Foreign, Commonwealth & Development Office

CALLDOWN CONTRACT

Framework Agreement with: Palladium International Ltd

Framework Agreement for: General Economic Development Framework

Framework Agreement Purchase Order Number: 8126

Call-down Contract For: UK-Tanzania Green Growth Facility (GGF)

Contract Purchase Order Number: 1053150
I refer to the following:

1.The above-mentioned Framework Agreement dated **18th February 2019**

2.Your proposal of **3 February 2023 'UK-Tanzania Green Growth Fund'** which will now be known as **UK-Tanzania Green Growth Facility (GGF)**

and I confirm that FCDO 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 **1 August 2023** ("the Start Date") and the Services shall be completed by **31 December 2027** ("the End Date") unless the Call-down Contract is terminated earlier in accordance with the Terms and Conditions of the Framework Agreement.

2. Recipient

2.1 FCDO requires the Supplier to provide the Services to the **FCDO** (the "Recipient").

3. Financial Limit

3.1 Payments under this Call-down Contract shall not, exceed £**11,000,000** ("the Financial Limit") and is inclusive of any government tax, if applicable as detailed in Annex B**.**

4. FCDO Officials

4.1 The Project Officer is:
[redacted]

4.2 The Contract Officer is:
[redacted]

Foreign, Commonwealth & Development Office

Supplier

4.3 The Project Officer is:
[redacted]

4.4 The Contract Officer is:
[redacted]

5. Key Personnel

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

	[redacted]		[redacted]
	[redacted]		[redacted]
	[redacted]		[redacted]
	[redacted]		[redacted]

6. Reports

6.1 The Supplier shall submit project reports in accordance with the Terms of Reference

7. Formal Review Points

7.1 There will be formal review points . There is a post-inception review point in month 4 of the contract. There will also be a mid-term contract review point due on 31 August 2025, after the annual review as per the Terms of Reference at Annex A.

8. Extension Options

8.1 The contract includes the option to extend by up to an additional 24 months in duration and up to an additional £5,000,000 in value.

8.2 **End date of Extension Period.**

31 December 2029

8.3 **Minimum written notice to supplier in respect of extension.**

3 months

9. **Closure**

9.1 There will be a minimum 3-month closure period during which the suppliers will responsibly close down the programme in accordance with the Terms of Reference at Annex A.

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

Foreign, Commonwealth & Development Office

clause 4 above) duly completed, signed and dated on behalf of the Supplier within **15 working days** of the date of signature on behalf of FCDO, FCDO will be entitled, at its sole discretion, to declare this Call-down Contract void.

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

Signed by an authorised signatory for and on behalf of The Secretary of State for Foreign, Commonwealth and Development Affairs	Name: [redacted]
	Position: [redacted]
	Signature:
	Date:
Signed by an authorised signatory for and on behalf of the Supplier	Name: [redacted]
	Position: [redacted]
	Signature:
	Date:

UK-Tanzania Green Growth Fund (GGF)

Tender No. 5367: Terms of Reference for Supplier Contract

Table of Contents

List of Acronyms

ARR	Afforestation, Reforestation and Revegetation
BHC	British High Commission in Dar es Salaam
DFI	Development Finance Institutions
FCDO	Foreign, Commonwealth and Development Office
GGF	Green Growth Fund
ICF	International Climate Finance
KPI	Key Performance Indicator
MA	Manufacturing Africa
P4P	Productivity for Prosperity
PM	Programme Manager
PRO	Programme Responsible Owner
REDD+	Reducing Emissions from Deforestation and Forest Degradation
SEAH	Sexual Exploitation, Abuse and Harassment
SoW	Statement of Works
SRO	Senior Responsible Owner
TA	Technical Assistance
ToC	Theory of Change
ToR	Terms of Reference
VAT	Value Added Tax
VfM	Value for Money

1. Summary

1.1. The UK Foreign, Commonwealth and Development Office ("FCDO") is procuring a service provider ("Supplier") to design, manage and deliver a **UK-Tanzania Green Growth Fund** (the "GGF"), based in Tanzania.

1.2. The GGF will provide flexible, on-demand support to the Government of Tanzania, businesses, investors and associated organisations. The GGF will also proactively implement strategic workstreams to achieve specific green growth outcomes, as determined by the FCDO. The GGF will dovetail with the FCDO's external engagement and influencing activities in Tanzania, supporting the UK's economic and climate diplomacy.

1.3. The GGF will be a component of the FCDO's Productivity for Prosperity ("P4P") programme[1]. P4P is a sustainable economic transformation programme that will increase labour productivity and climate-resilience in Tanzania's job-creating sectors. It will achieve this through private sector development (investment facilitation including for climate finance, trade facilitation and building capabilities of firms) and business environment reform (supporting proportionate and predictable regulation).

1.4. The Supplier contract will run until 31 December 2027 with a value of up to £11,000,000. The contract will include the option to extend by up to an additional 24 months in duration and up to an additional £5,000,000 in value.

2. Recipient

2.1. The recipients of the GGF will be the Government of Tanzania institutions (including Zanzibar government), investors, businesses and relevant associations ("Recipients").

3. Context

3.1. The context in which the GGF will operate is detailed in the P4P business case (Annex 1). Potential Suppliers must review the business case in detail. The GGF will operate in a highly political context and the Supplier must consider both Tanzanian and UK politics in design and implementation.

3.2. P4P's delivery mechanisms have been adapted to align with FCDO's latest priorities, and the funds and facilities detailed in the business case have been adjusted accordingly. Under current plans, which are subject to change at FCDO's discretion, P4P will have three delivery mechanisms described as follows:

3.2.1. **Aceli Africa (Aceli)** will fulfil the objectives of the Investment Catalyst Fund as detailed in the P4P business case. Aceli commenced activities in November 2021 and the current agreement runs until December 2025. Aceli provides financial incentives to local and regional banks to increase agribusiness lending. Aceli also provides technical assistance to SMEs, creating a pipeline of investment-ready businesses for lenders. Of the three delivery mechanisms, Aceli focuses on smallest ticket sizes, ranging $50k to $1.75m. It is expected that Aceli will support approximately 200 by 2025.

3.2.2. **Manufacturing Africa (MA)** will contribute to the objectives of the "Investment Ecosystem Facility" and the objectives of the "Business Environment Advocacy Facility" as described in the P4P business case. MA will have two workstreams: transaction facilitation and technical assistance. Transaction facilitation will support specific, large investment deals expected to be $5m+. Technical assistance will focus specific business environment bottlenecks preventing

[1] The Productivity for Prosperity programme is expected to be re-branded "UK-Tanzania Green Growth Partnerships" by mid-2022.

investment deal completion. MA is expected to commence in 2023, if budgets allow, with a four-month inception phase.

3.2.3. **The UK-Tanzania Green Growth Fund (this tender)** will fulfil the objectives of the "Economic Diplomacy Fund" and contribute to the objectives of the "Investment Ecosystem Facility" and "Business Environment Advocacy Facility" as detailed in the P4P business case. The GGF is central to the BHC's requirement for a flexible and responsive programme to meet its prosperity and climate objectives. Of the three delivery mechanisms, it is expected that the GGF – through its demand-driven projects – will interact with the widest range of BHC staff (e.g. political, governance, security, climate, prosperity). Furthermore, the GGF's longer-term strategic workstreams will enable it to flexibly respond current and future priorities that require a deeper, more systemic intervention (e.g. supporting carbon trading markets or high value crop value chains). This contrasts with Aceli and Manufacturing Africa which focus on specific investment deals.

3.3. FCDO will facilitate quarterly meetings between the GGF, Aceli and MA to support coordination. FCDO will also ensure that research produced by the three components is freely shared wherever possible. The following coordination opportunities are envisioned:

3.3.1. **GGF and Aceli:** Businesses supported by Aceli may be referred to the GGF for more complex initiatives or larger-scale investment facilitation support. The GGF and Aceli may also partner on tacking business environment issues of common interest. The GGF likely to be better positioned to lead on flexible business environment support.

3.3.2. **GGF and MA:** Of the three mechanisms, the greatest need for coordination will be between the investment market system development work of the GGF and the transaction facilitation work of MA. FCDO will develop coordination mechanisms and provide clear direction to GGF and MA to avoid duplication and/or conflict during the respective inception periods.

4. Objectives

4.1. For the purpose of this Terms of Reference:

4.1.1. "Outputs" are defined as activities directly implemented by the Supplier or downstream partners, for example a report or a workshop.

4.1.2. "Outcomes" are defined as the positive and sustained social, economic or environmental changes (i.e. results) caused by the outputs.

4.1.3. "Impacts" are defined as positive macroeconomic or transformational change that result from outcomes, but are also significantly impacted by factors outside the Supplier's control.

4.2. The objective of the GGF is to contribute to P4P's impact and outcome statements and logframe indicators (see Sections 4.3, 4.4 and Annex 2). The Supplier is responsible for achieving outcomes as well as outputs. The Supplier must implement outputs that have a high likelihood of resulting in outcomes, based on up-to-date evidence, economic analysis, political analysis and lessons learnt from previous relevant interventions.

4.3. P4P's impact statement is **"Sustainable economic transformation in Tanzania through increased labour productivity and climate-resilience in job-creating sectors."**

4.4. P4P's outcome statement is: **"A better business environment, increased investment (including climate and nature finance), improved business practices, and increased domestic and international trade".**

4.5. An indicative logframe can be found in Annex 2, which includes the impact and outcome indicators required to achieve the impact and outcome statements. The Supplier must adapt this logframe to align with its strategic approach, which will be assessed as part of its bid (see Section 6.8). Based on the Annex 2 logframe – which will be revised during inception – it is expected that the GGF will deliver the following results by end-2027:

4.5.1. 1,000 new jobs, of which 300 are to women.

4.5.2. 25,000 people with increased incomes, of which 7,500 are women and 15,000 of which are supported to become more resilient to climate change.

4.5.3. $10,000,000 in private investment mobilised, of which $3,000,000 meets the 2X Challenge criteria (see Section 4.6).

4.5.4. $7,500,000 in private investment mobilised for climate change purposes, of which $2,250,000 meets the 2X Challenge criteria.

4.5.5. $10,000,0000 increase in firm revenues, of which $3,000,000 are from firms that meet the 2X Challenge criteria.

4.5.6. $5,000,0000 increase in annual trade, of which $1,500,000 is from firms that meet the 2X Challenge criteria.

4.5.7. 15 business environment reforms supported.

4.5.8. 450,000 hectares of land where deforestation has been avoided.

4.5.9. 225,000 hectares of land receiving sustainable land management practices.

4.6. The Supplier will ensure that the GGF has a significant impact on gender equality. The Supplier will use the 2X Challenge for Financing Women[2] criteria for measuring the GGF's contribution to women's economic empowerment. All relevant impact and outcome indicators should be disaggregated to measure achievement against the 2X Challenge, with a minimum 30% target.

4.7. The Supplier will ensure that the GGF makes a significant contribution to both climate change adaptation and mitigation. The Supplier must achieve specific ICF KPIs detailed in the logframe, however the Supplier is also required to report on all relevant ICF KPIs to provide FCDO with a complete understanding of the GGF's contribution to climate change results. Detailed guidance notes for these KPIs can be found here: http://climatechangecompass.org/monitoring-work-stream/. Priority ICF KPIs are included in the logframe (Annex 2), however, where possible the Supplier must report (separately) against all relevant KPIs including:

4.7.1. **KPI 4:** Number of people whose resilience has been improved (note: this can be measure at impact level)

4.7.2. **KPI 5:** Number of jobs created as a result of ICF

4.7.3. **KPI 8:** Number of hectares where deforestation and degradation have been avoided

4.7.4. **KPI 10**: Value of ecosystem services generated or protected as a result of ICF support

4.7.5. **KPI 11:** Volume of private finance mobilised for climate change purposes

[2] Further details can be found at: https://www.2xchallenge.org/criteria

4.7.6. **KPI 12:** Volume of public finance mobilised for climate change purposes

4.7.7. **KPI 13:** Extent of climate change integration in government planning as a result of ICF

4.7.8. **KPI 14:** Extent of government institutional knowledge of climate change issues as a result of ICF

4.7.9. **KPI 15:** Extent to which ICF intervention is likely to lead to Transformational Change

4.7.10. **KPI 17:** Hectares of land that have received sustainable land management practices as a result of ICF

5. Scope of Work

5.1. Overview

5.1.1. The GGF will deliver both demand-driven projects ("**projects**"), and proactive strategic workstreams ("**workstreams**"). Both will complement the work of FCDO advisory and policy specialists in Tanzania to achieve prosperity and climate development outcomes.

5.1.2. Projects will be short-term (up to approximately six months) interventions with tightly defined outputs, which can rapidly respond to demand from FCDO and recipients. Projects may include research, analysis and advice, policy formation, policy implementation, the provision of embedded advisers to government, and workshops and events organisation.

5.1.3. Workstreams will be longer-term, more complex, outcome-focused interventions, which aim to make larger-scale, more systematic change. Once the initial concept approved by FCDO, the Supplier will have greater flexibility to design, implement and adapt strategic workstreams, provided the outcomes remain aligned with FCDO's objectives.

5.1.4. The GGF will have two categories of expenditure: core and flexible facility. The flexible facility will fund the variable costs related to designing and implementing projects and workstreams, with several exclusions. Specific definitions of core and flexible facility spend can be found in Section 7.3.

5.1.5. The Supplier is expected to allocate approximately 40% of the flexible facility budget to projects and 60% to workstreams.

5.2. Minimum Requirements

5.2.1. The following are minimum requirements for both projects and workstreams.

5.2.2. The Supplier must develop an approval committee (or similar) mechanism including the FCDO Programme Responsible Owner (see Section 6.7.2) to review and prioritise project and workstream requests.

5.2.3. Supplier must draft a concise (10-page max), evidence-based Statement of Works ("SoW") before starting a new project or workstream. Each SoW must include:

- The context and need for an intervention,
- A theory of change,
- Outcome and output indicators and targets,
- Human resourcing requirements (including named consultants and CVs),

- A risk assessment (including political, reputation and safeguarding risk),
- An itemised budget (including fee rates, number of days, and expenses),
- Payment milestones (see below),
- Decision points at which the project could be extended, scaled up, scaled down or closed.

5.2.4. The Supplier must ensure that all projects and workstreams are aligned with the outcome and impact statements in Section 4.3 and 4.4 respectively, and contribute to at least one logframe outcome indicator.

5.2.5. The Supplier must ensure that the design and implementation of all projects and workstreams align with FCDO's policy on subsidy to the private sector (see Annex 3).

5.2.6. The Supplier must design projects and workstreams to ensure ownership of the outcomes by the intended Recipients.

5.2.7. The Supplier must integrate political economy and conflict analysis into the project and workstream design.

5.2.8. The Supplier must ensure that projects and workstreams do not duplicate existing work. As a minimum, the Supplier must consult with Aceli Africa, Manufacturing Africa, and other development partners and relevant agencies to ensure work is complementary and not duplicative.

5.2.9. The Supplier must ensure that the SoWs integrate the comparative advantage of FCDO staff in the project and workstream's design, including FCDO's: convening power, lobbying capability, policy expertise and political insights.

5.2.10. The Supplier must address any comments on the SoW from FCDO staff and the Recipients before commencing a project or workstream.

5.2.11. The Supplier must seek FCDO approval before commencing implementation of a project or workstream.

5.2.12. The Supplier must manage each project and workstream's implementation, including coordination of activities, quality and performance management of consultants, quality assurance of all outputs, coordination and engagement of stakeholders, and ensuring value for money. Further details are provided in Sections 6.2 to 6.9.

5.2.13. The Supplier must proactively adapt the activities (outputs) of each project and workstream based on changes in context and lessons learnt to maximise the project's results (outcomes).

5.2.14. The Supplier must specify decision points within SoWs at which the project or workstream may scale up or down. Projects may be converted into workstreams if significant opportunities justify an increase in resource. In this case, an updated SoW must still be submitted to FCDO for approval.

5.2.15. SoWs must detail a process for ensuring that projects or workstreams that are no longer expected to achieve the required outcomes, no longer represent good value for money or are no longer aligned with FCDO and/or the recipient's objectives are adapted, scaled down or discontinued.

5.2.16. 100% of flexible facility fees for projects and 10% of flexible facility fees for workstreams will be payable upon the delivery of "payment milestones". Payment milestones are points at which the Supplier must deliver specific outputs or outcomes before receiving payment. Non-fee expenses must be invoiced based on actual expenditure and are not linked to payment milestones.

5.2.17. FCDO's decision on if a payment milestone is met or not is final. The Supplier is responsible for ensuring that payment milestones are clearly defined such that FCDO can easily judge if they have been achieved or not. Payment milestones may include conditional language to account for events that are outside of the Supplier's control.

5.2.18. Payment milestones must be specified in the SoW. Once the payment milestones are approved by FCDO, the payment milestones can only be modified following joint agreement between FCDO and the Supplier.

5.2.19. If, during implementation, the Supplier determines that changes to the payment milestones or outcomes of a project or workstream are required, the Supplier must submit an updated SoW with a covering email highlighting and justifying the changes for FCDO approval.

5.2.20. If, during implementation, the Supplier determines that changes are required such that a project or workstream's budget increases by more than 15%, the Supplier must submit an updated SoW (including updated payment milestones) with a covering email highlighting and justifying the changes for FCDO approval.

5.2.21. If required, the Supplier must submit an updated SoW requesting a budget revision or change to payment milestone as early as possible, and before incurring additional costs or taking action that could reasonably be foreseen to lead to a budget overrun or missed payment milestone in the future (e.g. it is clear that doing an activity would exhaust the remaining budget necessary for essential future activities).

5.2.22. If FCDO does not accept an updated SoW, the Supplier must still deliver the agreed SoW milestones to receive payment.

5.2.23. Budget variations of up to 15% from the latest approved SoW may be invoiced without prior approval.

5.2.24. The Supplier must demonstrate actual costs incurred prior to submitting invoices and where actual costs are lower than the agreed payment milestone, the invoice will reflect the lower, actual amount, with the remainder being re-invested back into the programme.

5.2.25. The Supplier must submit a Force Majeure Notice if a Force Majeure event prevents achievement of one or more payment milestones. Force Majeure events are detailed in the Standard Terms and Conditions.

5.2.26. Within two weeks after completion of a project or four weeks after completion of a workstream, the Supplier must submit a two-page evaluation note. The evaluation note must include the following:

- A table summary of the project or workstream's achievements against the outcome and output indicators and targets.
- A narrative summary of the outcomes achieved by the project or workstream.
- A narrative summary of the outputs achieved by the project or workstream.
- A narrative summary of lessons learnt, and implications for future projects and workstreams.

5.3. <u>Specific Requirements: Demand-Driven Projects</u>

5.3.1. In addition to the requirements stated in Section 5.2, the minimum requirements for projects are as follows.

5.3.2. The Supplier must develop a bespoke three-stage process for designing, implementing and evaluating projects.

5.3.3. The Supplier must ensure that the expected time between submission of a project request by FCDO staff and finalisation of a SoW is two weeks.

5.3.4. The Supplier must ensure that the maximum time between submission of a project request by FCDO staff and finalisation of a SoW is four weeks.

5.3.5. The Supplier is expected to commence approximately ten projects per year on average, with an expected total cost per project of between £50k and £150k. These figures are indicative and subject to change based on demand from BHC staff. It is expected that fewer projects will commence in earlier years to accommodate lower budgets.

5.4. Specific Requirements: Strategic Workstreams

5.4.1. In addition to the requirements stated in Section 5.2, the minimum requirements for workstreams are as follows.

5.4.2. The Supplier must develop a bespoke four-stage process for identifying, designing, implementing and evaluating workstreams.

5.4.3. The Supplier must proactively identify workstreams that align with the GGF's objectives based on a strategic assessment of the need in Tanzania and discussions with FCDO on the UK's latest development priorities. The Supplier must receive approval from FCDO on a concept (in the identification stage) before developing a SoW (design stage).

5.4.4. The Supplier is expected to have approximately three to four workstreams in implementation at any given time.

5.4.5. Quarterly payment milestones must be specified in the SoW but are expected to be updated on a quarterly basis following joint agreement between FCDO and the Supplier, and final approval by FCDO.

5.5. Strategic Workstreams: Opening Portfolio

5.5.1. The Supplier will be required to design and mobilise an opening portfolio of workstreams during the inception period. Potential suppliers are required to include a four-page maximum concept note for opening portfolio workstreams specified below (Sections 5.5.2 to 5.5.4) in their bid. The Supplier and FCDO will determine if any changes to the objectives and scope of these workstreams are required during inception.

5.5.2. **Carbon Credit Markets.** The objective of this workstream is to support the growth of Tanzania's nascent carbon credit market. The minimum requirements of this workstream are as follows:

- The Supplier must develop and implement a strategy to grow both voluntary and compliance (via Article 6 of the Paris Agreement) carbon markets.
- The Supplier must support the Government of Tanzania to develop the policy and regulatory environment to enable to rapid growth of carbon markets for the benefit of Tanzania's people and environment.
- In addition to supporting the enabling environment, the Supplier must also implement supply and demand side interventions by working with project developers and investors.
- The Supplier should prioritise forest carbon markets, however the Supplier should also consider interventions that can support the growth of other

sectors including energy and waste management. This may include supporting the development of regulation more appropriate for non-forest carbon markets.

- Within forest carbon markets, the Supplier must develop an approach that considers both Reducing Emissions from Deforestation and Forest Degradation (REDD+) and Afforestation, Reforestation and Revegetation (ARR). The Supplier may also consider other Nature-Based Solutions within its strategy, including regenerative agriculture and blue carbon projects.
- The Supplier must apply a comprehensive understanding of the complex financial, legal and environmental integrity requirements of global carbon markets and apply this technical knowledge to the complex institutional and political context in Tanzania.
- The Supplier must develop a comprehensive stakeholder map of key Tanzanian and international actors necessary to the successful scaling of forest carbon markets.
- The Supplier must work closely with the Government of Tanzania to clarify the roles and responsibilities of relevant government ministries and agencies, and identify which entity is best placed to lead on coordination and driving progress forward.
- The Supplier must build these findings alongside existing research, policies (including Tanzania's REDD+ strategy and the latest carbon trading guidelines and regulations) and consultations with relevant stakeholders to gain consensus on an actionable strategic approach.
- The Supplier must ensure that activities focus on achieving outcomes (e.g. regulatory reforms, project approvals, credits issues, forest protected) rather than only outputs (e.g. workshops, reports and meetings).
- The Supplier must consider entering a Memorandum of Understanding (MOU) the Government of Tanzania. If the Supplier does decide to do this, the Supplier should determine which Ministry is most appropriate by considering factors including the wishes of the Government of Tanzania, political power, resources and technical capacity.
- As a minimum, this workstream must contribute to the following logframe indicators (see Annex 2):
  - **Outcome 2.** ICF KPI 12: Volume of private finance mobilised as a result of the GGF's activities (target: $7,500,000 by 2027). [Note: this also contributes to Outcome 1].
  - **Outcome 5.** ICF KPI8: Number of hectares where deforestation has been avoided through ICF support (target: 450,000 Ha by 2027).
  - **Outcome 6.** ICF KPI17: Hectares of land that have received sustainable land management practices as a result of the GGF (target: 225,000 Ha by 2027).

5.5.3. **High Value Crop Supply Chain Development.** The objective of this workstream is to develop the supply chains of select High Value Crops (HVCs), with a specific focus on major, high-income markets such as the UK.

- The Supplier should identify a select number of HVCs in significant demand in high-income markets. This may include horticulture or other high-value goods including premium spices, coffee, cocoa and cashews.

- Starting from demand (not supply/production), the Supplier must develop and implement a strategy to significant increase trade volumes of high-quality Tanzanian produce in high-income markets, while growing Tanzania's brand and reputation in these markets.
- The Supplier must identify key supply chain bottlenecks which, if resolved, could transform Tanzania's export capabilities. This may include cold chain facilitating investments at Kilimanjaro (JRO) and Julius Nyerere (DAR) international airports.
- The Supplier must engage with major buyers (e.g. large supermarket chains such as Sainsburys) and investors (e.g. food processors such as Associated British Foods) to broker linkages, identify projects, and where additionality and value for money can be demonstrated, reduce transaction costs.
- As a minimum, this workstream must contribute the following logframe indicator (see Annex 2):
  - **Outcome 3.** Increase in sales and international trade as a direct result of the GGF's activities (target: $5,000,000 additional trade/year by 2027).

5.5.4. **Investment Market System Development.** The objective of this workstream is to make strategic use of grant financing to improve the investment market system in Tanzania, including for climate and nature finance.

- The Supplier is required to develop a strategy that uses grant financing to improve the investment market system by reducing transaction costs, brokering linkages and addressing information asymmetries. The Supplier must take a systems approach rather than directly supporting individual deals in isolation. Specific activities may include:
  - **Partnerships**. Identifying systemic ways to reduce the transaction costs of all investors, including organising investor-investee networking events, investor field trips, or brokering linkages and partnerships with affordable local and regional professional service providers.
  - **Market intelligence.** Investment research to resolve information asymmetries relating to incomplete data on firms' credit risk/history, a lack of readily available data on sectors and markets, a lack of granular analysis required to make investment decisions.
- The Supplier must also consider developing a Tanzania Investment Fund in partnership with Development Finance Institutions (DFIs). This fund should be tailored to the specific needs and constraints in the Tanzanian investment market, and grounded in deep local knowledge of the risks and opportunities. Suppliers are not expected to engage with DFIs during bid preparation.
- The Supplier is required to leverage BII's expertise, brand and convening power to increase investment activity in Tanzania. The Supplier will be specifically required to develop a partnership with BII during the inception phase.
- The Supplier must develop a specific strategy (and associated activities) to catalyst climate and nature finance. The Supplier may use a broad definition of climate and nature finance to take full advantage of the various funding sources available.

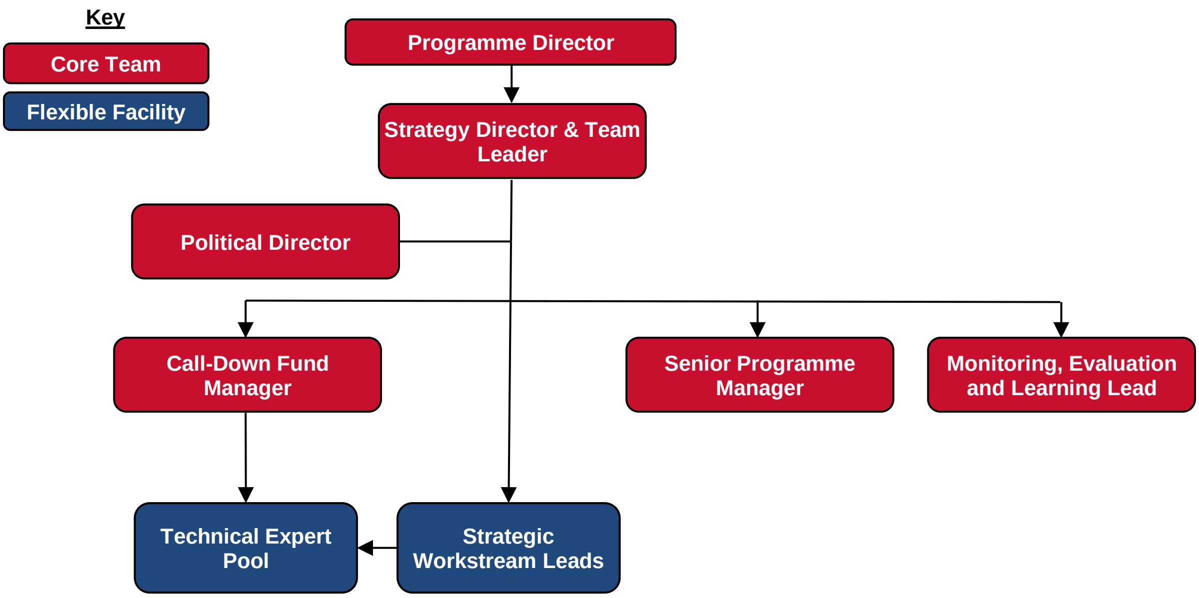
- The Supplier's strategy is expected to target investment ticket sizes ranging from $0.5m to $10m.
- The Supplier must not use GGF resources to directly finance investments (including via intermediaries) without explicit permission from FCDO.
- The Supplier must not undertake any activity that could directly or indirectly create a financial asset on FCDO's balance sheet. The Supplier must not undertake any activity that could result in FCDO having a legal claim on a financial asset at any point in the future.
- As a minimum, this workstream must contribute the following logframe indicator (see Annex 2):
  - **Outcome 1.** Investment mobilised as a result of the GGF's activities (target: $10,000,000 by 2027)
  - **Outcome 2.** ICF KPI 12: Volume of private finance mobilised as a result of the GGF's activities (target: $7,500,000 by 2027). [Note: this also contributes to Outcome 1].

