

[redacted]

Information has been withheld under Section 40 (Personal Information) of the Freedom of Information Act 2000 (FOIA 2000).

6. Reports

6.1 The Supplier shall submit project reports in accordance with the Terms of Reference/Scope of Work at Annex A.

7. Duty of Care

7.1 All Supplier Personnel (as defined in Section 2 of the Agreement) engaged under this Call Down Contract will come under the duty of care of the Supplier:

I. The Supplier will be responsible for all security arrangements and Her Majesty's Government accepts no responsibility for the health, safety and security of individuals or property whilst travelling.

II. The Supplier will be responsible for taking out insurance in respect of death or personal injury, damage to or loss of property, and will indemnify and keep indemnified FCDO in respect of:

II.1. Any loss, damage or claim, howsoever arising out of, or relating to negligence by the Supplier, the Supplier's Personnel, or by any person employed or otherwise engaged by the Supplier, in connection with the performance of the Call Down Contract;

II.2. Any claim, howsoever arising, by the Supplier's Personnel or any person employed or otherwise engaged by the Supplier, in connection with their performance under this Call Down Contract.

III. The Supplier will ensure that such insurance arrangements as are made in respect of the Supplier's Personnel, or any person employed or otherwise engaged by the Supplier are reasonable and prudent in all circumstances, including in respect of death, injury or disablement, and emergency medical expenses.

IV. The costs of any insurance specifically taken out by the Supplier to support the performance of this Call Down Contract in relation to Duty of Care may be included as part of the management costs of the project, and must be separately identified in all financial reporting relating to the project.

V. Where FCDO is providing any specific security arrangements for Suppliers in relation to the Call Down Contract, these will be detailed in the Terms of Reference.

8. **Special Conditions**

8.1 At bid stage Cowater stated that it would attain local government tax exemption. Should this prove wrong, and Cowater do not obtain a tax exemption, Cowater will directly pay all required taxes outside the contract budget and not pass on any tax liability to FCDO.

8.2 As per the Terms of Reference there will be specific break points to align with future UK Governments Spending Reviews, and subsequent FCDO ODA allocations, as follows:

i. At the end of the Inception period anticipated to end on 31 October 2025
ii. At the end of each following Financial Years 2025/26, 2026/27, 27/28

FCDO will reserve the right to end the contract at any point due to poor performance by the Supplier and/or a lack of resources to continue the programme, in line with the contract exit clauses and notice periods outlined in the GDD Terms & Conditions.

8.3 Further to your clarification responses on 15 January and 20 May 2025 Cowater will maintain the levels of NPAC and Profit, as bid, for the duration of the contract. FCDO will monitor closely, via its contract management process, any requests for virements or additional non direct costs. If they are contrary to Cowater's clarifications, they will be refused.

9. **Call Down Contract Signature**

9.1 If the original Form of Call Down Contract is not returned to the Contract Officer (as identified at clause 4 above) duly completed, signed and dated on behalf of the Supplier within **15 working days** of the date of signature on behalf of FCDO, FCDO will be entitled, at its sole discretion, to declare this Call Down Contract void.

No payment will be made to the Supplier under this Call Down Contract until a copy of the Call Down Contract, signed on behalf of the Supplier, returned to the FCDO Contract Officer.

Signed by an authorised signatory
for and on behalf of

[redacted]

[redacted]

[redacted]

Foreign, Commonwealth
& Development Office

Secretary of State for Foreign, Commonwealth
and Development Affairs

Signed by an authorised signatory
for and on behalf of the Supplier

[redacted]

Information has been withheld under Section 40 (Personal Information) of the Freedom of Information Act 2000 (FOIA 2000).

Ethiopia Investment Advisory Facility II

Reissue Terms of Reference for public sector investment and asset management component

Contents

PART 1 - REQUIREMENT

1. Introduction

The Ethiopian Investment Advisory Facility II (EIAF II) programme aims to provide high-impact, flexible, demand-led technical assistance (TA) in support of the Government of Ethiopia's (GoE) reform priorities, with the overall aim of supporting manufacturing-led, outward oriented, inclusive and sustainable growth. The programme already supports several reform areas including financial sector, trade and logistics.

This Terms of Reference (ToR) sets out the scope of work required to deliver a key pillar of the EIAF II programme, focused on Public Sector Investment and Asset management. The pillar focuses on strengthening government implementation capacity in Public Investment Management (PIM), Public-Private Partnerships (PPP) and in overseeing and running key State-Owned Enterprises (SOEs).

2. Objectives

The aim of this contract is to deliver flexible, demand-led TA to the GoE to:

i) Support reform of key State-Owned Enterprises and public asset management
ii) Strengthen implementation capacity of public investment management and public private partnerships (PPP)
iii) Deliver effective support to wider economic reforms in sectors contributing to the EIAFII outcomes outlined below.

The overall aim is to contribute to EIAF II's outcomes:

a. Strengthened effectiveness of growth enhancing public investment, and
b. Improved enabling environment for exporters.

3. Scope

The work will entail providing flexible, demand-led, support to GoE priorities through the **provision of draw down technical assistance (TA) and embedded advisory services.**

This package is intended to support the Government of Ethiopia's Home-Grown Economic Reforms, and the implementation of the IMF and World Bank programmes that were approved in July 2024. As such, we envisage this contract focusing on delivering against the following core areas:

a) State Owned Enterprise Reform and public asset management.

