



STATEMENT OF REQUIREMENTS

Supporting Brazil's Energy Transition
Brazil Prosperity Fund Programme – Energy

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DEFINITIONS

Activities: The actions a programme will do (e.g. arrange training programmes for policymakers).

Additionality: Refers to the additional value derived from the successful implementation of the Programme interventions as opposed to a business as usual scenario without the Programme interventions.

Authority: The Secretary of State for Foreign and Commonwealth Affairs of the Foreign and Commonwealth Office, King Charles Street, London SW1A 2AH.

Brazil Trade Programme: The strategic objective of the Prosperity Fund energy programme is to support Brazil's low carbon transition to secure, affordable and clean energy which powers its economic development. The Fund will pilot technologies and support better regulation which support Brazil in meeting its Nationally Determined Contribution (NDC) targets, ensuring increased access to clean and affordable energy and electricity to support inclusive growth, gender equality and poverty reduction. It will do this by tackling the main obstacles to reliable and sustainable energy and by fomenting investment and leveraging private finance in R&D to develop the technology necessary for this transition.

Continuous Improvement: Ongoing effort to improve products, services or processes. These efforts can seek "incremental" improvement over time or "breakthrough" improvement all at once. Process often includes:

Plan: Identify an opportunity and plan for change.

Do: Implement the change on a small scale.

Check: Use recollected data to analyse the results of the change and determine results.

Act: When successful results are achieved, implement it on a wider scale and continuously assess your results. If the change did not work, begin the cycle again.

Delivery Partner: A partner organisation that will lead on project and programme delivery.

Good Industry Practice: The exercise of the degree of skill and care, diligence, prudence and foresight which would reasonably and ordinarily be expected from a skilled and experienced contractor engaged in activities of a similar scope and complexity to those that are the subject of a contract and under the same or similar circumstances, where such contractor is seeking to comply with its contractual obligations and all applicable Law and Regulatory Requirements.

Governance: Proposed framework of responsibilities and accountabilities for the management and control of the Programme.

Impact: The long-term change in Programme to which the Programme contributes. This is the higher level situation the Programme will contribute towards achieving.

There must also be understanding and awareness what other actors and contextual factors are doing to achieve impact.

Indicators: A measurable value used to monitor project delivery and the resulting consequences, for example “Number of training sessions run”. These should have units of Quality, Quantity and Time. These do not have to be based exclusively on a numerical scale (e.g. “high/medium/low” satisfaction ratings).

Inputs: The factors/resources required to perform an activity and deliver an Output, such as funding, materials, staffing (e.g. a classroom and practitioners are inputs to run training sessions).

Logframe: The set of indicators, logical linkages and targets assigned at Input, Output, Outcome, and Impact level for the Programme.

MREL (Acronym): Monitoring, Reporting, Evaluation, and Learning. MREL will support feedback on the progress that the programmes are making, and to measure that impact, the Prosperity Fund has put in place a dedicated MREL strategy, providing support to programmes to evaluate and monitor their activities. It will also measure how the Fund impacts on its primary objective of economic development in partner countries and the secondary objective to create opportunities for international business including UK companies. A key feature of this framework is a dedicated strand of work on learning, to ensure that programme and portfolio managers are supported in assessing what is working.

<https://www.gov.uk/government/publications/prosperity-fund-monitoring-reporting-evaluation-and-learning>

Outcomes: The longer-term changes that the Programme seeks to effect (e.g more, and better-skilled women entrepreneurs able to sustain businesses, create jobs and educate their families).

Output: Specific direct deliverables of the Programme as a result of the activities. Describes the immediate effects programme activities have (e.g. Women entrepreneurs attend the training in financial management).

Prosperity Fund (“PF”): The Prosperity Fund is a multi-year, Cross-Whitehall, £1.2 billion fund to promote economic reform and development needed for growth in UK partner countries. The PF’s primary objective is to remove barriers to economic growth in order to reduce poverty. The PF includes both bilateral country programmes (e.g. China) and global programmes (skills, health, infrastructure, anti-corruption, trade etc).

Technical Assistance (“TA”): A programme component which develops a suite of best-in-class methodologies or processes for infrastructure delivery which creates the long-term conditions to facilitate more sustainable, commercially viable and high quality Belt and Road infrastructure projects.

Value for Money (“VfM”): The Programme should ensure VfM by seeking ways to save cost, time and effort (economy), deliver the same level of service for less cost, time or effort (efficiency) and deliver a better service or secure a better return for the same amount of cost, time or effort (effectiveness).

ENERGY TERMS

SDG (Acronym) - Sustainable Development Goals: 17 global goals set by the United Nations General Assembly in 2015 for sustainable development.

Greenhouse Gas: Is a type of gas that absorbs and emits radiant energy within the thermal infrared range. Greenhouse gases cause the greenhouse effect.

Paris Accord - The Paris Agreement is an agreement within the United Nations Framework Convention on Climate Change, dealing with greenhouse-gas-emissions mitigation, adaptation, and finance, starting in the year 2020.

NDC (Acronym) - Nationally Determined Contribution: achievement of these long-term goals. NDCs embody efforts by each country to reduce national emissions and adapt to the impacts of climate change.

IBAMA (Acronym) - Brazilian Institute of the Environment and Renewable Natural Resources

EPE (Acronym) - Energy Planning Agency

ANP (Acronym) - National Petroleum Agency

ICF (Acronym) - International Climate Fund

H&S (Acronym) – Health & Safety

ODI (Acronym) – Overseas Direct Investment

R&D (Acronym) – Research & Development

Clean technologies - is a general term used to describe products, processes or services that reduce waste and require as few non-renewable resources as possible.

CO₂ - Carbon dioxide (chemical formula CO₂)

GWh - Gigawatt hours

UKEF (Acronym) – UK Export Finance

ICF (Acronym) - International Climate Finance

SIP (Acronym) - Sustainable Infrastructure Programme

GEA (Acronym) Gender and Equality Act

CCUS (Acronym) - Carbon Capture Use and Storage: is a technology that can capture up to 90% of the carbon dioxide (CO₂) emissions produced from the use of fossil fuels in electricity generation and industrial processes, preventing the carbon dioxide from entering the atmosphere

1. BACKGROUND

- 1.1 The Prosperity Fund was announced in the 2015 Strategic Defence and Security Review, and represents a key component of the prosperity pillar of the UK Aid Strategy. It is a cross-government fund that aims to reduce poverty through inclusive economic growth. Many developing countries, including middle income countries where around 70%¹ of the world's poor live, still face considerable challenges such as rapid urbanisation, climate change and high and persistent inequality, including gender inequality, which can lower long-term growth prospects.
- 1.2 The Prosperity Fund supports the broad-based and inclusive growth needed for poverty reduction to make development sustainable in line with the International Development Act (2002), the Gender Equality Act (2014) and the Sustainable Development Goals (SDGs). The UK has expertise in a range of sectors which countries will need as they develop, including education, healthcare, finance and infrastructure. Helping partner countries develop these sectors and improve their business environment will give firms and people, greater opportunities to work in a stronger, more productive economy.
- 1.3 The Fund also seeks to improve trade links between partner countries and the rest of the world, including the UK. Higher growth in a partner country offers greater trade opportunities for international and UK business.
- 1.4 The Brazil Prosperity Fund Programme consists of a total of four Strands (see table below). This procurement is for the Energy Strand (the "Strand") to provide policy reform, capacity building, Technical Assistance and innovation pilots until 31/03/2023 to address the current market failures in the energy sector that impede Brazil's economic growth, unlocking increased prosperity for Brazil and the UK.

Brazil Prosperity Fund Programme	Value (up to)
Energy	£20 - 25m
Green Finance	£3-5m
Trade	£12 - 14m
Future Cities	£7-10m

¹ <http://www.worldbank.org/en/country/mic/overview>

- 1.5 The Brazil Prosperity Fund Programme is classified as Official Development Assistance (ODA). As such, all spend under the programme must be fully ODA compliant and fulfil the legal requirements of the UK International Development Act (see Annex A). It must also deliver both primary and secondary benefits. All Official Development Assistance (“ODA”) funding is entirely untied aid.

Programme Context

- 1.6 Brazil's future development depends on generating sufficient energy to power its economic growth. By 2030, Brazil's total energy demand is estimated to increase by 60%². Electricity demand is expected to increase by 80%, requiring 349TWh³ of further generating capacity.
- 1.7 Brazil is the world's seventh largest greenhouse gas emitter. The energy sector is the second highest emitter (after agriculture) contributing 36.6% of Brazil's CO₂. Through the Paris Accord, Brazil is committed to reducing greenhouse gas emission by 37% by 2025 and 43% by 2030. This also includes commitment to sourcing 33% of its energy from non-hydro renewable sources by 2030, including 27% of electricity from solar, wind, and biomass by 2024.
- 1.8 Brazil energy matrix is the most diverse in the world with over 40% coming from renewable sources. However, due to droughts and unpredictable seasonal variations, it can no longer rely on hydro, which accounts for around 70% of Brazil's electricity.
- 1.9 Brazil therefore needs to meet future energy needs from a wider range of renewable technologies and manage its power network effectively to integrate these technologies. To absorb intermittent generation and integrate renewables into its electricity grid, a wider range of technologies – such as storage and smart grids – need to be demonstrated and deployed at scale.
- 1.10 Brazil's pre-salt oil and gas reserves are critical for its economic growth and human capital development, employing 1.2m people and contributing 10% to GDP. In 2015, it generated tax revenues of over £21bn and directly channelled £275m of royalties to healthcare and education as mandated by law. The mandatory 1% levy on gross profits, which oil and gas and electricity companies have to spend on research and development (R&D), has the potential to play a greater role in R&D investment in low carbon solutions, including in second generation biofuels, wind, solar and gas.




² Our estimates adapted from the National Energy Plan

1.11 The Temer administration prioritised the development of the natural gas market to balance the energy systems to support integration of renewable energy into the grid. The new incoming administration has indicated that energy will remain a priority sector and have released 15 pledges⁴ for its development. The priorities identified in the Energy Programme remain aligned to these pledges but should be reassessed during the inception phase.

1.12 The energy infrastructure challenge alone is substantial. Estimates puts the cumulative investment required at £365bn in power generation (including renewables), oil and gas, and liquid biofuels sectors to meet projected growth.⁵ Investment will need to improve operational efficiency in electricity grids, e.g. smart grids, (where the costs of power losses from inefficient systems and theft, estimated at 42%, are currently passed on to paying consumers), renewable energy integration, and demand-side response.


1.13 An effective transition will require a combination of clear decision-making, consistency in government policy, long-term planning, and a commitment to tackling transmission challenges to accommodate renewable energy in the power system.