5.5.5. To avoid miscommunication and the building of expectations, potential bidders **<u>must not</u>** engage the Government of Tanzania during the bidding stage.

6. <u>Technical Requirements</u>

6.1. <u>Human Resources</u>

6.1.1. An indicative organogram for the GGF is shown below. Staff working for the GGF will be categorised as either "core team" or "flexible facility". Further details on core vs. flexible facility costs are provided in Section 7.3.



6.1.2. The requirements of the **core team staff** are as follows:

- Core team staff are responsible for the leadership and management of the GGF, oversight of the projects and strategic workstreams, designing and enforcing the GGF's governance policies, ensuring adherence to FCDO's compliance requirements, programme management, financial management, ensuring value for money, communications, and monitoring, evaluation and leaning.

- Potential suppliers must provide named individuals, biographies and CVs for at least **six** core team roles in their bid. Potential suppliers may modify the management structure indicated in Section 6.1.1. The Programme Director, Strategy Director, Political Director, Call-Down Fund Manager and Senior Programme Manager must, **in aggregate**, provide the functions specified below. The job titles may by modified and reasonable shifts in responsibilities across roles may be made, as appropriate.
- The **Programme Director** must meet the following requirements:
  - The Programme Director is expected to be a limited, part time role and is not expected to be based in Tanzania unless it is their home location.
  - The Programme Director will be the most senior person responsible for the delivery of the supplier contract. The Programme Director must lead high-level discussions between FCDO and the Supplier relating to the supplier contract and other commercially sensitive issues.
  - The Programme Director must maintain appropriate distance from the day-to-day activities of the GGF to ensure impartiality in managerial discussions with FCDO.
  - The Programme Director must demonstrate internationally competitive senior expertise in the leadership, strategy development and delivery of economic development programmes, complemented by outstanding demonstration of expert communication skills, critical thinking and results delivery.
  - The Programme Director must demonstrate relevant expertise in: (1) leadership and management of large and complex economic development programmes with a specific focus on investment and trade facilitation (not matching grants); (2) inclusive and effective management of large teams of senior staff from diverse backgrounds; (3) maintaining a high level strategic and managerial oversight of complex economic development programmes, ensuring that the correct people, resources and processes are in place to ensure efficient and effective delivery; (4) making difficult management decisions to maximise the impact of ODA programmes, including moving or replacing staff and closing down underperforming workstreams; (5) understanding and interpreting the BHC, FCDO and the wider UK Government's latest political and policy requirements and working proactively with FCDO staff to ensure ODA programmes make a substantial and visible contribution to these.
- The **Strategy Director and Team Leader** must meet the following requirements:
  - The Strategy Director must be a full-time role based in Tanzania.
  - The Strategy Director must provide overarching strategic leadership for the GGF, ensuring that all projects and workstreams contribute to a coherent, focused and effective strategy.
  - The Strategy Director will be responsible for the strong, result-driven management of the core team and strategic workstream leads funded through the flexible facility. The Strategy Director must ensure all staff meet performance expectations and, working alongside the Project

Director, is required take quick and resolute steps to resolve any underperformance issues. The Strategy Director may share line management responsibilities with the Political Director.

- The Strategy Director must demonstrate internationally competitive senior expertise in the leadership, management, strategy development and delivery of economic development programmes, complemented by outstanding demonstration of expert communication skills, critical thinking and results delivery.
- The Strategy Director must be prepared to work in Swahili. Existing Swahili language skills are desirable.
- The Strategy Director must demonstrate relevant expertise in: (1) leading the design and implementation of clear, coherent economic development strategies in complex contexts; (2) leading the design and implementation of a complex portfolio of diverse and interlinked economic development interventions, with a specific focus on investment and trade facilitation (not matching grants); (3) inclusive and effective management of large teams of senior staff from diverse backgrounds; (4) influencing and communicating with senior political and business leaders; (5) successfully implementing politically contentious interventions resulting in tangible changes on the ground; (6) applying the principles of market systems development in a robust and evidence-based way resulting in large scale systemic change; (7) ensuring an nurturing and empowering work environment that enables all staff to perform at their full potential; (8) understanding and interpreting the BHC, FCDO and the wider UK Government's latest political and policy requirements and working proactively with FCDO staff to ensure ODA programmes make a substantial and visible contribution to these.

- The **Political Director** must meet the following requirements:
  - The Political Director must be a full-time role, based in Tanzania.
  - The Supplier may designate the Political Director as Team Leader as an alternative to the Strategy Director if deemed appropriate.
  - The Political Director must ensure deep political insights are integrated into all the GGF's activities, and that all the GGF's activities tactically and respectfully navigate Tanzania's complex political environment.
  - The Political Director must quickly understand complex projects and workstreams led by GGF team members, identify political risks and/or opportunities, and lead and mentor team members to update their work accordingly.
  - The Political Director must lead the GGF as a "policy entrepreneur", horizon scanning to identify future events (e.g. elections, conferences, economic events) that may present a time-sensitive political opportunity to propose a policy or lobby on an issue.
  - The Political Director must demonstrate internationally competitive senior expertise in the leadership, strategy development and delivery of economic development programmes, complemented by outstanding demonstration of expert communication skills, critical thinking and results delivery.

- The Political Director must demonstrate relevant expertise in: (1) applying knowledge of the interests and influence of powerful stakeholders in Tanzania's political and business community to achieve economic development results; (2) developing rigorous, complex, well-structured and actionable political economic analyses (3) applying political economy analysis to economic development intervention design and implementation; (4) influencing and communicating with senior political and business leaders; (5) successfully implementing politically contentious business environment reforms resulting in tangible changes on the ground – not just on paper; (6) inclusive and effective management of large teams of senior staff from diverse backgrounds; (7) managing large and complex economic development programmes; (8) application of fluent Swahili language skills in professional contexts.

- The **Call-Down Fund Manager** must meet the following requirements:
  - The Call-Down Fund Manager must be a full-time role based in Tanzania.
  - The Call-Down Fund Manager must proactively engage with BHC staff to solicit and develop SoWs for new projects. This will include presenting the call-down facility to BHC staff at least once per year (including past results), and directly engaging with BHC staff without requiring intermediation from the FCDO contract lead.
  - The Call-Down Fund Manager must support BHC staff – whom may not have expertise in economic development programming – to develop a SoW with a robust theory of change, and effective outputs and outcomes that will directly contribute to the GGF's logframe.
  - The Call-Down Fund Manager must ensure that projects meet the requirements as specified in Section 5.2 and 5.3.
  - The Call-Down Fund Manager must demonstrate internationally competitive senior expertise in the leadership, strategy development and delivery of economic development programmes, complemented by outstanding demonstration of expert communication skills, critical thinking and results delivery.
  - The Call-Down Fund Manager must demonstrate relevant expertise in: (1) project design including developing robust theories of change and results frameworks; (2) programme management of a large and complex portfolio of programmes; (3) sourcing, negotiating and managing a large number of independent consultancy contracts; (4) delivering accurately at pace; (5) maintaining a broad yet working level knowledge of all aspects of a complex programme; (6) developing a deep understanding of FCDO requirements; (6) proactively foreseeing FCDO questions and providing key information to enable decisions; (8) concise and clear written and oral communication.
  - The Supplier may allocate to the Call-Down Fund Manager programme management duties as specified for the Senior Programme Manager (below), if deemed appropriate.

- The **Senior Programme Manager** must meet the following requirements**.**
  - The Senior Programme Manager may be part time or full time and is not expected to be based in Tanzania unless it is their home location,

or if the Supplier determines that this is optimal for the delivery of the GGF.

- The Senior Programme Manager role will lead on all programme management requirements, as defined in Sections 6.4 to 6.8.
- The Senior Programme Manager will be FCDO's primary contact point for all issues relating to programme management, financial management, risk management, asset management, delivery chain mapping, routine contract management, financial and progress reporting, governance and compliance.
- The Senior Programme Manager must demonstrate outstanding attention to detail, communication skills, critical thinking and results delivery abilities, at an internationally-competitive level.
- The Senior Programme Manager must demonstrate relevant expertise in: (1) programme management of large and complex programmes; (2) delivering accurately at pace; (3) quickly, accurately and fully responding to client queries; (4) maintaining a broad yet working level knowledge of all aspects of a programme; (5) developing a deep understanding of FCDO requirements; (6) proactively foreseeing FCDO questions and providing key information to enable decisions; (7) concise and clear written and oral communication; (8) accurate and timely financial reporting and forecasting; (9) effective management of a diverse programme management team.

- Potential suppliers may determine if the remaining core team roles are full- or part-time, and they are not expected to be based in Tanzania unless it is their home location. Suppliers must detail the number of days allocated to core team roles in both the technical and commercial sections of their bid (the technical section must not include fee rates). Bidders must note that their technical score will be affected by the quantity (number of days allocated per year) as well as quality of resource allocated to the GGF.
- Individuals required to be based on Tanzania may temporarily commence work at an alternative location while relevant visas and/or permits are acquired.

6.1.3. The requirements of the **flexible facility staff** are as follows:

- The flexible facility staff are a "technical expert pool" of personnel with skills that the GGF will likely require to implement projects and workstreams.
- Potential suppliers must include in their bids **<u>no more than thirty (30)</u>** named individuals (including CVs and details of each individual's historic working relationship with the bidder) who will provide to the GGF via the technical expert pool, at a minimum, the following expertise:
  - **Climate and environment expertise:** climate finance; voluntary and compliance carbon credit markets; carbon accounting, forestry and land use, natural resource management.
  - **Investment expertise:** investment facilitation, development finance, financial product development, investment transaction services, investment market analysis, due diligence.
  - **Trade expertise:** trade facilitation, tariffs, non-tariff barriers, trade standards, trade financing, supply chain management, trade logistics.

- **Business environment expertise:** tax policy and administration, financial sector regulation, investment promotion agency administration, immigration/work permit policy, cost of compliance.
- **Firm-level expertise:** business plan development, corporate governance, corporate finance, environmental and social governance, financial planning, accounting, human resource management, marketing.
- **Sectoral expertise:** agri-processing; horticulture; cold-chain logistics; manufacturing.
- **Strategy development expertise:** gender inclusion, political economy analysis.

- For the avoidance of double, each of the abovementioned categories of expertise may be fulfilled by more than one person.
- The Supplier should be able to rapidly mobilise this expertise required from the technical expert pool (as specified in 5.2.2) within one month of the finalisation of a SoW.

6.1.4. The Supplier must consider innovative recruitment approaches to recruit staff to the core team and flexible facility with a strong knowledge of Tanzania and the region. This should include engagement with diaspora networks (for example in the UK and US), highly qualified, high potential graduates from Tanzanian universities with the required soft skills (including critical thinking, proactive problem solving) and technical skills, and expertise in the broader region. This should be without compromising on quality; however, the Supplier should consider how complementary skillsets can be effectively combined.

6.1.5. Potential suppliers are required to summarise in their bid their historic working relationship with all people named in the bid. Longer and/or more substantive working relationships between core team and expert pool staff, and the Supplier are preferred.

6.1.6. It is expected that the GGF will have roles based in Tanzania and internationally. The Supplier is expected to determine staff locations based on cost optimisation, while ensuring the effective functioning of the team.

6.1.7. The Supplier should provide details in its bid of the measures that will be implemented to increase staff engagement and reduce turnover. The Supplier (including any subs) should ensure individual incentive structures do not undermine the transparent and effective management of the programme (for example, by linking aspects of staff's benefits package to FCDO's Annual Review scores).

6.1.8. Potential suppliers should note that economic development expertise in "matching grant" or "challenge fund" programmes where smallholder farmers are the target beneficiaries is considered less relevant than expertise in programmes where trade and/or investment facilitation are the primary objectives.

6.2. Consortium Management

6.2.1. While not a requirement, it is possible that the GGF will be implemented by a Primary Supplier (a "lead") that manages a consortium of specialist sub-contracted suppliers ("subs").

6.2.2. The lead is referred to interchangeably as the "Supplier" in this Terms of Reference. The lead will be responsible for ensuring the effective management and implementation of the GGF, delegating responsibilities to subs as necessary to achieve the programme's objectives. The lead will be solely accountable to FCDO for the delivery of the Terms of Reference.

6.2.3. To enable this flexibility while providing a level of certainty to subs, the lead may consider different sub classifications, for example:

- **Core Subs.** Sub-contractors that provide the cross-cutting skills required throughout the duration of the GGF and whom should be named in the Supplier's bid.
- **Associate Subs.** Sub-contractors that are on call to provide specialist, intervention-specific input as required by the programme.

6.2.4. This categorisation is non-prescriptive, and the lead may undertake some or all of the abovementioned functions itself. The lead will have the flexibility to add other subcontractors during the life of the programme, with prior agreement from FCDO.

6.2.5. If the GGF is implemented by a lead managing a consortium of subs, it is essential that all suppliers work together in an inclusive, transparent and coordinated manner. The lead and all subs are required to work as one team and not in silos. The lead will be responsible for developing and maintaining a cohesive team spirit, based on transparency, equal partnership, and a shared vision and objectives.

6.2.6. The lead must provide transparent details of the actual costs incurred by subs that are passed on to FCDO.

6.3. <u>Mobilisation & Inception</u>

6.3.1. The GGF will have a three-month rapid inception phase.

6.3.2. The Supplier must establish (or already have) a physical presence in Dar es Salaam, Tanzania. The Supplier must maximise value for money when determining the nature of its physical presence.

6.3.3. Within one calendar month of the contract start date, the Supplier must have:

- Established a physical presence in Dar es Salaam, Tanzania.
- Fully mobilised its core team at their intended location(s).
- Fully mobilised the processes for delivering demand-driven projects as defined in Section 5. Submit for FCDO approval a finalised "UK-Tanzania Green Growth Fund Call-Down Guide" for dissemination among FCDO staff (2 pages max, excluding annexes such as a project request form/template). This guide should consider that some staff will have limited experience with development programmes.

6.3.4. During inception, the Supplier must:

- Finalise, document and implement all required programme management, governance and financial management policies and processes, including the process for identifying and designing new strategic workstreams (detailed in Section 5), the compliance requirements (detailed in Section 6.4) and a value for money framework (detailed in Section 6.6).
- Fully mobilise the Monitoring, Evaluation and Learning system as detailed in Section 6.9.
- Design and mobilise the opening portfolio of strategic workstreams as defined in Section 5.5. The required activities include research, strategic planning, establishing critical relationships and networks to produce a

finalised SoW (as defined in Section 5) which will be annexed to the inception report (see Section 6.3.5). If a workstream SoW is finalised and agreed before the end of the inception period, FCDO and the Supplier may agree to start implementation activities under these SoWs to ensure momentum is not lost.

- Be prepared to respond to a limited number of high-priority demand-driven project requests following the dissemination of the "UK-Tanzania Green Growth Fund Call-Down Guide". If a project SoW is finalised and agreed before the end of the inception period, FCDO and the Supplier may agree to start implementation activities under these SoWs to ensure momentum is not lost.

6.3.5. At the end of the inception period, the Supplier will be required to submit to FCDO a brief (10-page max, excluding annexes) Inception Report, providing evidence that the deliverables listed in Section 6.3.4 have been achieved.

6.3.6. FCDO will decide whether to continue the contract beyond the inception phase within one month of receipt of the Inception Report. This month will be called the "inception decision window". If FCDO decides to continue, the programme will transition into "implementation phase".

6.4. Compliance Requirements

6.4.1. **Risk Management.** The Supplier must develop and maintain a risk register aligned with FCDO's risk framework. The Supplier must update the risk register on a quarterly basis in consultation with FCDO. The risk register must cover the following categories: strategy and context, policy and programme delivery, people, safeguarding, financial & fiduciary, and reputational. FCDO's risk register template can be found in Annex 4.

6.4.2. **Asset Management.** The Supplier must develop and maintain an asset management plan (including disposal) and asset register. These must be developed and agreed with FCDO during the inception phase.

6.4.3. **Delivery Chain Mapping.** The Supplier must develop and maintain a delivery chain map that shows the flow of FCDO funds or support to downstream recipients. If a consortium is contracted to implement the GGF, the lead will be the "Tier 1 Partner" and the subs will be "Tier 2 Partners". All recipients that receive support from the GGF must be included in the delivery chain map. A risk-based approach must be developed by the Supplier and agreed with FCDO to determine which Tier 2 Partners should provide further details about their suppliers ("Tier 3 Partners"). Further details of FCDO's Delivery Chain Mapping requirements can be found in Annex 5.

6.4.4. **Enhanced Due Diligence.** The Supplier must undertake enhanced due diligence of all downstream suppliers. Due diligence is expected to include verification of the strength of their internal financial and fiduciary risk mitigation systems and procedures, track record of operational effectiveness, safeguarding measures, ownership structures, links to Politically Exposed People, links to terrorist or criminal organisations or Illicit Financing. Further details of FCDO's Due Diligence requirements can be found in Annex 6. The Supplier must develop and maintain a beneficiary due diligence database on an ongoing basis. More comprehensive due diligence will be required for beneficiaries that receive more intensive support from the GGF.

6.4.5. **UK Aid Branding.** UK Aid Branding approach must be agreed with FCDO during the mobilisation stage. The Supplier should adhere to the UK Aid Branding Guidelines (see Annex 7). However, the perception of donor involvement among stakeholders could undermine the GGF's objectives. Therefore, as per the guidance, exceptions may be required to ensure local ownership and buy-in.

6.4.6. **Digital.** The UK government defines "digital" spend as "any external-facing service provided through the internet to citizens. FCDO must report all digital spend and show that it meets with the 'Digital Service Standard'". Plans to spend programme funds on any form of digital service must be approved by FCDO. The approval process will apply to any spend on web-based or mobile information services, websites, knowledge or open data portals, transactional services such as cash transfers, web applications and mobile phone apps. Full guidance on Digital spend can be found here.

6.4.7. **Per Diems.** The Supplier must design and implement a strict policy on per diems, subsidies and similar payments. This policy should be underpinned by the per diem policy in the general terms and conditions and agreed with FCDO during inception.

6.4.8. **Personal Use.** The Supplier must ensure that assets and services paid for by the GGF are not used for staff's personal use. This includes, but is not limited to, mobile phone credit, internet, vehicles, and IT equipment.

6.4.9. **Conflict of Interest.** The Supplier must maintain a conflict of interest register for all staff employed on the programme and ensure comprehensive systems are in place to avoid conflicts of interest between staff and organisations supported by the GGF.

6.4.10. **Fraud.** The Supplier (including any subs) must immediately report all suspicion of fraud to FCDO without delay. The requirement will also be written into partnership agreements with Tier 2 Partners. Reporting must be at the point of suspicion of fraud, not the conclusion of the fraud case. All suppliers, staff and downstream recipients must be made aware of FCDO's counter fraud and whistleblowing hotline, details of which can be found here: https://www.gov.uk/government/organisations/foreign-commonwealth-development-office/about/complaints-procedure. The Supplier must also set up a local whistleblowing mechanism and ensure this is widely communicated.

6.4.11. **Programme Closure.** The Supplier must plan for a three-month closure period at the end of the contract. No new implementation activities will take place in the closure period. The Supplier must undertake the necessary steps to responsibly exit the programme, including handing over existing interventions to local partners, disposal of assets, finalising financial accounts and drawing down to essential staff. In the event that FCDO has contracted a successor programme to the GGF, the Supplier (primary and sub-contractors) must cooperate fully with the new programme to handover the relationships, knowledge and workstreams developed by the GGF.

6.4.12. The supplier will be required to submit an Exit Strategy to the FCDO during the inception phase. The Exit Strategy must address what will be done in the event of closure or termination of the services under this Contract. The exit strategy should also consider the longer-term sustainability of the programme and ensure that once FCDO's support is concluded the supplier has a viable exit.

6.5. Financial Management

6.5.1. The Supplier will be responsible for the effective oversight, management and governance of programme funds, procurement, and spending and ensure compliance with FCDO policies and international best practices in prudent financial management regulations.

6.5.2. The Supplier must aggregate expenditure and forecasts from all downstream suppliers and providing transparent, itemised invoices accompanied by a clear and concise narrative to FCDO. The narrative must proactively highlight issues to FCDO to maximise the efficiency of the invoice sign-off process. It is expected that invoices will be submitted monthly in arrears within no more than three weeks of the month end. The Supplier must manage downstream suppliers to ensure that reporting deadlines are met. It is expected that invoices will span a single month.

6.5.3. The Supplier must provide monthly and yearly expenditure forecasts based on resource accounting standards. Forecasting accuracy is a primary metric used by FCDO to assess a programme's performance. The Supplier will be expected to forecast one month ahead, the calendar year and financial year with an accuracy of +/- 5%. The Supplier will notify FCDO immediately if expenditure is expected to exceed this range.

6.6. Value for Money

6.6.1. The Supplier must include a Value for Money (VfM) Framework in its bid, including metrics covering economy, efficiency, effectiveness, equity and cost effectiveness, as defined in FCDO's Approach to Value for Money (see Annex 9). The Supplier must refine and finalise the VfM Framework during inception. The VfM Framework must include a cost benefit analysis, that assesses if the Net Present Value of the GGF. The Supplier will report on Value for Money, including progress on key indicators, in the Quarterly and Annual Reports (see Section 6.7). The cost-benefit analysis must be updated annually ahead of the P4P annual review. The VfM Framework must be included in the technical proposal and therefore must not include any commercial or budget information.

6.6.2. The VfM Framework must include indicators that the Supplier will monitor throughout the programme. These indicators will be revised if necessary during the inception phase and on an annual basis. VfM indicators may include:

Economy (cost of inputs)	• Average staff day rate, disaggregated by expert band • Core team costs vs. budget • Actual total flight costs (core and flexible facility) vs. budget • Flexible facility expenses as % of flexible facility expenditure • Cumulative cost savings due to office and accommodation sharing agreements with third parties
Efficiency (inputs to outputs)	• Unit cost of facilitating an investment link for one company • Unit cost of facilitating a trade link for one company Number of fee days per partnership agreements established • Cost per investment climate reform • Number of fee days per partnership agreement signed
Effectiveness (outputs to outcomes)	• Ratio of number of trade links facilitated to ongoing buying relationships • Number of firms that continue to invest in an initiative one year after support ends • Cost per additional investment in Tanzania attributable to the GGF • Cost per ongoing buying relationship between foreign buyers and Tanzanian producers attributable to the GGF • Cost per increase in exports of goods and services attributable to the GGF

Cost Effectiveness (inputs to impacts)	• Cost per person with an increased income attributable to the GGF • Cost per net attributable income change
Equity	• Share of women/disabled workers in targeted firms (of which director/owner) • Reduction in pay or employment gap for women/disabled workers as a result of the GGF • Share of local vs international partnership recipients

6.6.3. The Supplier must develop a culture of VfM among its staff implementing the GGF. To support this, the Supplier will detail in its bid processes that it will implement to maximise Value for Money in the day-to-day implementation of the programme. Such processes may include:

- A policy on booking flights and hotels no later than one month ahead of the travel date, unless there is a strong reason not to.
- Office and accommodation sharing arrangements.
- Establishing a guest house(s) rather than using hotels.
- Determining an optimal balance between owned and leased assets.

6.7. Reporting

6.7.1. The Supplier must engage with FCDO to ensure reporting is concise, efficient and meets requirements with minimal unnecessary information and effort.

6.7.2. It is expected that the Supplier will meet with the "FCDO Programme Team" (excluding the SRO) on a weekly basis in the inception phase and fortnightly once the inception phase is complete. The FCDO Programme Team will consist of:

- **Senior Responsible Owner (SRO).** The SRO is accountable for the GGF meeting its objectives, delivering the required outcomes and making the expected contribution to the BHC in Tanzania's portfolio outcomes and FCDO as a whole.
- **Programme Responsible Owner (PRO).** The PRO will be the contract manager and the primary FCDO contact point for the GGF (a role similar to the SRO role in former DFID). The PRO is accountable for driving, on a day-to-day basis, the delivery of programme outcomes within agreed time, cost and quality constraints.
- **Programme Manager.** The programme manager will oversee programme management and delivery issues.
- **Programme Officer.** The assistant programme manager will support the programme manager, undertaking day-to-day administrative tasks.

6.7.3. The Supplier must provide the following reports:

- **Quarterly Reports**, a 10-page maximum report (excluding annexes) including:
  - **Situation Update.** A "Director's Foreword"-style paragraph on how the Tanzanian and global context has impacted – positively and negatively – the GGF's activities.

  - **Key Achievements.** Executive Summary-style narrative of the key results from the previous quarter, aligned with current UK priorities, logframe indicators and SoW milestones.
  - **Forward look.** A policy briefing-style narrative of the priority objectives and/or challenges in for the next quarter, including risks to flag to FCDO.
  - **MEL Update.** Latest performance against the GGF's logframe indicators (outcomes and outputs), relevant ICF KPI indicators not in the logframe, VfM indicators, and Service Credit KPIs (see Section 7.5).
  - **Compliance Update.** An updated risk register, asset register and delivery chain map.
  - **Master Workplan Update.** An updated master workplan, which summarises the key activities and milestones for all ongoing projects and workstreams.
- **Annual Report**, a 20-page maximum report (excluding annexes) delivered three months ahead of FCDO's Annual Review deadline. It should include the same information as the quarterly report; however, it should cover the full year. It should also include a strategy refresh for any ongoing strategic workstreams that have been running for six months or more.

6.7.4. The Supplier must ensure all reports are of an extremely high professional standard, demonstrating conciseness, clarity, coherence, and critical analysis. The main body of reports should only include the key information FCDO needs to know. The Supplier should make effective use of Annexes for additional details not necessary for FCDO's decision making or risk management.

6.7.5. All reports submitted to FCDO must be thoroughly quality assured. The Supplier must demonstrate in its bid how it will ensure all reports are quality assured to the highest standard before being sent to FCDO. As a minimum:

- All reports must be free from spelling and grammatical errors that would be automatically detected by a reputable word processor, and could reasonably be expected to be identified through manual proof reading.
- All reports must be professionally formatted, ensuring that all texts, tables, images and diagrams are clearly legible, with consistent alignment, consistent use of fonts and consistent use of colours.
- All reports must be structured in a logical manner, such that a lay reader can identify the information required from the report (as specified in Section 6.7.3) without further consulting the Supplier.