This will involve supporting the reform of Ethiopia's State-Owned Enterprises that:

i) are in priority sectors most critical for the country's growth and development
ii) have significant room for performance and operational improvement

iii) have significant potential to attract private investment
iv) can best capitalise on government willingness for reform
v) have the highest indebtedness, presenting solvency and liquidity challenges and risks to the fiscal budget.

It is likely that the initial focus will be on energy and logistics but could evolve to include other areas such as the financial sector in the context of preparation of SoEs for listing on the new Ethiopian Securities Exchange.

The type of support required is likely to include, but not be limited to, performance assessments, development of investment strategies, financial management, debt management, currency risk management, support with PPP projects, assistance with due diligence and KYC undertakings, financial model design, legal agreements drafting, tailored leadership support, as well as identification of new financing opportunities (for example opportunities to access climate finance).

As well as support for particular SoEs, this pillar will also include support to EIH (Ethiopia Investment Holdings) to deliver on their recently approved Subsidiary Transformation Plan (STP), and SOE governance reform plans. Again, appropriate support will likely be a combination of embedded advisors (e.g. financial analyst, HR expert, portfolio/investment advisors) and draw down technical assistance where needed.

Support may involve designing or scoping projects to increase incentives for private sector participation in priority sectors/sub-sectors where markets have to date been limited or missing.

It is anticipated this support will be skewed towards draw-down TA to deliver discrete technical requirements but may include embedded advisors to boost SOE capacity. There will be a particular need for flexibility in this area of support.

b) <u>Public Investment Management (PIM) and Public-Private Partnerships (PPPs)</u>

This will involve improving the capacity of the GOE to enact the recently introduced PIM and PPP legislation. Key recipients and expected type of support are as follows:

i) <u>Public-Private Partnership Directorate (PPP-D), Ministry of Finance</u>. Support the PPP-D in assessing PPP projects and delivering high quality PPP transactions. This is likely to include a combination of embedded advisors in the PPP-D who can navigate the PPP process and engage with the private sector and cross-government stakeholders. Financial analysis and deal structuring may be important. Alongside this, draw down TA will provide support on discrete requirements, for example, to deliver feasibility studies, financial modelling, tender design, and transaction advisory, deal, and contract support. Knowledge transfer in PPP-D and across GOE and SOEs engaged in PPPs may be an additional requirement.

ii) <u>Public Investment Management Unit, Ministry of Planning and Development.</u> Support the strengthening of the government's overall PIM system. This will include supporting the PIM unit and other government departments to deliver upon recommendations of the IMF's recent assessments (PIMA and C-PIMA – not published but the GOE indicated they will share). The mode of support is likely to be a mix of embedded advisers within the PIM Unit and draw down technical assistance to deliver discrete technical requirements, for example, assessing project appraisals or completing Fiscal Commitments and Contingent Liability (FCCL) Analysis.

c) <u>Wider support to economic reform in support of EIAFII outcomes.</u>

In addition, the programme needs to maintain flexibility in responding to wider reform priorities. For example, Ethiopia is in the process of liberalising several markets, including telecoms, financial, logistics and retail sectors. Further liberalisation is expected in other sectors. Through these, Ethiopia is transitioning from a state-led, government monopoly approach, to a mixed approach with more private sector involvement supported by a regulator. To maximise impacts in the sectors involved, there may be a need to provide flexible assistance to the actors involved in wider sector governance, such as the lead Ministries and regulators. Through this contract FCDO wants to retain the possibility of responding flexibly to any future demands supporting successful reform implementation.

d) Other considerations

- The support will need to mainstream climate change and Gender Equality and Social Inclusion (GESI) considerations throughout all activities.
- There may also be a need to provide support to the government of Ethiopia in the deployment of new technologies such as artificial intelligence capabilities in the delivery of the above priorities
- Ensuring sustainability, knowledge transfer and talent development of local Ethiopian staff and partners will be an important consideration.

4. Recipients

The project will support a range of GoE ministries, agencies and SOEs, primarily at the Federal level. Key direct recipients are expected to include but are not limited to: the Prime Minister's Office; Ministry of Finance including the PPP Directorate; Ministry of Planning and Development, PIM Division; Ethiopian Investment Holdings (EIH); and relevant SOEs. Direct recipients may change depending on emerging demand and need.

A wider group are expected to indirectly benefit from the project, for example the Ministry of Water and Energy and / or the Energy regulator, Ethiopian Energy Authority.

5. What will Success Look Like

If successful, the programme will make a meaningful contribution towards:

- Increased flows of private investment into critical growth- and export-enabling sectors such as energy, logistics and infrastructure
- A more open, and private sector-led logistics sector, contributing to reduced costs for exporters, particularly in the manufacturing sector
- More efficiently and effectively run state-owned enterprises
- A more financially sustainable energy sector, with a greater range of suppliers and energy delivery systems (e.g. some off-grid in rural areas) resulting in expanded and more reliable energy access for industry, households and businesses
- Improved enabling environment for exporters.

Outputs in support of the above outcomes will be determined through the Inception phase, but in practical terms, this might look like:

- A high performing core project management unit, with close partnerships with the FCDO, relevant Government of Ethiopia ministries and entities, and other donors with an interest in the space
- Successful placement and management of a limited number of embedded advisers, delivering hands on support in priority areas in a sustainable way

- A series of call-down technical assistance projects delivered to unlock key reforms, progress pipeline deals and provide targeted support to regulators
- On an ad hoc basis, delivery of other types of support where necessary to progress the above outcomes, including convening academics and experts and deployment of emerging technologies
- All of the above delivered flexibly based on the workplan agreed after the Inception phase, possibly supported by strong political economy analysis, in consultation with FCDO and Government of Ethiopia experts. (Note an indicative workplan must be provided at bid stage.)