1.14 Suppliers should ensure that the scope of the work as detailed in this Statement of Requirements (SoR) is aligned to the following SDG goals.

SDG Goals	SDG targets	Programme impact
	Ensure that the poor have equal rights to economic resources and basic services	Poorer urban households (favelas) and women benefit from clean, affordable, reliable and safe energy as consumers and as producers, employees, entrepreneurs and owners of small businesses
	Ensure women's full and effective participation and equal opportunities in economic life	Improve gender diversity and women's participation in the energy sector.
	Ensure access to affordable, reliable, sustainable and modern energy for all	Support/increase the adaptation of new technology to support integration of renewable energy into the main grid; improve energy efficiency in operation and production; leverage the knowledge, experience and technology of all players for collaboration on energy solutions and long-term energy policy; improve the safe and reliable access to electricity in poorer urban areas and energy poor regions of Brazil.

⁴ <https://epbr.com.br/15-promessas-de-jair-bolsonaro-para-a-area-de-energia/>

⁵Adapted from Brazil's 10-year Energy Plan (EPE 2015) with insights from the Carbon Trust on specific sectors

	13.2 Integrate climate change measures into national policies, strategies and planning	Programme aligned to Brazil's low carbon transition plan and in support of Brazil's NDC ambition; support/increase the adaptation of new technology to integrate renewable energy into the main grid; Support/increase technologies to reduce GHG.
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2. OBJECTIVE

2.1 The strategic objective of the Prosperity Fund energy programme is to **support Brazil's low carbon transition to secure, affordable and clean energy which powers its economic development**. The Fund will pilot technologies and support better regulation which support Brazil in meeting its Nationally Determined Contribution (NDC) targets, ensuring increased access to clean and affordable energy and electricity to support inclusive growth, gender equality and poverty reduction. It will do this by tackling the main obstacles to reliable and sustainable energy and by fomenting investment and leveraging private finance in R&D to develop the technology necessary for this transition.

2.2 The Programme will focus on the following core areas:

- Policy and regulation: Improve energy policy, regulation and planning, increase competition, share international best practice and business models across the energy sector, creating an open and transparent business environment that encourages investment in natural gas market development; sustainable decommissioning; 2nd generation biofuel and 'waste to fuel' bio gas; and improves integration of wind and solar energy into the grid;
- R&D and Innovation: Provide and stimulate investment in innovative technologies demonstrating 'what works' to enable Brazil to diversify energy production from a wider range of renewable sources leveraging co-financing including through the 1% levy. The Delivery Partner will have responsibility for the design, selection of partners through competition, and implementation of innovative pilots on e.g, smart grids, energy storage, second-generation biofuels/biogas, and demand side response.
- Evaluate the impacts of the pilots from economic, social and environmental points of view. Compare pilots that address the same Outcome to assess which delivers best value for money in terms of economy, efficiency, effectiveness and equity.
- Seed fund the development of pipelines of technical and business cases for viable investment projects to scale out the pilots, working with government (municipal, state, federal) and finance institutions.
- Capacity building and Technical Assistance to key Brazilian stakeholders, i.e. IBAMA (Brazilian Institute of the Environment and Renewable Natural Resources), EPE (Energy Planning Agency) and ANP (National Petroleum Agency) to improve environmental impact assessment, long-term planning, and health and safety.

- **Incubator:** The programme will incorporate an ‘incubator’ to provide flexible funding for small ad-hoc innovative projects not included in the main programme. Ideas and funding requests can be made also by third parties but all proposals will need the approval of the Prosperity Fund Programme Board (hereafter “the Board”).

2.3 The programme should interface and seek linkages with the Prosperity Fund Green Finance and International Climate Fund (ICF), Sustainable Infrastructure Programme in Brazil. These have potential to address financial and pipeline development constraints to rolling out at scale, innovation demonstrated by the energy pilots.

Problem statement

2.4 The key problems that this programme aims to address are:

- Complexity and limited predictability of regulatory environment;
- Price control policies and tariff structures which are inadequate to foster sustainable power sector innovation;
- Uncoordinated use of R&D and Innovation with gaps and not linked to policy changes;
- First-mover risk aversion for deployment of new technologies / approaches;
- Renewable energy integration;
- Capacity gaps: availability of skills, guidelines, technical support and advice;
- Operational efficiency of energy transmission and losses;
- Insufficient environmental standards and/or applied too slowly;
- Lack of pipelines of investment-ready project technical and business cases for innovative technologies.

2.5 The Service Delivery Partner (hereafter “Delivery Partner”) is invited to tender to design and deliver a programme, which achieve the following Outcomes and impacts:

Direct Outcomes

- **Outcome 1:** An effective and transparent regulatory environment that supports bridging and transition towards increased (non-hydro) renewable sources of energy;
- **Outcome 2:** A more competitive and efficient energy market; including strong environmental regulation that meets international standards of efficiency and value for money.
- **Outcome 3:** Adoption of new clean technologies;
- **Outcome 4 Crosscutting:** improvement in the safe, affordable and reliable access of energy to poorer households (esp. female headed)

- **Outcome 4.1 Crosscutting:** increase in the number of energy companies with effective gender inclusion policies.

Programme Outcome	Indicative Success Metrics
Outcome 1: An effective and transparent regulatory environment that supports bridging and transition towards increased (non-hydro) renewable sources of energy	<p>Stable and predictable regulatory environment resulting in:</p> <ul style="list-style-type: none"> - a competitive market orientated gas market including further integration of gas and power markets - growth in production and use of second generation biofuels and bio gas, - expansion and faster connection of renewable energy and storage into the main grid - a competitive local supply chain - Improved use of the 1% levy towards R&D investment in key targeted clean energy technology - environmentally safe and sustainable decommissioning of old oil and gas platforms in line with international standards - a regulatory framework for offshore wind - Strengthened environmental and H&S policies to international standards of transparency, efficiency and value for money. <p><u>Secondary Benefits</u></p> <ul style="list-style-type: none"> - regulatory alignment with the UK with provision of Technical Assistance - Strengthened links facilitating UK-Brazil trade and investment flows between the two sectors.
Outcome 2: A more competitive and efficient energy market; and strong environmental policies that meet international standards for efficiency and value for money.	<ul style="list-style-type: none"> - improved access to reliable and affordable clean energy - an open and enabling market environment that incentivises competition and investment - increase in investment in the low carbon and renewable energy sector

	<ul style="list-style-type: none"> - growth in the low carbon and renewable sector - improvement in market perception in the competitiveness of the energy sector - enhance process of issuing environmental licenses to conform to international best practice while delivering reduced times for approval; while significantly reducing time to issue in line with Brazilian government target - increase Brazil attractiveness by incorporating international benchmarks for regulations such as, drilling fluids regulations to manage and control environmental impacts; - strengthen existing environmental framework while ensuring a more efficient and value-for-money environmental regulation; <p><u>Secondary Benefits</u></p> <ul style="list-style-type: none"> - increase in UK ODI in renewable energy - new UK companies operating in the Brazilian renewable energy market.
Outcome 3: Adoption of new clean technologies	<ul style="list-style-type: none"> - A more stable and efficient grid network incorporating more energy generated from renewable sources - A coordinated and strategic approach to R&D investment in clean technology funded by the 1% levy - New technologies piloted and a developed pipeline of projects for scaled up or scaled out and incorporated in the energy system. <p><u>Secondary benefits</u></p> <ul style="list-style-type: none"> - Strengthened R&D partnership with UK companies and universities - More UK companies providing clean energy technology in the market.
Outcome 4 Crosscutting: Reliable and safe connections of electricity in poorer urban household (favelas)	<ul style="list-style-type: none"> - Safe and legal connection to households in targeted favelas to the main grid.

<p>4.1 Crosscutting: Strengthen capacity of gender groups to improve gender policies: wide adoption of decree No 61 (Portaria No 61 21 Feb 2018) to increase the number of women in senior positions in the energy sector.</p>	<ul style="list-style-type: none"> - Gender groups have the capacity to strengthen gender policies in the energy sector; increasing the number of firms with effective gender inclusion policies likely to lead to an increase of women working in the energy sector, including in senior positions.
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Impact

Programme Impact	Indicative Success Metrics
<p>Acceleration of Brazil's transition to a low carbon economy</p>	<p>Primary objective</p> <p>Improved access to reliable and affordable clean energy</p> <p>Improved number of urban households with reliable and legal connection to the main grid.</p> <p>An increase in oil and gas royalties and indirect taxes going to municipalities and States due to greater private investment in gas distribution</p> <p>Increase in education and health spending due to increased royalties or increase in total tax revenue in these sectors</p> <p>An increase in the % of electricity generation from biofuels and solar linked to energy storage (GWh) (and possibly offshore wind)</p> <p>An increase, above trend, in private investment (US\$) in solar, wind energy, second generation biofuels/biogas and energy storage</p> <p>A reduction in CO2 emissions through the expansion of renewable energy, natural gas use and second generation biofuels/biogas in the electricity and transportation sector contributing to Brazil's NDC targets in these sectors</p> <p>Increase in the number of energy companies with effective gender inclusive policies that are</p>

	<p>likely to lead to increased employment of women in the sector.</p> <p>Secondary objective</p> <p>An increase in the number of overseas direct investments from the UK (ODI) in oil and gas, solar, biofuels/biogas and energy storage projects</p> <p>An increase in the value of capital investment from ODI energy projects from the UK</p> <p>An increase in the number of projects supported by UKEF in the energy sector in support of their £200m target</p> <p>An increase in the total value of UK export wins for the energy sector</p>
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Indirect Outcomes

- A more stable global energy market; Outcomes related to cleaner energy will complement UK activity on combatting climate change through promoting renewables, energy efficiency and green growth.

2.6 The Delivery Partner is expected to deliver the Key Performance Indicators at 6.5. An indicative programme Logframe is attached in Appendix 2. A deliverable of the inception phase will be to validate and agree this Logframe to ensure the programme will deliver value for money and strong impact. The Board's approval will be sought and is necessary for agreeing the Logframe that will govern the Energy Programme after the Inception Phase. All subsequent modifications to that Logframe will require Brazil Board approval.

3. SCOPE OF SERVICES

Delivery services

3.1 The Delivery Partner is expected to design and deliver a programme for the projects and Outputs detailed below in section 5. The approach to achieving these Outputs will be agreed with the Delivery Partner at the Inception Phase. However, areas for engagement and activities are set out below. These Outputs reflect consultations with stakeholders from Brazil, including relevant Ministries and regulatory agencies, and the UK.

