

CALLDOWN CONTRACT

Framework Agreement with: PricewaterhouseCoopers LLP

Framework Agreement for: Wealth Creation Framework Agreement

Framework Agreement Purchase Order Number: 5929

Call-down Contract For: Portfolio Risk Assurance Programme II

Contract Purchase Order Number: 7745

I refer to the following:

1. The above mentioned Framework Agreement dated 28th January 2013; and
2. Your proposal of 4th **November 2016** and all subsequent clarifications.

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

1. Commencement and Duration of the Services

- 1.1 The Supplier shall start the Services no later than **1st June 2017** (“the Start Date”) and the Services shall be completed by **31st May 2020** (“the End Date”) with an option to extend at DFID’s sole discretion for up to **24 months** unless the Call-down Contract is terminated earlier in accordance with the Terms and Conditions of the Framework Agreement.

2. Recipient

- 2.1 DFID requires the Supplier to provide the Services to the **DFID Pakistan** (“the Recipient”).

3. Additional Documents to be included in this Contract

- 3.1 The following documents are included in and form part of the Contract in addition to Sections 1-5 inclusive:

Technical Proposal dated 4th November 2016
Commercial Proposal dated November 2016

4. Financial Limit

- 4.1 Payments under this Call-down Contract shall not exceed **£1,750,000** (“the Financial Limit”) and are exclusive of any government tax, if applicable as detailed in Annex B.

5. DFID Officials

- 5.1 The Project Officer is: Redacted
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- 5.2 The Contract Officer is: Redacted
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6. Key Personnel

- 6.1 The following of the Supplier's Personnel cannot be substituted by the Supplier without DFID's prior written consent:

Redacted

7. Reports

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

8. Duty of Care

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

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

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

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

- II.2. Any claim, howsoever arising, by the Supplier's Personnel or any person employed or otherwise engaged by the Supplier, in connection with their performance under this Call-down Contract.
- III. The Supplier will ensure that such insurance arrangements as are made in respect of the Supplier's Personnel, or any person employed or otherwise engaged by the Supplier are reasonable and prudent in all circumstances, including in respect of death, injury or disablement, and emergency medical expenses.
- IV. The costs of any insurance specifically taken out by the Supplier to support the performance of this Call-down Contract in relation to Duty of Care may be included as part of the management costs of the project, and must be separately identified in all financial reporting relating to the project.
- V. Where DFID is providing any specific security arrangements for Suppliers in relation to the Call-down Contract, these will be detailed in the Terms of Reference.

9. Branding

- 9.1 The Supplier will collaborate with DFID and proactively look for ways to build support for development and raise awareness of DFID's funding. The Partner will explicitly acknowledge DFID's funding, in written and verbal communications about activities related to the funding, to the public or third parties, including in announcements, and through use, where appropriate, of DFID's "UK aid – from the British people" logo ('UK aid logo') in accordance with DFID standards for use of the UK aid logo, unless otherwise agreed in advance by DFID and in all cases subject to security and safety considerations of the Partner.
- 9.2 The Supplier will provide a visibility statement of how and when they will acknowledge funding from DFID and where they will use the UK aid logo, which should be approved by DFID. The Supplier will include reference to this in its progress reports and annual reviews.
- 9.3 Suppliers may use the UK aid logo in conjunction with other donor logos, and where the number of donors to a programme or project is such as to make co-branding impractical, acknowledgement of funding from DFID should be equal to that of other co-donors making contributions of equivalent amounts to the programme or project.

10. Call-down Contract Signature

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

For and on behalf of

Name:

**The Secretary of State for
International Development**

Position:

Signature:

Date:

For and on behalf of
PricewaterhouseCooper LLP

Name:

Position:

Signature:

Date:

TERMS OF REFERENCE

PO 7745

Portfolio Risk Assurance Programme II

1. Introduction

- 1.1 DFID Pakistan wishes to contract a Service Provider for its Portfolio Risk Assurance Programme II, a successor to the original Portfolio Risk Assurance Programme (PRAP). This programme will continue to strengthen DFID Pakistan's ability to identify, understand, address and manage the major governance, management and financial risks at programme level in what is one of DFID's largest programme portfolios.