6. Timing & Budget

The contract will run from 30 June 2025 to 31 December 2028, EIAF II programme's end date. Any extension beyond this will be subject to a Business case addendum and future spending reviews. If approved, and based on the performance of the Supplier, FCDO can add up to £8 million and extend the time for a period of up to 24 months.

The project will comprise of three phases:

i. Inception – 4 months anticipated to end on 31 October 2025
ii. Implementation – 40 months (with possible 24-month extension)
iii. Exit – 3 months

The budget for this contract is up to £17.5 million for the initial contract period, inclusive of local taxes and exclusive of UK VAT. Note: FCDO programmes are not automatically tax exempt and therefore The Supplier may be liable to pay any applicable taxes, and these should be identified in your budget.

7. Phases

a) <u>Inception Phase</u>

Key objectives of the Inception phase include:

i. Establishing ways of working between supplier and FCDO.
ii. Establishing relationships and ways of working with GoE stakeholders.
iii. Establishing key constraints in achieving outcomes and identifying priority activities that will help to alleviate the constraints.
iv. Developing the workplan to guide activities
v. Initial mobilisation of a select number of existing and high priority requests from GoE in consultation with FCDO, to be agreed during the Inception phase

Deliverables / outputs from Inception may include:

i. Inception report
ii. Diagnostics
iii. Synthesis of existing work on SOEs and investment management
iv. Stakeholder mapping
v. Political economy analysis
vi. Agree Supplier Performance Management Framework

b) <u>Implementation Phase</u>

This will involve delivery of a demand-led set of technical assistance activities – a mix of embedding advisors where required and flexible draw down TA for discrete activities. The supplier will need to work closely with GoE to understand evolving constraints and key issues in key policy areas and be ready to respond. The expected focus areas of this TA facility are:

i) SOE Reform and support to Ethiopian Investment Holdings (with a likely focus on energy and logistics, but the possibility of support in wider areas)
ii) Public Investment and Public-Private Partnerships (incl. targeted support to the PIM unit, PPP Directorate,)
iii) Wider support to economic reform in support of EIAFII outcomes

c) Exit Phase

An exit / transition plan for sustainable transition of all funded activities, and an asset disposal strategy will be developed by the supplier and agreed with the FCDO prior to the final 6 months of the programme. The agreed plan will be implemented in the final 6 months of the programme, with transition of activities likely implemented before then.

The plan should include sustainability, exit or handover strategies for each intervention, including for multiple linked interventions that will require a consolidated or coordinated exit. The supplier will effectively manage the disposal of the assets as per the agreed disposal plan to be completed before the closure date.

The implementation of the plan will be reviewed monthly during the exit phase with FCDO programme team.

8. Team Structure

The Supplier will determine the appropriate structure of the team which is likely to consist of:

Team Lead: responsible for leading the team to deliver the outputs and outcomes, ensuring the political economy of each sector is understood, ensuring coherence between and within the workstreams, maintaining high-level relationships with senior GoE interlocutors, and reporting to the FCDO SRO.

Programme Management (core) function: responsible for managing all administrative aspects of the project, including the team and activities, financial management, risk management, internal monitoring and communication of results, maintenance of the Delivery Plan.

Lead advisors: Public Investment Management, and SOE Reform. Each lead advisor will lead delivery of their pillar against the workplan, including managing and delivering on demands for discrete TA or embedded advisory support. They will be responsible for maintaining relationships with senior GoE decision-makers and ensuring that political economy considerations are well-understood. There will be a need for a coherent approach across sectors (e.g. if energy reform is a focus area, which would require coordinated activities across both the SoE and public investment management pillars).

Flexible Demand-Led Technical Assistance (TA) : A resourced pool of technical experts available to deliver discrete pieces of flexible TA that support delivery of the programme outcomes/outputs. To facilitate a flexible demand-led TA approach the Supplier will follow the requirements as set out in Section 9 of this ToR - Managing Demand. The resourced pool of technical experts must be budgeted for in the Tab 2.3 Programme Staff – Pay of the cost proformas.

The Supplier must specify a "Core team" in its technical proposal as the total cost will form part of the commercial evaluation, including downstream partners core inputs that are responsible for delivering ToR requirements and programme outcomes.

It is anticipated that most of the Core team will be full-time based in Addis Ababa. Some members of the Core team may be expected to be embedded within GoE ministries. The decision on which core members will be based where will be agreed with FCDO and GoE officials, finalised during Inception.

Effective local expertise within the lead supplier and downstream delivery partners is an expectation. The Supplier will ultimately determine the make-up of the Core team in their proposal aligned to inputs on commercial proformas and must not designate 'Core' roles as 'Demand-led TA' or 'Non-Core Other' positions particularly when delivering inputs across the contract period. If the Supplier does not categorise and cost appropriately for all roles in scope, then FCDO reserves the right to deem their bid non-compliant. 'Non-Core' team roles will typically provide auxiliary support that is not critical to delivery of the contract and not allocated as FTEs.

Positions that bidders may wish to consider having in their core team are listed in the table below – though this will be at the Supplier's discretion. The Supplier can propose additional expertise which may not have been anticipated by FCDO as Core team, which the Supplier believes will be important to deliver EIAFII and delivers VfM. Delivering Value for Money for the programme is key and the Core team structure will be critical in achieving this.