- 3.2 **Methodology for delivering Projects:** The Delivery Partner is invited to provide an innovative methodology for delivering the programme Outcomes, based on Best Practice. The methodology presented within the tender bid should be evidence-based and clearly articulate how the approach will achieve and where possible exceed expected Outputs. The approach should deliver a programme which is prioritised, achievable, ensures coherence between each activity (or set of activities) and Outputs, coordinated with other UK-supported initiatives, and offers the best prospects for delivering the programmes Outcomes through the planned Outputs.
- 3.3 In addition, Delivery Partners should assess the feasibility and benefits of delivering the programme through the creation of a dedicated UK-Brazil Energy Centre and/or other innovative delivery mechanisms that will provide the greatest impact and programme visibility. Delivery Partners are invited to consider the structure (physical/ virtual space), operating model, and identify ways in which the operating model of the Centre can be made sustainable in the long term. During the tender period two reports, commissioned through PF transition funding, 1) on governance of such a Centre and 2) an assessment of energy centres in Brazil, will be made available. Delivery Partners will be expected to provide an evidence-based assessment of their delivery mechanism to be agreed at the Inception Phase.
- 3.4 **Incubator:** The programme will incorporate an incubator with funding of £2.5m from the total £22.5 million programme budget, during the period of the programme to manage smaller projects which fall outside the scope of the above Outputs but will add value to the programme Outcomes. It will provide a safe testing environment for innovative ideas and test effectiveness of recommended changes to the 1% levy criteria before any possible official launch. The incubator will be managed by the Delivery Partner who will propose the model for selection of projects. The Delivery Partner may consider using a challenge fund structure for this. The Brazil Board approval will be necessary both for the proposed method for selecting incubator projects and the final choice of successful projects to be funded through the incubator.
- 3.5 The scope of the programme will complement a separate and parallel SOR for Green Finance, which aims to catalyse and mobilise green finance to leverage private investment into sustainable infrastructure in Brazil and the International Climate Finance (ICF) Sustainable Infrastructure Programme (SIP), that provides climate finance for low carbon infrastructure projects in countries including Brazil.
- 3.6 The types of activities which are permissible under the Prosperity Fund for the purposes of achieving the programmes strategic vision are set out below. The Delivery Partner is expected to deliver a programme, which includes activities

under each of these broad headings. Other types of activities (e.g. capital investment in infrastructure) are not permissible.

- a. **Capacity Building** of government, institutions and labour markets;
- b. **Policy Reform** of market regulations, frameworks and standards;
- c. **Market Development** via demonstrating and evaluating new technologies/commercial models and project/investor pipeline development; and
- d. **Partnership Coordination** including R&D

- 3.7 Technical Assistance for the purposes of this contract may take the form of sharing information and expertise, building capacity, developing policy and market frameworks, provision of advisory services, development/adaptation of digital solutions and may involve the transfer of technical data. Partnerships with UK institutions are encouraged, in order to draw on distinctive UK professional and technical services, technologies and innovations. Technical Assistance , when possible and coherent with delivery of primary benefits, should complement and lay foundations for commercial activity in areas matched to UK expertise, in order to harness the contribution that UK businesses can make to our shared objectives. These Direct and Indirect benefits should be monitored and tracked by the Delivery Partner according to Logframe indicators and in line with the Monitoring, Results, Evaluation and Learning structures of the Prosperity Fund both centrally and in Brazil.
- 3.8 The Delivery Partner will also be expected to demonstrate innovation in responding to the deliverables and Outputs in section 4 below, and to design the best model to deliver against the programme's objectives.
- 3.9 The UK's Industrial Strategy⁶ aims to boost productivity in several key sectors, including through developing long-term strategic partnerships between government and industry to tackle barriers to growth, boost productivity, and ensure high-quality jobs. The Strategy incorporates the Industrial Strategy Challenge Fund to boost investment in science and innovation including in clean energy. In responding to the agenda below, the Delivery Partner must consider similar approaches in Brazil where relevant, to boost productivity, barriers to growth and investment in clean energy in Brazil.
- 3.10 The Delivery Partner should consider the need for adaptive programming where the Outcome is clear but the set of activities and Outputs to achieve that Outcome is not. Examples would be:

- policy changes where the order and set of activities and Outputs may need to change significantly in order to achieve results; and
- Outcomes where lack of certainty about the success chances of a pilot suggests that it may more efficient to run two different pilots and compare them, increasing learning and chances of identifying “what works”.
- Identifying the adaptive decision points in Logframes will be essential.

3.11 The Delivery Partner is expected to bring multi-disciplinary, technical analysis and skills to intervention design and delivery (e.g. economic, private sector, social, governance & environmental) so interventions are realistic, politically feasible, contextually sensitive, sustainable and offer value for money (efficiency, economy, effectiveness & equity).

3.12 The Delivery Partner is expected to demonstrate sound social, gender and inclusion analysis and action to meet Gender and Equality Act (GEA) minimum compliance and to support the Prosperity Fund’s ambition on women’s economic empowerment, inclusion and transformative change. Every effort must be made at each level of the programme (activity, Output, Outcome), so benefit flows, reforms and results are broad based, impacting women as well as men and helping to address systemic gender discrimination and disadvantage, inequality and poverty.

3.13 The Delivery Partner is expected to role model good practice gender equality and diversity across the programme team and downstream partners, including in leadership and decision making, and in targeting of activities, opportunities and beneficiaries.

3.14 It will be important to build links to existing women’s groups in the energy sector, both sustainable energy and oil and gas, to check the realism of gender Logframe indicators while ensuring they remain ambitious. Delivery Partners should also develop a strategy to leverage the work of the programme and these relationships with women in energy groups to increase the adoption of effective gender inclusion policies by energy companies operating in Brazil.

3.15 Geographic Scope: The programme will work to develop new and improve existing energy regulations and policies at the Federal level. It is likely that R&D pilot projects will need to work in partnership with local institutions and companies and may need State or Municipal level support. Delivery Partners are expected to identify any regional synergies in their choice of location. It is envisaged that these pilots will likely be in the main cities of Rio de Janeiro, Sao Paulo and Belo Horizonte, Recife and Salvador. The expected Outcome of these pilot projects is to demonstrate viability at a local level in order to scale up or scale out nationally. It is important, therefore, that there is engagement with the relevant Federal

institutions, e.g., ANEEL, ANP, IBAMA on any pilot projects that may require their support for national roll out at the project inception phase.

3.16 The Delivery Partner is expected to provide evidence to support geographic choices. Confirmation of geographical scope will be made during the project inception phase, based on the proposal submitted by the Delivery Partner. These will need to account for:

- enabling environment and local support for the intended engagement and Outcome;
- prospects for achieving intended development, economic, gender & inclusion results and impacts;
- alignment and complementarity to other programmes, e.g. Green Finance, ICF Sustainable Infrastructure Programme (SIP) and any existing UK Technical Assistance .

4. DETAILED REQUIREMENTS

Methodology

4.1 The Delivery Partner is invited to provide an innovative methodology for delivering the programme Outcomes, based on best practice. The methodology presented within the Framework Supplier's tender should be evidence-based and clearly articulate how the approach will achieve, and where possible exceed, expected Outcomes. The approach should deliver interventions (activities and Outputs) which are prioritised and achievable and ensures coherence between each intervention, coordinates with other UK-supported initiatives, and offers the best prospects for delivering the programme Outcomes (as set out in above).

4.2 Scoping reports produced before signature of the contract and/or being finalised during the Inception Phase will be provided by HMG to the Delivery Partner. The Delivery Partner should use these studies, where applicable, and not duplicate analysis.

4.3 The Strand will consist of three Phases as set out in the table below:

Phase	Start date	End date
<i>Inception</i>	<i>June 2019</i>	<i>Nov 2019</i>
<i>Implementation</i>	<i>Nov 2019</i>	<i>March 2023</i>
<i>Closure</i>	<i>Jan 2023</i>	<i>Mar 2023</i>

4.4 **Inception Phase:** A seven-month inception phase will commence on signing of the contract with a one month transition period to the implementation phase during month seven. This will enable the Delivery Partner to refine and develop

the scope and approach set out in their Tender. During the Inception Phase, the Partner will be expected to build relationships with key stakeholders, including incoming federal, state and municipal administrations. Consultation with HMG to agree key stakeholders for the programme will be essential at this stage. The Partner will also be expected to suggest working relationships/mechanisms to expedite required approvals. As part of the inception phase, and in discussion with the HMG, the Partner will be expected to deliver the Outputs set out in the table below:

Deliverables	Deadline (from contract signature)
A standalone gender and inclusion impact assessment which should inform and be integrated into the overall programme strategy, intervention design, work plan and metrics, drawing from the gender impact report due to be completed in March 2019.	In four weeks
Risk Register in an agreed format, including programme and mitigation	Draft
	in four weeks
	Final
	In eight weeks
Revised/validated Log frame, including baseline data, with disaggregated data and key performance indicators at activity, Output, intermediate Outcome and final Outcome levels as per the Prosperity Fund Monitoring, Results and Evaluation and Learning (MREL) guidance. This Logframe should be consistent with and feed into the Brazil Prosperity Fund Programme Results Framework. Gender and social inclusion indicators should be included at each level of the Logframe.	Draft
	In eight weeks
	Final
	In twelve weeks
A strategy for leveraging the 1% levy to fund the R&D pilots. This must incorporate the findings and recommendations of an assessment report on maximising use of the 1% levy due in March 2018. This will be made available to the Delivery Partner.	Draft in twelve weeks
	Final report in twenty four weeks
An assessment of the feasibility and benefits of delivering the programme through the creation of a physical or virtual Energy Centre or an alternative delivery mechanism, drawing from the Energy Centre assessment report available January 2019.	Draft assessment In twelve weeks
	Final assessment in twenty four weeks
A baseline and situation analysis report.	Draft report in twelve weeks
	Final report twenty four weeks
A finalised Programme Strategy informed by a robust stakeholder engagement plan, including sound economic, social, governance and private sector analysis and assessment.	Draft report in fourteen weeks
	Final report in twenty four weeks