6.8. Logframe

6.8.1. The Supplier must submit a refined logframe for the GGF which will be assessed as part of its bid, based on the logframe in Annex 2. Except for reasonable clarifications, the supplier cannot substantially change the indicators but can provide revised targets for the duration of the programme. The logframe should be accompanied by a justification for the outcome and impact targets. All relevant impact and outcome targets should be disaggregated to measure achievement against the 2X Challenge for Financing Women, with a minimum 50% target.

6.8.2. This logframe should be accompanied by a narrative precisely defining each indicator based on a methodology the Supplier can commit to for the duration of the programme, ensuring that FCDO and the Supplier can easily agree on its assessment during annual reviews. This will be assessed as part of the technical proposal.

6.8.3. The logframe will be assessed on:

- The quality of the analysis and evidence provided to justify the indicators' targets.
- The quality of the indicators' definitions and measurement methodology.

6.8.4. The logframe will not be assessed on the level of ambition set by the indicator targets.

6.9. *Monitoring, Evaluation and Learning*

6.9.1. The Supplier must mobilise comprehensive, responsive and objective Monitoring, Evaluating and Learning systems and processes (MEL) during the GGF's inception.

6.9.2. The Supplier must demonstrate how it will ensure that MEL is objective and independent from bias or influence from implementation staff in its bid. This may include sub-contracting MEL to a separate, specialist provider.

6.9.3. MEL must meet the following minimum requirements:

- Developing an efficient reporting and knowledge management system, providing GGF and FCDO staff with on-demand, up to date data on projects and workstreams, for example: access to all current and past SoWs; SoW results, work plans and risk registers; GGF-level aggregate results; workplans and risk registers; current and historic quarterly and annual reports; meeting minutes; thematic research and data.
- Working with staff leading project and workstream to design appropriate intervention indicators, gather baseline data, verify assumptions, and monitor outputs, outcomes and impacts.
- Developing a standardised results monitoring tool for projects and workstreams, which informed Fund-level results aggregation.
- Monitoring, forecasting and reporting logframe results, including updating the output and outcome indicators on a quarterly basis, and the impact indicators on an annual basis.
- Drafting of the project and workstream evaluation notes as detailed in Section 5.2.25.
- Providing accurate and up-to-date data to inform quarterly and annual reports.
- Monitoring, forecasting and reporting achievements against all relevant ICF KPIs, providing updates annually on 31 March of each year.
- Disseminating lessons learnt to GGF staff, and supporting staff to adapt project and workstream design and implementation based on the latest evidence.
- Develop and implement a proactive communications strategy for domestic and international audiences, including the general public, business community, investors, and policy makers.
- Develop a catalogue of evidence-based case studies and human-interest stories, for distribution to domestic and international audiences.

6.9.4. The Supplier must develop and implement a strong governance structure designed to ensure the GGF has the flexibility required to adapt its activities as it learns what works and new opportunities arise, while effectively managing risk and ensuring Value for Money.

7. Commercial Requirements

7.1. Programme Budget and Timeframe

7.1.1. The contract will run until 31 December 2027, with a value of up to £11,000,000 subject to contract review points (see Section 7.2). The Supplier will be informed of its budget on an annual basis ahead of the FCDO financial year (April to March). The contract value is inclusive of all applicable taxes.

7.1.2. The contract will include the option to extend by up to an additional 24 months in duration and £5,000,000 in value. FCDO may scale up or extend the programme's budget and/or duration to meet future FCDO priorities, for example:

- Where the programme has been demonstrated to have a strong impact and has the potential to yield better results.
- New objectives are identified within the scope of this ToR.
- To reflect lessons learnt, or changes in circumstances in the political context.

7.1.3. FCDO reserves the right to scale down or discontinue this programme at any point. Scaling down is at FCDO's discretion, and may occur for a number of reasons, including but not limited to:

- Changes in available funding and/or resources.
- A change in the security and/or political circumstances.
- Political economy reasons, including a change in the situation of the security, government stability, corruption, or delays in key, necessary government engagement.

7.1.4. The Supplier will be informed of its budget on an annual basis. These budgets will align with FCDO's financial year from April-March. The supplier must efficiently manage large variations in annual budgets, which may fall to £500,000/year or lower. It is expected that the initial years of the contract will have a lower spend rate than the later years. An estimated annual spend rate is stated below for illustrative purposes only – actual spend rates may vary significantly:

- Financial year 2023/24: £1,000,000
- Financial year 2024/25: £1,500,000
- Financial year 2025/26: £2,500,000
- Financial year 2026/27: £3,000,000
- Financial year 2027/28: £3,000,000

7.2. Contract Review Points

7.2.1. The Supplier must have the capacity to rapidly mobilise and start delivering outputs within the inception period. To ensure the Supplier is held accountable to this expectation, there will be a formal review point during month 4 of the contract ("inception decision window") during which FCDO will decide to whether to continue or retender the contract.

7.2.2. There will be a mid-term contract review point due on 31 August 2025, after the annual review. The decision to proceed beyond the review point will be made at FCDO's sole discretion and based on continuing need, FCDO resource availability, the Supplier's and the GGF's performance, and an assessment of the GGF's potential to achieve its long-term objectives.

7.3. Core and Flexible Facility Cost

7.3.1. All costs must be categorised as either "core" or "flexible facility" and categorised as such in bidders' commercial proposals.

7.3.2. Core costs are defined as follows, and are inclusive of costs incurred by both the lead and any subs:

- All core team (as defined in Section 6.1) fees for all activities. This includes all core team costs related to the management or oversight of the flexible facility.
- All core team costs and expenses for all activities, including but not limited to transport, hotel accommodation and subsistence when travelling away from their home location. This includes all core team costs related to the management or oversight of the flexible facility.
- All long-term accommodation costs for eligible core team staff.
- All costs including fees and expense related to consortium management (detailed in Section 6.2), mobilisation and inception (detailed in Section 6.3), compliance requirements (detailed in Section 6.4), financial management (detailed in Section 6.5), value for money (detailed in Section 6.6), reporting and communications (detailed in Section 6.7), logframe (detailed in Section 6.8), monitoring, evaluation and learning (detailed in Section 6.9).
- All operational and overhead costs, including office rent, utilities, internet, telecommunications, insurance (including health insurance and social security), taxes and levies and all other costs required by the Supplier to meet its legal obligations.
- All information technology costs, including software, hardware, cloud storage, licences and hosting.
- All motor vehicle purchase, hire, running and maintenance costs.
- All security, caretaking, cleaning, gardening and driver employment costs.
- All Non-Project Attributable Costs (NPAC).

7.3.3. Flexible facility costs are defined as follows, and are inclusive of costs incurred by both the lead and any subs:

- Technical expert pool fees.
- Technical expert pool expenses.
- All variable costs associated with the identification, design and implementation of project or workstream activities not covered by core costs.
- Guest house accommodation for staff funded through the flexible facility and core staff temporarily travelling away from their normal place of residence, where the staff would otherwise be eligible for hotel accommodation and only if establishing a guest house results in better value for money than paying for hotels.

7.3.4. Potential suppliers must submit a budget including all core costs and any other foreseeable costs over the duration of the contract. The budget must account for all foreseeable changes in future costs, including expected rates of inflation. The Supplier is responsible for managing exchange rate risk and the proposed budget must consider this risk.

7.3.5. No costs that could reasonably be judged to be classified as core costs can be charged to the flexible facility. If a bidder is unsure if a cost should be allocated to core or flexibility facility, it must consult FCDO prior to submitting its bid. This clarification will be made available to all eligible bidders and applied universally.

7.3.6. Potential bidders must set core team fees at a rate that is commercially sustainable for the duration of the programme, including all reasonably foreseeable changes (e.g., staff turnover, inflation). FCDO will require clarification from bidders that propose core costs that appear unusually low.

7.3.7. It is acknowledged that the total flexible facility costs cannot be determined in advance due to the flexible, on-demand requirements of the GGF. Potential suppliers are therefore required include rate cards (day rates) for all named personnel in the flexible facility “technical expert pool” as defined in Section 6.1.3.

7.3.8. Non-core team costs related to the design and implementation of project and workstream SoWs during inception may be charged to the flexible facility.

7.3.9. If potential bidders intend to provide long-term accommodation to core team or flexible facility staff, the details of this compensation must be comprehensively detailed in the bid including eligibility criteria. The Supplier may only invoice FCDO for the long-term accommodation of staff whose ordinary place of residence is not Tanzania, and who are required to relocate to Tanzania for a period of three-months or more for the sole purpose of implementing the GGF.

7.3.10. The Supplier may not charge FCDO for staff allowances or benefits beyond the compensation directly derived from the daily fee rate, health insurance, accommodation where eligible and other legally required costs (unless prohibited by the standard terms and conditions and cost eligibility criteria). FCDO will not pay for any additional benefits including but not limited to: personal travel, personal vehicles, personal shipping, personal telecommunications (including internet) and family benefits (e.g. school fees). The Supplier must consider this restriction when negotiating salaries or fee rates with its staff and contractors.

7.4. Payments

7.4.1. FCDO will award a hybrid contract where FCDO will reimburse the Supplier for actual costs (fees and expenses), a proportion of which will be conditional on delivery of inception requirements, and project and workstream milestones. The Supplier is expected to invoice FCDO on a monthly basis.

7.4.2. During months 1-3 (inception phase):

- 100% of the payment of the month one invoice (including all fees and expenses incurred) will be made upon satisfactory completion of the requirements in Section 6.3.3.
- 50% of the payment of the months two and three invoices (including all fees and expenses incurred *but* excluding payments for projects or workstreams that progress to implementation during inception) will be withheld until satisfactory completion of the requirements in Section 6.3.4.

7.4.3. During month 4 (inception decision window) and months 5 onwards (implementation phase):

- 100% of fee payments for projects will be based on payment milestones as detailed in Section 5.2.
- 10% of fee payments for workstreams will be based on payment milestones as detailed in Section 5.2. All other costs must be invoiced monthly based on actual expenditure.
- All costs directly linked to the implementation of projects or workstreams (flexible facility costs as defined in Section 7.3.3) must be budgeted for in the SoW.
- All costs not directly linked to a project or workstream SoW (core costs as defined in Section 7.3.2) can be invoiced separately from projects or workstreams and will not be linked to payment milestones.

7.4.4. For the duration of the contract, the Supplier will apply service credits to its invoices if it fails to meet Service Credit Key Performance Indicators. This mechanism is detailed in Section 7.5.

7.5. <u>Service Credits</u>

7.5.1. The Supplier must accept and acknowledge that failure to meet the Key Performance Indicators ("KPIs") set out in Section 7.5.7 will result in "Service Credits" being issued by the Supplier to FCDO.

7.5.2. Service Credits are a reduction of the amounts payable to the Supplier by FCDO under the contract associated with this Terms of Reference and do not include VAT. The Supplier must off-set the value of any Service Credits against the appropriate invoice.

7.5.3. The Supplier must model the financial implications of Service Credits and take them into account in setting the level of the contract charges. The Supplier and FCDO agree that the Service Credits are a reasonable method of price adjustment to reflect poor performance.

7.5.4. The Service Credit value will be £1,000.

7.5.5. A cumulative Service Credit cap of £50,000 over a rolling 12-month period will apply.

7.5.6. Service Credits accrued during a month will be applied to the invoice submitted by the Supplier to FCDO in the following month.

7.5.7. The Supplier must accept and acknowledge the Service Credit KPIs detailed in Table 1. The Supplier and FCDO will review the Service Credit KPIs during inception and on an annual basis thereafter, during which changes to the Service Credit KPIs may be made if both parties agree. If an agreement is not reached, the existing Service Credit KPIs continue to apply.

Table 1. Service Credit KPIs [3] [4] [5]

KPI	Minimum Requirement	Service Credit Applicable
Core team staff turnover (Strategy Director)	The Strategy Director (or equivalent) named in the bid remains working in their intended role for at least six months from the contract start date.	Five (5) Service Credits if the Strategy Director named in the bid leaves their role within three months of the contract start date.

[3] Quarter end dates are 31 March, 30 June, 30 September, and 31 December.
[4] A "day" refers to one working day unless otherwise stated.
[5] UK time zones (GMT or BST as applicable) apply.

Core team staff turnover (Political Director)	The Political Director (or equivalent) named in the bid remains working in their intended role for at least six months from the contract start date.	Five (5) Service Credits if the Political Director named in the bid leaves their role within three months of the contract start date.
Statement of Work Preparation (projects)	The Supplier submits a draft SoW to FCDO approval within 20 working days of the initial scoping discussion with FCDO.	One (1) Service Credit if the SoW is delivered after the due date; and, An additional one (1) Service Credits for each five (5) day delay after the due date.
Financial reporting	Monthly financial reports and forecasts (as specified in Section 6.5.3) submitted to FCDO on or before the 25th calendar day of the month.	One (1) Service Credits per day delay up to a maximum of three (3) service credits.
Invoicing	Invoices (as specified in Section 6.5.2) submitted to FCDO on or before the 25th calendar day after the month-end.	One (1) Service Credit if the invoice is delivered after the due date; and, An additional one (1) Service Credit for each five (5) day delay after the due date.
Quarterly reporting	Quarterly report (as specified in Section 6.7.3) submitted to FCDO on or before the 15th calendar day after the quarter-end. The submitted report must meet quality assurance requirements specified in Section 6.7.5.	One (1) Service Credit if the quarterly report is delivered after the due date; and, An additional two (2) Service Credit for each five (5) day delay after the due date.
Annual reporting	Annual Report and Strategy Refresh (as specified in Section 6.7.3) submitted to FCDO at least 60 calendar days ahead of the annual review due date. The submitted report must meet quality assurance requirements specified in Section 6.7.5.	One (1) Service Credit if the report is delivered after the due date; and, An additional two (2) Service Credit for each five (5) day delay after the due date.

7.5.8. The Supplier and FCDO acknowledge and agree that in the event of a disagreement on the assessment of the Supplier's performance against one or more KPIs, the final decision will be made by FCDO.

7.5.9. The Supplier must submit a Force Majeure Notice if a Force Majeure event prevents achievement of one or more KPIs. Force Majeure events are detailed in the Standard Terms and Conditions.

8. Duty of Care

8.1. 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 for their domestic and business property.

8.2. The BHC will share available information with the Supplier on security status and developments in-country where appropriate. Travel advice is available on the FCDO website and the Supplier must ensure they (and their personnel) are up to date with the latest position.

8.3. The Supplier is responsible for ensuring that appropriate arrangements, processes, and procedures are in place for their personnel, taking into account the environment they will be working in, and the level of risk involved in the delivery of the contract (such as working in dangerous, fragile, and hostile environments, etc.)

8.4. This procurement may require the Supplier to operate in fragile and conflict-afflicted areas where the security situation is uncertain and subject to change. The Supplier should be comfortable working in such environments and be able to deploy there.

8.5. The Supplier is responsible for ensuring appropriate safety and security briefings for all their Personnel working under the Contract and ensuring that their Personnel register and receive security briefings, and the Supplier must ensure they (and their Personnel) are up to date with the latest position.

8.6. Tenderers must develop their SQ Response and ITT response on the basis of being fully responsible for Duty of Care in line with the details provided above. They must confirm that:

8.6.1. They fully accept responsibility for Security and Duty of Care.

8.6.2. They understand the potential risks and have the knowledge and experience to develop an effective risk plan.

8.6.3. They have the capability to manage their Duty of Care responsibilities throughout the life of the contract.

8.7. If at any stage, there are concerns that the Supplier cannot manage Duty of Care then they may be precluded from operating in that region. The ability of the Supplier to manage Duty of Care shall remain a pre-condition of the contract.

9. Fraud and Corruption

9.1. FCDO has a zero-tolerance approach to corruption. The supplier’s lead will have full responsibility for monitoring and mitigating the risk of fraud and corruption in the delivery of research.

9.2. All suspected cases of fraud must be reported immediately to FCDO, and the Supplier will be expected to put in place a comprehensive risk management system which is appropriate to the context and consistent with FCDO’s own methodologies.

10. Safeguarding

10.1. The Supplier will take a robust approach to safeguarding. During the Inception Phase the Supplier will be required to conduct a thorough analysis of the safeguarding risks of operating. The Supplier will outline how this analysis will be conducted, alongside the overall approach to safeguarding including reporting and whistleblowing procedures and any specific safeguarding requirements following from the analysis. For example, work at sub-national level may be found to present risks of community-level conflict over natural resources, which may require routine conflict sensitivity analysis.

10.2. The Supplier will utilise robust safeguarding policies and procedures and will ensure that Research Pool providers follow the same or equivalent processes, to ensure that every person, regardless of their age, gender, religion or ethnicity, can be protected from harm, violence, exploitation, and abuse. This includes sexual exploitation and abuse but should also be understood as all forms of physical or emotional violence or abuse and financial exploitation.

10.3. Safeguarding broadly means avoiding harm to people or the environment. FCDO have a zero tolerance for inaction approach to tackling sexual exploitation, abuse and harassment (SEAH). The successful Supplier will be required to demonstrate that they have a robust and meaningful safeguarding policy both for their staff and for interlocutors and beneficiaries. As a fund manager the Supplier will also be required to conduct due diligence to assure themselves of the safeguarding policies of downstream partners, and to ensure that such policies are actively enforced, and any safeguarding concerns are promptly addressed and reported to FCDO. Any safeguarding allegations that may occur should be reported to reportingconcerns@fcdo.gov.uk

11. Modern Slavery

11.1. Do not commit any acts which contribute to exploitative practice (e.g. modern slavery/child labour). This includes failing to report concerns or suspicions regarding an act by another member of staff or staff from a partner or Supplier. FCDO has zero tolerance of staff or Suppliers contributing to exploitation including modern slavery or child labour. We consider this to constitute gross misconduct, and therefore grounds for termination of contract. Other action may also be taken, e.g. reporting criminality when applicable.

12. Disability

12.1. For FCDO, disability inclusive development means that people with disabilities are systematically and consistently included in and benefit from international development. The Supplier should outline their approach to disability inclusion and how people with disabilities

13. Social Value considerations

13.1. The British Government have proposed new measures to ensure that money spent by Government on buying goods and services benefits society more widely as well as delivering value for money. The Social Value Act requires contracting authorities to consider how the services being procured might improve the economic, social, and environmental well-being of the relevant area. In the FCDO context, social value is delivered to overseas beneficiaries through the programmes we deliver and also in the sustainable legacy that we aim to leave behind.

13.2. UK Social Value outcomes are already embedded and evaluated within the programmes that FCDO deliver, however application of the Public Services (Social Value) Act 2013 will be extended to ensure that all government departments explicitly evaluate social value when commissioning services. More details can be accessed at: https://www.gov.uk/government/publications/procurement-policy-note-0620-taking-account-of-social-value-in-the-award-of-central-government-contracts

14. Transparency

14.1. FCDO requires suppliers 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.

14.2. It is a contractual requirement for all Suppliers 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 to FCDO – further IATI information is available from; http://www.aidtransparency.net/.

15. General Data Protection Regulations

15.1. The EU General Data Protection Regulation (GDPR) and the Data Protection Act (2018) came into force in May 2018. The legislation means that everyone in the FCDO must comply with GDPR when handling personal data regardless of where they are located or the nationality of the people whose personal data it is (the data subjects). The Act implements a wide range of data protection reforms across the UK and introduces 4 distinct data protection regimes into UK Data Protection law. The schedule to be completed by Parties before processing personal data under the Contract is provided at Annex 10.

16. Do No Harm

16.1. FCDO requires assurance regarding protection from violence, exploitation and abuse through involvement, directly or indirectly, with FCDO Suppliers and Programmes. This includes sexual exploitation and abuse, but should be also understood, as all forms of physical or emotional violence or abuse and financial exploitation.

16.2. The Supplier must demonstrate a sound understanding of the ethics in working in this area and applying these principles throughout the lifetime of the Programme to avoid doing harm to beneficiaries. In particular, the design of interventions including research and Programme evaluation should recognise and mitigate the risk of negative consequences for women, children, and other vulnerable groups. The Supplier will be required to include that they have duty of care to informants, other Programme stakeholders, and their own staff and that they will comply with the ethics principles in all Programme activities. Their adherence to this duty of care, including reporting and addressing, should be included in both regular and annual reporting to FCDO.

Annexes

Annex 1. Productivity for Prosperity Business Case

Attached separately.

Annex 2. Logframe

Attached separately.

Annex 3. FCDO Policy on Subsidy to the Private Sector

Attached separately.

Annex 4. Risk Register Template

Attached separately.

Annex 5. Delivery Chain Mapping Smart Guide

Attached separately.

Annex 6. Due Diligence Smart Guide

Attached separately.

Annex 7. UK Aid Branding Guidance

Attached separately.

Annex 8. Approach to Value for Money

Attached separately.

Annex 9. Background Studies

Attached separately.

Annex 10. GDPR Requirements

Contract Section 3 (Terms of Reference)
Schedule of Processing, Personal Data and Data Subjects

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

Description	Details
Identity of the Controller and Processor for each Category of Data Subject	The Parties acknowledge that for the purposes of the Data Protection Legislation, the following status will apply to personal data under this contract: 1) The Parties acknowledge that Clause 33.2 and 33.4 (Section 2 of the contract) shall not apply for the purposes of the Data Protection Legislation as the **Parties are independent Controllers** in accordance with Clause 33.3 in respect of the following Personal Data: • personal data required for the administration and fulfilment of this contract.

UK-Tanzania Green Growth Fund — **Last Updated: July 2022**

IMPACT	Indicator		Baseline (Jun-2022)	Jun-2023	Jun-2024	Jun-2025	Jun-2026	Jun-2027	Dec-2027
Sustainable economic transformation in Tanzania through increased labour productivity and climate-resilience in job-creating sectors.	**Impact Indicator 1**								
	Number of new jobs and number of jobs with improved incomes as result of the Fund's activities (cumulative, unique people).	**Planned: New Jobs**	**0**	**0**	**200**	**400**	**600**	**800**	**1,000**
		of which women	0	0	60	120	180	240	300
		Planned: Jobs with Improved Incomes	**0**	**0**	**5,000**	**10,000**	**15,000**	**20,000**	**25,000**
		of which women	0	0	1,500	3,000	4,500	6,000	7,500
		Achieved: New Jobs							
		of which women							
		Achieved: Jobs with Improved Incomes							
		of which women							
		Source							
	Impact Indicator 2		**Baseline (Jun-2022)**	**Jun-2023**	**Jun-2024**	**Jun-2025**	**Jun-2026**	**Jun-2027**	**Dec-2027**
	ICF KPI 4: Number of people whose climate resilience has been improved as a result of the Fund's (cumulative, unique people).	**Planned**	**0**	**0**	**3,000**	**6,000**	**9,000**	**12,000**	**15,000**
		of which women	0	0	900	1,800	2,700	3,600	4,500
		Achieved							
		of which women							
		Source							

OUTCOME	Indicator		Baseline (Jun-2022)	Jun-2023	Jun-2024	Jun-2025	Jun-2026	Jun-2027	Dec-2027	Assumptions
A better business environment, increased investment (including climate and nature finance), improved business practices, and increased domestic and international trade.	**Outcome Indicator 1**									**Political feasibility:** the assessment of political feasibility in the options appraisal is correct and remains steady. **Domestic economic stability:** Tanzania's current broadly positive economic trajectory continues and there is not a major economic crisis. **Global economic recovery:** the global economic recovery will continue its current trend, and the market for Tanzanian exports (notably agriculture and tourism) will grow. **Private sector capacity:** there are sufficient SMEs in Tanzania that are capable of responding to technical assistance and absorbing investment. **Effective delivery:** the contracted supplier is able to establish an office in Tanzania and recruit staff with the require expertise to implement the programme. **Climate impacts:** the climate change impacts on agriculture production will not be so severe as to render large proportions of the sector unviable within 10 years.
	Investment mobilised as a result of the Fund's activities (cumulative).	**Planned**	$0	$0	$2,000,000	$4,000,000	$6,000,000	$8,000,000	$10,000,000	
		of which meet the 2X Gender Challenge criteria	$0	$0	$600,000	$1,200,000	$1,800,000	$2,400,000	$3,000,000	
		Achieved								
		of which meet the 2X Gender Challenge criteria								
		Source								
	Outcome Indicator 2		**Baseline (Jun-2022)**	**Jun-2023**	**Jun-2024**	**Jun-2025**	**Jun-2026**	**Jun-2027**	**Dec-2027**	
	ICF KPI 12: Volume of private finance mobilised for climate change purpose as a result of the Fund (cumulative).	**Planned**	$0	$0	$1,500,000	$3,000,000	$4,500,000	$6,000,000	$7,500,000	
		of which meet the 2X Gender Challenge criteria	$0	$0	$450,000	$900,000	$1,350,000	$1,800,000	$2,250,000	
		Achieved								
		of which meet the 2X Gender Challenge criteria								
		Source								
	Outcome Indicator 3		**Baseline (Jun-2022)**	**Jun-2023**	**Jun-2024**	**Jun-2025**	**Jun-2026**	**Jun-2027**	**Dec-2027**	
	Increase in sales and international trade as a direct result of the Fund's activities (latest annual sales figure, as measured by value of new purchase orders).	**Planned: Total Sales**	$0	$0	$2,000,000	$4,000,000	$6,000,000	$8,000,000	$10,000,000	
		of which meet the 2X Gender Challenge criteria	$0	$0	$600,000	$1,200,000	$1,800,000	$2,400,000	$3,000,000	
		Planned: International Trade	$0	$0	$1,000,000	$2,000,000	$3,000,000	$4,000,000	$5,000,000	
		of which meet the 2X Gender Challenge criteria	$0	$0	$300,000	$600,000	$900,000	$1,200,000	$1,500,000	
		Achieved: Total Sales								
		of which meet the 2X Gender Challenge criteria								
		Achieved: International Trade								
		of which meet the 2X Gender Challenge criteria								
		Source								
	Outcome Indicator 4		**Baseline (Jun-2022)**	**Jun-2023**	**Jun-2024**	**Jun-2025**	**Jun-2026**	**Jun-2027**	**Dec-2027**	
	Number of business environment reforms supported with government agencies. (cumulative).	**Planned**	**0**	**2**	**4**	**8**	**12**	**16**	**20**	
		Achieved								
		Source								
		"Policy reform" entails a change to legislation, strategy, or approach recorded in a public pronouncement; OR substantial improvements made to the operations of a government institution.								
	Outcome Indicator 5		**Baseline (Jun-2022)**	**Jun-2023**	**Jun-2024**	**Jun-2025**	**Jun-2026**	**Jun-2027**	**Dec-2027**	
	ICF KPI 8: Number of hectares where deforestation has been avoided through ICF Support (cumulative).	**Planned**	**0**	**0**	**0**	**56,250**	**112,500**	**225,000**	**450,000**	
		Achieved								
		Source								
	Outcome Indicator 6		**Baseline (Jun-2022)**	**Jun-2023**	**Jun-2024**	**Jun-2025**	**Jun-2026**	**Jun-2027**	**Dec-2027**	
	ICF KPI 17: Hectares of land that have received sustainable land management practices as a result of the Fund (cumulative).	**Planned**	**0**	**0**	**0**	**28,125**	**56,250**	**112,500**	**225,000**	
		Achieved								
		Source								

	Indicator		Baseline (Jun-2022)	Jun-2023	Jun-2024	Jun-2025	Jun-2026	Jun-2027	Dec-2027	Assumptions
Green Growth Fund. Improved climate policies, and stronger UK-Tanzania economic cooperation through demand-driven technical assistance.	**Output Indicator 1**									
	[Mobilisation Indicator] Undertake procurement process to launch Green Growth Fund	**Planned**	**C:** Agree route to market based on business planning commission. **B:** Complete first draft of Terms of Reference **A:** Market-ready ToR, responds to comments **A+:** Procurement launched **A++:** Supplier bids assessed		-	-	-	-	-	
		Achieved	**A**	-	-	-	-	-	-	
	Weight	**Source**								
	100%									
	Output Indicator 3.2		**Baseline (Jun-2022)**	**Jun-2023**	**Jun-2024**	**Jun-2025**	**Jun-2026**	**Jun-2027**	**Dec-2027**	
	Number of Project SoW's developed by the Supplier and	**Planned**		10	20	30	40	50	50	
		Achieved								
	Weight	**Source**								
	TBC	Green Growth Fund MEL System								
	Output Indicator 3.3		**Baseline (Jun-2022)**	**Jun-2023**	**Jun-2024**	**Jun-2025**	**Jun-2026**	**Jun-2027**	**Dec-2027**	
	% of Projects meeting their payment milestones.	**Planned**		90%	90%	90%	90%	90%	90%	
		Achieved								
	Weight	**Source**								
	TBC	Green Growth Fund MEL System								
	Output Indicator 3.4		**Baseline (Jun-2022)**	**Jun-2023**	**Jun-2024**	**Jun-2025**	**Jun-2026**	**Jun-2027**	**Dec-2027**	
	% of Workstreams meeting their payment milestones.	**Planned**		90%	90%	90%	90%	90%	90%	
		Achieved								
	Weight	**Source**								
	TBC	Green Growth Fund MEL System								
	Output Indicator 3.5		**Baseline (Jun-2022)**	**Jun-2023**	**Jun-2024**	**Jun-2025**	**Jun-2026**	**Jun-2027**	**Dec-2027**	
	Number of service credits accrued (annual). [measure of	**Planned**		**5**	**5**	**5**	**5**	**5**	**5**	
		Achieved								
	Weight	**Source**								
	TBC									
£ Inputs	**£7,500,000**	**HR Inputs**								

Manufacturing Africa: Tanzania

Last Updated: July 2022

IMPACT

Sustainable economic transformation in Tanzania through increased labour productivity and climate-resilience in job-creating sectors.