Positions	***Anticipated***
Leadership (National / International)	Team Leader, Programme Director, Deputy
Programme Management, Support & Administration	Programme Manager, Finance, HR, Admin, M&E, Risk (*other FTE support*)
Core Technical – (National/International)	Lead adviser on SoE reform Lead adviser on Public Investment Management Thematic advisers which may include Social Inclusion (GESI), energy, logistics, broader private sector development Embedded Advisors on priority issues *(any proposed Embedded Advisors proposed at bid stage should be classed as a Core team cost)*

The Supplier will propose the structure (organogram) at bid stage including roles, responsibilities, value-add and proposed workings of a full Core team, consisting of all critical staff required to oversee and deliver the programme. This should include clearly stated lines of reporting, responsibility, and decision-making in the programme delivery model across all strands of work.

The Core team needs to have substantial expertise in all of the essential aspects of the programme and this should be clearly demonstrated in the proposal. Effectiveness and management of the Core team is vital.

PART 2 – CONTRACT MANAGEMENT

9. Contract Management Reporting & Validation

Governance and management arrangements

A combination of the following arrangements will govern the contract / project:

i. FCDO Programme Team: Including Senior Responsible Owner for EIAF II; Programme Responsible Officer for EIAFII, Lead Advisor; and Programme Manager.
ii. Supplier’s Core Team: The supplier’s team, including the Team Lead, Lead Advisors and the Programme Management Team.
iii. Steering Committee (SC): Subject to agreement with the Government of Ethiopia, the SC will meet regularly to discuss the overall direction of the programme, key policy issues, and progress. It will include the FCDO Programme Team, Supplier’s Programme Management Unit; key GoE programme stakeholders (incl. MoF, MOPD, EIH, possibly others). The supplier will act as secretariat for the SC.
iv. Sector coordination: We envisage Development Partner activity to increase in the areas of work described in this ToR. As such the supplier will lead on coordination for the sectors covered by the contract, to ensure regular and frequent communication to understand who is doing what, enable coordination and collaboration, and avoid duplication. This should include relevant GoE stakeholders and Development Partners that emerge in this space, as well as other relevant FCDO delivery partners (e.g. FSD Ethiopia, TradeMark Africa, GIZ)

Managing Demand:

There is significant appetite from GoE for *demand-led* TA support, and prior engagement by FCDO has secured strong buy-in for the proposed approach. The Supplier will build on this engagement, and manage the demand-led aspect of this work through two avenues:

(i) High-level: The Steering Committee will discuss policy direction, emerging priorities and needs, and progress on a quarterly basis. This will include relevant stakeholders across GoE and will be co-chaired by a senior representative from GoE (to be determined in consultation with FCDO and GoE during the Inception Phase). The supplier will be the Secretariat for the Steering Committee
(ii) Specific: GoE will make demands for support using a Concept Note (the supplier will formulate a template as well as draft criteria for this during the Inception period). The supplier will then process the request and discuss with FCDO during regular meetings. If approved, the supplier will turn the CN into a more detailed scope of work before approval of this and delivery begins. The scope will detail key deliverables and include costs for deliverables (fee rate and no of days), the level of expertise and experience aligned to the allocated Flexible Demand-led TA resourced pool budgeted for in ITT Volume 3 cost proformas Tab 2.3 Each allocated requirement, when approved by FCDO, will then be deducted from the remaining total of Flexible Demand-Led TA contract days budgeted for in the contract. The resourced flexible Demand-Led TA pool must have designated days allocated, appropriate to job family categories, and not presented as a TA fund to draw down from. Payment will be based on achievement of the respective Scope deliverables. There will be some flexibility for quicker mobilisation of

small-scale support outside of the Concept Note route where operational needs dictate – this will be agreed with FCDO during the Inception Phase.

Reporting requirements

- An Inception report submitted two weeks before the end of the Inception period, detailing
  - Diagnostic assessments on the two main pillars (SoE reform and PIM/PPP), with consideration of priority sectors (likely to include energy and logistics)
  - Assessment of any GOE improvement strategies in the priority areas and an outline of relevant support from other stakeholders including donors
  - A workplan for the first 18 months of the implementation phase
  - Assessment of GoE appetite for the suggested focal areas
  - A proposed approach to results monitoring including a draft logframe, to be nested within the overall EIAFII logframe
  - Detailed risk management framework
- In the implementation phase, quarterly progress and financial reports, annual reports to coincide with the EIAFII Annual Review cycle, and monthly meetings with the FCDO programme team
- A transition / exit report, no less than six months before the end of the contract
- Project closure report within one month of programme end date

10. Key Performance Indicators

During the Inception phase FCDO will finalise the Supplier Performance Assessment Framework. Annex B details SMART targets and weightings for each of the following KPIs which are indicative and will be ratified during the Inception phase between FCDO and the Supplier:

1. **Engagement** - FCDO/GoE/other donors (e.g. Coordinating and attending steering and technical committees, attending regular meetings with stakeholders, informing the FCDO of emerging issues in a timely manner); responding where relevant/possible to emerging needs/CNs.
2. **Strategy and Quality** - The Supplier maintains a high quality of delivery using robust workplans, delivering call-down activities and project monitoring and learning.
3. **Financial Management** - The Supplier maintains a high level of financial management, delivering the programme on budget with accurate forecasting and timely reporting
4. **Tackling Economic Inequality** - Create new businesses, new jobs and new skills in the local Ethiopian context.