A key requirement to achieve impact is to kick-start a pilot project that is implementation ready for scale up. An assessment of how best to develop a pipeline of projects, i.e. potential partnerships with Municipality/State, and how best to integrate with the Green Finance and Sustainable Infrastructure Programmes for potential scale up.	In sixteen weeks
A detailed, costed annual Work Plan for the first 12 months of the Implementation Phase after the Inception Phase, including an agreed list of initial Work Packages to be delivered, as well as an outline of Work Plans for subsequent years. This must include a proposed schedule of Output-based payments against Service Levels and KPIs .	In twenty four weeks
Robust Communication Plan, following Brazil Prosperity Fund branding and communication guidelines	Draft in sixteen weeks
	Final in twenty four weeks
Proposed schedule of payments, according to payment model outlined in Annex B	Draft in twenty weeks
	Final in twenty four weeks
Financial management Plan	Draft in twenty weeks
	Final in twenty four weeks
Value for Money strategy, based on the 4 Es (Economy, Efficiency, Effectiveness and Equality) and including tracking and submitting cost information to the Brazil PF Programme Team.	Draft in twenty weeks
	Final in twenty four weeks
A baseline and situation analysis report	Draft report in sixteen weeks
	Final report in twenty four weeks
A finalised Programme Strategy informed by a robust stakeholder engagement plan, including sound economic, social, governance and private sector analysis and assessment.	Draft report In sixteen weeks
	Final report in twenty four weeks
An assessment of the feasibility and benefits of delivering the programme through the creation of a physical or virtual Energy Centre or an alternative delivery mechanism, drawing from the Energy Centre assessment report to be completed in March 2019.	Draft assessment in twelve weeks
	Final assessment in twenty four weeks
A governance structure for the programme and possible energy centre drawing from the recommendations of the governance assessment report available in January 2019. Decision to proceed or not with an energy centre to the implementation phase will be taken on the basis of the draft assessment above, in July 2019.	In twenty four weeks

An assessment of the scope, feasibility, benefits and costs of the suggested R&D projects listed in the interventions below.	In twenty four weeks
A strategy for leveraging the 1% levy to fund the R&D pilots. This must incorporate the findings and recommendations of an assessment report on maximising use of the 1% levy due in March 2018. This will be made available to the Delivery Partner.	Draft report In twelve weeks
	Final report in twenty four weeks
Monitoring, Results Evaluation and Lesson Learning Plan including an information flow map with timings. This needs to be coordinated with the Brazil Prosperity Fund MREL function and the Joint Funds Unit Prosperity Fund M&R and E&L contractors.	In twenty four weeks
Proposed schedule of payments, according to payment model outlined in Annex B	Draft in twenty weeks
	Final in twenty four weeks
Financial management Plan	Draft in twenty weeks
	Final in twenty four weeks
Value for Money strategy, based on the 4 Es (Economy, Efficiency, Effectiveness and Equality) and including tracking and submitting cost information to the Brazil PF Programme Team.	Draft in twenty weeks
	Final in twenty four weeks
Robust Communication Plan, following Brazil Prosperity Fund branding and communication guidelines	Draft in sixteen weeks
	Final in twenty four weeks
A market engagement/promotion strategy to realise secondary benefits created through this programme	In twenty four weeks
Production and regular update of programme handbook for staff and contractors with key information on the programme, the capacity building methodology being used and guidance on any difficult cyber security policy issues that they might face	In twenty four weeks
Closure/Exit strategy with a clear focus on sustainability	In twenty four weeks

- 4.5 The Delivery Partner will host a Workshop with the Advisory Committee to outline key findings, recommendations, the programme strategy and the planned approach during Inception Phase in October 2019. The Brazil Board will take account of the recommendation of the Advisory Committee following the workshop, to grant approval for the implementation phase.

- 4.6 Transition from Inception to Implementation Phase will be subject to approval of the Inception Phase Report by the Brazil Prosperity Fund Senior Responsible Owner (SRO). Excellent performance of the supplier, IDA and GEA compliance and positive feedback from key stakeholders will also be analysed and taken into account for approval or not of the Report. The Delivery Partner will survey beneficiaries to gather their feedback and the survey and its application will be quality controlled by the Brazil PF MREL function.
- 4.7 Due to the flexible and adaptive nature of the programme, the Contract must have adequate provision for variation to adapt to changes that occur during the life of the Programme. In particular the Logframe should highlight adaptive decision points for policy and pilots where these are anticipated. HMG shall (as a condition of proceeding from one phase to the next, in the context of the Programme Evaluation and Annual Review Cycle and on the basis of monitoring and results information), have the right to request changes to the Contract, including the Services, the Statement of Requirements and the Contract Price to reflect lessons learned, or changes in circumstances, policies or objectives relating to or affecting the Programme.

Implementation Phase

- 4.8 Following the successful conclusion of the Inception Phase, the Delivery Partner will be approved to move forward to Implementation Phase. Implementation Phase will commence, subject to approval as set out in 4.6, seven months post-contract signing and run until 31 March 2023 at which point all activities and spend must be concluded.
- 4.9 The Delivery Partner is expected to submit a bid which is capable of delivering the pre-stated Outcomes and Outputs of the programme. The Delivery Partner will need to prepare, own and deliver an overall Programme Strategy. As described above, the strategy will include a situational analysis, and set out a plan for the life of the programme, identifying priority focus areas and how best to target limited resources to deliver on programme objectives. The draft Programme Strategy will be assessed as part of the tender competition.
- 4.10 The programme must be responsive to the changing priorities of the Brazilian Government and other sector players. As set out above, the Delivery Partner will be responsible for identifying the content for individual work plans to be delivered under the programme, in support of the overall Programme Strategy and in agreement with HMG.

Closure Phase

- 4.11 The Closure Phase will occur during at least the last three months of programme delivery and occur concurrently with the end of the Implementation phase.
- 4.12 The aim of the Closure Phase is to ensure activities are handled at the end of the programme in a way that supports sustainable capacity building and realisation of benefits. This may mean managing how the activities come to an end, transitioning them to others to continue and collecting benefits realised throughout the programme. The Closure Phase must include final reports and any concluding activities that can leave a positive legacy for the programme, leverage future actions or share lessons learned within and outside HMG.
- 4.13 Should the chosen delivery model of the programme be through an Energy Centre (virtual or physical), the supplier must consider the following:
- Identify a mechanism for spinning off the centre as a self-sustaining commercial vehicle
 - Identify ways in which UK government seed funding in the Centre can be reduced
 - Identify whether, how and with what consequences, the Centre may need to be closed at the end of the programme
- 4.14 During the Closure Phase, the Delivery Partner must also provide a report setting out the necessary arrangements and/or opportunities identified beyond the programme. This Report must set out options to scale up the benefits delivered and identify further opportunities that can be explored to contribute to the expected impact after programme ends.
- 4.15 The Delivery Partner will be responsible for delivery of the Closure Phase. HMG will support by promoting or hosting events that support the positive legacy, leveraging and lessons sharing component of this phase. The Delivery Partner must ensure that a sustainability plan is in place before the end of the Closure Phase.

Advisory Services

- 4.16 The Delivery Partner must assemble a Programme Team with a combination of cross-cutting advisory and management skills, which include programme and financial management; monitoring and evaluation; economics, social development and gender expertise; expertise in climate change and low carbon energy transition; and in managing and/or developing innovative technologies.
- 4.17 The Delivery Partner is encouraged to form consortia, where appropriate. The inclusion of expertise with detailed knowledge of Brazil's energy regulatory

framework, reform process, an extensive contacts network and experience in running competitions, designing and managing R&D projects is crucial.

- 4.18 The Delivery Partner will be expected to disclose the whole supply chain used to deliver the programme. Changes to the supply chain can only be made with authorisation of the HMG Head of Energy Programme.
- 4.19 HMG expects the Delivery Partner to have a Programme Team structure, which should include at least the following:
- 4.20 **Team Leadership:** A Programme Director who will hold overall accountability for the performance of the programme. S/he needs to be a sufficiently senior person with strong thematic expertise and experience in energy transition, low carbon and renewable energy policy development and implementation, and an awareness of the technological landscape. This should include expertise and experience working in Brazil and with government departments and their policies. S/he must have credibility with the Government of Brazil. S/he should have a proven track record of strategic thinking and steering large-scale programmes. We also expect the Delivery Partner to appoint a Team Leader who will be first point of contact for HMG, the Government of Brazil Ministries, and other partners on a day-to-day basis. Team leadership will provide overall accountability, strategic direction – in conjunction with HMG, technical oversight and credibility with the Government of Brazil.
- 4.21 **Core Team Expertise:** The Delivery Partner will have flexibility over how to structure its team in order to deliver results and meet expectations. We expect a team structure that enables appropriate presence of senior representatives in Brazil. The Delivery Partner will need to set out a team with the requisite skills and experience to manage delivery of the range of Outputs and activities set out below. It is expected that this will require a group of organisations that can pool knowledge of:
- Brazilian and international/UK energy regulatory frameworks
 - Expertise in the broad range of target subsectors;
 - Deep knowledge of UK's range and commercial strength in low carbon and renewables, gas markets and oil and gas decommissioning
 - Deep knowledge of Brazilian energy regulations, including R&D policy on 1% levy;
 - Strong network of contacts in the Brazilian energy sector;
 - Technical design, management and competitions for R&D proposals.
- 4.22 Bidders will need to detail their proposed team structure in their bid, including the roles, responsibilities, names and CVs of key personnel.

4.23 Changes to the membership of the team and/or any sub-contracting will be permissible only with the approval of the Brazil Board.

Management Services

4.24 The Delivery Partner is also expected to provide management services to the programme. This is a core responsibility of the Delivery Partner contracted by HMG.

4.25 The minimum requirement for management services the Delivery Partner is expected to lead are:

4.26 **Programme Management:** The Delivery Partner will need to demonstrate excellent Programme Management, including on financial management, contract management, risk/issue management and effective monitoring and reporting to ensure timely delivery of the programme objectives, including:

- Delivering high quality and timely Outputs. We expect the Delivery Partner to ensure effective delivery of the Work Packages. The Programme Director will be responsible for ensuring the quality of the Outputs.
- Achieving strong synergies with relevant UK-supported programmes and initiatives, in particular the Prosperity Fund Green Finance and IFC's Sustainable Infrastructure Programmes; and the IEA's Clean Energy Transition Programme (CETP).

4.27 **Budget and Financial Management:** Provide excellent financial management in line with HMG requirements. This will include accurate budgeting and cash flow forecasting; management of bank accounts and petty cash; preparation of funding agreements for individual assignments; management of payment to programme partners; management of any relevant procurement activities; accounting and financial reporting; maintenance of procedures; and taking all reasonable steps to:

- Avoid financial losses and control fraud – including aid diversion through compliance with the UK Terrorism Act (TACT);
- Comply with operating policies and procedures;
- Ensure full transparency and accountability, including IATi compliance;
- Maintain and protect key financial records and data;
- safeguard confidential information;
- Support value for money assessment – 4 Es (Economy, Efficiency, Effectiveness, Equity);
- Avoid damage to the public reputation of the UK Government, including the British Embassy in Brazil.

4.28 **Risk Management:** The Delivery Partner will need to ensure that HMG is kept well informed about potential risks and matters of concern to the programme.

Having a clear and proportionate risk management strategy in place (in the form of a regularly updated Risk Matrix) is crucial to ensure that the programme remains on track to deliver against its stated objectives. The Risk Register will be reviewed at the quarterly programme advisory committee and at the Brazil Board.