Impact Indicator 1

Number of new jobs and number of jobs with improved incomes as result of GGP's activities (cumulative, unique people). ***[Maps to master logframe Impact Indicators 1A & 1B]***

	Baseline (Jun-2022)	Jun-2023	Jun-2024	Jun-2025	Jun-2026	Jun-2027	Dec-2027
Planned: New Jobs (% women)	**0**	**0**	**750**	**1,500**	**2,250**	**3,000**	**3,750**
of which women	0	0	225	450	675	900	1,125
Planned: Jobs with Improved Incomes (% women)	**0**						
of which women	0						
Achieved: New Jobs (% women)							
of which women							
Achieved: Jobs with Improved Incomes (% women)							
of which women							
Source							

Impact Indicator 2

ICF KPI 4: Number of people whose climate resilience has been improved as a result of ICF (cumulative, unique people). ***[does not map to master logframe]***

	Baseline (Jun-2022)	Jun-2023	Jun-2024	Jun-2025	Jun-2026	Jun-2027	Dec-2027
Planned (% women)							
of which women							
Achieved (% women)							
of which women							
Source							

Impact Indicator 3

Relative growth of manufacturing (including agri-processing) and horticulture vs agriculture (cumulative) ***[Maps to master logframe Impact Indicator 2]***

	Baseline (Jun-2022)	Jun-2023	Jun-2024	Jun-2025	Jun-2026	Jun-2027	Dec-2027
Planned	**0.0%**	**0.0%**	**1.0%**	**2.0%**	**3.0%**	**4.0%**	**4.5%**
Achieved							
Source							

OUTCOME

A better business environment, increased investment (including climate and nature finance), improved business practices, and increased domestic and international trade.

Outcome Indicator 1

Investment mobilised as a result of MA's activities. ***[Maps to master logframe Outcome Indicator 1]***

	Baseline (Jun-2022)	Jun-2023	Jun-2024	Jun-2025	Jun-2026	Jun-2027	Dec-2027
Planned	**$0**	**$0**	**$16,500,000**	**$33,000,000**	**$49,500,000**	**$66,000,000**	**$82,500,000**
of which meet the 2X Gender Challenge criteria	$0	$0	$4,950,000	$9,900,000	$14,850,000	$19,800,000	$24,750,000
Achieved							
of which meet the 2X Gender Challenge criteria							
Source							

Outcome Indicator 2

ICF KPI 12: Volume of private finance mobilised for climate change purpose as a result of ICF (cumulative) ***[does not map to master logframe]***

	Baseline (Jun-2022)	Jun-2023	Jun-2024	Jun-2025	Jun-2026	Jun-2027	Dec-2027
Planned	**$0**	**$0**	**$8,250,000**	**$16,500,000**	**$24,750,000**	**$33,000,000**	**$41,250,000**
of which meet the 2X Gender Challenge criteria	$0	$0	$2,475,000	$4,950,000	$7,425,000	$9,900,000	$12,375,000
Achieved							
of which meet the 2X Gender Challenge criteria							
Source							

Outcome Indicator 3

Number of deals bought to financial close ***[Maps to master logframe Intermediate Outcome Indicator 1.1]***

	Baseline (Jun-2022)	Jun-2023	Jun-2024	Jun-2025	Jun-2026	Jun-2027	Dec-2027
Planned							
of which meet the 2X Gender Challenge criteria	0	0	0	0	0	0	0
Achieved							
of which meet the 2X Gender Challenge criteria							
Source							

Outcome Indicator 7

Number of effective TA interventions to improve the business environment and market system. ***[Maps to master logframe Intermediate Outcome Indicator 2.1 & 2.2]***

	Baseline (Jun-2022)	Jun-2023	Jun-2024	Jun-2025	Jun-2026	Jun-2027	Dec-2027
Planned: Business Environment Policy Reforms							
Planned: Market Development Interventions							
Achieved: Business Environment Policy Reforms							
Achieved: Market Development Interventions							
Source							

Outcome Indicator 5

Number of domestic enterprises that have secured contracts as upstream market providers in the value chain as a result of Manufacturing Africa. ***[Maps to master logframe Intermediate Outcome Indicator 3.1]***

	Baseline (Jun-2022)	Jun-2023	Jun-2024	Jun-2025	Jun-2026	Jun-2027	Dec-2027
Planned							
of which meet the 2X Gender Challenge criteria							
Achieved							
of which meet the 2X Gender Challenge criteria							
Source							

Outcome Indicator 6

Number of new buyers (global or domestic) introduced by MA to FDI investors and/or manufacturers resulting in buyer contracts with a likely value of more than £500k. ***[Maps to master logframe Intermediate Outcome Indicator 3.2]***

	Baseline (Jun-2022)	Jun-2023	Jun-2024	Jun-2025	Jun-2026	Jun-2027	Dec-2027
Planned							
of which meet the 2X Gender Challenge criteria							
Achieved							
of which meet the 2X Gender Challenge criteria							
Source							

Outcome Indicator 7

Increase in sales and international trade as a direct result of Manufacturing Africa's activities (annual sales, as measured by value of new purchase orders). ***[does not map to master logframe]***

	Baseline (Jun-2022)	Jun-2023	Jun-2024	Jun-2025	Jun-2026	Jun-2027	Dec-2027
Planned: Total Sales							
of which meet the 2X Gender Challenge criteria							
Planned: International Trade							
of which meet the 2X Gender Challenge criteria							
Achieved: Total Sales							
of which meet the 2X Gender Challenge criteria							
Achieved: International Trade							
of which meet the 2X Gender Challenge criteria							
Source							

Outcome Indicator 8

ICF KPI 17: Hectares of land that have received sustainable land management practices as a result of ICF (cumulative). ***[does not map to master logframe]***

	Baseline (Jun-2022)	Jun-2023	Jun-2024	Jun-2025	Jun-2026	Jun-2027	Dec-2027
Planned							
Achieved							
Source							

Assumptions

Political feasibility: the assessment of political feasibility in the options appraisal is correct and remains steady.
Domestic economic stability: Tanzania's current broadly positive economic trajectory continues and there is not a major economic crisis.
Global economic recovery: the global economic recovery will continue its current trend, and the market for Tanzanian exports (notably agriculture and tourism) will grow.
Private sector capacity: there are sufficient SMEs in Tanzania that are capable of responding to technical assistance and absorbing investment.
Effective delivery: the contracted supplier is able to establish an office in Tanzania and recruit staff with the require expertise to implement the programme.
Climate impacts: the climate change impacts on agriculture production will not be so severe as to render large proportions of the sector unviable within 10 years.

OUTPUT

Manufacturing Africa. Business environment reform and Foreign Direct Investment (FDI) facilitation ($2m-$15m ticket size) through: (1) technical assistance to Government (2) and FDI transaction facilitation.

Output Indicator 1

[Mobilisation Indicator] Develop and agree proposal, budget and workplan for Manufacturing Africa's expansion into Tanzania. ***[assessed by FCDO]***

	Baseline (Jun-2022)	Jun-2023	Jun-2024	Jun-2025	Jun-2026	Jun-2027	Dec-2027
Planned	**C:** Discussions initiated with MA Team **B:** Proposal, budget and workplan received **A:** Proposal, budget and workplan agreed **A+:** Team mobilised and inception phase commenced **A++:** First draft inception report delivered		-	-	-	-	-
Achieved	**A**	-	-	-	-	-	-
Source							

Weight: 100%

Output Indicator 2

Number of investment leads provided with high quality substantive support. ***[Maps to master logframe Output Indicator 1.1 & 1.3]***

	Baseline (Jun-2022)	Jun-2023	Jun-2024	Jun-2025	Jun-2026	Jun-2027	Dec-2027
Planned		**TBC**					
of which meet the 2x Gender Challenge criteria		TBC					
Achieved							
of which meet the 2x Gender Challenge criteria							
Source							

Weight: TBC

Output Indicator 3

Number of deals provided with high quality support which are potentially eligible for the second stage PBR payment if they reach deal close. ***[Maps to master logframe Output Indicator 1.2]***

	Baseline (Jun-2022)	Jun-2023	Jun-2024	Jun-2025	Jun-2026	Jun-2027	Dec-2027
Planned		**TBC**					
of which meet the 2x Gender Challenge criteria		TBC					
Achieved							
of which meet the 2x Gender Challenge criteria							
Source							

Weight: TBC

Output Indicator 4

Number of substantive technical assistance deliverables supporting government agencies / institutions approved and implemented to a high-quality standard. ***[Maps to master logframe Output Indicator 2.1]***

	Baseline (Jun-2022)	Jun-2023	Jun-2024	Jun-2025	Jun-2026	Jun-2027	Dec-2027
Planned		**TBC**					
Achieved							
Source							

Weight: 50%

Output Indicator 5

Number of support programmes guided by market systems principles, designed and implemented by the contractor in targeted sectors which address key barriers to manufacturing activity, and which are delivered to a high standard. ***[Maps to master logframe Output Indicator 3.1]***

	Baseline (Jun-2022)	Jun-2023	Jun-2024	Jun-2025	Jun-2026	Jun-2027	Dec-2027
Planned		**TBC**					
of which meet the 2x Gender Challenge criteria		TBC					
Achieved							
of which meet the 2x Gender Challenge criteria							
Source							

Weight: TBC

Output Indicator 6

Number of third parties substantially engaged with, in a way judged to be effective to undertake new activity targeted at addressing key barriers to manufacturing activity. ***[Maps to master logframe Output Indicator 3.2]***

	Baseline (Jun-2022)	Jun-2023	Jun-2024	Jun-2025	Jun-2026	Jun-2027	Dec-2027
Planned		**TBC**					
of which meet the 2x Gender Challenge criteria		TBC					
Achieved							
of which meet the 2x Gender Challenge criteria							
Source							

Weight: TBC

Output Indicator 7

Number of support packages provided either to foreign investors to encourage them to increase demand from domestic enterprises, or to domestic enterprises themselves to enable them to meet such demand. ***[Maps to master logframe Output Indicator 4.1]***

	Baseline (Jun-2022)	Jun-2023	Jun-2024	Jun-2025	Jun-2026	Jun-2027	Dec-2027
Planned		**TBC**					
of which meet the 2x Gender Challenge criteria		TBC					
Achieved							
of which meet the 2x Gender Challenge criteria							
Source							

Weight: TBC

Output Indicator 8

Number of new buyers (global or domestic) introduced to FDI investors or manufacturers who could credibly meet the buyers' demands within a reasonable time frame (max 2 years). ***[Maps to master logframe Output Indicator 4.2]***

	Baseline (Jun-2022)	Jun-2023	Jun-2024	Jun-2025	Jun-2026	Jun-2027	Dec-2027
Planned		**TBC**					
of which meet the 2x Gender Challenge criteria		TBC					
Achieved							
of which meet the 2x Gender Challenge criteria							
Source							

Weight: TBC

Assumptions

Support to investment promotion related activities and agencies will attracted increased FDI inflows.

Relative productivity levels are much higher in P4P target sectors versus subsistence agriculture.

GoT is willing and able to reform and remove barriers to investment.

Aactors are willing and able to partner with P4P to promote manufacturing FDI

£ Inputs	**£16,500,000**	**HR Inputs**	

Aceli Africa: Tanzania (attributable to P4P)

Last Updated: July 2022

IMPACT

Sustainable economic transformation in Tanzania through increased labour productivity and climate-resilience in job-creating sectors.

Impact Indicator 1		Baseline (Nov-2021)	Jun-2022	Jun-2023	Jun-2024	Jun-2025	Dec-2025
Number of new jobs and number of jobs with improved incomes as result of Aceli's activities (cumulative, unique people).	**Planned: New Jobs**		**6**	**21**	**48**	**91**	**142**
	of which women		*2*	*6*	*15*	*27*	*43*
	Planned: Jobs with Improved Incomes		**460**	**1,623**	**3,754**	**7,072**	**11,020**
	of which women		*138*	*487*	*1,126*	*2,122*	*3,306*
	Achieved: New Jobs		**9**				
	of which women		*3*				
	Achieved: Jobs with Improved Incomes		**331**				
	of which women		*186*				
	Source						
	Lenders data, Official reports / documentations from Tanzania government, Technical assistance providers, Smallholder farmer surveys with 60 Decibels, Sample assessments at borrower and household level (i.e., farmers and workers) by International Growth Centre, Reporting by Aceli						

Impact Indicator 2		Baseline (Nov-2021)	Jun-2022	Jun-2023	Jun-2024	Jun-2025	Dec-2025
ICF KPI 4: Number of people whose climate resilience has been improved as a result of Aceli's (cumulative, unique people).	**Planned**		**1,380**	**4,635**	**8,898**	**13,543**	**16,306**
	of which women		*414*	*1,391*	*2,669*	*4,063*	*4,892*
	Achieved		**1,613**				
	of which women		*660*				
	Source						
	Lenders data, Official reports / documentations from government, Technical assistance providers, Smallholder farmer surveys with 60 Decibels, Sample assessments at borrower and household level (i.e., farmers and workers) by International Growth Centre, Reporting by Aceli						

OUTCOME

A better business environment, increased investment (including climate and nature finance), improved business practices, and increased domestic and international trade.

Outcome Indicator 1		Baseline (Nov-2021)	Jun-2022	Jun-2023	Jun-2024	Jun-2025	Dec-2025
Investment mobilised as a result of Aceli's activities (cumulative, includes: domestic investment, domestic direct investment, foreign direct investment, foreign portfolio investment).	**Planned**	$0	$3,493,750	$10,143,750	$21,006,250	$35,743,750	$43,868,750
	of which meet the 2X Gender Challenge criteria	$0	$1,048,125	$3,043,125	$6,301,875	$10,723,125	$13,160,625
	Achieved		$5,092,429				
	of which meet the 2X Gender Challenge criteria		$4,904,429				
	Source						
	Lenders data, Official reports / documentations from government, Technical assistance providers, Smallholder farmer surveys with 60 Decibels, Sample assessments at borrower and household level (i.e., farmers and workers) by International Growth Centre, Reporting by Aceli						

Outcome Indicator 2		Baseline (Nov-2021)	Jun-2022	Jun-2023	Jun-2024	Jun-2025	Dec-2025
ICF KPI 12: Volume of private finance mobilised for climate change purpose as a result of Aceli's (cumulative).	**Planned**	$0	$698,750	$2,028,750	$4,201,250	$7,148,750	$8,773,750
	of which meet the 2X Gender Challenge criteria	$0	$209,625	$608,625	$1,260,375	$2,144,625	$2,632,125
	Achieved		$2,133,212				
	of which meet the 2X Gender Challenge criteria		$2,067,212				
	Source						
	Lenders data, Official reports / documentations from government, Technical assistance providers, Smallholder farmer surveys with 60 Decibels, Sample assessments at borrower and household level (i.e., farmers and workers) by International Growth Centre, Reporting by Aceli						

Outcome Indicator 3		Baseline (Nov-2021)	Jun-2022	Jun-2023	Jun-2024	Jun-2025	Dec-2025
Increase in sales and international trade as a direct result of Aceli's activities (latest annual sales figure, as measured by value of new purchase orders).	**Planned: Total Sales**	$0	$902,500	$2,280,000	$4,180,000	$6,507,500	$7,742,500
	of which meet the 2X Gender Challenge criteria	*$0*	*$270,750*	*$684,000*	*$1,254,000*	*$1,952,250*	*$2,322,750*
	Planned: International Trade		$451,250	$1,140,000	$2,090,000	$3,253,750	$3,871,250
	of which meet the 2X Gender Challenge criteria		*$135,375*	*$342,000*	*$627,000*	*$976,125*	*$1,161,375*
	Achieved: Total Sales		$782,119				
	of which meet the 2X Gender Challenge criteria		*$753,179*				
	Achieved: International Trade		$556,718				
	of which meet the 2X Gender Challenge criteria		*$530,307*				
	Source						
	Lenders data, Official reports / documentations from government, Technical assistance providers, Smallholder farmer surveys with 60 Decibels, Sample assessments at borrower and household level (i.e., farmers and workers) by International Growth Centre, Reporting by Aceli						

Outcome Indicator 4		Baseline (Nov-2021)	Jun-2022	Jun-2023	Jun-2024	Jun-2025	Dec-2025
Number of business environment reforms supported with government agencies. (cumulative).	**Planned**	**0**	**0**	**0**	**0**	**1**	**1**
	Achieved		**0**				
	Source						
	“Policy reform” entails a change to legislation, strategy, or approach recorded in a public pronouncement; OR substantial improvements made to the operations of a government institution.						

Assumptions

Political feasibility: the assessment of political feasibility in the options appraisal is correct and remains steady.
Domestic economic stability: Tanzania's current broadly positive economic trajectory continues and there is not a major economic crisis.
Global economic recovery: the global economic recovery will continue its current trend, and the market for Tanzanian exports (notably agriculture and tourism) will grow.
Private sector capacity: there are sufficient SMEs in Tanzania that are capable of responding to technical assistance and absorbing investment.
Effective delivery: the contracted supplier is able to establish an office in Tanzania and recruit staff with the require expertise to implement the programme.
Climate impacts: the climate change impacts on agriculture production will not be so severe as to render large proportions of the sector unviable within 10 years.

Aceli Africa. Mobilising investment for job-creating domestic agri-business ($50k-$2m ticket size), through (1) financial risk-sharing and (2) technical assistance to businesses and local/regional financial institutions.

Output Indicator 1		Baseline (Nov-2021)	Jun-2022	Jun-2023	Jun-2024	Jun-2025	Dec-2025
[Process indicator] Develop and agree budget and workplan for Aceli Africa, agree Accountable Grant and mobilise in Tanzania.	Planned	**C:** Agree budget, logframe & workplan **B:** Complete enhanced due diligence; achieve MAG approval; achieve Prof11 approval **A:** Sign accountable grant within 6 months of BC approval **A+:** Sign accountable grant within 4 months of BC approval **A++:** Sign accountable grant within 2 months of BC approval		-	-	-	-
	Achieved		**A+**	-	-	-	-
Weight	**Source**						
20%	Lenders data, Official reports / documentations from government, Technical assistance providers, Smallholder farmer surveys with 60 Decibels, Sample assessments at borrower and household level (i.e., farmers and workers) by International Growth Centre, Reporting by Aceli						

Output Indicator 2		Baseline (Nov-2021)	Jun-2022	Jun-2023	Jun-2024	Jun-2025	Dec-2025
Number of businesses receiving technical assistance (cumulative)	**Planned**	**0**	**4**	**14**	**26**	**41**	**48**
	of which meet the 2x Gender Challenge criteria	0	1	4	8	12	14
	Achieved		**4**				
	of which meet the 2x Gender Challenge criteria		0				
Weight	**Source**						
20%	Lenders data, Official reports / documentations from government, Technical assistance providers, Smallholder farmer surveys with 60 Decibels, Sample assessments at borrower and household level (i.e., farmers and workers) by International Growth Centre, Reporting by Aceli						

Output Indicator 3		Baseline (Nov-2021)	Jun-2022	Jun-2023	Jun-2024	Jun-2025	Dec-2025
Number of financial institutions actively lending in partnership with Aceli (cumulative)	**Planned**	**0**	**7**	**9**	**11**	**12**	**12**
	Achieved		**7**				
Weight	**Source**						
20%	Lenders data, Official reports / documentations from government, Technical assistance providers, Smallholder farmer surveys with 60 Decibels, Sample assessments at borrower and household level (i.e., farmers and workers) by International Growth Centre, Reporting by Aceli						

Output Indicator 4		Baseline (Nov-2021)	Jun-2022	Jun-2023	Jun-2024	Jun-2025	Dec-2025
Number of financial institutions receiving technical assistance (cumulative)	**Planned**	**0**	**0**	**1**	**2**	**3**	**4**
	Achieved		**0**				
Weight	**Source**						
20%	Lenders data, Official reports / documentations from government, Technical assistance providers, Smallholder farmer surveys with 60 Decibels, Sample assessments at borrower and household level (i.e., farmers and workers) by International Growth Centre, Reporting by Aceli						

Output Indicator 5		Baseline (Nov-2021)	Jun-2022	Jun-2023	Jun-2024	Jun-2025	Dec-2025
Number of loans approved as a result of Aceli's financial incentives (cumulative)	**Planned**	**0**	**24**	**60**	**110**	**171**	**204**
	of which meet the 2x Gender Challenge criteria	0	7	26	33	51	61
	Achieved		**26**	**-**	**-**	**-**	**-**
	of which meet the 2x Gender Challenge criteria		23				
Weight	**Source**						
20%	Lenders data, Official reports / documentations from government, Technical assistance providers, Smallholder farmer surveys with 60 Decibels, Sample assessments at borrower and household level (i.e., farmers and workers) by International Growth Centre, Reporting by Aceli						

£ Inputs	£7,500,000	HR Inputs	

Master Logframe: Productivity for Prosperity - Aceli Africa, Manufacturing Africa and the Green Growth Fund

Last Updated: July 2022

IMPACT	Impact Indicator 1		Baseline (Jun-2021)	Jun-2022	Jun-2023	Jun-2024	Jun-2025	Jun-2026	Jun-2027	Dec-2027
Sustainable economic transformation in Tanzania through increased labour productivity and climate-resilience in job-creating sectors.	Number of new jobs and number of jobs with improved incomes as result of programme's activities (cumulative, unique people).	**Planned: New Jobs (% women)**	-	6 (30%)	21 (30%)	998 (30%)	1,991 (30%)	2,992 (30%)	3,942 (30%)	4,892 (30%)
		Planned: Jobs with Improved Incomes (% women)	-	460 (30%)	1,623 (30%)	8,754 (30%)	17,072 (30%)	26,020 (30%)	31,020 (30%)	36,020 (30%)
		Achieved: New Jobs (% women)	-	9 (33%)	-	-	-	-	-	-
		Achieved: Jobs with Improved Incomes (% women)	-	331 (56%)	-	-	-	-	-	-
		Source								
		Aceli Africa Salesforce M&E System; Green Growth Fund MEL System; Manufacturing Africa M&E Systems								
	Impact Indicator 2		**Baseline (Jun-2021)**	**Jun-2022**	**Jun-2023**	**Jun-2024**	**Jun-2025**	**Jun-2026**	**Jun-2027**	**Dec-2027**
	ICF KPI 4: Number of people whose climate resilience has been improved as a result of ICF (cumulative, unique people).	**Planned (% women)**	-	1,380 (30%)	4,635 (30%)	11,898 (30%)	19,543 (30%)	25,306 (30%)	28,306 (30%)	31,306 (30%)
		Achieved (% women)	-	1,613 (41%)	-	-	-	-	-	-
		Source								
		Aceli Africa Salesforce M&E System; Green Growth Fund MEL System; Manufacturing Africa M&E Systems								
	Impact Indicator 3		**Baseline (Jun-2021)**	**Jun-2022**	**Jun-2023**	**Jun-2024**	**Jun-2025**	**Jun-2026**	**Jun-2027**	**Dec-2027**
	Relative growth of agriprocessing, manufacturing and horticulture sectors vs agriculture (cumulative vs baseline).	**Planned**		0.0%	0.0%	1.0%	2.0%	3.0%	4.0%	4.5%
		Achieved								
		Source								
		Manufacturing Africa M&E Systems								