2. Objective

- 2.1 The programme demonstrates DFID Pakistan's commitment to Value for Money and zero tolerance on fraud. It sends a clear signal to all our partners that governance and fiduciary controls must be fit for purpose.
- 2.2 This contract will help DFID Pakistan to increase the knowledge and understanding of the fiduciary environment, through which funds are channelled, incentivise partner organisations to take positive action to address unsatisfactory review findings, and strengthen how DFID programme teams act upon the review findings.
- 2.3 The programme will play an important role in underpinning the integrity of the entire DFID Pakistan portfolio as outlined in the Business Plan. Improved domestic accountability and tackling of corruption is an important strategic objective for DFID Pakistan.

3. Recipients

- 3.1 The primary recipients of the services will be partner organisations operating in the delivery chains of DFID Pakistan's programmes. These partner organisations could be government agencies, non-governmental organisations or private sector suppliers.
- 3.2 The secondary recipients of the services will be DFID Programme Teams.

4. Scope

- 4.1 The Programme will have four components:

- 4.1.1 Component 1: Specialist reviews of governance and financial management of partner organisations
- 4.1.2 Component 2: Cash flow tracking to map and confirm the flow of funds and robustness of the data that trigger release of funds
- 4.1.3 Component 3: Interpretation of finance and assurance reports
- 4.1.4 Component 4: Flexible but targeted technical advice

a. Component 1: Specialist Reviews

- i. Specialist reviews will be conducted by independent and international calibre audit experts on the elements of our portfolio considered to be highest risk. In most instances, this will involve focussing on a specific organisation playing a role in the delivery chain of our programmes – for example, a government department / agency, an NGO or a commercial company. In some cases, reviews may be conducted on a business process rather than an agency (which may involve reviewing the work of multiple agencies involved in this process).
- ii. Most reviews will concentrate on:
 - financial standing;
 - partner suitability;
 - control design and operation;
 - use of funding; and
 - results and impact.
- iii. Each review will be tailored to the specific programme context, responding to risks identified in existing programme analysis. But the reviewers will also be expected to use their judgement to investigate areas that they perceive to be high risk, based on the information they glean during the review. This includes an understanding of the geographical spread of programmes and each site providing own challenges.
- iv. At the end of each review, the final report and draft action plan will be reviewed by both the management of the reviewed entity and the DFID Pakistan programme team. This will layout the basis for discussion on a proposed action plan to address identified risks, which will be agreed between DFID and the entity. This action plan will lead to joint monitoring over coming months and years, enabling DFID Pakistan to justify continued funding if the plan is implemented, or consider alternative policy options if it is not.

- v. The Service Provider will be responsible for designing a template Scope of Work and then for developing each Scope in consultation with (and to the satisfaction of) DFID Programme Teams and (where necessary) the entities under review.
- vi. The Scope of Work will be discussed with the entity during inception meetings, with participation from DFID Pakistan.
- vii. The methodology to be followed for each review will be determined primarily by the Scope of Work, but should meet international standards and should obtain sufficient evidence for the Service Provider to be able to make clear and definitive statements regarding control and management effectiveness. The Service Provider will be responsible for designing appropriate methodologies for these specialist reviews.
- viii. Previous reviews have focused on a variety of issues, including:
 - Governance and oversight arrangements;
 - Specific control processes, such as procurement and payroll management;
 - Financial accounting and reporting systems; and
 - Human resources and staffing.
- ix. The template for each review will be developed by the Service Provider, but should include:
 - A description of the auditor's understanding of the programme and management context;
 - A description of the Scope of Work and the methodology followed, including relevant detail on sample sizes and tests used;
 - A series of findings, each with a risk rating;
 - An overall assessment of risk for the audited entity / process; and
 - Any appropriate caveats to the findings.
- x. Addressing gender equality and girls and women's empowerment is a key priority for DFID Pakistan. The Service Provider will be required to gather evidence on key gender indicators when conducting reviews. Reviews will ensure that gender disaggregated data is being collected and appropriate gender human resources are in place for effective programme delivery where relevant.

- xi. First drafts of each review will be quality assured by DFID Pakistan. There will be an opportunity for the entity being reviewed to fact check a review, prior to approval from DFID. Once approved, the Service Provider will discuss the findings with the management of the entity reviewed with the aim of (a) agreeing the findings and (b) agreeing an action plan to address the findings. The Service Provider will be responsible for designing a template for this Action Plan, which should be a clear and concise statement of response (rather than a detailed activity schedule or reform strategy).
- xii. Once agreed, the action plan will be discussed in a formal exit meeting with DFID Pakistan participation.