- 4.29 **Monitoring, Evaluation and Learning (MREL):** The Delivery Partner will need to establish and agree high quality Logframe indicators and KPIs with the Brazil Board and monitor progress on these in a timely manner supplying information as required both to Brazil PF MREL function and the central PF MREL contractors. The Delivery Partner also needs to give HMG timely notice of events and activities which can be used for monitoring purposes and submit instruments to be used for monitoring to the Brazil PF MREL function for quality control in design and implementation.
- 4.30 **Communication:** The Delivery Partner will develop and deliver a robust communication plan to ensure visibility of the programme (and the Energy Centre, if applicable), enable easy access to information, including for reactive communications about the programme and its results. The plan will be periodically reviewed and adjusted during the life of the programme. The Plan should be diverse to target UK and Brazil stakeholders (at community, business and government level); and include opportunities for higher-level political engagement on the programme. All programme communication should be done according to HMG guidance and branding.

Programme Governance

- 4.31 The governance structure will consists of: the Brazil Prosperity Fund Programme Board; an Energy Steering Committee; and a Programme Management team. It is envisaged that technical sub-groups for the relevant subsectors, e.g., natural gas, biofuels, decommissioning, etc., may also be necessary to provide technical advice to inform the programme. An assessment report of the exact structure and composition of the governance structure will be available in March 2019. The Delivery Partner must consider the recommendations of the report to produce a definitive governance structure to be agreed during the inception phase.
- 4.32 The programme will form a core agenda item for the annual UK-Brazil High Level Energy Dialogue to discuss strategic collaboration between the two countries in the energy sector which should coincide with one of the Energy Steering Committee meetings (see below).
- 4.33 The Brazil Prosperity Fund Programme Board, will have overall responsibility for approving changes and setting the strategic direction for the programme, including continuation of contract with the Delivery Partner. The Board will be

chaired by the Brazil Prosperity Fund Senior Responsible Owner (SRO) and composed of senior representatives from the UK Government in Brazil. Its mandate is to monitor and own the overall implementation of Prosperity Fund programmes in Brazil. The Head of Programme will take recommendations to and from the Board and will be the intermediary between the Delivery Partner and the Board.

- 4.34 The Energy Steering Committee, will be chaired by the HMG and consist of representatives from the Brazilian government, regulatory bodies, planning agency, civil society and industry. It will be responsible for assessing and evaluating the effectiveness of the programme, its alignment to the government's strategic priorities in the energy sector and provide recommendations to the Board. The Committee will meet bi-annually with the first meeting held as soon as reasonably possible after the inception phase.
- 4.35 The Delivery Partner will be the secretariat responsible for coordinating the meetings of the Steering Committee and securing relevant participation. They will be responsible for the preparation of all necessary documentation in advance of these meetings, including setting the agenda, recording and presenting programme updates and results with the group.
- 4.36 The Programme Management Team, composed of the Head of the Programme and the Programme Manager, will be the day to day contact for the Delivery Partner and responsible for managing the contract and monitoring the programme progress. Monthly working group meetings between the Delivery Partner and the HMG programme manager, will at a minimum, provide recommendations on how to maximize the impact of the programme, review budgets and forecasts, risk matrix and planned activities.
- 4.37 The Delivery Partner will host a workshop with the Board to outline key findings, recommendations, the programme strategy and the planned approach during the Inception Phase. Following the workshop, the Board will grant approval for delivery to commence.
- 4.38 The Delivery Partner is also expected to maintain regular bi-monthly contact with the Head of the DIT Energy Team in Rio de Janeiro and DIT Secondary Benefits Specialist based in DIT UK, to communicate secondary benefits opportunities and support any plans by DIT to capitalise on these opportunities.
- 4.39 **Coordination with other major programmes and initiatives:** The Delivery Partner will need to map others' support, build links and identify synergies to maximise Outputs, including by organising donor coordination meetings, considering joint programming and potential pooling of resources. Co-ordination

with other major programmes/initiatives delivered by the UK Government and other multilateral/bilateral agencies.

HMG Roles and Responsibilities

4.40 HMG governance structures (Brazil PF Programme Board and Brazil Programme Team) will be ultimately be responsible for the delivery and oversight of the programme. As such, HMG will be closely engaged with the delivery of the programme. HMG will:

- Manage the relationships with the Government of Brazil and other key stakeholders;
- Approve the overall Programme Strategy, annual work-plans, and individual Outputs, on being satisfied with the quality;
- Champion gender and inclusion requirements and strengthen accountability for GEA compliance, inclusive growth and poverty reduction;
- Lead Brazil-UK Government to Government engagements, with inputs from the Delivery Partner as required on issues relevant to this Technical Assistance programme;
- Connect the Delivery Partner to information and contacts on other programmes and initiatives supported by the UK Government (e.g. Department for International Trade; Department for International Development) to enable links and synergies;
- Manage relationships with other multilateral/bilateral agencies to harmonise initiatives and facilitate knowledge exchange;
- Monitor and assess the performance of the Delivery Partner and the programme;
- Receive and scrutinise results, narrative and finance reports;
- Ensure value for money (economy, efficiency, effectiveness and equity), focusing on a balance between maximising impact and minimising costs;
- Monitor and approve any changes to the programme (spend, results, activities, core team staff), via contract amendment where appropriate.

5. DETAILED OUTPUTS AND OUTCOMES

- 5.1 The Delivery Partner is expected to design and manage a programme that delivers the programme which achieves the four Outputs detailed below. The approach to achieving these is at the discretion of the Delivery Partner and will be agreed during the Inception phase. These Outputs reflect consultations with stakeholders and potential partners in Brazil and the UK.
- 5.2 Tenders should bring an innovative approach to delivering the programme Outcomes and draw on best practices within the market. The programme design is expected to maximise additionality, the use of UK expertise and achieve value for money.

5.3 The projects, including their Outputs and activities, also need to consider and be coherent with other activities in Brazil carried out by other donors in the same area. Interventions should be complementary and not overlap with existing programmes.

5.4 **Outcome 1: An effective and transparent regulatory environment that supports bridging and transition towards increased (non-hydro) renewable sources of energy.**

This will focus on supporting the Government of Brazil to address policy and regulatory barriers in order to accelerate Brazil's ambition towards accelerated transition to low carbon energy, using international best practice including from the UK. Specific packages of support will need to be agreed with relevant Ministries and agencies, in line with the Brazil government's priorities for the energy sector in the following areas:

Areas of intervention/Output:

a) Natural Gas

The social and economic benefits derived from the oil and gas sector is substantial. It is critical to economic growth, accounting for 10% of the GDP and employs 1.2m people. A percentage of the royalties are hypothecated by law to healthcare and education (£275m in 2015).

Natural gas is currently supplied to 440 of 5570 municipalities, (3 million of 68 million residences). Incentivising the expansion of piped natural gas can also bring economic benefits. In 2017 bottled gas prices increased by 16% adding 0.19 percentage points to general inflation in Brazil. Piped natural gas is cheaper than bottled gas for households that use gas for more than cooking. As gas supply and distribution networks increases this price advantage should widen.

The IEA, under their sustainable development scenario, estimates that by 2040, Brazil will need to increase natural gas by 25% to provide thermal generation to support the deployment of variable renewable energy necessary for flexibility and security of supply. The programme will help optimise the use of gas so that its flexibility and wider environmental impacts, e.g., lowering carbon emission and local air quality benefits, are recognised in the power sector, transportation and industrial use, by helping to develop a competitive local gas market. The programme should also provide better co-ordination in R&D investment on new clean energy technology spent by oil and gas companies via their 1% levy.

Outputs

Development of a strategic plan and Brazilian engagement in the implementation of reform for enhancing the use of natural gas, incorporating the recommendations of the IEA 2018 Gas Market that includes:

- Development of the regulatory framework for unbundling (supplier/transmission/distributor) the current network;

- Support on creating Network Codes and rules and responsibilities of individual actors, e.g., interoperability of the interconnected systems, and information exchange between operators;
- Development of a regulatory framework to support integration of gas with renewables whilst balancing energy security, social impact and environmental sensitivity.
- Undertake an assessment of Brazilian attitudes to Carbon Capture Use and Storage (CCUS) and recommend the prioritisation of CCUS solutions, including through international and UK technology partnerships, to reduced GHG in gas production and promote CO² injection in gas extraction.

b) Second generation Bio Fuels and Biogas

Biomass currently contributes 7% of the total share of electricity in Brazil, primarily from sugarcane bagasse, eucalyptus, and wood by-products. First and second generation ethanol/biodiesel is key to Brazil's target to reduce carbon emission by 37% before 2025 and 43% by 2030. This intervention should focus on promoting and developing second-generation biofuels, in particular developing regulations for biodiesel and aviation biofuels - the highest emitters in the transport sector- and to steer government policy towards expanding the use of waste for biogas.

Outputs:

- In collaboration with MME and ANP, design a mechanism that will foster the development and growth of second-generation biofuels and 'waste to fuel' biogas in support of the Renova Bio bill;
- Support EPE on their 2050 planning scenarios for biofuel and biogas and develop policies to create the pathway to increase production and use of second-generation biofuel and biogas;
- In collaboration with ANP and EPE, develop standards for green fuel and bio kerosene

c) Decommissioning of oil platforms

Almost a third of Brazil's 160 offshore production platforms are over 25 years old and another 20 are no longer functioning. Ensuring an effective regulatory framework that guarantees the safe, efficient and environmentally secure disposal of these platforms will contribute to sustainability and climate change goals. The sector should also provide significant socio-economic opportunities in terms of job creation and, given the highly technical nature of the sector, a foundation for Brazilian firms to export their expertise and technology overseas. By comparison, analysis undertaken on the UK Brent Decommissioning Programme estimates an annual average employment of approximately 4,250 people up to 2022. Effective regulation on decommissioning should also minimise the cost of decommissioning to the taxpayer (which ranges from 55% to 75% through tax relief in the UK), providing fiscal benefits to the government.

Outputs:

- Establish a working group with ANP, IBAMA and IBP, to agree a common strategy to allow for the safe decommissioning of platforms and in line with international standards;
- Design and take forward an agreed action plan to support policy on decommissioning including capability programming on how to decommission.

d) Solar

A significant development for Brazil's solar strategy was the recent new rules by Brazil's National Electric Power Regulator (ANEEL) aimed at reducing barriers for the incorporation of distributed solar power. The rules included allowing the expansion of the net metering program by allowing small-scale power generators of up to 5MW to offset their electricity bills with credits from the energy they provide to the grid. It also allows net-metering credits to be distributed amongst multiple electric service accounts holders. This has proved unpopular with electricity distributors pointing at loss of revenue from credit offsetting. This has led to a reluctance to connect them to the electricity grid.