OUTCOME	Outcome Indicator 1		Baseline (Jun-2021)	Jun-2022	Jun-2023	Jun-2024	Jun-2025	Jun-2026	Jun-2027	Dec-2027	Assumptions
A better business environment, increased investment (including climate and nature finance), improved business practices, and increased domestic and international trade.	Investment mobilised as a result of programme's activities (cumulative, includes: domestic direct investment, foreign direct investment, portfolio investment).	**Planned (2X Gender Challenge criteria)**	-	$3,493,750 (30%)	$10,143,750 (30%)	$39,506,250 (30%)	$72,743,750 (30%)	$99,368,750 (30%)	$117,868,750 (30%)	$136,368,750 (30%)	**Political feasibility:** the assessment of political feasibility in the options appraisal is correct and remains steady. **Domestic economic stability:** Tanzania's current broadly positive economic trajectory continues and there is not a major economic crisis. **Global economic recovery:** the global economic recovery will continue its current trend, and the market for Tanzanian exports (notably agriculture and tourism) will grow. **Private sector capacity:** there are sufficient SMEs in Tanzania that are capable of responding to technical assistance and absorbing investment. **Effective delivery:** the contracted supplier is able to establish an office in Tanzania and recruit staff with the require expertise to implement the programme. **Climate impacts:** the climate change impacts on agriculture production will not be so severe as to render large proportions of the sector unviable within 10 years.
		Achieved (2X Gender Challenge criteria)	-	£5,092,429 (96%)	-	-	-	-	-	-	
		Source									
		Aceli Africa Salesforce M&E System; Green Growth Fund MEL System; Manufacturing Africa M&E Systems									
	Outcome Indicator 2		**Baseline (Jun-2021)**	**Jun-2022**	**Jun-2023**	**Jun-2024**	**Jun-2025**	**Jun-2026**	**Jun-2027**	**Dec-2027**	
	ICF KPI 12: Volume of private finance mobilised for climate change purpose as a result of ICF (cumulative).	**Planned (2X Gender Challenge criteria)**	-	$698,750 (30%)	$2,028,750 (30%)	$13,951,250 (30%)	$26,648,750 (30%)	$38,023,750 (30%)	$47,773,750 (30%)	$57,523,750 (30%)	
		Achieved (2X Gender Challenge criteria)	-	$2,133,212 (97%)	-	-	-	-	-	-	
		Source									
		Aceli Africa Salesforce M&E System; Green Growth Fund MEL System; Manufacturing Africa M&E Systems									
	Outcome Indicator 3		**Baseline (Jun-2021)**	**Jun-2022**	**Jun-2023**	**Jun-2024**	**Jun-2025**	**Jun-2026**	**Jun-2027**	**Dec-2027**	
	Increase in sales and international trade as a direct result of programme's activities (annual sales, as measured by value of new purchase orders).	**Planned: Total Sales (2X Gender Challenge criteria)**	-	$902,500 (30%)	$2,280,000 (30%)	$6,180,000 (30%)	$10,507,500 (30%)	$13,742,500 (30%)	$15,742,500 (30%)	$17,742,500 (30%)	
		Planned: International Trade (2X Gender Challenge criteria)	-	$451,250 (30%)	$1,140,000 (30%)	$3,090,000 (30%)	$5,253,750 (30%)	$6,871,250 (30%)	$7,871,250 (30%)	$8,871,250 (30%)	
		Achieved: Total Sales (2X Gender Challenge criteria)	-	$782,119 (96%)	-	-	-	-	-	-	
		Achieved: International Trade (2X Gender Challenge criteria)		556,718 (95%)	-	-	-	-	-	-	
		Source									
		Aceli Africa Salesforce M&E System; Green Growth Fund MEL System; Manufacturing Africa M&E Systems									
	Outcome Indicator 4		**Baseline (Jun-2021)**	**Jun-2022**	**Jun-2023**	**Jun-2024**	**Jun-2025**	**Jun-2026**	**Jun-2027**	**Dec-2027**	
	Number of effective TA interventions that improve the business environment and/or market system.	**Planned**	0	0	2	4	9	13	17	21	
		Achieved		0							
		Source									
		"Policy reform" entails a change to legislation, strategy, or approach recorded in a public pronouncement; OR substantial improvements made to the operations of a government institution (cumulative).									
	Outcome Indicator 5		**Baseline (Jun-2021)**	**Jun-2022**	**Jun-2023**	**Jun-2024**	**Jun-2025**	**Jun-2026**	**Jun-2027**	**Dec-2027**	
	ICF KPI 8: Number of hectares where deforestation has been avoided through ICF Support (cumulative).	**Planned**		0	0	0	56,250	112,500	225,000	450,000	
		Achieved									
		Source									
		Green Growth Fund MEL System									
	Outcome Indicator 6		**Baseline (Jun-2021)**	**Jun-2022**	**Jun-2023**	**Jun-2024**	**Jun-2025**	**Jun-2026**	**Jun-2027**	**Dec-2027**	
	ICF KPI 17: Hectares of land that have received sustainable land management practices as a result of ICF (cumulative).	**Planned**	0	0	0	0	28,125	56,250	112,500	225,000	
		Achieved									
		Source									
		Aceli Africa Salesforce M&E System; Green Growth Fund MEL System; Manufacturing Africa M&E Systems									

Output 1	Output Indicator 1.1		Baseline (Jun-2021)	Jun-2022	Jun-2023	Jun-2024	Jun-2025	Jun-2026	Jun-2027	Dec-2027	Assumptions
Aceli Africa. Mobilising investment for job-creating domestic agri-business ($50k-$2m ticket size), through (1) financial risk-sharing and (2) technical assistance to businesses and local/regional financial institutions.	**[Mobilisation Indicator]** Develop and agree budget and workplan for Aceli Africa, agree Accountable Grant and mobilise in Tanzania.	**Planned**	**C:** Agree budget, logframe & workplan **B:** Complete enhanced due diligence; achieve MAG approval; achieve Prof11 approval **A:** Sign accountable grant within 6 months of BC approval **A+:** Sign accountable grant within 4 months of BC approval **A++:** Sign accountable grant within 2 months of BC approval		-	-	-	-			Support to investment promotion related activities and agencies will attracted increased FDI inflows. Relative productivity levels are much higher in P4P target sectors versus subsistence agriculture. GoT is willing and able to reform and remove barriers to investment. Actors are willing and able to partner with P4P to promote manufacturing FDI
		Achieved		**A+**	-	-	-	-			
	Sub-Weight	**Source**									
	20%	Aceli Africa Salesforce M&E System									
	Output Indicator 1.2		**Baseline (Jun-2021)**	**Jun-2022**	**Jun-2023**	**Jun-2024**	**Jun-2025**	**Jun-2026**	**Jun-2027**	**Dec-2027**	
	Number of businesses receiving technical assistance (cumulative).	**Planned**		**4**	**14**	**26**	**41**	**48**			
		of which meet the 2x Gender Challenge criteria		*1*	*4*	*8*	*12*	*14*			
		Achieved		**4**							
		of which meet the 2x Gender Challenge criteria		*0*							
	Sub-Weight	**Source**									
	20%	Aceli Africa Salesforce M&E System									
	Output Indicator 1.3		**Baseline (Jun-2021)**	**Jun-2022**	**Jun-2023**	**Jun-2024**	**Jun-2025**	**Jun-2026**	**Jun-2027**	**Dec-2027**	
	Number of financial institutions actively lending in partnership with Aceli (cumulative).	**Planned**		**7**	**9**	**11**	**12**	**12**			
		Achieved		**7**							
	Sub-Weight	**Source**									
	20%	Aceli Africa Salesforce M&E System									
	Output Indicator 1.4		**Baseline (Jun-2021)**	**Jun-2022**	**Jun-2023**	**Jun-2024**	**Jun-2025**	**Jun-2026**	**Jun-2027**	**Dec-2027**	
	Number of financial institutions receiving technical assistance (cumulative).	**Planned**		**0**	**1**	**2**	**3**	**4**			
		Achieved		**0**							
	Sub-Weight	**Source**									
	20%	Aceli Africa Salesforce M&E System									
	Output Indicator 1.5		**Baseline (Jun-2021)**	**Jun-2022**	**Jun-2023**	**Jun-2024**	**Jun-2025**	**Jun-2026**	**Jun-2027**	**Dec-2027**	
	Number of loans approved as a result of Aceli's financial incentives (cumulative).	**Planned**		**24**	**60**	**110**	**171**	**204**			
		of which meet the 2x Gender Challenge criteria		*7*	*26*	*33*	*51*	*61*			
		Achieved		**26**							
		of which meet the 2x Gender Challenge criteria		*23*							
Weight	**Sub-Weight**	**Source**									
60%	20%	Aceli Africa Salesforce M&E System									
£ Inputs	**£7,500,000**	**HR Inputs**	**Lead:** Alex Mangowi (30%); **Adviser:** Tom Ratsakatika (10%); **Programme Manager:** Josephine Msambichaka (25%); **Oversight:** Tim Green (5%)								

Output 2	Output Indicator 2.1		Baseline (Jun-2021)	Jun-2022	Jun-2023	Jun-2024	Jun-2025	Jun-2026	Jun-2027	Dec-2027	Assumptions
Manufacturing Africa. Business environment reform and Foreign Direct Investment (FDI) facilitation ($2m-$15m ticket size) through: (1) technical assistance to Government (2) and FDI transaction facilitation.	**[Mobilisation Indicator]** Develop and agree proposal, budget and workplan for Manufacturing Africa's expansion into Tanzania.	**Planned**	**C:** Discussions initiated with MA Team **B:** Proposal, budget and workplan received **A:** Proposal, budget and workplan agreed **A+:** Team mobilised and inception phase commenced **A++:** First draft inception report delivered		**Logframe Indicators Agreed**	-	-	-	-	-	Support to investment promotion related activities and agencies will attracted increased FDI inflows. Relative productivity levels are much higher in P4P target sectors versus subsistence agriculture. GoT is willing and able to reform and remove barriers to investment. Actors are willing and able to partner with P4P to promote manufacturing FDI
		Achieved	-	A	-	-	-	-	-	-	
	Sub-Weight	**Source**									
	100%										
	Output Indicator 2.2		**Baseline (Jun-2021)**	**Jun-2022**	**Jun-2023**	**Jun-2024**	**Jun-2025**	**Jun-2026**	**Jun-2027**	**Dec-2027**	
	Number of investment leads provided with high quality substantive support. ***[Maps to master logframe Output Indicator 1.1 & 1.3]***	**Planned**			**TBC**						
		of which meet the 2x Gender Challenge criteria			*TBC*						
		Achieved									
		of which meet the 2x Gender Challenge criteria									
	Weight	**Source**									
	0%										
	Output Indicator 2.3		**Baseline (Jun-2021)**	**Jun-2022**	**Jun-2023**	**Jun-2024**	**Jun-2025**	**Jun-2026**	**Jun-2027**	**Dec-2027**	
	Number of deals provided with high quality support which are potentially eligible for the second stage PBR payment if they reach deal close. ***[Maps to master logframe Output Indicator 1.2]***	**Planned**			**TBC**						
		of which meet the 2x Gender Challenge criteria			*TBC*						
		Achieved									
		of which meet the 2x Gender Challenge criteria									
	Weight	**Source**									
	0%										
	Output Indicator 2.4		**Baseline (Jun-2021)**	**Jun-2022**	**Jun-2023**	**Jun-2024**	**Jun-2025**	**Jun-2026**	**Jun-2027**	**Dec-2027**	
	Number of substantive technical assistance deliverables supporting government agencies / institutions approved and implemented to a high-quality standard. ***[Maps to master logframe Output Indicator 2.1]***	**Planned**			**TBC**						
		Achieved			**TBC**						
	Weight	**Source**									
	0%										
	Output Indicator 2.5		**Baseline (Jun-2021)**	**Jun-2022**	**Jun-2023**	**Jun-2024**	**Jun-2025**	**Jun-2026**	**Jun-2027**	**Dec-2027**	
	Number of support programmes guided by market systems principles, designed and implemented by the contractor in targeted sectors which address key barriers to manufacturing activity, and which are delivered to a high standard. ***[Maps to master logframe Output Indicator 3.1]***	**Planned**			**TBC**						
		of which meet the 2x Gender Challenge criteria			*TBC*						
		Achieved									
		of which meet the 2x Gender Challenge criteria									
	Weight	**Source**									
	0%										
	Output Indicator 2.6		**Baseline (Jun-2021)**	**Jun-2022**	**Jun-2023**	**Jun-2024**	**Jun-2025**	**Jun-2026**	**Jun-2027**	**Dec-2027**	
	Number of third parties substantially engaged with, in a way judged to be effective to undertake new activity targeted at addressing key barriers to manufacturing activity. ***[Maps to master logframe Output Indicator 3.2]***	**Planned**			**TBC**						
		of which meet the 2x Gender Challenge criteria			*TBC*						
		Achieved									
		of which meet the 2x Gender Challenge criteria									
	Weight	**Source**									
	0%										
	Output Indicator 2.7		**Baseline (Jun-2021)**	**Jun-2022**	**Jun-2023**	**Jun-2024**	**Jun-2025**	**Jun-2026**	**Jun-2027**	**Dec-2027**	
	Number of support packages provided either to foreign investors to encourage them to increase demand from domestic enterprises, or to domestic enterprises themselves to enable them to meet such demand. ***[Maps to master logframe Output Indicator 4.1]***	**Planned**			**TBC**						
		of which meet the 2x Gender Challenge criteria			*TBC*						
		Achieved									
		of which meet the 2x Gender Challenge criteria									
	Weight	**Source**									
	0%										
	Output Indicator 2.8		**Baseline (Jun-2021)**	**Jun-2022**	**Jun-2023**	**Jun-2024**	**Jun-2025**	**Jun-2026**	**Jun-2027**	**Dec-2027**	
	Number of new buyers (global or domestic) introduced to FDI investors or manufacturers who could credibly meet the buyers' demands within a reasonable time frame (max 2 years). ***[Maps to master logframe Output Indicator 4.2]***	**Planned**			**TBC**						
		of which meet the 2x Gender Challenge criteria			*TBC*						
		Achieved									
		of which meet the 2x Gender Challenge criteria									
Weight	**Sub-Weight**	**Source**									
20%	0%										
£ Inputs	**£16,500,000**	**HR Inputs**	**Lead:** Tom Ratsakatika (50%); **Adviser:** Alex Mangowi (20%); **Programme Manager:** Josephine Msambichaka (25%); **Oversight:** Tim Green (5%)								

Output 3	Output Indicator 3.1		Baseline (Jun-2021)	Jun-2022	Jun-2023	Jun-2024	Jun-2025	Jun-2026	Jun-2027	Dec-2027	Assumptions
Green Growth Fund. Improved climate policies, and stronger UK-Tanzania economic cooperation through demand-driven technical assistance.	**[Mobilisation Indicator]** Undertake procurement process to launch Green Growth Fund.	**Planned**	**C:** Agree route to market based on business planning commission. **B:** Complete first draft of Terms of Reference **A:** Market-ready ToR, responds to comments **A+:** Procurement launched **A++:** Supplier bids assessed		**-**	**-**	**-**	**-**	**-**	**-**	Support to investment promotion related activities and agencies will attracted increased FDI inflows. Relative productivity levels are much higher in P4P target sectors versus subsistence agriculture. GoT is willing and able to reform and remove barriers to investment. Actors are willing and able to partner with P4P to promote manufacturing FDI
		Achieved		**A**	**-**	**-**	**-**	**-**	**-**	**-**	
	Sub-Weight	**Source**									
	100%	Green Growth Fund MEL System									
	Output Indicator 3.2		**Baseline (Jun-2021)**	**Jun-2022**	**Jun-2023**	**Jun-2024**	**Jun-2025**	**Jun-2026**	**Jun-2027**	**Dec-2027**	
	Number of Project SoW's developed by the Supplier and approved by FCDO.	**Planned**			**10**	**20**	**30**	**40**	**50**	**50**	
		Achieved									
	Sub-Weight	**Source**									
	0%	Green Growth Fund MEL System									
	Output Indicator 3.3		**Baseline (Jun-2021)**	**Jun-2022**	**Jun-2023**	**Jun-2024**	**Jun-2025**	**Jun-2026**	**Jun-2027**	**Dec-2027**	
	% of Projects meeting their payment milestones.	**Planned**			**90%**	**90%**	**90%**	**90%**	**90%**	**90%**	
		Achieved									
	Sub-Weight	**Source**									
	0%	Green Growth Fund MEL System									
	Output Indicator 3.4		**Baseline (Jun-2021)**	**Jun-2022**	**Jun-2023**	**Jun-2024**	**Jun-2025**	**Jun-2026**	**Jun-2027**	**Dec-2027**	
	% of Workstreams meeting their payment milestones.	**Planned**			**90%**	**90%**	**90%**	**90%**	**90%**	**90%**	
		Achieved									
	Sub-Weight	**Source**									
	0%	Green Growth Fund MEL System									
	Output Indicator 3.5		**Baseline (Jun-2021)**	**Jun-2022**	**Jun-2023**	**Jun-2024**	**Jun-2025**	**Jun-2026**	**Jun-2027**	**Dec-2027**	
	Number of service credits accrued (annual). [measure of programme management quality].	**Planned**			**5**	**5**	**5**	**5**	**5**	**5**	
		Achieved									
Weight	**Sub-Weight**	**Source**									
20%	0%	Green Growth Fund MEL System									
£ Inputs	**£11,000,000**	**HR Inputs**	**Lead:** Tom Ratsakatika (20%); **Adviser:** Alex Mangowi (10%); **Adviser:** Abdalla Shah (30%); **Adviser:** Head of Climate Change (30%); **Programme Manager:** Josephine Msambichaka (25%); **Oversight:** Tim Green (5%)								
Total £ Inputs	**£35,000,000**	**Total HR Inputs**	**SRO:** Tim Green (15%); **PRO:** Tom Ratsakatika (80%); **Adviser:** Alex Mangowi (60%); **Adviser:** Abdalla Shah (30%); **Adviser:** Head of Climate Change (30%); **Programme Manager:** Josephine Msambichaka (75%)								

FCDO Risk Register Template

Introduction
This risk register template has been created to support:
a) DG/directorate/post teams to document risk in advance of the rollout of digital tools. DGs, directors, HoMs should ensure that at a minimum risk escalations are documented, but can use the template to document a fuller set of risks they are overseeing if desired.
b) Programme teams without access to digital risk tools through the Aid

1 Risk Register
Field Guidance
The 'Number' field allows you to enter a unique identifier.
The 'Risk Description' field should set out a clear and concise description covering the cause, the risk event which the cause triggers and the consequence of the risk event.
The 'Risk Category' should identify the most appropriate risk category from the set of seven in FCDO's Risk Appetite Statement.
The 'Proximity' field is the timeframe in which the risk might be expected to materialise. This is a best estimate.
'Gross Likelihood' and 'Gross Impact' are the initial risk assessments before any risk treatment has been carried out and together make a risk rating (Minor, Moderate, Major, Severe). We should consider impact on our delivery/performance and our reputation. 'Residual Likelihood' and 'Residual Impact' are our risk assessments after risk treatment and should be based on current progress in implementing mitigations, rather than future mitigations not yet implemented.

2 Risk Matrix
This worksheet (numbered 2) shows the risk ratings designated by colour (Minor, Moderate, Major and Severe) as they are calculated in worksheet 1. This is not a live worksheet: it only shows risk examples but can be used

Risk appetite is the nature and extent of the risks that we are willing to take in order to achieve our objectives. For FCDO's Risk Appetite Statement, please click on the link in the adjoining cell.   This sets out our organisational risk appetite and is not a ceiling for risk appetite set at directorate/post/programme levels.
When setting the appetite in column B, do so for each risk category using a

4 Workbook Management

The formulae in this workbook are not protected in order to allow the addition of new rows into the risk register. To add new rows, copy a complete blank row and use the 'Insert Copied Cells' command. This will replicate the formulae.

Risk Appetite Statement

Risk Register: Add Name of DG/Directorate/Post/Pr

Number	Risk Description (cause, event, consequence)

ogramme

Risk Category	Gross Likelihood	Gross Impact	Gross Risk Rating (autofills)
	Likely	Insignificant	Minor
			#N/A
			#N/A
			#N/A
			#N/A
			#N/A
			#N/A
			#N/A
			#N/A

Mitigation Strategy (including timescales)	**Residual Likelihood**	**Residual Impact**
	Likely	Minor

Residual Risk Rating (autofills)	Risk Owner	Last Updated (DD/MM/YY)
Minor		
#N/A		
#N/A		
#N/A		
#N/A		
#N/A		
#N/A		
#N/A		
#N/A		

Business Case

Summary Sheet

Tanzania Country Plan Summary

BHC Tanzania's Country Plan has four campaign goals: Resilient and Productive Economies, Human Development, Open Societies and Upstream Threats. Resilient and Productive Economies is a major campaign goal with the objective of: facilitating trade, improving the business and investment environment, increasing Tanzania's contribution to East African regional growth, enhancing Tanzania's engagement with COP26, and supporting progress towards increased productivity and greener, more inclusive growth. Productivity for Prosperity is included in the Country Plan to deliver on this objective.

Title: Productivity for Prosperity

Programme summary

Productivity for Prosperity (P4P) is a sustainable economic transformation programme designed to increase labour productivity and climate-resilience in Tanzania's job-creating sectors. It will achieve this through private sector development (investment facilitation, trade facilitation and building capabilities of firms) and business environment reform (supporting proportionate and predictable regulation). P4P will dovetail with the UK's external engagement and influencing activities in Tanzania. P4P will initially prioritise the agroprocessing and horticulture sectors, and will provide flexible support to bolster the UK's current and future prosperity objectives.

Rationale for UK Aid spending

A prosperous and resilient Tanzania is firmly within the UK's national interest. The UK is Tanzania's largest trading partner in Europe and holds the second largest stock of Foreign Direct Investment. P4P will:

- Create more and better **opportunities for trade and investment** between Tanzania, the UK and East Africa.
- Help **provide jobs for some of the 800,000 youth** that enter Tanzania's workforce each year, thereby supporting the demographic transition while tackling the drivers of instability and illegal migration.
- Unlock opportunities for Tanzania to attract climate finance in line with the UK's **COP26 and International Climate Finance** objectives.
- Increase the wealth available to Tanzania to sustain the UK's investment in its health and education systems, enabling a **self-finance exit from aid dependency**.

P4P will provide a single streamlined platform to support the UK's economic and climate diplomacy in Tanzania, in partnership with CDC and the Department for International Trade.

Programme value: £35,000,000	**Country:** United Republic of Tanzania	
Department/Country Office confirmation of review processes:		David Concar
Contact name:		Tom Ratsakatika
Threshold for final approval of Business Case: Junior Minister, FCDO		
Date of approval of Concept Note: 05 February 2019	**Name and role of Approver:** MoS Baldwin	
Date of approval of Business Case: 15 July 2021	**Name and role of Approver:** MoS Duddridge	
Programme code: 300116	**AMP Start Date:** 01 March 2021	**AMP End Date:** 31 December 2027
Overall programme risk rating:	Major	
Vault Number:	TBC	

Table of contents

A. Strategic case

Context and rationale for an FCDO intervention

Tanzania is one of Africa's fastest growing economies with significant political and economic influence in the region. Tanzania has posted consistent growth averaging 6.6% over 20 years[1]. Dar es Salaam, the commercial centre, is the most populous city in East Africa[2] and the second-fasted growing in the world[3]. It is also home to Africa's fourth largest port on the Indian Ocean, facilitating critical trade routes to six landlocked neighbouring states. Tanzania hosts the headquarters of the East African Community (EAC) in Arusha and is the only East African country that is also a member of the Southern African Development Community (SADC). Tanzania has maintained remarkable levels of peace and stability since independence and plays a crucial role in hosting refugees from Rwanda, Mozambique, DR Congo, and Burundi. As the birthplace of Julius Nyerere, a founding father of African independence, and the Swahili language spoken by c. 150 million people in 10 countries, Tanzania has an important place in the history and identity of the region.

Abundant natural resources present many opportunities for future growth and prosperity. With a landmass greater than Kenya, Uganda and Malawi combined and diverse climatic conditions, Tanzania has significant agribusiness potential. Tanzania is a premier tourist destination with seven UNESCO World Heritage Sites[4] and 38% of the land in protected conservation areas (vs. 12% in Kenya)[5]. There is substantial extractive wealth including oil, gas, gold, nickel, cobalt, and uranium as well as renewable energy potential including solar, hydro, wind and geothermal. While significant investments are still needed, improvements in infrastructure, trade logistics and ICT are also opening new opportunities in manufacturing and services.

Past challenges in the business environment have knocked investor confidence. The previous five years have been characterised by mistrust of the private sector, protectionist policies, and a hard-line approach to raising revenues and fighting corruption. A change to the status quo was necessary. Many firms that had previously benefitted from weak tax administration, for example, started paying taxes that were urgently needed to fund essential public services. However, high regulatory burden and unpredictable enforcement severely impacted the private sector, and there was increasing evidence of investors exiting Tanzania. Tanzania's Ease of Doing Business rank was 141 out of 190 in 2020, behind regional peers Kenya (56), Uganda (116) and Rwanda (38)[6]. By the end of 2020, the government acknowledged that a change in approach was necessary to achieve its 8-8 vision: 8% annual GDP growth and 8 million jobs by 2026[7].

Tanzania's new president has used her first months in power to show the world that Tanzania is back open for business. President Samia Suluhu Hassan has set clear priorities on improving the business environment and attracting foreign direct investment. This has been backed by tangible actions. The predatory "Tax Task Force" has been disbanded, the process for obtaining work permits has been reformed, and a long-awaited $230m investment in the Kilombero Sugar Factory has been signed off. The Government of Tanzania has also been proactively engaging with its international partners, including through a Kenya visit by the President in April 2021, and a successful visit by the UK Minister for Africa in May 2021.

The unequal impacts of COVID-19 have pulled an estimated 600,000 below the poverty line in 2020[8]. The impacts on global demand and logistics have particularly affected tourism and agricultural exports on which many livelihoods depend. Tourism, one of the fastest-growing sectors in 2019, is facing a revenue contraction of 80% in 2020 and only a mild recovery in 2021[9]. In contrast, Tanzanian oil importers and gold exporters have benefitted from commodity price shifts. Total exports to April 2021 decreased by 10.6% due to a fall in tourism receipts, however good exports rose 12% in part due to rising gold prices. Extractive sector growth is less likely than tourism to result in spill-over benefits for the wider economy. 49% of Tanzania's population live in poverty[10]. With poverty reduction lagging behind economic growth over the past decade, this dynamic undermines efforts to shift Tanzania to a more inclusive, sustainable growth pathway.

Economic transformation is required to support a stable demographic transition. 800,000 youth enter the labour force each year but only 5% secure formal employment[11]. Tanzania urgently needs more and better jobs to meet the demands of its people. Latest figures show 67% of the labour force in agriculture[12], which is dominated by unproductive substance farming[13]. The value added per worker in agriculture is one third of that in trade services and one seventh of that in manufacturing[14]. Agricultural productivity must increase however this will be at the expense of employment. Sustained and inclusive growth in Tanzania requires **economic transformation: within-sector productivity increases and structural transformation (the transition of workers from farming into higher productivity sectors)[15].**

Economic transformation is required to adapt to climate change and increase resilience to shocks. Most Tanzanians work in highly climate-sensitive sectors including subsistence farming and fishing. The impacts of climate change are already affecting coastal zones, agricultural production, and water resources at a cost of approximately 1% of GDP/year[16]. These costs are expected to increase over the next 10 years as climate change results in the increased frequency and severity of extreme weather such as flooding and drought[17]. Improving within-sector productivity through better technology, finance and management will increase resilience to climate-related shocks. Additionally, structural transformation – the movement of labour to less climate-sensitive sectors – is essential to reduce the number of people exposed to climate shocks.

A prosperous and resilient Tanzania is firmly within the UK's national interest. The UK is Tanzania's largest trading partner in Europe (£231m in 2018/19) and holds the second largest stock of FDI (35% of total). 500 UK companies are registered with Tanzania's Investment Promotion Agency and UK companies pay 5% of all tax ($400m/year). With the third largest forest cover in Africa, Tanzania can make significant contributions to reducing carbon emissions in the region, while attracting climate finance on mitigation and adaptation. A prosperous Tanzania is important for its citizens and the UK too. Supporting sustainable economic transformation in Tanzania will:

- Create more and better **opportunities for trade and investment** between Tanzania, the UK and East Africa.
- Help **provide jobs for some of the 800,000 youth** that enter Tanzania's workforce each year, thereby supporting the demographic transition while tackling the drivers of instability and illegal migration.
- Unlock opportunities for Tanzania to attract climate finance in line with the UK's **COP26 and International Climate Finance** objectives.
- Increase the wealth available to Tanzania to sustain the UK's investment in its health and education systems, enabling a **self-finance exit from aid dependency**.

Tanzania's pathway to industrialisation

"Productivity isn't everything, but, in the long run, it is almost everything. A country's ability to improve its standard of living over time depends almost entirely on its ability to raise its output per worker."

Paul Krugman (1994)[18]

An industrialised Tanzania will need fewer, more productive farmers. 67% of Tanzania's labour force is currently engaged in agriculture – the majority of whom are women[19]. Furthermore, an estimated 85-90% of land under cultivation is used by smallholder farmers who primarily use the land for subsistence farming[20]. Given this, one might therefore decide to prioritise policies and activities that directly support smallholder farmers (seeds, fertiliser, training, microcredit). However, while these activities may have a meaningful impact on the livelihoods of farmers in the short-term, with Tanzania's population expected to triple by 2060[21], direct support to smallholder farmers will not raise standards of living at the scale required to keep up with population growth. Farming has diminishing returns to scale for labour. While some workers are needed to start any production, a fixed supply of the main input (land) means that as more workers are added, the output per worker (i.e. labour productivity) decreases. While new technology (better tools and processes) can improve labour productivity, it does so at the expense of employment. This is why the most productive farms globally employ so few people – around 1.6% of the population in the US[22]. In the long run, sustained growth in labour productivity (and hence a better standard of living) depends on economic transformation: within sector productivity increases and structural transformation (the movement of labour into productive non-farm activities). Figure 1 shows an illustrative economic transformation pathway[23].