b. Component 2: Cash flow tracking

- i. One of the major opportunities for corruption is the various points in the financial flows where funds are released on the basis of some form of evidence that payment is due. Such processes often look adequate in terms of a documented process. In reality the opportunity for corruption is potentially available for a different amount of payment to be passed to the next link in the chain, or for the evidence to be falsified.
- ii. This new approach will identify high risk programmes that are susceptible to such corruption. These reviews will document the financial flow process and confirm the authenticity of the cash value being processed between payee and recipient. These reviews will also corroborate the evidence for supporting payment release by checking the validity of the data or examination of goods or services delivered.
- iii. The Service Provider will be responsible for designing a template Scope of Work and then for developing each Scope in consultation with (and to the satisfaction of) DFID Programme Teams and (where necessary) the entities under review.
- iv. The Scope of Work will be discussed with the entity during inception meetings, with participation from DFID Pakistan.
- v. The methodology to be followed for each review will be determined primarily by the Scope of Work, but should meet international standards and should obtain sufficient evidence for the Service Provider to be able to make clear and definitive statements regarding control and management effectiveness. The Service Provider will be responsible for designing appropriate methodologies for these cash flow reviews.

c. Component 3: Interpretation of finance and assurance reports

- i. In addition to the specialist reviews described above, an important programme management tool at staff disposal are programme audits. Independent annual audited statements are required from all commercially contracted partners and grant recipients. Annual statements are required from the Auditor General of Pakistan's office for all general and sectoral budget support. Understanding and making appropriate use of these reports is vital, including adequate follow up, in ensuring effective financial oversight of programmes.
- ii. The Service Provider will be called upon on an ad hoc basis to support programme staff to interpret audit reports received from various sources, including the Auditor General of Pakistan's office, and quality assure the findings and recommend / support follow ups planned by the programme teams. As part of building the capability of staff in this area, the supplier may be asked to provide staff with a range of tools including but not limited to, staff briefing sessions and checklists and guides.

d. Component 4: Targeted technical advice

- i. The components above will aim to provide coverage of all of DFID Pakistan's high risk programmes, and others that programme teams feel deserve similar depth of analysis. But in addition to this, DFID Pakistan is likely to need occasional ad hoc professional expertise that cannot be precisely forecast.
- ii. To provide a consistent approach across the office, the programme supplier will be required to demonstrate access to a broader range of relevant specialists such as legal advice, labour law expertise, forensic audit specialists, and accountants. An understanding of the local regulatory environment and applicable corporate laws would be an asset.

5. Requirements

- 5.1 All major reports produced under the contract should be quality-assured and issued by the Service Provider's international or regional head-quarters to demonstrate independence and credibility.
- 5.2 The firm should be able to maintain, either itself or through a sub-contract arrangement, the capability and credibility to conduct relevant fieldwork throughout Pakistan, including at the district level. The Service Provider will also need to demonstrate results delivery in comparable operating environments.

6. Timeframe

- 6.1 The contract will be for three years, with a break point at the end of each year and the facility to extend, at the sole discretion of DfID, for up to a further 2 years. DfID will decide to utilise the break point based on an assessment of the Service Provider performance and / or DFID's need / demand for these services.

7. DFID Coordination

- 7.1 The Portfolio Risk Assurance Programme is managed by the Programme Effectiveness and Transparency Team Leader who is the Senior Responsible Owner for the programme within DFID Pakistan's Programme Effectiveness, Analytical and Business Support Group.
- 7.2 While the Service Provider will primarily report to this team, it will also need to work closely with individual programme teams when delivering reviews on their respective programmes. Experience from the previous programme suggests that intensive and multiple lines of communication are needed between the Service Provider, DFID Pakistan and partner agency counterparts, especially when negotiating reviews scope and access.
- 7.3 The Service Provider should spell out in its proposal what measures it would take to ensure it is capable of handling this high degree of communication and coordination.

8. Conflict of Interest

- 8.1 DFID takes conflicts of interest very seriously, and this is particularly the case with the Portfolio Risk Assurance Programme (PRAP) which requires an independent and objective assessment of programme implementation partners. The Service Provider will need to understand this and have in place measures to ensure that any threats to the Service Providers independence or objective are identified and managed.

These measures may include:

- Identification of a threat to independence through considering the nature of the programme implementation partner;
- The threat to independence is then assessed and discussed between the parties;
- Where safeguards need to be put in place these will be discussed in advance;
- Secure storage of data and client files, restrictions on discussing client business (even internally) and (where applicable) secure zones in offices; and
- The Service Provider maintains a Conflicts of Interest log which documents the potential conflict; the safeguards put in place and the decision whether to proceed with the review.