Annex B also provides a list of KPIs and indicative targets which will be ratified during the Inception phase. A scoring mechanism will be applied based on regular supplier performance meetings and the % Core team fees held at risk.

11. Payment Structure

A combination of payment approaches will be used, to be determined in the contracting phase.

In the Inception phase, payment will be linked to the following milestones:

- Milestone 1: An agreed delivery plan for the Inception phase
- Milestone 2: Diagnostic reports for the main pillars (including any priority sector analysis) with indicative activities agreed with the FCDO programme team

- Milestone 3: a finalised Inception report with a workplan and proposed activities for the first 18 months

<u>In the implementation phase, payments will be structured as a mix of the following:</u>

- Payment by performance, linked to a set of Key Performance Indicators as above, to be refined during the Inception phase. Some payments will be held at risk, and the Supplier must detail the proportion of Core Team fees applied in each invoice submitted along with the proportion placed at risk. To clarify, the fee % held at risk means the apportioned amount retained by FCDO until performance scoring meets the agreed scoring target (300). The Supplier will propose the % of Core Team fees and any proposed Embedded Advisor fees to be held at risk in their bid submissions and will be evaluated accordingly as part of the commercial evaluation process. (FCDO anticipate the placement of Embedded Advisors will be determined during the Inception Phase.)
- Payment of discrete short term TA requirements will be on successful delivery of key objectives identified in the Concept note. Concept Notes will provide timelines, deliverables, inputs, costs as a minimum. FCDO will agree with the supplier during the Inception period the framework for short term call-downs. .
- Reimbursement of expenses in arrears.

12. Sustainability

The programme will need to be designed with sustainability in mind from Inception. After completion of the programme, the supplier will be expected to have made a measurable difference to the technical capacity of the beneficiaries of the programme and handed over all new tools, deliverables and strategies to a local team capable of taking forward relevant lessons and next steps. Where embedded advisors are in place, by the end of the programme they should have handed over all key tasks to their host departments. In addition, the programme should consider how to build local Ethiopian capacity over the lifetime of the contract, including delivering through Ethiopian local partners, and talent development of the Ethiopian staff employed in the delivery of the programme.

13. Break Points

The contract will include break points at i) the end of the Inception phase (31 October 2025), ii) 31 March 2026 iii) 31 March 2027, (iv) 31 March 2028, and (v) alignment with UK Government Spending Reviews and ODA budget allocations.

Continuation of the contract beyond the break points will be dependent on supplier performance, available ODA budget, the impact of the programme, and continuing need.

14. Scale up / down options

<u>Scale up:</u>

The FCDO may scale up or extend the programme in any of the following circumstances:

i. Where the programme has demonstrated to have had a strong impact and has the potential to yield better results;
ii. Responding to emerging GoE priorities or needs;
iii. Delivering additional outcomes to the underpinned outputs;
iv. Delivering additional high-level outputs.

The second-year-end programme review point will be used as an opportunity to consider extending the length, scale and/or value of the contract to deliver additional outcomes that are underpinned by the outputs detailed in these terms of reference. Any extension or scale-up shall be subject to supplier performance, achievement of outputs as well as FCDO Business Case Addendum approval. There is the potential to add up to £8m and a time extension of 24 months.

Scale down:

FCDO reserves the right to scale down or discontinue this programme at any point in line with the Terms and Conditions. Scaling down is at FCDO's discretion, and may occur for several reasons, including but not limited to a change in the security and/or political circumstances of the country; political economy reasons; or shortage of funds.

A political economy reason is a change in the situation of the security environment, government stability, corruption, or delays in necessary government engagement in specific areas such that they affect the effective delivery in those specific areas and it is not possible to make a reasonable adjustment to the programme in an appropriate timeframe.

Any such changes will be fully communicated to the supplier and implemented in accordance with the terms and conditions.

15. Monitoring, Evaluation and Learning (MEL)

The supplier will be expected to embed best practices in monitoring, evaluation and learning to ensure maximum VFM over the duration of the contract.

In addition, an independent supplier will be contracted for monitoring, evaluation and learning across the whole of the EIAF II programme. This may also include a component of political economy analysis to support the delivery of this contract and wider elements of the EIAF II programme.

Mandatory Requirements

16. GDPR

All activities will need to comply with data protection legislation. Under this contract the Parties are independent controllers. Please refer to the details of the GDPR relationship status and personal data (where applicable) for this project as detailed in Appendix A below and the standard clause 33 in section 2 (FCDO Standard Terms and Conditions) of the contract.

17. Duty of Care to Suppliers

The supplier is responsible for the safety and well-being of their personnel and third parties affected by their activities, including appropriate security arrangements. They will also be responsible for the provision of suitable security arrangements for their domestic and business property.

The supplier is responsible for ensuring appropriate safety and security briefings for all their personnel, including contractors, and ensuring that their personnel register and receive briefing as outlined above. Travel advice is also available on the FCDO website and the supplier should ensure they (and their personnel) are up to date with the latest position. Ethiopia travel advice - GOV.UK (www.gov.uk)

The supplier is responsible for ensuring that appropriate arrangements, processes and procedures are in place for their personnel, including downstream partners, considering the environment they will be working in, and the level of risk involved in delivery of the services (such as delivering in conflict and crisis-affected areas). The supplier should ensure their personnel receive safety-in-the-field training prior to deployment if judged necessary.

Bidders must develop their tender based on being fully responsible for Duty of Care in line with the details provided above and the initial risk assessment matrix developed by FCDO. 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.