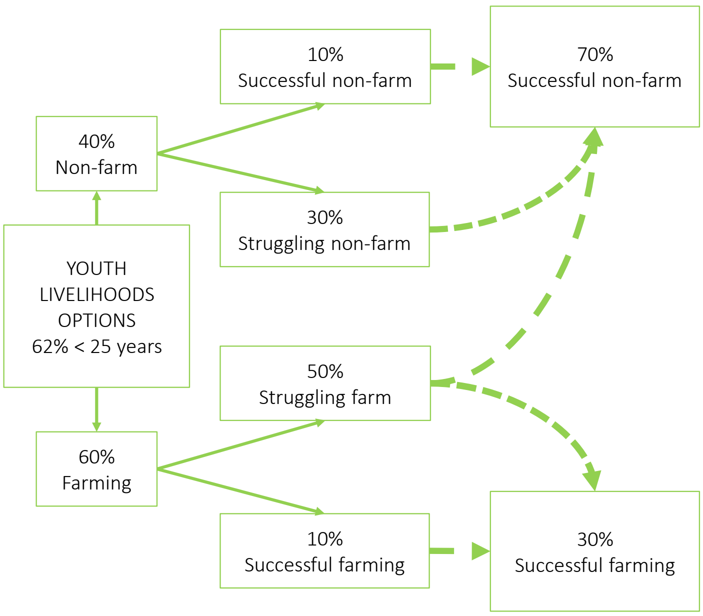


Figure 1. Economic transformation pathway (indicative figures)

Tanzania's industrialisation will be different to the experience of East and South East Asia. Manufacturing was the primary driver of East and South East Asian industrialisation in the 20th century[24]. Manufacturing created non-farm jobs at scale enabling Asian economies to progress from low income to middle income status and lift millions out of poverty. However, the opportunities available to Tanzania today are different to those that were available 50 years ago. When Asian economies started to industrialise, they were competing with developed economies with relatively high wages and high productivity. Today, Tanzania is competing with Asia which has relatively low wages and high productivity. Furthermore, with the rise in automation and service industries, manufacturing as a share of global output is in decline[25]. This means that the opportunities that were available in the past are not available to the same extent today.

Tanzania's future prosperity depends on growing industries with similar characteristics to manufacturing. Manufacturing has certain characteristics that have helped transformative Asian economies. In addition to being able to absorb large numbers of unskilled workers, manufacturing is[26]:

- **Tradable.** Manufacturing firms can sell into deep global markets helping them grow quickly. Historical trends show that sustained fast growth is not possible without sustained fast growth in tradable sectors[27].
- **Learning intensive.** Manufacturing firms tend to band together in cities or clusters resulting in agglomeration effects including knowledge spill-over.
- **Competitive.** Manufacturing firms are exposed to international competition. This forces them to innovate, increase quality, and productivity to compete with the best performers in their industry.

Due to technology advances and falling transport costs, new industries are emerging as drivers of industrialisation. A recent body of research has highlighted "industries without smokestacks" as sectors that share the same characteristics as manufacturing and can also absorb a large number of jobs[28]. These sectors are well suited to Tanzania and include:

- **Horticulture.** The production of flowers, fruits, vegetables and herbs[29] generally characterised by their high value to volume ratio, intensive cultivation and perishability.
- **Agroprocessing.** Techno-economic activities applied to products derived from the agricultural sector (farm, livestock, aquaculture and forest) for their conservation, handling and value addition[30].
- **Tourism.** The business of providing services to tourists including information, accommodation, transportation, entertainment and hospitality[31].
- **Tradable Services.** ICT-intensive services, typically requiring human judgement and empathy that cannot be easily automated such as call centres for complex issues and business services[32].
- **Light manufacturing.** Activities that require a small amount of raw materials, space and power to create high value per unit weight (e.g. garments, furniture, consumer electronics, household items)[33].

Activities and policies that promote industrialisation are complex and interrelated. They can be categorised into four drivers[34]. First are the fundamentals – infrastructure, skills and the business environment. Second is an export push, with a strong focus on improving trade logistics. Third is building firm capabilities, including through attracting investment, management training, and strengthening supply chain relationships. Fourth is to encourage agglomeration and clustering, through better cities and special economic zones, so that the benefits of growth and raised firm capabilities can spill over to the wider economy.

Policies to promote productivity, trade and investment are priorities of the Government of Tanzania, however there is still a political need to support small farmers. The relevant policy documents judged as having the most political backing are the 2021-26 Third Five Year Development Plan ("FYDP III")[35], 2018 Blueprint for Business Environment Regulatory Reforms (the "Blueprint")[36] and Agriculture Sector Development Programme ("ASDP")[37]. FYDP III, the Blueprint and ASDP are comprehensive document with large numbers of stated priorities. Key themes throughout the FYDP III include increased productivity and competitiveness through manufacturing, value addition (agroprocessing, mining) and services (tourism, trade logistics, finance, insurance) leading to increased trade and investment. The Blueprint is wide ranging, covering business registration (permits, licences, inspection) and operations (taxes, levies, product registration, inspections). For both strategies, the challenge is in prioritisation and implementation. The objective of the ASDP is to "transform the agriculture sector […] towards higher productivity, commercialization level and smallholder farmer income for improved livelihood, food and nutrition security".

The UK has a strong track record of supporting Tanzania's industrialisation, and new opportunities are emerging on business environment reform. Currently, the British High Commission in Dar es Salaam's Sustainable Prosperity portfolio includes programmes in infrastructure (Corridors for Growth, 2016-2023[38]), trade logistics (Trademark Tanzania, 2017-2023[39]) and more effective cities (Building Urban Resilience to Climate Change, 2015-2023[40]), all of which are meeting expectations with "A" scores in their latest annual reviews. Job creation programming (Tanzania Agribusiness Window, 2010-2022[41]) has focused on grant support to 51 agribusinesses, benefitting nearly 1.4 million people over 10 years. Additionally, CDC is active in Tanzania with commitments totalling $84.6m supporting 13,331 jobs[42]. AgDevCo has 10 ongoing investments in Tanzania with commitments of over $36 million – one of AgDevCo's largest country exposures[43]. In recent months, the UK has also made significant progress on engaging the Tanzanian Revenue Authority on tax reform thanks to a well-timed study into the current situation's impact on firms.

Lessons learnt will inform future prosperity work focused on supporting private sector growth. First, the business environment is a binding constraint to private sector development and must be considered even when designing firm-level interventions. Second, engaging the government with "foreign advisers" can be far less effective than advocating for change through locally based Tanzanian associations. Third, financial support alone is insufficient to support firm growth and job creation. Technical assistance including for business management practices and brokering linkages with buyers and investors is just as, if not more valuable. Fourth, there should be a clear and realistic exit strategy before providing support to a firm. Supported firms must be feasibly able to "graduate" to concessional or commercial debt or equity financing, or they risk becoming "donor projects" rather than sustainable commercial entities.

Economic transformation and climate change: why green growth matters

Tanzania's long-term progress towards upper-middle income status relies on the sustainable use of its natural resources. Natural resources are critical for around half of Tanzania's GDP. Agriculture, forestry and fisheries account for c. 30% of GDP[44]. Before the COVID-19 pandemic, tourism, which is largely based on Tanzania's biodiversity and wildlife, contributed at least 17% to GDP and was growing rapidly[45]. Forests and woodland, which cover over 50% of Tanzania's land area, are particularly important for sustaining Tanzania's natural endowments[46]. Forests are home to Tanzania's substantial biodiversity, protect watersheds and provide vital ecosystem services[47] (e.g. the provision of food and raw materials and the regulation of soil quality, flooding and water/air quality[48]).

Business as usual industrialisation risks depleting the natural resources upon which Tanzania's future prosperity depends. Tanzania has Africa's third largest forest cover yet the fifth highest rate of deforestation in the world (after Brazil, Indonesia, Myanmar and Nigeria) [49]. As a result, deforestation and land use change constitute 72.7% of Tanzania's greenhouse gas emissions[50]. An estimated 70-80% of deforestation is a result of the conversion of forests to agricultural land[51]. This is driven by unsustainable farming practices as current incentives favour land expansion over intensification and productivity-enhancing investment in mechanisation, technology and management. A second major driver of deforestation is unsustainable charcoal production. There are significant pressures on both the supply and demand side. BFPO 534779% or urban households use charcoal as their primary energy source (88% in Dar es Salaam)[52]. Tanzania's urban population is expected to increase by 15 million by 2030[53] and demand for charcoal is expected to double to 4.6 million tonnes over the same period[54]. On the supply side, alternative fuel sources such as gas are relatively expensive and impractical. Furthermore, charcoal production is a significant source of income for rural households making the sector politically difficult to reform. Without transformational change in forestry governance, alternative livelihood creation and sustainable charcoal production, Tanzania's forest reserves and the natural resources they support remain at severe risk.

More frequent economic shocks related to climate change also risk undermining Tanzania's economic transformation. The key risks relate to temperature, rainfall and sea levels rise. The latest projections predict a 1-2ºC temperature rise across Tanzania, leading to an increased frequency and intensity of very hot and very dry days[55]. This increases the risk of drought and crop failure, impacting agricultural productivity and increasing food insecurity. Currently, an estimated 5.5 million people in Tanzania are affected annually by drought, resulting in crop losses of $110m/year[56]. Changes in the annual volume of rainfall are uncertain, however there is improved confidence that the likelihood of intense rainfall events, and associated flooding, will increase. Major flooding in Dar es Salaam in 2018 was estimated to cost the equivalent of 2-4% of the city's GDP and affected 1.7 million people. Sea levels rise, resulting in land loss and salt-water incursion into agricultural land, is expected to cost between $26-55 million/year by 2030[57]. Tanzania is projected to be one of the top 25 countries globally with the highest number of people in the coastal low elevation zone[58]. As these shocks become more frequent and their link to climate change more tangible, the political pressure to invest in adaptation and resilience will increase.

Economic transformation (i.e. within sector productivity increases and structural transformation) can support climate change mitigation, adaptation and resilience. Policies and investment that increase agricultural productivity will decrease the pressure to convert forest land[59] by (1) making more efficient use of existing land and (2) creating new off-farm job opportunities. This approach is aligned with Tanzania's Nationally Determined Contribution (NDC) climate change mitigation plan, which prioritises forestry (alongside energy, transport and waste management)[60]. Additionally, structural transformation will increase climate resilience by providing off-farm jobs for Tanzania's rapidly growing workforce who would otherwise rely on climate-sensitive subsistence farming.

Developed countries' commitment to mobilise $100bn annually in climate and nature finance presents untapped opportunities to attract investment. Global momentum on climate change action is at an all time high. The US has re-entered the climate arena, hosting a Leaders Summit in April 2021 where the UK, US, the EU, Japan and Canada substantially increased their NDC commitments[61]. In May 2021, the G7 committed to increase climate financing to meet the $100bn/annum target, all members committed to reach net zero by 2050, and all signed up to the "30x30" initiative: protecting 30% of the world's land and oceans by 2030[62]. There are high expectations for substantial progress on mitigation, adaptation and finance at the COP26 climate change conference hosted by the UK in November 2021. Tanzania can capitalise on this momentum however this will likely require a focused strategy with political drive at the highest level.

By creating the enabling conditions for attracting climate finance, Tanzania can support both public and private actors to attract climate financing. Tanzania has had limited success tapping into major climate finance pools, such as the Green Climate Fund[63] and Global Environment Facility[64]. The approach over the past five years has been for the Government of Tanzania to seek accreditation to disburse funds, however progress has been slow. A facilitative approach, where the Government of Tanzania partners with existing accredited institutions (e.g. CRDB Bank, UN, World Bank) to manage funds, and encourages project proposals from the private, public and third sector will enable the Government to leverage the a wider pool expertise, increasing its ability to attract investment into the country.

International carbon markets also offer financing opportunities, especially in forest conservation. There are two forms of carbon markets[65]. First are Emissions Trading Systems (ETS, also known as "cap and trade") such as the UK ETS and EU ETS, where a jurisdiction allocates or sells a limited number of permits to pollute (emit CO_2e) over a set period of time, and polluters (companies) trade these permits. Second, and most relevant for Tanzania, are baseline-and-credit or "offsetting" mechanisms. In carbon offsetting markets, polluters (countries or companies) trade offsets which represent a tonne of CO_2e that has already been reduced. Offsets markets are a zero-sum game: one tonne of CO_2e is emitted somewhere and cancelled out by one tonne of CO_2e reduced somewhere else. Tanzania could sell offsets at a national (country-wide) level or a local (project) level. At the national level, this would likely be through Article 6 of the Paris Agreement that allows for countries to sell any extra emissions reductions (Internationally Transferred Mitigation Outcomes, ITMOs) that have been achieved *in addition to* their NDC target (e.g. Peru-Switzerland 2020 agreement). At the local level, this could be through voluntary carbon markets where private companies "volunteer" to buy carbon offsets (e.g. from REDD+[66] projects) as part of their marketing or corporate social responsibility strategy. Tanzania already has several local level projects that sell carbon offsets into voluntary markets (e.g. Carbon Tanzania[67], Green Resources[68]), however support to individual projects should be viewed as a pathway towards a national-level strategy[69,70]. While Tanzania does have a National REDD+ policy[71] and is part of the World Bank's Forest Carbon Partnership Facility designed to support REDD+ implementation[72], the structures and systems necessary for its implementation nationwide are still several years off.

Several significant challenges must be overcome to ensure the "environmental integrity" of Tanzanian carbon credits. While the opportunities of carbon markets are compelling, there are several significant challenges that if left unresolved can undermine the mitigation effectiveness of carbon credits sold through both Article 6 and voluntary markets[73,74]:

- **Permanence.** Carbon offset credits for avoiding deforestation require that the trees sequester carbon for at least the lifetime of the emissions they are justifying. An often-cited reference is 100 years. It is extremely difficult to verify that a forest will not be cut or burnt, or otherwise destroyed by natural disasters for such a long period. This holds particularly true in weaker regulatory contexts.

- **Perverse incentives.** There is a risk that a country that intends to use Article 6 of the Paris Agreement will set lower emissions reductions targets in their NDC so that they can sell more "excess" emission reductions. This is particularly true if Article 6 – the details of which are still being negotiated – allows countries to sell emission reductions from sectors that are not covered by their NDC.
- **Additionality.** It is extremely difficult to establish what the rate of deforestation would have been if the project had not taken place. A number of advocacy groups have criticised the methods used to establish the baseline assumption, alleging overstated counterfactual deforestation rates[75].
- **Leakage.** There is also a risk that by decreasing deforestation within the project location, it increases deforestation at another location outside of the project's scope.
- **Double counting.** There is a risk that emission reductions could be counted twice unless Tanzania makes a "corresponding adjustment" that adds back emissions for each carbon credit sold to its emission inventory reported back to UNFCCC.

Successful exploitation of carbon markets will require strong coordination across various Government agencies. These will likely include the Tanzania Forest Services Agency (to define the forest assets and identify project sites), the Vice President's Office (to define the roles of government agencies and develop partnership models with investors), the National Carbon Monitoring Centre (to establish internationally accepted monitoring, reporting, verification and safeguarding mechanisms) and the Ministry of Finance and Planning (for the marketing and sales of carbon credits)[76].

Strategic approach for the new programme

Productivity for Prosperity (P4P) will contribute to sustainable economic transformation in Tanzania by increasing labour productivity and climate-resilience in job-creating sectors. It will achieve this through support to firms (investment facilitation, trade facilitation and building firm capabilities) and business environment reform (supporting proportionate, predictable and effectively enforced regulation). P4P will dovetail with the UK's external engagement and influencing activities in Tanzania. P4P will initially prioritise the agroprocessing and horticulture sectors, and will provide flexible support to bolster the UK's current and future prosperity objectives.

P4P's will structure its support around three strategic pillars. These are aligned with the abovementioned drivers of industrialisation: (1) building firm capabilities, (2) investment facilitation, (3) business environment reform. The justification and description of each pillar is as follows:

- **Pillar 1: Building firm capabilities.** As is common across the region, low management capacity is a key constraint to firm growth in Tanzania. Investors regularly report issues such as informal record keeping, difficulties acquiring talent for middle-management, and weak business governance structures[77]. This is exacerbated in Tanzania by very low levels of returning diaspora and strict measure to restrict work permits for skilled foreign workers. Grants alone are insufficient and there is a growing trend in private sector support initiatives to include technical assistance (e.g. the Africa Enterprise Challenge Fund[78], Acceli Africa[79]). Pillar 1 will address the firm-level constraints to labour productivity growth. Specifically, it will support firms to adopt strategic, managerial, technological and financial processes and innovations that increase productivity and firm growth. It will also support firms to adapt to climate change and become more resilient to future climate shocks. This pillar will create a pipeline of investible firms for commercial and concessional financial institutions.

- **Pillar 2: Investment facilitation.** There are an estimated 155 impact investors in East Africa with a portfolio amounting to US 9.3bn in 2015. Tanzania was the third largest destination for investment, and agroprocessing and post-harvest infrastructure was overwhelmingly highted by investors as having high potential[80]. Despite this, Tanzanian SMEs report access to finance as the single biggest obstacle to doing business[81,82]. Capital investments are a primary driver of firm-level productivity growth[83]. Access to working capital can also drive productivity growth, especially in smaller firms that may have less cashflow to intensify production cycles. Pillar 2 will address the coordination, information and risk-related constraints to investment. Pillar 2 will also work with private, public and third sector stakeholders with the explicit objective of facilitating increased flows of climate finance. P4P will establish a network of domestic, regional and international investors – both commercial and concessional. These will include banks, impact investors, venture capital funds and accredit climate finance institutions. P4P will focus on Nairobi as a regional impact investing hub as well as CDC Group, the UK's development finance institution. P4P will determine investors' constraints to investing in Tanzanian SMEs and establish mechanisms to alleviate these.

- **Pillar 3: Business environment reform.** The business environment is a major external constraint to productivity growth and job creation in Tanzania. Unpredictable, opaque and excessive application of licences, levies, permits, inspections and taxes both at the national and regional level impact all but the smallest informal microenterprises. USAID's Tanzania Inclusive Growth Diagnostic identifies "trade policy and tax administration" as the binding constraint to growth[84]. The World Bank's horticultural competitiveness study identifies (1) duties, taxes and levies, (2) work permits for skilled foreign workers, and (3) the need for an accredited laboratory for food safety testing as key constraints. Taxation, work permits, and duties and levies are top three issues raised by the British Business Group in Tanzania. P4P will not seek to reform entire institutions but instead provide targeted support to unblock specific issues where the interests of the Government of Tanzania, the UK and private sector align. A targeted approach has been shown to have more success in influencing policy. For instance, the Institutions for Inclusive Development programme has successful partnered with the Ministry of Finance to review protectionist trade policies in the edible oil sector. The SAGCOT Centre has successfully influenced policies in the dairy and potato seed sectors[85].

Horticulture and agroprocessing will be priority sectors for UK support. In addition to being tradable, learning intensive and productivity increasing, there are several additional factors that make horticulture and agroprocessing attractive sectors. These include:

- **Existing production.** Tanzania's size and diverse climatic regions position it favourable for horticultural production. Significant production exists in tropical fruits (citrus, mangoes, avocados, pineapples), fruits suited for temperate climates (apples, peaches, blackberries, strawberries) and vegetables (carrots, beans, peas, spinach, cauliflower) to name a few[86]. Tanzania is among the world's top 20 producers of fresh vegetables[87].

- **Poverty reduction.** Asia's "Green Revolution" in the 1960's and 70's was achieved by intensifying and commercialising the production of millions of small-scale farms[88]. Horticulture in Tanzania is dominated by small-scale farmers with less than 2 hectares, especially in vegetables where they account for 70% of producers. Women are more strongly represented in horticulture than more traditional cash crops. Downstream, agroprocessing is a growing industry accounting for 60 percent of manufacturing jobs in Tanzania.[89] Poverty-growth linkages in agroprocessing in Tanzania are almost as strong as in primary agricultural production, and the sector employs a high number of low-skilled workers.[90]

- **Green growth.** Due to its intensive cultivation and high value to volume ratio, horticulture is less land intensive than other forms of agricultural production, significantly reducing pressures on land for the same economic value of goods produced. This helps reduce deforestation, supporting climate change mitigation. Agroprocessing on the other hand supports climate change adaptation and resilience. Agroprocessing increases the resilience of agricultural supply chains (e.g. better conservation reduces wastage in the event of shorter growing seasons). Agroprocessing also creates non-farm jobs, supporting the movement of labour from climate-sensitive subsistence farmers to more resilient and productive work.

- **Urban demand.** Tanzania's growing urban population is 19 million people – more than the urban populations of Rwanda, Malawi, Zambia and Burundi combined. High rates of urbanisation (5.3% per year[91]), urban income growth and changes in tastes and preferences (to more balanced, nutritious diets) are driving demand growth[92]. Domestic consumption in Tanzania accounts for an estimated 90% of horticultural production[93]. Demand from domestic urban consumers has the potential to drive transformation – but only if urban markets can be connected to rural supply[94].

- **Export potential.** Tanzania has been successful in exporting several horticultural crops to the UK, EU and Kenya. For example, with support from UK Aid, Africado has built state-of-the-art processing, cold-chain and packing facilities to export avocados to international buyers, including Tesco, Waitrose and Sainsbury's in the UK[95]. Several Tanzanian crops have a global comparative advantage or could be competitive in the near future including avocados, green beans, sweet potatoes, oranges, melons, cloves and cut flowers[96]. There are also opportunities for Tanzania to tap into rapidly increasing international demand for "superfoods", namely berries, avocados and sweet potatoes. The higher value to volume ratio of horticulture enables it to remain competitive despite trade logistics constraints (limited air freight and cold storage).

- **Mutual prosperity.** The UK already has a large stock of FDI in Tanzanian agribusiness which can be used as a foundation for future mutual prosperity. As the UK broadens its post-Brexit trade relationships, there are significant opportunities to strengthen supply chains, linking UK consumers with Tanzanian producers. Additionally, horticulture and agroprocessing stand to gain from technological advances, including data analytics and biotechnology[97]. The UK is a world leader in agri-tech, a priority sector for the UK's Department for International Trade in Tanzania.

- **Favourable politics.** Much of Tanzania's agriculture sector is highly politicised with cash crops (cotton, tea) and food staples (rice, maize, sugar, potatoes) subject to significant government interference. While the recent change in government may lead to a more collaborative approach with the private sector, staple crops will inevitably remain highly political for the foreseeable future. While naïve to assume this will remain constant as the sector grows, currently horticulture is free of direct government trade, control and extraction of the kind that affects cash crops and staples[98]. Horticulture and agroprocessing also benefit from requiring less land – another politically sensitive issue. Importantly, the horticulture sector has an effective trade body, the Tanzanian Horticulture Association (TAHA) [99]. In the past two years, the horticulture subsector has made good progress after rather flat growth in exports in the mid-2010s. This is thanks to sustained efforts by TAHA in collaboration with the Government of Tanzania to reforms of policies and regulations that had constrained export growth.

- **Strong evidence base.** There is a large, high quality and recent evidence base on Tanzania's horticulture sector which can be drawn upon to design high quality, well-informed interventions. In addition to FCDO's own commissioned technical[100] and political[101] research, there is notable quality research by the World Bank[102] (national and export competitiveness), Netherlands/Matchmakers[103] (mapping of production) and USAID/Dalberg[104] (strategic assessment).

P4P's strategy in horticulture and agroprocessing will start from demand, not supply. The constraints to farm-level productivity are numerous and complex, and well-trodden ground of the Government and donors alike. These challenges remain, however, despite a long history of production-focused interventions. A supply-focused strategy ignores the potential of rapid demand growth from domestic urban consumers to drive transformation. Connecting Tanzanian farmers to growing urban demand will not be driven by increases in agricultural productivity so much as by growth in agroprocessing industries, distribution systems, packaging, storage, branding and retailing[105]. A study of vegetable farmers in Arusha showed they would increase production 71-100 percent if a processing plant were located nearby.[106] P4P's strategy will focus on interventions that connect producers to domestic demand as a steppingstone to international markets. While there are some firms (e.g. Africado) that can export directly to international markets, domestic demand in primary and secondary cities are likely to be more feasible for most firms in the short to medium term.

P4P will seek out innovative, technology-based solutions to strengthen supply chains. A significant portion of horticultural production in Tanzania currently goes to waste due to inadequate post-harvest services including aggregation, cold storage and domestic transportation[107]. Innovations in technology and trade logistics present opportunities to link informal sector supply with urban demand more effectively and efficiently[108]. For example, in Nairobi, B2B tech start-up Twiga Foods[109] is solving the problem that restaurants and supermarkets face in accessing quality, fresh produce by linking them to thousands of small producers. Focusing initially on domestic and regional markets, P4P will identify and support private sector solutions to these challenges. These firms may not create many jobs themselves but will provide a critical service to other firms enabling them to boost productivity and job.

P4P will identify growing firms of any size and not be prescriptive. While there is a body of research that suggests a unique set of SMEs ("gazelles") have greater potential for rapid productivity growth and job creation[110] [111], other research notes that in the medium term, both large and small firms create the same amount of net employment[112]. P4P's firm selection will be guided by evidence, not prescriptive filters. In the horticulture and agroprocessing sectors, for example, SMEs are particularly well positioned to act as an intermediary between the informal and formal sectors. Big is high-tech, high standards and usually culturally very different. Medium sized firms are more likely to be locally owned, locally funded, and better able to engage smallholder farmers[113].

P4P will support national-level policy and support firms regardless of location, including in Zanzibar. P4P will not be bound by geographical restrictions and work with the most promising firms, regardless of their location. This also includes Zanzibar, where the UK already has experience supporting agricultural firms and economic infrastructure. P4P will primarily work with the national Government of Tanzania, although in select cases, it may work with the Government of Zanzibar on business environment issues that could lead to significant impact. Recent events have made the politics in Zanzibar more favourable than in the past. There now is a coalition government including members of the opposition in prominent positions and the President herself is from Zanzibar. Furthermore, key business environment reform advocacy organisations such as ASPIRES are already operating in Zanzibar.

P4P will support investment facilitation for climate and nature funds, and national-level carbon market access. Given that climate offset markets are a zero-sum game with respect to global emissions reductions, P4P will prioritise facilitating access to climate and nature funds. However recognising REDD+ presents a much-needed financing opportunity in Tanzania, P4P will provide support to access carbon offset credit markets if there is sufficient political demand at the national level. P4P will not support individual carbon offset credit projects. Individual mitigation projects can make important contributions, but they will not achieve the impact at the necessary scale. Transformational change can only be achieved through a functioning national-level system for the identification, generation, monitoring and sale of high-quality carbon offsets. A national-level system will also be more effective at addressing the abovementioned environmental integrity risks related to permanence, additionality, leakage, and double counting as there would be one central authority with the power and responsibility for addressing these issues.