- 8.2 DFID will take the ultimate decision on whether the Service Provider proceeds with a review or not, and this decision is informed by the factors listed above.

9. Carbon Footprint

- 9.1 DFID wishes to work with suppliers who are committed to integrating climate change opportunities and mitigating risks into the content of services and products provided to DFID and also into the practices of the suppliers themselves. Bidders should demonstrate how they will seek to maximise the climate and environmental opportunities, and minimise the risks, as well as minimising their and their sub-contractors carbon footprint in the course of fulfilling any DFID call-down contract from this framework agreement.

10. Duty of Care and Security

- 10.1 The Supplier is responsible for the safety and well-being of their personnel and Third Parties affected by their activities under this contract, including appropriate security arrangements. They will also be responsible for the provision of suitable security arrangements for their domestic and business property.
- 10.2 DFID will share available information with the Supplier on security status and developments in-country where appropriate. DFID will provide the following:
- 10.3 The Supplier's in-country programme lead will be offered a security briefing by the British High Commission / DFID on arrival. All such personnel must register with their respective Embassies to ensure that they are included in emergency procedures.
- 10.4 The Supplier is responsible for ensuring appropriate safety and security briefings for all of their personnel working under this contract and ensuring that their personnel register and receive briefing as outlined above. Travel advice is also available on the FCO website and the Supplier must ensure they (and their personnel) are up to date with the latest position. A security risk assessment covering all provinces of Pakistan is attached at Annex A. The Supplier's decision on travelling and level of security provision for its staff should be informed by the security risk matrix attached at Annex A.

11. Background

- 11.1 The objective of the programme remains broadly similar to its predecessor, namely to identify, understand, address and manage the major governance, management and financial risks in the portfolio. This programme provides additional assurances to DFID and support to implementing partners in safeguarding DFID funds in a high fiduciary risk environment. It is therefore prudent to take additional measures to protect those investments and ensure funds are reaching their intended beneficiaries.

- 11.2 DFID Pakistan already uses a number of risk assessment and mitigation tools, such as Fiduciary Risk Assessments (for Financial Aid) and Annual Reviews. In line with the Paris Agenda, DFID Pakistan also uses country systems for external audit purposes to meet our parliamentary 'fiduciary discharge' responsibilities. But in the context of Pakistan, where country systems are weak, DFID Pakistan recognises that it needs to do more.
- 11.3 To this end there was an initial 18 month pilot Continuous Audit programme which was followed by a 3 year PRAP programme. This has both increased protection against fraud and corruption and identified specific situations where funds have been held back or recovered. The PRAP programme operates across the whole DFID Pakistan portfolio, conducting in-depth programme reviews of high risk programmes.



Department
for International
Development



Annex A: Duty of Care Risk Assessment matrix

DFID Overall Project/Intervention Summary Risk Assessment Matrix

Theme	DFID Risk Score	DFID Risk Score	DFID Risk Score	DFID Risk Score	DFID Risk Score	DFID Risk Score	DFID Risk Score	DFID Risk Score	DFID Risk Score	DFID Risk Score	DFID Risk Score
Province	Islamabad Capital Territory & Rawalpindi	Punjab (north) including Lahore	Punjab (south)	Sindh (north)	Sindh (south) including Karachi	Balochistan	FATA	Khyber Pakhtunkhwa (south) including Peshawar	Khyber Pakhtunkhwa (north and east)	Karakorum Highway (KKH)	Gilgit-Baltistan (except KKH)
Overall Rating*	3	3	4	4	4	4	4	4	3	3	2
FCO Travel Advice	2	2	2	3	2	4	4	4	3	4	2
Host Nation Travel Advice	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Transportation	3	3	4	4	4	4	4	4	4	4	4
Security	4	4	4	4	4	4	4	4	4	4	4
Civil Unrest	3	3	3	3	4	5	5	4	2	2	2
Violence/crime	2	3	4	4	5	4	4	4	3	3	2
Terrorism	5	5	5	5	5	5	5	5	5	5	5
Conflict (war)	2	2	2	2	2	4	5	3	2	2	2

Hurricane	2	2	2	2	2	2	2	2	2	2	2
Earth-quake	4	3	3	3	3	4	3	4	4	4	4
Flood / Tsunami	2	4	4	4	4	3	2	2	2	2	2
Medical Services	1	2	3	3	2	4	4	3	3	3	3
Nature of Project Intervention	3	3	4	4	4	4	4	4	3	3	2

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

1. As assessed by DFID Risk Manager July 2016

Section 5
Schedule of Prices

Redacted