Acceptance of responsibility must be supported with evidence of capability and FCDO reserves the right to clarify any aspect of this evidence. The TA Delivery Partner will be required to include a statement that they have duty of care to all programme stakeholders and their own staff, and that they will comply with the ethics principles in all programme activities. Their adherence to this duty of care, including reporting and addressing incidences, should be included in both regular and annual reporting to FCDO.

18. Delivery Chain Mapping

FCDO requires details of the organisations working within the delivery chains of directly contracted partners. As part of the contractual compliance checking process, the Supplier will be required to submit returns providing these details, as a minimum on an annual basis. As a minimum, it should include details of: the name of all downstream delivery partners and their functions; funding flows (e.g. amount, type) to each delivery partner; high level risks involved in programme delivery (including around modern slavery and safeguarding), mitigating measures and management controls.

19. UK Aid Branding

The Supplier that receives funding from FCDO must discuss and gain prior approval from FCDO to use the UK International Development logo on their development and humanitarian programmes to be transparent and acknowledge that they are funded by UK taxpayers. The Supplier should also acknowledge funding from the UK government in broader communications, but no publicity is to be given to this Contract without the prior written consent of FCDO. The Supplier must adhere to UK aid branding guidance.

20. Safeguarding

FCDO maintains a zero-tolerance approach to sexual exploitation and abuse by the Supplier, which includes their downstream partners. In this programme, this means suppliers, members of the consortium and any partner organisations. The FCDO expects its partners to follow our lead and robustly consider social safeguards through their own processes. The capacity of our partners to do this and their effective performance will be a key risk assessment factor in programme design, delivery and monitoring and evaluation.

21. Transparency

FCDO requires all Suppliers receiving and managing money, to release open data on how this money is spent, in a common, standard, re-usable format and to require this level of information from immediate sub-contractors, sub-agencies and partners.

It is a contractual requirement for the Supplier to comply with this, and to ensure they have the appropriate tools to enable routine financial reporting, publishing of accurate data and providing evidence of this FCDO – further information is available from: www.aidtransparency.net.

The Supplier will need to keep records of all work and expenditure, as per clause 15.1 of the standard T&Cs, in a form which can be transferred to FCDO and available upon request, for example for FCDO internal audit, National Audit Office (NAO), the Independent Commission for Aid Impact (ICAI), and so on.

22. Taxes and Registration

Budget values are inclusive of all local government Taxes and exclusive of UK VAT. The Supplier is responsible for establishing the status of this requirement for any government tax in the UK and in Ethiopia. All applicable taxes must be shown in Pro Formas as this will form part of the commercial evaluation. Tenderers must supply either, a statement confirming they have investigated the tax position and advising tax (no tax) is applicable OR must provide a figure in the proforma of the tax due under any contract. The Supplier must also comply with Ethiopian tax law and applicable registration (s) to operate in country. The budget will not be increased to allow for additional taxes.

23. Risks

Bidders will include in their proposal the key risks that they perceive and how they plan to manage and mitigate them. The submitted risk matrix will then be refined and finalised during the Inception phase. The TA Delivery Partner will be expected to update and report on the programme's risk matrix as part of the regular quarterly reporting requirements.

Some of the key risks that FCDO has already identified, and which the Supplier is expected to elaborate on and address in addition to other risks, include:

- Political / Conflict: Domestic or regional conflicts escalate and undermine political stability.
- Political: Political resistance to ambitious reform programmes weakens the government's ability to progress implementation or otherwise commit to action
- Political: Conflicting GOE priorities mean work is undermined by other areas of government
- Operational: Changes in key Government senior level officials and technical staff involved in EIAFII-related operations result in a weakening ability to deliver the programme and its objectives
- Operational: Lack of coherent, prioritised and sequenced reform plans in GOE departments result in a weakening ability to deliver the programme and its objectives

PART 3 – SUPPORTING INFORMATION

24. Context

i. Ethiopia sustained one of the world's highest rates of output growth for almost two decades (2004 – 2019), with a state-led development model. Between 2002 – 2010 efforts to raise agricultural productivity supported large reductions in poverty and improvements in health and education. From 2010 the governments Growth and Transformation Plans (I and II) focused on industrialisation through large investments in public infrastructure. But the financing of this investment was unsustainable. A growing reliance on external borrowing, mobilisation of domestic financing through financial market distortions, which provided subsidised credit to state owned enterprises, and an overvalued exchange rate, to subsidise imports for public investments, led to growing macroeconomic imbalances. These supressed the private sector and lowered prospects for continued progress.

ii. By 2017 this model had reached its limits: external vulnerabilities were increasing, the exchange rate was overvalued (leading to FX shortages in the markets), import demand was high, goods export growth underperformed, and external debt servicing needs steadily rose. Critically, the model did not result in sustained structural transformation of the economy – the movement of factors of production from low productivity to higher productivity sectors – and the dominance of SOEs crowded out the private sector while concentrating financial and fiscal risks.

iii. A programme of support was agreed with the IMF and World Bank (WB) in 2019. Significant concurrent external shocks affected Ethiopia from 2020 (covid, drought, import price shocks, monetary tightening) and combined with internal conflict to derail international support – including the IMF and WB programmes - and severely exacerbate macroeconomic challenges. By the start of 2024, Ethiopia's official exchange rate was one of the most overvalued in the world leading to severe foreign exchange shortages and very limited foreign exchange reserves. The official rate (~ETB 57: 1 USD) was around half the parallel rate (~ETB 120: 1 USD), which more closely approximates a market value, and international reserves fell below 2 weeks imports. Vulnerability to an external payments crisis was high and would have severely harmed poor and middle-class households.