Top-down/bottom-up political economy analysis will be integral to P4P's design and implementation. The reality of doing business in Tanzania is that firms must navigate both rules-based and deals-based systems. Purely "technical" interventions are therefore unlikely to achieve their intended impact. A deep understanding of national- and local-level political economy issues will be essential to P4P's success. This will take two forms. First, top-down political economy analysis will inform P4P's pillar strategies. Second, bottom-up analysis will inform the design and implementation of specific interventions.

P4P will form strategic partnerships with local organisations to maximise impact. FCDO's experience in Tanzania has highlighted the importance of working alongside local actors, especially on issues that involve the Government such as business environment reform. P4P will partner with relevant Tanzanian business associations to identify priority issues and pursue positive reform. A review of past experience supporting business associations concluded that support should prioritise organisations that: (1) have a permanent presence in Tanzania, (2) are invested in Tanzania with a long-term vision, and (3) are not fully dependent on donor funds[114]. P4P will follow these principles, providing finance for specific projects rather than core budget support.

A flexible design will ensure P4P is responsive to emerging UK and Tanzania prosperity priorities. P4P's three pillars are designed to increase labour productivity in job-creating sectors. While the tools and processes developed under the three strategic pillars will initially be applied to horticulture and agroprocessing, they can equally be applied to other sectors, notably tourism and light manufacturing. Over the course of P4P's implementation, it is highly likely that opportunities in these other sectors with strong alignment to this strategic case will arise. P4P will have the flexibility to respond to such opportunities, informed by evidence and governed by the strategic and implementation frameworks set out in this business case. Sectoral flexibility is also necessary to ensure that P4P can respond to the UK's latest mutual prosperity priorities, which are not solely confined to the horticulture and agroprocessing sectors.

P4P's strategic approach aligns with other international partners. The World Bank, IFC, EU, US are focusing their economic growth portfolios on industrialisation and business environment reform. The World Bank currently has a relatively small business environment programme but is in early stage discussions with the Government of Tanzania regarding an export-led competitiveness programme focusing on three pillars: agricultural production, infrastructure, institutions and the enabling environment. The IFC has investment operations in the financial, agriculture, tourism, and oil and gas sectors and is providing advisory support to the agriculture sector, with a particular focus on horticulture. The EU is supporting Blueprint implementation, and is in discussions with the Ministry for Industry and Trade to improve systems and support public-private dialogue. The US, which historically has focused on the production end of the value chain, is planning to work more with formal firms and take a more "systematic" approach. Industrialisation requires all actors to be pulling in the same direction. FCDO will use its in-country networks and the existing private sector development and agriculture sector donor coordination mechanisms to coordinate policy messages and interventions with international partners.

Gender, inclusion and economic transformation

Women have benefitted from economic transformation in Tanzania. An ODI study found that in the decade to 2016, Tanzanian women have gained access to new employment opportunities in higher-productivities sectors such as manufacturing, trade, and hotel and food services[115]. The same study also found that "the expansion of public services made possible by a decade of growth has increased the education of women in the labour force, as well as bringing about longer life expectancy".

Economic transformation in Tanzania benefits from women's economic empowerment. Women's economic empowerment boosts productivity and increases economic diversification[116]. Increasing employment and leadership of women is shown to increase organisational effectiveness and growth[117]. It is estimated that increasing the female employment rates in OECD countries to match that of Sweden, could boost GDP by over USD 6 trillion[118].

Numerous persistent factors limit the productivity of women's labour. These include social norms, including the burden household chores and early marriage. However, economic factors are also important. Analysis of female managed firms from 128 mostly developing countries finds that female-owned firm productivity is 11% below that of men[119]. This is attributed to fewer female-managed firms protecting themselves from crime and power outages, using websites and being co-owned by foreigners. In the manufacturing sector, female-managed firms are less capitalised than male-managed firms.

P4P will go beyond "do no harm" to tackle the firm-level and macro constraints to women's labour productivity. In contrast to programmes that work directly with poor people, P4P will work with firms, investors and policy makers. Changes to social norms will therefore be made indirectly by revealing to investors, business leaders and policy makers the economic and political incentives for approaches that increased women's labour productivity. Each intervention will be required to go beyond "do no harm" and implement measure to minimise the gap between female and male benefits. P4P will monitor these outcomes and this data will be used to inform ongoing and future intervention designs.

P4P's approach to gender will be evidence-based and relevant to the strategic goals. P4P will embrace the complexity of gender dynamics and be careful to avoid tokenistic interventions. For example, horticulture employs more than four million Tanzanians, the majority of whom are women and youth[120]. It does not automatically follow, however, that interventions to increase horticultural labour productivity in isolation will disproportionately benefit women. Women farmers have smaller plots than men and their yields are on average 14% lower[121]. Women are also less likely to use improved technologies, seeds and inputs[122]. This reveals that a more complex understanding of the sector is required to have a genuine impact on women's economic empowerment. P4P will engage high quality gender expertise that specialises in economic transformation to support the mainstreaming of gender-sensitive intervention design throughout the programme.

P4P will require each intervention to consider the attitudinal, environmental and institutional barriers to people with disabilities benefitting from – and contributing to – economic transformation. According to the National Disability Survey in 2008, 3.2 million Tanzanians (7.8%) of the population aged 7 years and above have some form of disability, and up to 5.4 million (13.2%) are affected by disability in their household[123]. People with disabilities, are likely to face increased challenges relating to access to transport, markets, inputs and information, as well as potentially social stigma and isolation in the household. According to the 2012 census, most people with disabilities were employed in agricultural, commercial and food crop activities (67.1%), especially women with disabilities (70.3%). This is mostly in informal subsistence farming. Trade and commerce was the second most important industry for persons with disabilities, 5.9% of whom engaged in it[124].

Impact, outcome and ICF statements

P4P's impact statement is to contribute to **"Sustainable economic transformation in Tanzania through increased labour productivity and climate-resilience in job-creating sectors."** The indicators to measure impact will likely include:

- Labour productivity (revenue/labour hour, disaggregated by gender)
- Increased jobs and incomes (direct and indirect, disaggregated by gender)
- Economic complexity (using export diversification as a proxy indicator).

P4P's outcome statement is to support **"A better business environment, increased investment (including climate and nature finance), improved business practices, and increased domestic and international trade."** The indicators to measure outcomes (disaggregated by female/male firm ownership) will likely include:

- Investment facilitated (domestic, foreign, climate and nature finance)
- Increased trade/sales (domestic, regional and global)
- Innovation adoption by firms (strategic, managerial, technological, financial)
- Business confidence index
- Number of high-impact business environment reform case studies

P4P is expected to leverage £50m in investment and increase 125,000 people's incomes by 2027. An indicative logframe is shown in Annex A. This will be refined once a supplier is selected and updated regularly based on programme progress, informed by the independent Review and Verification Unit.

P4P's indicators are aligned with the Africa Strategy Implementation Plan 2030 Strategic outcomes. These outcomes include trade, productivity & poverty reduction, investment, capital markets / financial systems, and green recovery.

P4P will make a "significant" contribute to both climate change mitigation and adaptation, as defined by the OECD DAC Rio Markers for Climate[125]. It is estimated that approximately 50% of the budget will be International Climate Finance (ICF) eligible. The following ICF Key Performance Indicators are likely to be monitored at the impact and outcome level:

- **KPI 4:** Number of people whose resilience has been improved as a result of ICF
- **KPI 8:** Number of hectares where deforestation and degradation have been avoided
- **KPI 11:** Volume of private finance mobilised for climate change purposes as a result of ICF
- **KPI 12:** Volume of public finance mobilised for climate change purposes as a result of ICF
- **KPI 15:** Extent to which ICF intervention is likely to lead to Transformational Change

Assurances

- **Gender Equality.** P4P is compliant with the International Development (Gender Equality) Act (2014). It will go beyond "do no harm" to tackle the firm-level and macro constraints to women's labour productivity.
- **Climate and environment.** P4P directly aligns with the Paris Agreement and has dedicated activities to support its successful implementation. This strategic case contains a detailed assessment of climate and environment impacts and risks, and identifies ICF results.
- **Disability.** In line with the PrOF Guide on Disability Inclusion, P4P will consider the needs of people with disabilities in the design of interventions, including assessment of attitudinal, environmental and institutional barriers and enablers. Disability inclusion will not be a principle or significant objective of P4P, as defined by the OECD DAC Disability Inclusion marker.
- **Partnership Principles.** P4P has fully considered BHC Tanzania's partnership principles, and will respond to and future changes. These principles are most relevant within Pillar 3 (business enabling environment) where P4P will work with the Government. In line with the partnership principles, P4P will not provide financial aid to the Government of Tanzania.
- **Counter Terrorist Financing and anti-money laundering.** FCDO operates established procedures for managing this risk, using delivery chain maps and due diligence. Additional fiduciary risk assurance services are available to the FCDO through a contract with a professional services firm. FCDO will ensure that P4P is consistent with relevant UK legislation including the Terrorism Act (2000). Any suspicion of aid diversion is immediately reported to FCDO's counter fraud unit.
- **Public Sector Equality Duty (PSED).** P4P will have due regard of the three needs of PSED as detailed in the PrOF Guide.
- **Safeguarding & Risk.** P4P risk appetite is receptive in line with BHC Tanzania's. P4P will adhere to the PrOF guides on safeguarding and risk. Further details are in the Management Case.

B. Appraisal case

Summary options appraisal

P4P will require a portfolio of interventions to address the need identified in the strategic case. Delivering P4P's strategic pillars requires multiple interventions that affect a range of public and private sector stakeholders. P4P must have the flexibility to select "the right tool for the job", ensuring that each intervention is appropriate for any given stakeholder. Furthermore, the right tool may need to be adapted over time as the context evolves, lessons are learnt, and new opportunities are identified. This complicates the appraisal case as there is no one singular intervention that will fully address the strategic case objectives. This appraisal therefore identifies multiple high potential interventions using a qualitative scoring framework to assess and compare different possible options. While not a precise science, this methodology was chosen because it (1) appraises genuinely feasible options and (2) provides an evidence-based steer on where P4P should – and importantly *should not* – focus its resources. The economic appraisal then assesses whether the chosen options represent value for money and are therefore superior to the "do nothing" option.

FCDO's Chief Economist's Office's "Best Buys" research has systematically assessed the cost effectiveness of 34 economic development interventions. Of these 34, 20 could genuinely contribute to addressing the need in P4P's strategic case. Building on the Best Buys framework, these 20 interventions have been appraised on their ability to address the strategic case objectives using three criteria:

- **Evidence.** Combined assessment of the strength of evidence and cost effectiveness. Scored according to the Best Buys rating, with "Mega/Great Buys" (good evidence of strong cost-effectiveness) scoring 5 and "Bad Buys" (strong evidence of low cost-effectiveness) scoring 1.
- **Alignment.** Assesses alignment with P4P and the BHC Tanzania Country Plan's objectives. Scored from 1 to 5, with 5 indicating "Strong alignment with the impact and outcome statements, and essential for the implementation of at least one strategic pillar" and 1 indicating "Limited alignment with the impact and outcome statements, and not critical for the implementation of any strategic pillar."
- **Feasibility.** Assesses how politically feasible the intervention is in the Tanzanian context. Scored from 1 to 5, with 5 indicating the very high feasibility and 1 indicating low feasibility.

The appraisal identifies nine high potential interventions that P4P should prioritise. The table below ranks the interventions from 1 to 20. Low-potential interventions are shaded grey. The next sections provide justification for the scores and explains why the counterfactual "do nothing" option has been rejected.

Intervention	Evidence	Alignment	Feasibility	Score
1. Management interventions	4	5	5	14
2. Cash transfers for businesses	4	4	5	13
3. National-level TA to promote pro-growth policies	5	5	3	13
4. Debt and equity investments in firms	4	5	4	13
5. Farmer aggregation and access to markets	4	4	5	13
6. Reducing internal and external trading costs	5	4	3	12
7. Economic development research & innovation	5	3	4	12
8. Tax policy and administration reform	4	4	3	11
9. Politically aware business environment reforms	3	5	3	11
10. Trade agreements	4	3	3	10
11. Mindset business training	5	1	4	10
12. Information on prices to farmers	3	2	5	10
13. Major economic policy reform	5	3	1	9
14. Strengthening land governance and tenure	5	2	2	9
15. Financial sector development	4	2	3	9
16. Traditional business skills training for MSMEs	1	1	5	7
17. Technocratic business environment reform	1	3	3	7
18. Technical and vocational training	1	1	5	7
19. Wage subsidies	1	1	4	6
20. Microcredit	1	1	4	6

P4P will be implemented through a competitively tendered contract and an accountable grant. The rationale for this decision, including a value for money assessment, is presented in the Commercial Case.

Detailed options appraisal

Scoring definitions

Evidence

1. **Bad Buy:** strong evidence of low cost-effectiveness
2. **Low Evidence:** limited rigorous evidence available
3. **Mixed Evidence:** some good results, depending on good design and implementation
4. **High Potential:** emerging promising evidence
5. **Mega/Great Buys:** good evidence of strong cost effectiveness

Alignment

1. Limited alignment with the impact and outcome statements, and not critical for the implementation of any strategic pillars.
2. Good alignment with the impact and outcome statements, but not critical for the implementation of any strategic pillar.
3. Good alignment with the impact and outcome statements, and helpful for the implementation of at least one strategic pillar.
4. Strong alignment with the impact and outcome statements, and important for implementation at least one strategic pillar.
5. Strong alignment with the impact and outcome statements, and essential for the implementation of at least one strategic pillar.

Feasibility

1. Low political feasibility
2. Uncertain political feasibility
3. Reasonable political feasibility
4. High political feasibility
5. Very high political feasibility

Intervention scoring justification

Intervention	Evidence	Alignment	Feasibility
1. Management interventions. Technical assistance to introduce managerial, strategic, technological or financial innovations to businesses.	**High Potential (4).** There is strong evidence that technical assistance to train firms in management practices can have substantial effects on productivity[126]. Although these effects diminish over time, they are still found to persist 9 years after the intervention[127]. In India, one study measured a 16.6% increase in Total Factor Productivity following management interventions, with profits up $325k against implied cost of $253k[128]. At a smaller scale, RCT in Indonesia found that a business management handbook, business role models and individualised business counselling increased firms' profits from $100 to $400 per month at a cost of $150/firm[129].	**Strong Alignment/Critical (5).** This intervention is critical to the achievements of Pillar 1 (building firm capabilities) and Pillar 2 (investment facilitation). Management interventions may be sufficient in isolation to achieve the desired changes in business practices, without relying on "heavier" grant or concessional debt/equity interventions. Managerial constraints have been identified as a key constraint to many Tanzanian firms. Even if grant/investment support is necessary, it would be prudent to package technical assistance alongside this support.	**Very High (5).** While comprehensive due diligence is required, this intervention would see P4P working directly with firms reducing political risk.
2. Cash transfers for businesses. Cash transfers to firms to address capital constraints and increase investment.	**High Potential (4).** There is good evidence of positive cost effectiveness from both small (<$1000) and medium-sized (c. $50k) grants. The YouWin! Programme in Nigeria disbursed $50k grants to business plan competition winners. An evaluation found that 3 years later, the winners had had 2.6 more workers on average and were 11 percentage points more likely to have 10 or more workers[130]. Selecting the most entrepreneurial firms is hard and programmes should not assume it will be possible[131].	**Strong Alignment/Important (4).** Cash grants to SMEs will be an important tool for achieving the objectives of Pillar 1 (building firm capabilities). Cash grants can enable firms to make capital investments that accelerate growth and productivity enhancements in the absence of market-driven driven financing. Cash grants will likely be "medium" sized – i.e. larger than a few hundred dollars (typically suited for informal micro-enterprises less aligned with P4P's focus) but less than hundreds of thousands of dollars (where concessional debt/equity financing may be more appropriate).	**Very High (5).** While comprehensive due diligence is required, this intervention would see P4P working directly with firms reducing political risk. FCDO has a long history of successfully providing cash grants to private enterprises in Tanzania, notably through the AECF Tanzania Agribusiness Window.

3. National-level TA to promote pro-growth policies. Heavy engagement by skilled and long-term advisers working alongside strong local champions for change.	**Great Buy (5).** There is evidence of very high cost effectiveness when effective. Any individual effort will be high risk, but a few high impact successes pay for the cases where advice is ignored. Evidence includes of donor funded advisors supporting reform with GBP billions in impact in Indonesia[132] and India[133]. Support is only effective when there are local champions for change (as in Uganda[134]) and capacity to implement[135]. Success also includes forestalling the adoption of bad policy. Research has shown that growth reversals matter as much as high growth episodes[136].	**Strong Alignment/Critical (5).** National-level technical assistance to promote the implementation of pro-growth policies will be an important tool for achieving Pillar 3 (business environment reform). Through focusing on specific areas where there is strong political engagement, this intervention is related to, although distinct from “major economic policy overhaul” (assessed separately, see below). The Government has a strong influence on private sector development in Tanzania. Positive engagement with the government in support of pro-growth policies is critical to achieve P4P’s objectives.	**Reasonable (3).** Relies heavily on strong engagement from the Government, and high quality, long term technical assistance with a deep understanding of different departmental functions, and strong networks and relationships. There is mixed experience of this type of intervention in Tanzania. TA must be demand driven and locally led. It is unlikely that foreign consultants attached to Government ministries will make significant traction. The UK has, however, had positive experiences of providing TA to government in the education and security sectors. The President’s recent strong statements in favour of private sector growth as an engine of development presents a window of opportunity for positive reform.
4. Debt and equity investments in firms. Examples include CDC Group, AgDevCo and the Private Infrastructure Development Group (PIDG).	**High Potential (4).** There are strong correlations between Development Finance Institution (DFI) investments, and in growth and productivity, although there is uncertainty on causality[137]. One study concluded that DFI money raised investment/GDP ratio by 1.5% in 26 LICs[138]. Another found that US$ 1 spent on investment promotion increased FDI inflows by US$ 189 and that each additional job created required US$ 78 in investment promotion spending[139].	**Strong Alignment/Critical (5).** This intervention is critical to the achievement of Pillar 2 (investment facilitation). P4P will require a diverse toolkit to capital constraints to firm-level growth and productivity. While grants may be appropriate in some cases, it is essential that firms eventually “gradate” to debt and equity financing in order to continue to grow sustainably. There is therefore an important role for concessional debt and equity tools, tailored to P4P target firms’ needs. This activity is also strongly aligned with P4P’s objective to attract climate and nature finance.	**High (4).** FCDO will build on existing success making debt and equity investments in Tanzania’s agribusiness sector through AgDevCo. While the intervention does not require direct engagement with the Government, investments will be regulated by national policies affecting risk. For example, it may be politically challenging to enforce claims on collateral in the event of default. The intervention will therefore require close engagement with the relevant regulatory authorities.
5. Farmer aggregation and access to markets. Improving small-scale farmers’ access to markets through support to contract farming, outgrower schemes, producer organisations or other commercial agriculture arrangements.	**High Potential (4).** Systematic reviews of a large range of studies show strong positive impact of contract farming, although the quality of the evidence is mixed. Evidence suggests that contract farming suitable where need for close farmer-off taker relationship exists (e.g. due to quality, timing of delivery) and limited opportunities for side-selling exist. There is strong evidence that farmers benefit from contract farming and that paying at harvest time is effective[140]. However, there is no conclusive evidence on cost-effectiveness reflecting the broad range of contractual arrangements and diverse value chain structures for different crops.	**Strong Alignment/Important (4).** Support to contract farming is likely to be an important part of Pillar 1 (building firm capabilities). While not suitable for all crops, contract farming presents significant opportunities to raise within sector productivity while supporting a large number of jobs.	**Very High (5).** FCDO already has significant positive experience supporting contract farming in Tanzania through the AECF Tanzania Agribusiness Window and AgDevCo. While comprehensive due diligence is required, this intervention would see P4P working directly with firms reducing political risk.

6. Reducing internal and external trading costs (other than trade liberalisation). Interventions include improved trade regulation and improved trade infrastructure (cold storage, ports, roads).	**Great Buy (5).** There is a strong evidence base on the benefits of reducing trading costs. One paper shows that a one-day delay prior to shipping reduces trade by 1%[141]. Another finds that a one-point reduction in the World Bank's Logistics Performance Index increases imports and exports by 50%[142]. It was also found that a 10% reduction in importing (exporting) costs would increase imports (exports) by about 4.8% (4.7%). There is also strong evidence that brokering linkages with international buyers can influence firm productivity and profits. Once firms are linked with international buyers, they undergo a process of learning-by-exporting[143]. There is a range of evidence showing firms benefit from participating in global markets through learning effects[144], increased profits and quality upgrades[145].	**Strong Alignment/Important (4).** Reducing internal and external trading costs will be important to achieving Pillar 1 (building firm capabilities) and Pillar 3 (business environment reform). There are numerous constraints that if alleviated, would contribute to P4P's objectives of linking urban demand to rural supply. These include facilitating investment in trade infrastructure (e.g. cold storage) and alleviating counterproductive regulatory barriers (regional levies and fees).	**Reasonable (3).** While some interventions (e.g. cold storage) could implemented in partnership with the private sector, in practice, strong government buy-in will be required for long- term success. Improving trade regulation will need Government buy-in at the national and regional level. Recent statements from the Government have highlighted the importance of increasing trade in its next Five-Year Development plan. The challenge will be implementing effective trade policies in practice. This is therefore a feasible but high-risk intervention.
7. Encouraging economic development research and innovation. Research and innovations that leads to changes in business practices and public policy.	**Great Buy (5).** The evidence provided in the Best Buys focuses specifically on the impacts of innovations on business practices and government policy. It notes that the impacts are hard to measure given attribution problems, however benefits can be very large. For example, a portfolio of 43 USAID innovation grants improved 23m lives at a cost of $0.75 per person reached[146].	**Good Alignment/Helpful (3).** Supporting innovative business models will be helpful for achieving Pillar 1 (building firm capabilities). P4P's strategic case highlights the importance of linking informal rural production to urban demand. There is potential for innovative private sector solutions to this challenge. A grant competition – such as that assessed in the USAID study – could be a useful tool for unlocking such innovations.	**High (4).** This intervention would see P4P working directly with firms reducing political risk. Innovation research that recommends changes in government policy, however, would be higher risk.
8. Tax policy and administration reform. Increasing tax efficiency through incentives, nudges for compliance and technological solutions to collection. *Note: tax policy and administration are significant constraints to private sector development in Tanzania. The Best Buys assesses tax policy and administration separately, noting that they are closely related. Both analyses, however, focus on the impact on government revenue generation rather than economic development – the latter being more relevant for P4P. While revenue generation could have an impact on economic development (through more effective public service provision) the more immediate impacts of tax policy and administration on the private sector are likely to be through the cost of compliance. Cost of compliance is a common complaint in Tanzanian.* *To ensure relevance, this appraisal has merged tax policy and administration into one intervention and supplemented the Best Buys analysis with additional evidence on the impact on the private sector. The rating "High Potential" was given as the mid-point between the Best Buys rating for taxation policy (Great Buy) and Tax Administration (Mixed Evidence).*	**High Potential (4).** Both tax policy reforms and tax administration interventions can be highly cost effective but are high risk their political nature. Reforms required sustained, high-quality engagement including on implementation details. Returns to tax policy or technological interventions may be limited without basic administration capacity and sustained political and management support. A World Bank review found strong evidence that reducing tax rates can increase investment, reduce tax evasion, promote formal firm creation and ultimately lead to an increase in GDP growth[147]. One study in Brazil found an 7.2% increase in micro firms registered with the tax authority, and a 37% increase in sales following the introduction of the "SIMPLES" consolidated tax regime[148]. Another study finds no correlation between investment and the number of hours needed to pay taxes, however it did find a 10% decrease in the number of tax payments is associated with an increase in formal firms by 1.6 per 100 people of working age[149]. Regarding tax collection, incentives to tax collectors increase tax returns 13% in Pakistan[150]. Nudge interventions based on social pressure increased tax revenues in Bangladesh[151] and Rwanda[152] by 17% and $9m respectively.	**Strong Alignment/Important (4).** Supporting tax policy and administration reform will be an important intervention under Pillar 3 (business environment reform). Tax policy and administration is a significant constraint facing both small and large businesses in Tanzania. It is identified as the most important binding constraint to growth in USAID's 2019 growth diagnostic[153]. Large upfront tax payments risk suffocating home-grown start-up businesses. Unpredictable and heavy-handed enforcement deter high quality larger firms that require a rules-based system, favouring firms that thrive in a deals-based environment. There are increasing vocal calls from Tanzanian business membership organisations for a more collaborative and predictable approach. There are also calls for more consideration of the unintended consequences of heavy-handed tax policy on wider economic indicators of importance – job creation, investment, and the growth of the tax base.	**Reasonable (3).** Meaningful tax reforms are not feasible in the absence of strong political support at the highest levels of government. It is likely that Tanzania will continue its push to increase tax revenues and reduce tax evasion. However, there is acknowledgement within Government that the current approach is having unintended consequences on wider economic indicators. With FYDP III placing a stronger emphasis on industrialisation and private sector, there is a window of opportunity to support positive, targeted reforms in this area.

9. Politically aware business environment reforms. Politically supported reforms targeting implementation and binding constraints (as opposed to legalistic reforms that don't consider implementation).	**Mixed Evidence (3).** There is wealth of evidence on business environment reform, but only a small amount is causal[154]. There is much stronger evidence for politically supported reforms targeting implementation and binding constraints. There is evidence that countries that underwent business reforms grew faster by a rate of 0.2-0.4%, the year after the reforms were enacted[155]. A World Bank systematic review found positive results from a few studies, although notes that the evidence base is still thin because of the heterogeneity of indicators and approaches[156].	**Strong Alignment/Critical (5).** Politically aware business environment reform is critical for the achievement of Pillar 3 (business environment reform). The business environment is a binding constraint to growth in Tanzania and while undoubtedly high risk, is a critical intervention in any programme that aims to support industrialisation and structural transformation. Business environment reform activities are also key to developing the enabling conditions for Tanzania to attract climate and nature finance, whether though funds like the GCF or through international carbon offset markets.	**Reasonable (3).** As with TA for policy reform, relies heavily on strong engagement from the Government, and high quality, long term technical assistance with a deep understanding of different departmental functions, and strong networks and relationships. TA must be demand driven and locally led. It is unlikely that foreign consultants attached to Government ministries will make significant traction. The President's recent strong statements in favour of private sector growth as an engine of development presents a window of opportunity for positive reform.
10. Trade agreements. A wide-ranging treaty between two or more countries designed to reduce or eliminate tariffs, quotas or other trade restrictions, with the aim of increasing goods and services traded between the signatory countries.	**High Potential (4):** The benefits of free trade agreements typically positive in aggregate and can be very large, making this a potentially highly cost-effective intervention. However, the benefits and costs of free trade agreements are often unevenly distributed within countries and compensating policies are often required. One study found that the East African Community (EAC) customs union increased internal trade by 213%[157]. There is also causal evidence of learning gains from working with international firms and consumers in Egypt (profit of firms rose by 16-26% plus quality upgrades)[158].	**Good Alignment/Helpful (3):** This intervention could potentially support Pillar 3 (business environment reform), although it is not critical to achieve P4Ps objectives (notably because Tanzania is already a member of EAC and SADC). The Best Buys paper notes that support on trade agreements are important for countries likely to graduate soon from income-based preference schemes, but given the long negotiation time, may have value in most settings. This suggests this intervention may be suitable in the Tanzanian context.	**Reasonable (3):** In donor briefings regarding the next Five-Year Development Plan, Government has indicated a desire to focus on negotiating trade agreements although the details are still to be seen. There have been several recent regional trade disputes, for example the recent 5% tax imposed by Tanzania on Kenyan trucks entering Kenya. However the recent change in administration has seen a cooling off of tensions and a renewed commitment to regional integration, including the Africa Continental Free Trade Agreement.
11. Mindset business training. Developing behaviours associated with proactive entrepreneurial mindsets, e.g. Personal Initiative Training, socio-emotional skills training.	**Great Buy (5).** Strong evidence on cost effectiveness, however the quality of the trainer is crucial. A Togo study comparing Personal Initiative Training to traditional skills training found a 30% increase in monthly profits over 2 years[159]. There are also positive results also in Uganda[160] (increase in number of employees and sales) and Kenya (7.6% increase in profits for women)[161].	**Limited Alignment/Not Critical (1).** P4P could undertake mindset training interventions to support smallholder farmers, potentially boosting supply. Such an intervention would not be critical for achieving any of P4P's strategic pillars, however, which focus on formal SMEs further up the value chain from informal production.	**High (4).** This intervention would see P4P working directly with small scale producers limiting the political risk in implementation. The intervention would however need to coordinate closely with the Ministry of Agriculture, especially if targeting producers of crops that are highly regulated by the Government.
12. Information on prices to farmers. Providing market information to small-scale farmers, usually through low cost/mass outreach methods such as basic text services delivered via mobile phones.	**Mixed Evidence (3).** Evidence suggest that price information can be a constraint to improved livelihoods for farmers, but it may not be a binding constraint[162]. Specific examples include Peru[163] where price information led to sales price increase by 13-14% and the Philippines[164] where better access to market information via mobile phone services increased farmer consumption by 11-17%. However, some studies show no impact, for example, market and weather information services in India and mobile services in Niger[165].	**Good Alignment/Not Critical (2).** This intervention could potentially support Pillar 1 (building firm capabilities), although it is not critical to achieve P4Ps objectives. FCDO already has experience supporting text-based market information to farmers. While the outreach was large, there was no measurable impact on farmers' incomes suggesting – as noted in the Best Buys – that this was not a binding constraint to income growth. More importantly, it is unlikely that pricing information to farmers is a binding constraint to productivity and growth of the formal SMEs that P4P will target.	**Very High (5).** This intervention would see P4P working directly with firms resulting in minimal political risk.