Outputs:

- A review, in collaboration with ANEEL and MME, of the current incentive policy and benchmark against international practices and provide a more equitable proposal including the benefits of allowing feed-in and incentives for electricity companies.
- Building on the recommendation of the review above, engage relevant ministries and agencies to develop and implement a policy framework, enabling increased private sector investment to accelerate expansion of solar energy into the grid.
- In collaboration with e.g., CEMIG, to review a case study to examine the process for a household to connect solar electricity into the main grid with a view to identifying bottlenecks and cutting the time taken to connect to the grid.

e) Wind

EPE and ANEEL have pointed to the potential for offshore wind due to location specific factors that make some offshore wind projects viable when compared to onshore wind or solar, e.g. relatively shallow water, nearer demand, more reliable and higher velocity wind offshore, and transmission bottlenecks/cost of transmission from the main wind region of NE Brazil.

Output

- A study of the potential and opportunities for offshore wind resources, including cost benefits to main demand centres. Agree common approach with ANEEL,

IBAMA and the Navy, for developing the regulatory framework for offshore wind.

f) Energy Storage

Rolling out energy storage is key to increasing Brazil's use of distributed solar energy. Effective regulation is needed to encourage its efficient deployment and use in the grid. Research and development is also essential in the roll out of storage to ensure that its characteristics are exploited to maximise consumer and environmental benefits. The intervention will support both R&D in storage as well as commercial pilots through grant funding to demonstrate how this technology can operate efficiently.

In July 2017, as part of the Industrial Strategy, the UK government launched the [Faraday Challenge](#)⁷ - a £246m commitment over four years on battery development for the automotive electrification. This technology will have wider spillover benefits in how batteries could be applied in other environments, including in distributed energy. Delivery Partners must consider how R&D partnerships between the UK and Brazil could be enhanced in battery technology in areas relevant to this intervention.

Output

- Develop policy that promotes the deployment and use of energy storage, demonstrating benefits to electricity transmission and cost benefits to distribution networks and consumer.
- Identify and draw linkages with the UK's Industrial Strategy, in particular with the Faraday challenge to strengthen R&D co-operation on battery technology.
- Pilot technology in co-operation with an energy distributor to demonstrate efficiency.

5.5 Outcome 2: A more competitive, efficient and equitable energy market; and strong environmental policies that meet international standards of efficiency and value for money.

High taxes, complex legal and regulatory environment and delays in environmental permits poses challenges for international investors. Price control policies and tariff structures also inhibits incentives for companies to invest in grid innovation, energy efficiency and distributed generation. This has led to inefficient networks, high energy prices and limited investment by the consumer in cost saving measures.

Environmental licensing is a tool to prevent, control, and manage pollution. An effective environmental licencing process is a supportive mechanism for achieving economic growth on a sustainable basis. It also improves the economic planning process by coordinating private activities that can include creating job opportunities, improving infrastructure, and augmenting the tax base. The licencing process in Brazil

⁷ <https://www.gov.uk/government/news/business-secretary-to-establish-uk-as-world-leader-in-battery-technology-as-part-of-modern-industrial-strategy>

faces considerable delays that has stifled infrastructure development and growth in the sector.

Outputs:

- Develop a strategy to improve competitiveness in the Brazilian energy supply chain, drawing from UK's 'Industrial Strategy', fostering strategic collaboration in the energy sector.
- Undertake a case study with an energy distributor to review the process for a household to connect solar energy into the main grid and identify bottlenecks; develop and take forward an improved process that reduces the time taken to connect to the main grid.
- Increase Brazil's competitiveness in energy global market by providing Technical Assistance and capacity to learn from global practice on how to balance adequate environmental protection with strong industrial development. The intervention should support increased collaboration between government bodies and industry. The following interventions have been discussed and agreed:

IBAMA:

- Technical Assistance to create an open data management online platform for environmental and social impact studies in line with good practice and IFC performance standards or their equivalent to help address bottlenecks in the environmental licensing process with shorter deadlines for approval;
- Improve environmental standards to international levels aiming increase Brazil attractiveness, i.e., drilling fluids regulations to manage and control environmental impacts;
- Strengthen existing environmental framework while ensuring a more efficient and value-for-money environmental regulation;

ANP:

- Support ANP to develop an effective Health and Safety regulation covering personnel, equipment and environment into a single integrated regulation, building on previous prosperity funded mission on health and safety.

EPE/MME

- Provide capacity in long-term energy planning to realise Brazil's renewable energy targets as cost-effectively as possible whilst supporting inclusive growth and equity and affordability of energy access.

- Provide Technical Assistance to EPE to improve clean energy investment data to enable a strategic overview of investments in clean energy and gaps.

5.6 Outcome 3: Adoption of new clean technologies to increase energy access, affordability and effectiveness

Delivery Partners will be responsible for developing a pipeline of R&D pilot projects which demonstrate how new technology can be deployed in the clean energy sector to support energy access, affordability, sustainability and effectiveness. Delivery Partners will be responsible for the design, the running of competitions to identify the best R&D partners, and managing and funding of the pilots ensuring best value for money.

Outputs

The following interventions to be taken forward in the first year of the programme have been discussed and agreed. More details and contact information will be provided.

- Develop a pilot proposal in collaboration with Light Electricity Company in Rio de Janeiro to improve operating efficiency and energy loss with the deployment of smart grids. The pilot should identify clear benefits for deploying smart grid technology and potential for scale up.

The UK is one of a number of signatories to an MoU with Juiz de Fora Municipality supporting the *Plataforma de Bioquerosene e renovaveis da Zona da Mata* (Zona da Mata Bio kerosene and Renewables Platform), a reforestation and waste to biofuels platform in the Zona da Mata region of Minas Gerais State. The transition fund is supporting one of the signatories, Green Fuels Ltd, to undertake a feasibility study and business plan for the first phase of the project to convert waste oil and fat into bio diesel. The study will be available following completion on 31 March 2019.

- The Delivery Partner will need to assess level of support through the programme for the implementation phase and how best to integrate with the Green Finance and Sustainable Infrastructure Programmes for potential scale up in other municipalities.

Outputs to be assessed in the first year and subject to recommendations, implementation in year 2 of the programme.

- Assess commercial models and viability of generating biogas from landfill and sewage, and potential demonstration pilot, in collaboration with Sao Paulo State. This proposal is currently under discussion with Sao Paulo State. More information will be provided.

- Initiate a pilot to integrate energy storage to a solar plant to assess stability of the power supply and assuming successful trial, how best to integrate with the Green Finance and Sustainable Infrastructure Programmes for potential scale up.
- In collaboration with a relevant electricity distributor, e.g., CIMIG, undertake pilot on addressing the challenges of inertia with the integration of renewable energy into the main grid.

5.7 Outcome 4: Poorer urban households (favelas) and women benefit from clean, affordable, reliable and safe energy as consumers and producers, employees, entrepreneurs and small businesses

Output

- In collaboration with the Light electricity company in Rio de Janeiro, assess a model for electricity companies to provide solar panels to households in favelas with the benefit to reduce households' electricity bills and incentivise legal connection to the main grid. This initiative is under discussion with Light electricity company in Rio de Janeiro and more information will be provided.
- The Delivery Partner is also required to assess, during the inception phase, other cities where this project can be replicated. Our preliminary findings suggest potential in Sao Paulo, Salvador, Recife and Belo Horizonte where there are high levels of poor household in favelas with limited access to reliable energy.

5.8 Cross cutting Outcome 4.1: The programme will need to consider how the needs and challenges of excluded groups in Brazil, such as women, disabled or economically deprived communities can be addressed and how specific activities can support increased participation of these groups in work that will help lift them out of poverty and increase their economic opportunities and choices.

Outputs

- Undertake a gender and social inclusion diagnostic to identify any specific issues affecting excluded groups with involvement in the energy sector drawing from the Gender impact assessment report due to be completed in March 2019.
- Identify any issues which are affecting the ability of these excluded groups to access equality of opportunity in the energy sector; and develop a strategy to strengthen the capacity of existing women/gender focused groups to improve gender equality policies in the energy sector including by expanding the adoption of decree No. 61, 21 February 2018 amongst energy companies.

- Develop specific gender and social inclusion plan which considers ways in which programme activities and Outputs will make sure that the perspectives and needs of vulnerable groups are taken into account to ensure equality of opportunity.

6. PERFORMANCE REQUIREMENTS

- 6.1 The Delivery Partner is expected to demonstrate success against agreed Key Performance Indicators (KPIs) in order to achieve the programme Outcomes. The Delivery Partner will be required to provide evidence based data during the inception phase to determine targets and milestones through establishing a baseline, taking account of NDC targets and potential impact of programme interventions. This will include revision and confirmation of metrics in the KPI's below.
- 6.2 The Delivery Partner is expected to submit updated log frames and narrative reports to explain progress against these indicators one week before Energy Steering Committee meetings and two weeks before Brazil Board meetings, where progress will be considered. The Head of Programme will notify the Delivery Partner in advance when the programme will be evaluated by the Board.
- 6.3 Any changes to KPIs or Logframe indicators must be authorised by the SRO and the Brazil Board.
- 6.4 If KPIs show continuous over/under performance, whether it is related to the programme over/under achieving the target set out, early/late delivery, or the exceptional ability/inability of the Delivery Partner to achieve the expected Outcomes, the Head of Programme will evaluate adaption of possible corrective measures to the programme scope and/or to the Delivery Partner, according to the rules set out in the Contract.