iv. Annual inflation has been in double digits since 2017 and above 20% since 2020, stimulated by external shocks and monetary financing of the fiscal deficit. Sharp real wage declines have resulted, weakening state capacity, and correlating with a rapid increase in perceptions of corruption.

v. Tax as share of GDP fell steadily from 2014 and Ethiopia has experienced one of the largest global declines in this ratio, only exceeded by situations of full state collapse. Ethiopia is currently in debt distress. All credit ratings agencies have steadily downgraded Ethiopia's credit rating since 2014. Most recently S&P downgraded Ethiopia to 'Selective Default' (SD) when Ethiopia failed to meet Eurobond obligations in December 2023.

vi. In July 2024 Ethiopia secured a new package of support from the IMF and WB to fill a large external financing deficit. These programs involve significant reforms, including to the exchange rate, the financial sector, the fiscal budget, and liberalisation of State-Owned Enterprises (SOEs). These are deep reforms that will be politically challenging to implement.

vii. In 2022 *per capita* output growth was 2.7%. At this level, starting from GDP *as measured by the official exchange rate*, it would take Ethiopia around 26 years to reach Kenya's current level of GDP per capita. But the recent exchange rate reform will formalise the reality that Ethiopia's GDP measured in US dollars is significantly lower than acknowledged by the GOE (perhaps almost half) – a challenging political admission that will see a much longer path for convergence unless Ethiopia's economic performance can sharply improve.

viii. A new public wealth fund, Ethiopian Investment Holdings (EIH) was launched in 2022. EIH has developed a clear reform strategy for the 26 SOEs that it oversees – the recently approved Subsidiary Transformation Programme. However, implementation capacity and SOE governance remain key challenges to its successful implementation.

ix. Ethiopia has put in place a reformed Public Investment Management (PIM) governance structure (with support from EIAF II through a WB multi-donor trust fund). PIM and Public Private Partnership (PPP) legislation has been passed and PIM and PPP Units have been put in place in the Ministry of Planning and Development (MOPD) and Ministry of Finance (MOF) to implement the legislation. This provides an overarching institutional framework for all public investment (inc. SOEs), PPPs, and climate finance. While this legislation is a step in the right direction, implementation capacity is a key issue both within the Units and across government.

PART 4 – Further Information

- Recently approved Amendment to EIAF II business case (due to be published on DevTracker)
- To come - any relevant material on PIM, PPP, and SOE Reform that may be complete from EIAF I or EIAF II (through MDTF).
- https://iati.fcdo.gov.uk/iati_documents/60056334.odt (EIAF II Business case)
- https://iati.fcdo.gov.uk/iati_documents/D0003632.odt (EIAF II BC addendum1)
- https://iati.fcdo.gov.uk/iati_documents/D0005279.odt (EIAF II BC addendum 2)
- https://iati.fcdo.gov.uk/iati_documents/90000994.odt (EIAF I PCR)
- https://iati.fcdo.gov.uk/iati_documents/D0004271.xlsx (EIAF II logframe)
- https://iati.fcdo.gov.uk/iati_documents/D0004611.odt (EIAF II annual review 2024)
- https://iati.fcdo.gov.uk/iati_documents/D0002602.odt (EIAF II annual review, 2023)

- Appendix A – GDPR Schedule of Processing, Personal Data and Data Subjects

Appendix A:

Schedule of Processing, Personal Data and Data Subjects

This schedule must be completed by the Parties in collaboration with each-other before the processing of Personal Data under the Contract.
The completed schedule must be agreed formally as part of the contract with FCDO and any changes to the content of this schedule must be agreed formally with FCDO under a Contract Variation.

Description	Details
Identity of the Controller and Processor for each Category of Data Subject	The Parties acknowledge that for the purposes of the Data Protection Legislation, the following status will apply to personal data under this contract 1) The Parties acknowledge that Clause **33.2** Protection of Personal Data and **33.4** Section 2 of the Framework Agreement shall not apply for the purposes of the Data Protection Legislation as the **Parties are independent Controllers** in accordance with Clause 33.3 in respect of the following Personal Data: • Ethiopia Investment Advisory Facility 2 2) For the avoidance of doubt the Supplier shall provide **anonymised data** sets for the purposes of reporting on this project and so FCDO shall not be a Processor in respect of Ethiopia investment advisory Facility 2 as it does not constitute Personal Data.
Subject matter of the processing	
Duration of the processing	
Nature and purposes of the processing	
Type of Personal Data [and Special Categories of Personal Data]	
Plan for return and destruction of the data once processing complete.	**(UNLESS requirement under EU or European member state law to preserve that type of data)**

Appendix B – Indicative KPIs, Scoring Mechanism and Targets

The performance payment model will be finalised during the Inception period, but payment will be made against the following scoring methodology with the proposed % fees held at risk. The Supplier will have the opportunity to recover fees held at risk through improved performance.