6.5 The Delivery Partner is expected to deliver the following Key Performance Indicators:

Energy Programme		
Key Performance Indicators	Target	Outputs
Boost energy transition to a low carbon economy	- An increase in investment in renewable energy (wind, second generation biofuels/biogas, solar, storage, natural gas transmission), due to the impact of the energy programme, between R\$2.5 to R\$3.0bn per year from 2021 on ⁸ .	Outputs under section 5.4 Outcome 1
	- Improved capacity for EPE, IBAMA, Aneel and ANP evidenced by training of 70% key personnel for policy formation and development of 2 structuring policy or regulation proposals influenced by this training in each organization by 2023.	Outputs under section 5.5 Outcome 2
Increase in number of business opportunities in clean energy by creating a competitive market	<ul style="list-style-type: none"> - Development and improvement of 5 key market structuring energy regulations in line with international standards by 2023. - Increase of 30 new private investors above baseline trend in energy transition in Brazil by 2023. 	Outputs under section 5.5 Outcome 2

⁸ The 10yr average annual investment in renewable energy in Brazil (using Bloomberg's data <https://data.bloomberglp.com/bnef/sites/14/2018/01/BNEF-Clean-Energy-Investment-Investment-Trends-2017.pdf> p. 14) is US\$8.6bn. Converting to Reais (using historical annual average exchange rates) gives R\$19.2bn. We assume the programme will lead to an increase in the trend by adding up to R\$2.5bn to R\$3bn a year. We assume the effect will occur from 2021 onwards when the programme has had some positive policy impacts

Increase in number of new technologies in clean energy solutions deployed to scale	<ul style="list-style-type: none"> - Improved 1% levy criteria leading to support by the levy of 10% increase in investment (US\$) in clean energy projects above the baseline trend. 	Outputs under section 5.6 Outcome 3
More reliable and safe electricity connections in favelas	<ul style="list-style-type: none"> - At least three Rio de Janeiro favelas with improved electricity access legally connected and initiative rolled out in at least 3 other cities. 	Outputs under section 5.7 Outcome 4
Number of companies compliant with gender equality in the energy sector	<ul style="list-style-type: none"> - At least 90% of energy companies adopting effective gender inclusion policies, and compliance with decree number 61 of 21 February 2018 by 2023. 	Outputs under section 5.8 cross cutting Outcome 4.1

ANNEX A - MANDATORY REQUIREMENTS

ODA

A.1 ODA: The Prosperity Fund Energy Programme in Brazil is classified as Official Development Assistance (ODA). As such, all spend under the programme must be fully ODA compliant and fulfil the legal requirements of the UK International Development Act including the Gender Equality Act. Compliance with the UKs Counter Terrorisms, Corruption and Fraud Policy and the UKs regulation on the Management of Public Finance will also be required.

Aid Transparency

A.2 Aid Transparency: HMG has transformed its approach to transparency, reshaping its own working practices and encouraging others across the world to do the same. HMG requires Delivery Partners receiving and managing funds 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 all Delivery Partners 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 – further information is available from www.aidtransparency.net.

Gender

A.3 Gender: all initiatives using UK Technical Assistance have to comply with the Gender Equality Act 2014. Bidders should ensure that gender issues and opportunities are addressed in design, prioritisation, delivery and monitoring to ensure compliance. Bidders are required to submit a preliminary gender equality assessment (including consultations with women or women's groups) outlining how they propose to address gender issues in the programme design and delivery, and gender equality will be a requirement of every agreement signed for the delivery of the programme. A gender expert will need to be involved at appropriate stages to ensure the programme continues to maximise the opportunities to deliver gender equality and support women's economic empowerment.

A.4 The UK Gender Equality Act (GEA) 2014 is a legal requirement and supports IDA compliance. Global evidence and consensus demonstrates that it is good practice development, smart economics and makes business sense. GEA requires 'All UK ODA has to meaningfully consider the impact of how it will contribute to reducing gender inequality and demonstrate that it has done so'. For further information please refer the Prosperity Fund Gender Policy and

Guidance note. Bidders will need to demonstrate that they have the requisite expertise to ensure gender equality is mainstreamed into the work they are commissioned to do.

- A.5 As a minimum, this requires an assessment of the differentiated impacts (benefits and losses) of interventions on women and men to ensure no harm is done and that inequality is not worsened and that opportunities to support women's economic empowerment are identified. This includes identifying potential opportunities to engage and harness the potential of local SMEs and women owned enterprises to deliver programmes.
- A.6 A gender expert will need to be involved at appropriate stages to ensure the programme continues to maximise the opportunities to deliver gender equality:
- A specific and balanced equality between men and women should be respected within the Delivery Partner team experts, as well as in the downstream partners' team. The Delivery Partners should present its internal policy in terms of Gender Equality and concrete actions deployed.
 - The Delivery Partner and downstream partners should have a proactive attitude to respect and monitor Gender Equality during the capacity building exercises, conferences and events. The number of women trained and/or participating / speakers should be monitored and should follow the Gender Equality Act.

ANNEX B - SERVICE LEVELS AND KPIs, MONITORING AND EVALUATION

B.1 Delivery Partners will be responsible for meeting two types of Key Performance Indicators (“KPIs”): Delivery KPIs and Service KPIs. Delivery KPIs will assess the impact of the Programme Outputs and the Service KPIs will track the quality of programme management and delivery. An indicative list of Delivery and Service KPIs is provided below. These will be finalised and agreed between the Delivery Partner and the Authority during the Inception Phase. The Authority expects 10% of the Delivery Partner’s overall fees for this contract to be placed “at risk” and linked to the KPIs. This 10% will be sub-divided between the Delivery KPIs (60% of 10%) and the Service KPIs (40% of 10%).

Indicators of Success

- B.2 The Delivery Partner will co-operate and engage constructively with the MREL Providers as defined in Section 11 ‘MREL System’ clause 11.3 – 11.7 of the Framework Agreement. The Delivery Partner will also ensure that all Sub-contractor and Third Parties involved with their activities under this Call-off contract comply with their obligations to the MREL System as set out in the Framework Agreement.
- B.3 The Delivery Partner will report to the Head of the Energy Programme in Brazil. They will hold monthly meetings to monitor progress and ensure that programme implementation happens at pace.
- B.4 The Delivery Partner will submit quarterly progress reports to the Head of Programme. These will summarise progress made that quarter against agreed work plans, including details of resources deployed and any relevant updates to the log frame indicators.
- B.5 The Delivery Partner will submit Annual Reports at the end of each 12 month period, timed to inform Annual Reviews, detailing how the programme is performing against the agreed work plan, and key indicators, Outputs and Outcomes in the log frame. The Report should evidence how successful delivery of Outputs will positively contribute to the relevant Outcomes and impacts. The Delivery Partner’s contracted Programme Director will be responsible for the quality of Outputs produced during the year.
- B.6 Annual Reports will be used by HMG to undertake Annual Reviews, including reviews of Delivery Partner performance, in line with standard departmental requirements and based on the log frame. The Delivery Partner will help organise these reviews, including through preparation of background documents, organising meetings and other logistical support. An audit of procurement may form part of these Reviews subject to requirement.

- B.7 Identification of **lessons learned** during delivery will be an important component of the programme. We expect Delivery Partners to incorporate the lessons learned in quarterly progress reports and annual reports. We also expect the Delivery Partners to prepare and disseminate a high quality lessons learned document at the end of the programme to inform future similar initiatives supported by the UK or other agencies.
- B.8 Annual **financial projections** will be required at the start of each year, based on the Work Plans identified. These projections will also form a part of Key Performance Indicators to be agreed with the preferred bidder. Financial projection will be reviewed at least in a monthly basis. Accountability for delivering to these projections will be rigorously enforced. Any proposed significant variation from financial projections will need to be agreed with HMG in advance.
- B.9 For **subcontractors**, evaluation and performance management will be set and controlled by the lead supplier(s) responsible for delivering the programme. HMG will not hold any contractual or direct management relationship with subcontractors.

ANNEX C - ANNEX C PAYMENTS

1.1 The Authority will make payments on satisfactory delivery of key milestones by the Delivery Partner. Bidders should detail a proposed payment plan within their bid that is linked to Outputs and/or milestones and which incentivises the achievement of results and value for money.

1.2 Payment of invoices against key milestones or Outputs will be subject to the satisfaction and approval of Authority, in accordance with the provisions of the Call Off Contract. All expenditure will be in accordance with the Call Off Contract Charges as set out in Annex 1 of the Call Off Schedule 3. All Call Off Contract Charges should be clearly set out in the proposal and must be justified in terms of value for money.

Inception Phase

1.3 The first payment will be made upon satisfactory delivery of the Outline Inception Report. Payments for the Inception Phase will be made according to the three Payment Milestones below:

Milestone	Deliverables	Deadline (from contract signing)	Authority responsibility	Success criteria
1	<ul style="list-style-type: none">Risk Register in an agreed format, including programme and mitigation.Revised/validated Log frame, including baseline data, with disaggregated data and key performance indicators at activity, Output, intermediate Outcome and final Outcome levels as per the Prosperity Fund Monitoring, Results and Evaluation and Learning (MREL) guidance. This Logframe should be consistent with and feed into the Brazil Prosperity Fund Programme Results Framework. Gender and social inclusion indicators	In four weeks	Review within 2 weeks and provide feedback or agree to process payment	Signed off by Programme Director

	should be included at each level of the Logframe.			
2	<ul style="list-style-type: none"> A key requirement to achieve impact is to kick-start a pilot project that is implementation ready for scale up. An assessment of how best to develop a pipeline of projects, i.e. potential partnerships with Municipality/State, and how best to integrate with the Green Finance and Sustainable Infrastructure Programmes for potential scale up. 	In twelve weeks	Review within 2 weeks and provide feedback or agree to process payment	Signed off by Programme Director
	<ul style="list-style-type: none"> A detailed, costed annual Work Plan for the first 12 months of the Implementation Phase after the Inception Phase, including an agreed list of initial Work Packages to be delivered, as well as an outline of Work Plans for subsequent years. This must include a proposed schedule of Output-based payments against Service Levels and KPIs. 			
3	<ul style="list-style-type: none"> An assessment of the feasibility and benefits of delivering the programme through the creation of a physical or virtual Energy Centre or an alternative delivery mechanism, drawing from the Energy Centre assessment report to be completed in March 2019. 	In twenty four weeks	Review within 2 weeks and provide feedback or agree to process payment	Signed off by Programme Director

	<ul style="list-style-type: none"> • A governance structure for the programme and possible energy centre drawing from the recommendations of the governance assessment report to be completed in March 2019. Decision to proceed or not will be taken on the basis of the draft assessment above, in July 2019. • An assessment of the scope, feasibility, benefits and costs of the suggested R&D projects listed in the interventions below. • Monitoring, Results Evaluation and Lesson Learning Plan including an information flow map with timings. This needs to be coordinated with the Brazil Prosperity Fund MREL function and the Joint Funds Unit Prosperity Fund M&R and E&L contractors. • Value for Money strategy, based on the 4 Es (Economy, Efficiency, Effectiveness and Equality) and including tracking and submitting cost information to the Brazil PF Programme Team. • A market engagement /promotion strategy to realise secondary benefits created through this programme. 			
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	<ul style="list-style-type: none"> • Closure/Exit strategy with a clear focus on sustainability. 			
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1.4 The indicative payment split between the three Milestones is Milestone 1 10%, Milestone 2 40%, and Milestone 3 50% of the total Inception Phase cost. Any significant variance to this must be justified and all payments must be in line with guidance in paragraphs 1.1 and 1.2.

Implementation Phase

1.5 An indicative payment basis for each of the Programme Outputs which bidders should build on in developing their payment plans is as follows. The payment plan is to be agreed with the Authority.