Individual KPI Score	Performance Score Achieved (max available 400)	Criteria	Held at Risk
4	300+	Met	0
3	Between 240 and 299	Approaching Target	25% retention of fee (at risk) element withheld
2	Between 200 and 239	Requires Improvement	50% retention of fee (at risk) element withheld
1	Under 200	Inadequate	100% retention of fee (at risk) element
Example *Proposed 20% of Core Team Fees held at risk.* *Performance score Achieved = 250* *Core Team fees invoice = £50,000* *Amount of Fees at Risk = £10,000* *Fees retained = £2,500*			

Supplier Performance KPIs, Target, Weightings and scoring criteria indicated below. **When submitting invoices the Supplier must clearly distinguish Core Team costs and the amount potentially to be withheld/held at risk.**

Supplier Performance KPI	Targets	Weighting	Evidence	Score - 4 Criteria Met	Score – 3 Approaching target	Score – 2 Requires Improvement	Score – 1 Inadequate
1. Engagement FCDO/GoE/other donors (e.g. Coordinating and attending steering and technical committees, attending regular meetings with stakeholders, informing the FCDO of emerging issues in a timely manner); responding where relevant/possible to emerging needs/CNs.	1a) Timely response to CN commissions 1b) Operational progress and strategy progress meetings effectively managed by the Supplier 1c) Core Team and Technical Leads are responsive to requests 1d) Effective coordination of donors working in relevant areas	30%	• Monitoring reports • Steering meetings regularly scheduled • CNs proposals • GoE feedback	Effective engagement with key stakeholders on GoE side Concept Notes/commissions responded to and submitted on agreed date and meetings delivered to time. Appropriate responses provided within timeframe requested Donor activity coordinated effectively (e.g. quarterly meetings)	Minor issues arising and slight delays to responses. GoE raise concerns on lack of engagement.	Poor coordination of activities by PMU with duplication and requests not being responded to within 3 working days. GoE formally raising informal complaint due to lack of engagement.	Multiple complaints on lack of engagement. Responses to commissions longer than 3 working days without justification. GoE raising a formal complaint and requesting FCDO intervention.

2. Strategy and Quality **The Supplier maintains a high quality of delivery using robust workplans, delivering calldown activities and project monitoring and learning**	**2a) High quality workplans developed and delivered each year and overall direction of the programme on track** **2b) Interventions contributing to intended outcomes under the EIAFII programme to the extent controlled by the supplier** **2b) Quality monitoring of results, screening and learning applied on proposed activities and projects by the Supplier**	**50%**	• **High performing PMU** • **Successful and speedy placement of embedded advisors and call-down assistance** • **Deployment of emerging technologies** • **Concept Note commissions successfully delivered** • **Feedback from FCDO and GoE ministries** • **Evidence of impact on GoE policymaking, capacity and investment** • **Mechanisms in place to monitor results and ensure effective learning from interventions**	**Workplan on track** **Embedded advisors mobilised in the required timelines and performing with no complaints** **95% Concept Note commissions within control of Supplier delivered as per agreed timelines** **Call-down technical assistance projects delivered to unlock key reforms, progress pipeline deals and provide targeted support to regulators** **Consistently positive feedback from GoE and evidence of positive impact on priority outcomes**	**Minor delays to workplan delivery** **Short overruns on calldown activities or delays to mobilisation** **85% Concept Note commissions within control of Supplier delivered as per agreed timelines** **Replacement of 1 embedded advisor due to ineffectiveness** **Generally positive, but with some negative feedback from GoE on effectiveness of interventions**	**Workplan offtrack and short overruns on calldown activities** **75% Concept Note commissions within control of Supplier delivered as per agreed timelines** **Complaints of more than 1 embedded advisor due to ineffectiveness** **Mixed feedback from GoE on effectiveness of interventions**	**Minor delays to workplan delivery** **Short overruns on calldown activities** **<75% Concept Note commissions within control of Supplier delivered as per agreed timelines** **Embedded advisors continuously replaced due to ineffectiveness** **Negative feedback on effectiveness of interventions**

3. Financial Management **The Supplier maintains a high level of financial management, delivering the programme on budget with accurate forecasting and timely reporting**	**<5% forecasting variance each quarter** **Timely invoice submission Consistent approach to value for money embedded throughout delivery**	**10%**	• **Quarterly financial forecasts** • **Quarterly financial reports** • **Invoices** • **Clear focus on economy and efficiency in delivery of workplan**	**<5% variance** **Submission on agreed date**	**6-7% variance** **Not Applicable**	**8-9%** **< 5 day late**	**≥10%** **> 5 days late**
4. Create a diverse supply chain to deliver the contract including new businesses and entrepreneurs, start-ups, SMEs, VCSEs and mutuals. MAC3.1	● Activities that demonstrate a collaborative way to work with a diverse range of businesses as part of the supply chain. Advertising of supply chain opportunities openly and to ensure they are accessible to a diverse range of businesses,	**10%**	**For each of the following categories:** ○ **start-ups** ○ **SMEs** ○ **VCSEs; and** ○ **mutuals:** ■ **The number of contract opportunities awarded under the contract.** ■ **The value of contract opportunities awarded under the contract in £.** ■ **Total spend under the contract, as a percentage of the overall contract spend.**	**Target to be set in Mobilisation phase**	**Target to be set in Mobilisation phase**	**Target to be set in Mobilisation phase**	**Target to be set in Mobilisation phase**

Supplier's Technical Proposal (Tender)

Information has been withheld under Section 40 (Personal Information) and Section 43 (Commercial Interests) of the Freedom of Information Act 2000 (FOIA 2000).

Supplier's Commercial Proposal (Price Schedule)

Information has been withheld under Section 40 (Personal Information) and Section 43 (Commercial Interests) of the Freedom of Information Act 2000 (FOIA 2000).