- Output 1 – An effective and transparent regulatory environment that supports bridging and transition towards increased (non-hydro) renewable sources of energy: A budget, project plan with milestones and payment plan will be agreed in advance between the Delivery Partner and the Authority for each output product. Inputs and expenses incurred, up to pre-agreed maximums, will be paid upon satisfactory delivery of the associated milestones.

- Output 2 – A more competitive and efficient energy market; including strong environmental regulation that meets international standards of efficiency and value for money: A budget, project plan with milestones and payment plan will be agreed in advance between the Delivery Partner and the Authority for the process of identifying and selecting the pilot projects. A budget, project plan with milestones and payment plan will also be agreed in advance between the Delivery Partner and the Authority for each pilot project. Inputs and expenses incurred, up to pre-agreed maximums, will be paid upon satisfactory delivery of the associated milestones.

- Output 3 – Adoption of new clean technologies: An annual budget, project plan with milestones and payment plan will be agreed in advance between the Delivery Partner and the Authority for the delivery of this Output. Inputs and expenses incurred, up to pre-agreed maximums, will be paid upon satisfactory delivery of the associated milestones.

-Output 4 – Improvement in the safe, affordable and reliable access of energy to poorer households (esp. female headed); increase in the number of energy companies with effective gender inclusion policies: An annual budget, project plan

with milestones and payment plan will be agreed in advance between the Delivery Partner and the Authority for the delivery of this Output. Inputs and expenses incurred, up to pre-agreed maximums, will be paid upon satisfactory delivery of the associated milestones.

Payment By Results ("Fees at Risk")

1.6 As outlined in Annex B, the Authority also expects 10% of the Delivery Partner's overall fees to be linked to Key Performance Indicators (KPIs) and placed "at risk".

ANNEX D - CONTINUOUS IMPROVEMENT

- D.1 Continuous improvement by the Delivery Partner is expected in the effective, efficient, economic and equitable delivery of the programme activities and Outputs throughout the lifetime of the programme. This will form part of the regular quarterly, bi-annual and annual reviews by HMG.
- D.2 Lesson learning is an important component of all Prosperity Fund programmes. The Delivery Partner is expected to implement lessons learnt from delivery of the programme and incorporate them into the further implementation of the programme in a fluid and agile manner, after first seeking approval from the HMG for proposed changes.
- D.3 An independent evaluation will be conducted half way through the programme and feedback from this evaluation will influence subsequent stages of the programme. HMG will directly commission this evaluation.

ANNEX E - CONTRACT PERIOD

- E.1 The contract period will be from June 2019 to March 2023. The Delivery Partner will be contracted up to March 2023 including an initial Inception Phase of seven months. The initial contract will be let for the full period with a review point at the end of the Inception Phase (seven months) and in March 2021 to align with the Spending Review.
- E.2 Throughout and at the end of the Inception Phase the HMG, making use of its governance structures, will review performance to ensure satisfactory performance of the delivery partner(s) against the agreed milestones and deliverables set out in Section 4 – Deliverables and Outputs. If satisfied, the HMG, via the Brazil Board, will confirm award of the full contract and progression to the implementation phase. HMG reserves the right to break the contract as a result of poor performance and/or breach of contract by the lead delivery partner(s), subject to review at the extension period milestones set out above, or the reporting and review milestones.

ANNEX F - POINT OF DELIVERY

- F.1 The Delivery Partner is expected to work in Brazil, and be available to attend meetings in person whenever this is required by the SRO, Head of Programme and/or the Brazil Programme Team. The main site will be Brasilia for coordination purposes, but the Delivery Partner is expected to have presence or deploy teams in an efficient manner to cities where programme delivery will be focused.
- F.2 The Delivery Partner is required to have an office in Brazil. However, Teleconference and Videoconference can be used for meeting when the Delivery Partner cannot attend meetings in person.
- F.3 HMG will not be responsible for the provision or sourcing of accommodation for the Delivery Partner and/or subcontractors.

ANNEX G - BUDGET

- G.1 The total budget allocation is up to £22 million (Inc Tax/VAT).** Budget presentation should include detailed staff rates of pay, accommodation, travel, room hire and any per diem the contractor may wish to pay its staff. Tax requirements as/if applicable should also be set out. There will be a requirement for transparent and accurate management of budget lines. Once set, amendments to the agreed budget can be made but this will require advance consultation and approval of the Brazil Prosperity Fund Programme Board.
- G.2** HMG will not provide any facilities and/or equipment the Delivery Partner required to design, implement and monitor the programme. All costs related to delivery of the required services must be included in the financial proposal for the tender.

ANNEX H - RISK

- H.1 The delivery partner assumes liability for all programme risks including strategic, compliance, operational, financial, environmental and reputational/fiduciary risks. This includes being accountable for the appropriate use of ODA funds, management of risk and delivery of the project Outputs and Outcomes, as well as adverse effects of aid expenditure that have undesired and unexpected results upon recipients including any adverse environmental and gender related impacts.

ANNEX I – TRAVEL POLICY

I.1 Delivery Partners should always demonstrate clear Value for Money (VFM) on every single item of travel expenditure, remembering that this is tax-payers' money, and is therefore open to scrutiny. The travel policy must always be strictly adhered to, and not following policy, or seeking VFM, could result in spend being challenged by HMG.

Delivery Partners under contract with HMG's representation in Brazil must follow the Brazil Network policy including for class of travel. This policy should be shared with all official visitors well in advance of their official travel taking place.

This policy refers to all travel undertaken in relation to business, including air, rail, car hire and purchase and other travel costs, hotel and accommodation costs, subsistence costs. The budget should list trips, title of traveller (where known), dates and value and other mandatory inclusions as detailed in the travel, subsistence and accommodation.

I.2 **Class of Travel:** In line with FCO's policy, all journeys by rail or air will be budgeted by a class of travel that is no more than “**standard economy**” unless higher travel classes are representative of improved value for money or are required to adhere to specific legislation, for example the Equality Act 2010. The Head of Programme and/or the Programme Manager will confirm if this is appropriate and no travel should be booked in a class higher than “standard economy” without express written permission. First class travel will not be permitted under any circumstances. Alcohol and tobacco are not allowable subsistence items. Travel and subsistence expenses will be paid at a rate consistent with the HMRC's schedule of rates (see GEG guidance below).

I.3 **Geographical Expenditure Guidance (GEG):** The geographical expenditure guides (GEG) for Brazil and other countries are available from the Brazil Programme Team. These should be used whenever travelling to ascertain how much money will be required for the duration of the trip. GEG is about what costs are reasonable. Any expenditure on hotels/meals above the GEG amounts will be challenged.

I.4 **Accommodation:** The GEGs provides guidance on hotels throughout the world. You must be guided by the Price Guide in the GEG. Sometimes it may be possible to get better value hotels, which are a little further away from your place of work/visit, even when that involves slight higher costs on transport.

I.5 **Meals:** The GEG provides guidance on reasonable expenditure for breakfast (although you should always look to book hotels with breakfast included), lunch and dinner. You should consider this a maximum daily allowance. You should use what

is necessary rather than seeking to spend up to the allowance each day. If breakfast, lunch or dinner is provided you are not entitled to claim the full amount per day. For example, if breakfast is already included in your hotel and lunch is provided at your meeting/training/event, you are only entitled to claim for dinner. Please be aware that you may only claim food and drink items for yourself whilst on duty travel. Under no circumstances should you be buying food for other people using Prosperity Fund funds (even if it falls within the limit).

I.6 Travel at Destination: Taxis should only be taken at other times when more economic public transportation services are not available, or the saving of official time is an operational necessity, or it is dangerous to take the public transport available (e.g. No rail connection to airport, taxi at 3am, and security information from destination suggests use of taxi). If in doubt please refer to the GEG guidelines and look for VFM at all times.

I.7 Purchasing flights & Class of Travel: You can use different local travel agencies and airline websites to find the best value for money for flights. Remember:

- a. Test the airline and travel agency market regularly;
- b. **Plan well ahead**. Last minute purchases are usually more expensive and will be challenged by your HMG representative;
- c. If you have a medical condition that means that Business Class is required, you must seek prior approval from the Brazil Programme Team with supporting documentation.

ANNEX J - DUTY OF CARE (DoC)

- J.1 The Delivery Partner is responsible for the safety and well-being of their Personnel (as defined in Section 10 of the Framework Agreement and Section 23.2 of the Call-Off Terms and Conditions) and Third Parties affected by their activities under this Call-down Contract, including appropriate security arrangements. They will also be responsible for the provision of suitable security arrangements for their domestic and business property.
- J.2 HMG will share available information with the Delivery Partner on security status and developments in-country where appropriate.
- J.3 The Delivery Partner is responsible for ensuring appropriate safety and security briefings for all of their Personnel working under this Call-down Contract and ensuring that their Personnel register and receive briefing as outlined above.
- J.4 Bidders must develop their Tender on the basis of being fully responsible for Duty of Care in line with the details provided above. They must confirm in their Tender that:
- They fully accept responsibility for Security and Duty of Care.
 - They understand the potential risks and have the knowledge and experience to develop an effective risk plan.
 - They have the capability to manage their Duty of Care responsibilities throughout the life of the contract.
- J.5 Acceptance of responsibility must be supported with evidence of capability (no more than [2] A4 pages and Department reserves the right to clarify any aspect of this evidence. In providing evidence, bidders should consider the following questions:
- Have you completed an initial assessment of potential risks that demonstrates your knowledge and understanding, and are you satisfied that you understand the risk management implications (not solely relying on information provided by Department)?
 - Have you prepared an outline plan that you consider appropriate to manage these risks at this stage (or will you do so if you are awarded the contract) and are you confident/comfortable that you can implement this effectively?
 - Have you ensured or will you ensure that your staff are appropriately trained (including specialist training where required) before they are deployed and will you ensure that on-going training is provided where necessary?
 - Have you an appropriate mechanism in place to monitor risk on a live / on-going basis (or will you put one in place if you are awarded the contract)?

- Have you ensured or will you ensure that your staff are provided with and have access to suitable equipment and will you ensure that this is reviewed and provided on an on-going basis?
- Have you appropriate systems in place to manage an emergency / incident if one arises?

J.6 Further information on Duty of Care is provided in the Supplier Instructions (Volume [x] of the Mini-Competition Invitation to Tender Pack).

Appendix 1 Duty of Care Risk Assessment

Theme	Department risk score
FCO Travel Advice	2
Host nation travel advice	-
Transportation	2
Security	3
Civil unrest	3
Violence / crime	5
Espionage	2
Terrorism	1
War	1
Hurricane	1
Earthquake	1
Flood	4
Medical services	2
Nature of project / intervention	2
Overall rating using MODE function	2

1 Very Low risk	2 Low risk	3 Med risk	4 High risk	5 Very High risk
Low		Medium	High Risk	