13. Major economic policy overhaul. For example, transitioning from a command/state driven economy to a free market economy.	**Mega Buy (5).** The Best Buys paper rates this intervention as having the highest cost effectiveness. It does note however that impacts are very difficult to estimate. One study looking at the return on investment of improving policy in India estimates gains of $3.5 trillion[166]. The Best Buys paper does note that such major reform is only possible at historic turning points and with strong political support. Large returns are possible where existing the policy is very bad (e.g. Eastern Bloc countries in 1990s, India and China before economic reforms) – or where there is major risk of reversal.	**Good Alignment/Helpful (3).** This intervention is most relevant to Pillar 3 (business environment reform) although not critical for its achievement. It could be argued that Tanzania has already experienced the benefits of major economic policy overall with the excellent growth rates of the past 20 years preceding a significant liberalisation and privatisation drive in the 1990s. P4Ps strategic case does not necessitate major economic policy overhaul but instead specific business environment reforms targeted at binding constraints to firm growth and job creation. There is a risk of reversal to greater state control of the economy undermining growth, therefore this intervention has been ranked (potentially) helpful.	**Low (1).** While there are windows of opportunity to work with the Government on specific, targeted business environment reforms where interest align, the chances of major economic policy overhaul (that is then effectively implemented across the government) are low. Tanzania's socialist history is a major element of its national identity and strongly influences the relationship between state and the private sector. External attempt to change this would be very unlikely to succeed.
14. Strengthening land governance and tenure. Interventions to formalise and strengthen land governance and tenure through supporting reforms to laws, policies and processes.	**Great Buy (5).** Evidence suggests significant positive returns when implemented well and accompanied with other complementary interventions. Notably, there are potentially big impacts on productivity and economic efficiency. However, implementation requires sustained political will and involves significant risks of negative impacts including weakening or extinguishing of women's rights or the collective rights of poor communities. A systematic review found a 40% increase in investment – corresponding to a 15% increase in income – if land tenure is secure[167]. There is also reasonable evidence of large impacts on investment in Argentina resulting in 37% improvement in housing quality[168].	**Good Alignment/Not Critical (2).** This intervention could potentially support Pillar 3 (business environment reform), although it is not critical to achieve P4Ps objectives. Land acquisition is more of a challenge for large scale agricultural production; however this is likely to be a binding constraint for agroprocessing and horticulture which is more intensive.	**Uncertain (2).** The World Bank does have a major land tenure project sponsored by the Government however it is currently on hold. Any land governance reform programme would require strong and sustained support from the Government as a minimum requirement for success.
15. Financial sector development. Reducing the cost of acquiring information, enforcing contracts, and making transactions within the financial system. Often strong focus on financial inclusion, financial innovation, and financial system strengthening.	**High Potential (4):** There is good evidence that financial inclusion can have positive distribution effects. One study found that financial development disproportionately boosted incomes of the poorest quintile and reduce income inequality[169]. Financial inclusion positively impacts individuals' resilience by enabling consumption smoothing using savings, insurance and credit. This is particularly true for digital finance[170].	**Good Alignment/Not Critical (2):** Financial sector development interventions could potentially support Pillar 3 (business environment reform) by improving the regulatory environment for investments and Pillar 2 (investment facilitation) by developing financial products for small-scale producers to increase their productivity and growth. A standalone financial sector development workstream is not critical, however, as these outputs can be achieved through other interventions (e.g. management interventions, politically smart business environment reform)	**Reasonable (3):** Financial sector development requires close engagement with both the public and private sector, meaning it is subject to political risk. There already exist entities such as FSD Tanzania that have strong local ownership, and deep political networks and relationships and are therefore well position to manage political risk. P4P would look to engage closely with these actors on interventions related to financial sector development.

16. Traditional business skills training for MSMEs. For example, business plans and bookkeeping skills.	**Bad Buy (1):** Evidence shows that these interventions have a large initial impact on poverty but fail to sustain the effects. An evaluation of a World Bank programme in Uganda showed that while there were strong initial effects, after two years there was no impact on consumption (a welfare indicator)[171]. The same result is reported in a paper that assesses the impact of cash grants and skills training[172]. While both interventions had strong initial effects, there was no measurable effect after two years. Other evaluations find that stand-alone business skills training for micro and small entrepreneurs have small moistest effects, with little impact on profits or sales[173].	**Limited Alignment/Not Critical (1):** This intervention could potentially contribute to Pillar 1 (building firm capabilities) by building the capabilities of small-scale suppliers/producers. However, this intervention has limited alignment with P4P's strategy which focuses further up the value chain.	**Very High (5):** This intervention would see P4P working directly with small scale producers limiting the political risk in implementation.
17. Technocratic business environment reform. Legalistic reforms that don't consider implementation.	**Bad Buy (1):** There is significant evidence that reforms overfly focused on improving Doing Business scores or reforming policies without considering impact on the ground have little impact[174]. While reforms aimed merely at improving Doing Business scores are themselves unlikely to deliver meaningful reform, they can be useful as marketing exercises or can engage countries in the topic and lead more meaningful reform (Rwanda).	**Good Alignment/Not Critical (3):** This intervention would contribute to Pillar 3 (business environment reform). While technocratic policy reform is necessary to support firm growth, it is not sufficient to achieve results. Firm's experience on the ground also need to improve, hence the politically smart business environment reform intervention is a better option for P4P.	**Reasonable (3):** Relies heavily on strong engagement from the Government, and high quality, long term technical assistance with a deep understanding of different departmental functions, and strong networks and relationships. TA must be demand driven and locally led. It is unlikely that foreign consultants attached to Government ministries will make significant traction. The President's recent strong statements in favour of private sector growth as an engine of development presents a window of opportunity for positive reform.
18. Technical and vocational training. Education and training which provides knowledge and skills for employment.	**Bad Buy (1):** Evidence shows that this technical and vocational training is very expensive with limited evidence of impact. Many studies show consistently small results across multiple context. Even when training is combined with internships, after the training there is evidence of low take up and perfect crowding out of other workers so no overall effect[175]. Some evidence suggests more positive results for women, especially if supplemented with life skills training[176] [177].	**Limited Alignment/Not Critical (1):** This intervention could potentially contribute to Pillar 1 (building firm capabilities) by building the capabilities of small-scale suppliers/producers. However, this intervention has limited alignment with P4P's strategy which focuses further up the value chain.	**Very High (5):** This intervention would see P4P working directly with small scale producers limiting the political risk in implementation.
19. Wage subsidies. Subsidising wages with the aim of increasing firms' demand for labour. Often used to combat youth unemployment.	**Bad Buy (1):** There is strong evidence of low cost-effectiveness. A World Bank study finds no significant impact on employment or earnings. One reason for this is that urban labour markets appear to work well in most cases with fewer market failures than is often thought by policy makers[178]. Research in South Africa has found that firm update of wage subsidies has typically been low, and the benefits of the subsidy are not sustained[179].	**Limited Alignment/Not Critical (1):** While wage subsidies could potentially provide short term support youth employment – a need identified in the strategic case – the evidence suggests that any impact is unlikely to be sustained.	**High (4):** This intervention would see P4P working directly with firms reducing political risk. However, the wage subsidies would require careful targeting, both in terms of the firms and individuals who benefit from them. This targeting could be subject to political capture.

20. Microcredit. Lending small amounts of money to help an individual become self-employed or grow a small business.	**Bad Buy (1):** There is a consistent body of evidence that finds some positive effects on microbusiness activity and consumption smoothing benefits but no evidence of increased incomes or consumption, suggesting little real benefit on growth[180]. Other research finds that providing credit to small business is found to have no persistent effects after two years[181]. Microcredit loan terms are often not conductive for firms successfully investing, with short repayment periods. and high interest rates.	**Limited Alignment/Not Critical (1):** This intervention could potentially contribute to Pillar 2 (investment facilitation) by supporting access to finance for small-scale suppliers/producers. However, this intervention has limited alignment with P4P's strategy which focuses further up the value chain.	**High (4):** While comprehensive due diligence is required, this intervention would see P4P working directly with microcredit reducing political risk. Microcredit interventions would be subject to national regulation, however, which does present an element of political risk.

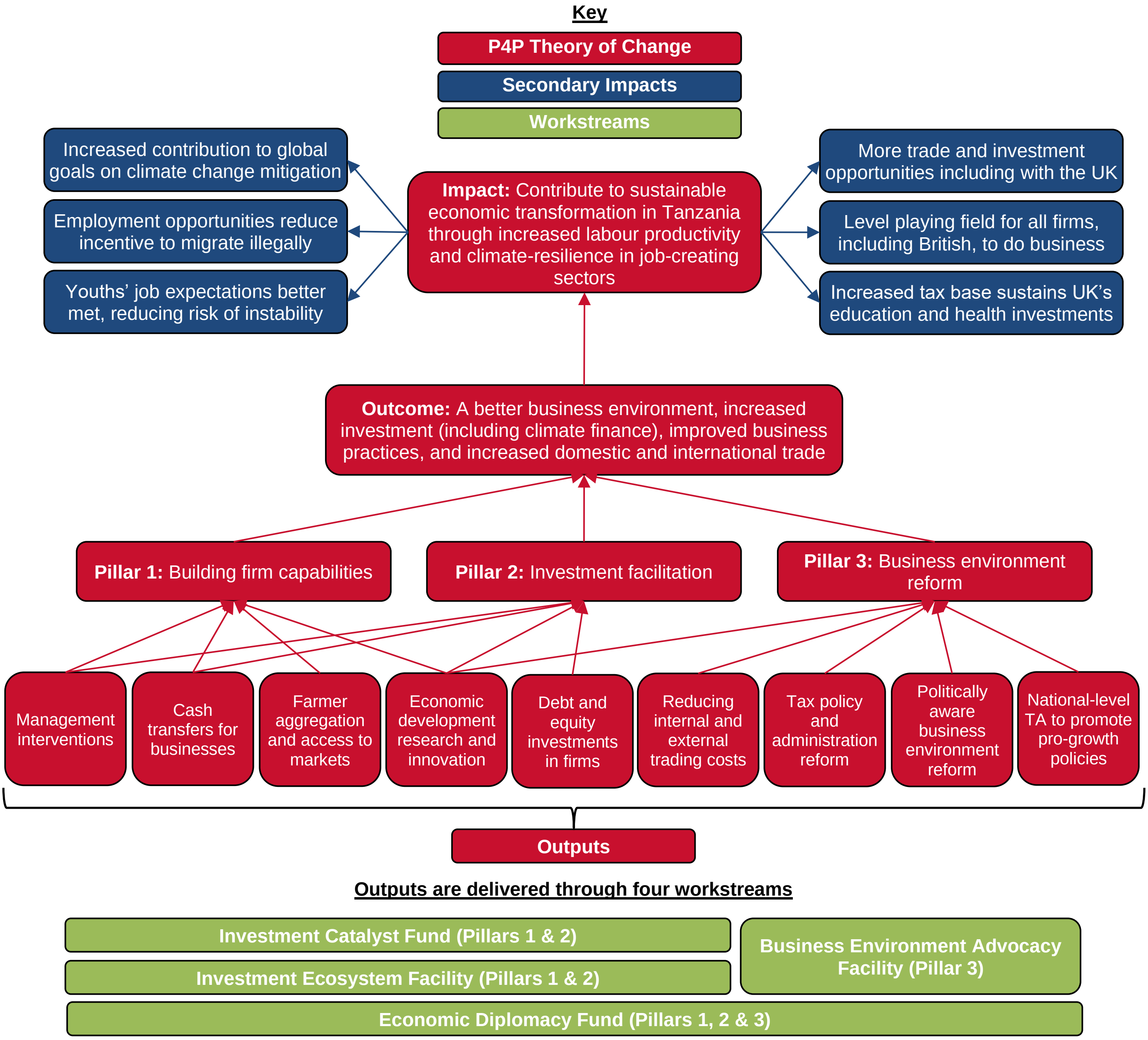
Based on the above options appraisal, nine interventions have been prioritised for inclusion in the programme. These all have a combined evidence, alignment and feasibility score of greater than ten: (1) Management interventions; (2) Cash transfers for businesses; (3) National-level TA to promote pro-growth policies; (4) Debt and equity investments in firms; (5) Farmer aggregation and access to markets; (6) Reducing internal and external trading costs; (7) Economic development research & innovation; (8) Tax policy and administration reform; (9) Politically aware business environment reforms.

The options appraisal assesses alignment against "at least one strategic pillar"; multiple interventions are therefore required to deliver P4P's investment, productivity and business environment outcomes. Intervention is required at both the firm level and regulation/policy level. Furthermore, there are multiple constraints that require tackling simultaneously. For example, firms require better access to debt/equity investment, but they also require management interventions. A flexible portfolio of interventions will be developed to achieve this. This approach is detailed further in the Theory of Change and Workstreams section, below.

Theory of change

P4P's Theory of Change (ToC) is shown below; the accompanying indicative logframe can be found in Annex A. In addition to P4P's ToC, the diagram below also highlights the key secondary impacts relevant to the UK's objectives in Tanzania. The ToC is reliant on several assumptions, listed below. P4P's flexible design will enable it to adapt the ToC if these assumptions no longer hold.

- **Political feasibility.** The ToC assumes the assessment of political feasibility in the options appraisal is correct and remains steady.
- **Domestic economic stability.** The ToC assumes Tanzania's current broadly positive economic trajectory continues and there is not a major economic crisis.
- **Global economic recovery.** The ToC assumes that the global economic recovery will continue its current trend, and the market for Tanzanian exports (notably agriculture and tourism) will grow.
- **Private sector capacity.** The ToC assumes that there are sufficient SMEs in Tanzania that are capable of responding to technical assistance and absorbing investment.
- **Effective delivery.** The ToC assumes that the contracted supplier is able to establish an office in Tanzania and recruit staff with the require expertise to implement the programme.
- **Climate impacts.** The ToC assumes that the climate change impacts on agriculture production will not be so severe as to render large proportions of the sector unviable within the next 10 years.



P4P's attribution to impacts, outcomes and impacts increases further down the ToC and logframe. All outputs will be 100% attributed to P4P. These are the high potential outputs identified in the options appraisal (in red, from management interventions to national-level technical assistance) which will be delivered through four workstreams (in green and detailed below). It is expected that these outputs will lead to P4P's outcomes: a better business environment, increased investment (including climate finance), improved business practices and increased trade. These outcomes will be closely attributed to P4P's activities, but the ToC and logframe recognise that there are factors outside of the programme's control that will affect these outcomes. It is expected that these outcomes will then lead to P4P's impacts: increased labour productivity and jobs. These impacts will be moderately attributed to P4P's activities, but the ToC and logframe recognise that there are many external factors that will affect these impacts.

Workstreams

P4P's outputs will be delivered through four workstreams, summarised below. The Investment Catalyst Fund and Investment Ecosystem Facility target the firms, whereas the Business Environment Advocacy Facility and Economic Diplomacy Fund target the policy and regulatory environment. The Investment Ecosystem Facility, Economic Diplomacy Fund and Business Environment Advocacy Facility will be delivered through a commercial contract. The Investment Catalyst Fund will likely be delivered through an accountable grant with Aceli Africa (further details in the commercial case). Together, these funds and facilities will deliver the high potential outputs identified in the above options appraisal.

- **Investment Catalyst Fund (Pillars 1 & 2).** The objective of the Investment Catalyst Fund is to incentivise financial institutions to invest in high-potential SMEs aligned with P4P's strategic objectives. The fund aims to have systemic impact by changing the behaviours of financial institutions (rather than financing businesses directly) so that the lending continues and is replicated by other lenders without P4P's support. The fund will target the "missing middle" of SMEs with five or more employees and revenues above $50k that require loans in the range of $25k to $1.75m. Loan volume will be a key objective both to deliver impact but also to ensure a demonstration effect to other lenders. It is expected that this fund will facilitate 50+ loans a year. Aceli Africa, a non-profit market incentive facility operating in Tanzania, Kenya, Rwanda and Uganda, has been identified as a high potential partner to implement this fund. Aceli Africa uses first loss incentives (2-6% of the loan facility), origination incentives ($2-10k) and impact bonuses (including on climate-smart and resilient agriculture) to motivate lending in agribusiness. Aceli Africa has already established partnerships with ten lenders in Tanzania and has agreements in the pipeline with six more. Aceli Africa has demonstrated its ability to deliver quick results, with 28 loans totalling $2.9m registered between September 2020 and April 2021. With funding through P4P, Aceli Africa forecasts 80+ loans in 2021 totalling $20m. Aceli Africa complements its lending activities with management interventions, again in line with P4P's ToC. To date, Aceli Africa has provided 18 Tanzanian SMEs training on business and financial management. Aceli Africa has confirmed that they would be able to align with P4P's sectoral criteria (specifically agroprocessing and horticulture). Of the 36 loans that have been registered to date, 56% fall under FCDO's definition of agroprocessing. It is expected that horticulture lending will increase once banks that lend into the sector sign on (agreements with NMB, CDB, TPB are at advanced stages), and Aceli Africa gets more referrals from its partners including the Tanzania Horticulture Association and SAGCOT Centre Limited.

- **Investment Ecosystem Facility (Pillars 1 & 2).** The aim of the Investment Ecosystem Facility is to develop the Tanzanian "investment ecosystem" for investment sizes in the range of $200k to $15m. In contrast to the Investment Catalyst Fund which aims to facilitate a high volume of low value investments, the Investment Ecosystem Facility aims for a lower volume of high value investments. The facility will work with investors and investees to address the binding constraints to increased impact investment in Tanzania's productive sectors, including agroprocessing and horticulture. Targeted investors will include CDC, AgDevCo, FMO, Acumen Fund, as well as climate finance providers such as accredited Green Climate Fund institutions. The facility will include a distinct window addressing the unique challenges of facilitating climate and nature finance. The facility will develop a package of support to crowd-in investors, informed by extensive engagement with investors operating in East Africa to understand the binding constraints to deal completion in Tanzania. Drawing on research that finds that high investment transaction costs are a key constraint[182] and recent consultations with CDC, support from the facility will likely include:

- **Pipeline development.** Technical assistance to make firms investment-ready and develop viable projects for climate finance, through strengthening business plans, setting up strong governance structures and ensuring financial accounts and statements are in order.
- **Market intelligence.** Investment research to resolve information asymmetries relating to incomplete data on firms' credit risk/history, a lack of readily available data on sectors and markets, a lack of granular analysis required to make investment decisions.
- **Transaction services.** Identifying systemic ways to reduce the cost of investment transaction services (e.g. legal, accounting, due diligence, and investment advisory services), including through partnerships with affordable local and regional professional service providers.
- **Product development.** Using FCDO and CDC's convening power to draw investors' attention to the investment opportunities in Tanzania and develop multi-investor products that better serve Tanzania's needs (e.g. investment platforms that go beyond pure equity and debt to offer mezzanine/self-liquidating investments with long enough time horizons).

- **Business Environment Advocacy Facility (Pillar 3).** Acknowledging that local organisations are far more effective at advocating for business environment reform than foreign actors, the objective of the Business Environment Advocacy Facility will be to increase the lobbying effectiveness of reputable, locally based business membership organisations (BMOs) and advocacy groups with strong and influential networks. The facility will take a systems approach, providing targeted, time-bound support that permanently improves BMO's lobbying effectiveness. The facility will work with existing structures and not support changes that would be unsustainable once P4P's support ends. Supported organisations may include the SAGCOT Centre Limited (SCL), the Agriculture Sector Policy and Institutional Reforms Strengthening project (ASPIRES), Tanzanian Horticultural Association (TAHA), the Tanzania Private Sector Foundation (TPSF), CEO Round Table, Tanzania Start-up Association (TSA), the Agricultural Society of Tanzania (ACT), Agriculture Non-State Actors Forum (ANSAF), the Tanzania National Business Council (TNBC), the Confederation of Tanzanian Industries and the British Business Group (BBG). The facility will manage the relationship with supported BMOs and ensure effective coordination with the UK prosperity team. The facility will seek to strengthen the "rules-based" system, while also being flexible to respond to the reality of Tanzania's "deals based" business environment. Supported activities may therefore include action-orientated Public-Private Dialogue, research and evidence to strengthen advocacy, as well as more ad hoc lobbying for firms to help resolve the unexpected bottlenecks.

- **Economic Diplomacy Fund (Pillars 1, 2 & 3).** Building on the success of the FCDO's "Strengthening Fiduciary Risk in Tanzania" programme which provided rapid research to support effective lobbying on tax reform, the Economic Diplomacy Fund will be a demand-driven technical assistance facility that bolsters the UK's lobbying and influencing work on prosperity priorities aligned with P4P's strategic case (ODA-eligible activities only). All BHC Tanzania staff, in partnership with external counterparts (e.g. Government of Tanzania) will be able to submit a Terms of Reference to implement activities aligned with P4P's ToC. Support may include research into the market for agri-tech products in Tanzania and dissemination of the findings to investors. Support may also include the provision of advisers to high-level government offices to support the implementation of beneficial policies, such as the Business Environment Blueprint or a nation-wide REDD+ strategy. The Economic Diplomacy Fund will provide politically and culturally informed high-quality advice, and importantly will also support implementation. This will require P4P to capitalise on Tanzanian centres of expertise (for example the University of Dar es Salaam, University of Sokoine, REPOA Limited, and the Economic and Social Research Foundation (ESRF)).

P4P's funds will be demand-driven whereas the facilities will have a longer-term strategic focus. The Investment Catalyst Fund and Economic Diplomacy Fund will be driven by demand from financial institutions and HMG staff respectively. The Investment Ecosystem Facility and Business Advocacy Facility, in contrast, will implement activities determined by the supplier, aligned with a 6-year strategy and annual workplan agreed with FCDO. This will allow P4P to respond to short-term pressures to report against HMG KPIs on investment and jobs (through the Investment Catalyst Fund), and respond to immediate influencing demands (through the Economic Diplomacy Fund), while also providing space to pursue longer-term, high-risk, yet higher-return systemic change (through the Investment Ecosystem Facility and Business Environment Facility).

All of P4P's funds and facilities will maximise the impact of its resources by pursuing system change, not direct delivery. With a GDP of 65.9bn[183], Tanzania's economy is significantly larger than P4P's budget.

P4P must therefore be tactical with how it uses its resources. P4P's ToC will not directly deliver its desired outcomes on investment and productivity (e.g. by distributing grants to businesses or fertiliser to farmers). Instead, P4P will seek to permanently change market systems, leveraging relatively modest resources. The Investment Catalyst Fund and Investment Ecosystem Facility will mobilise the capabilities and resources of the private sector to achieve impact at scale. The Business Environment Advocacy Facility and Economic Diplomacy Fund will tackle business environment bottlenecks, that will unlock investment and productivity growth in the wider economy. This approach is aligned with FCDO's Policy on Subsidy to the Private Sector[184], the key principles of which are summarised as follows:

- **Systemic impact.** Interventions should be designed to support the development of an entire market. They should not undermine market competitiveness by only benefitting individual firms.
- **Additionality.** Interventions should ensure that the development outcomes would not have been achieved without subsidy or would have been delayed for a sufficiently long period of time.
- **Sustainable development.** Interventions should only use subsidy where long-term commercial sustainability is expected. Subsidies should be time-bound and ongoing subsidy should be avoided.
- **Minimise market distortions.** Interventions should use the minimum subsidy necessary and be targeted as close to the market failure as possible.
- **Incentive alignment.** Interventions should seek ensure that the commercial partner is committed to the developmental outcomes of an intervention, not just the commercial ones.
- **Development rationale.** Interventions should have a clear development and economic rationale (i.e. overcoming a market failure or decreasing inequality).

Strategic communications will be key to amplifying P4P's impact. P4P will use multiple channels to ensure research, market intelligence, and success case studies are widely disseminated. It will prioritise publication through existing, reputable platforms (media, research institutions, business membership organisations). P4P will also make strategic use of comms to bolster business environment objectives by building coalitions behind focused narratives and policy objectives, while remaining cognisant of political economy sensitivities.

P4P will use FCDO's comparative advantage in political economy analysis and adaptive programming to deliver a flexible portfolio that evolves as the context changes and new opportunities arise. Programmes that fail to adapt to the complex political economy context are riskier and are less likely to have sustained results[185]. P4P will quickly respond to new information, scaling up successful interventions and "failing fast" where necessary, saving taxpayers' money. This adaptive approach will also enable P4P to learn from the firms it works with and use this knowledge to improve the design of business environment interventions. Flexibility will be underpinned by strong internal governance including: regular results measurement and validation, due diligence, eligibility criteria, approval processes, disbursement schedules, whistleblowing hotlines and risk management frameworks. In addition, all support will adhere to FCDO's Smart Guide on Engaging Business[186], which ensures compliance with the International Development Act.

The contracted components of P4P will be implemented by a strategy and programme management team, with support from internal and independent monitoring and evaluation. P4P will have a Strategy and Programme Management (SPM) team that will be responsible for: developing and updating the programme strategy, designing and managing the workstreams; ensuring each intervention contributes to a joined-up strategic workplan; ensuring interventions are informed by the latest research and political economy research analysis; and providing critical programme management functions (financial management, due diligence, agreement drafting, risk management, delivery chain mapping, asset management, etc); and coordinating with key stakeholders including HMG and the Investment Catalyst Fund. The SPM team will be guided by an internal Monitoring, Evaluation, and Learning (MEL) team that will: develop and maintain a results framework (including but not limited to the FCDO logframe); develop and maintain an information management system to ensure that intervention design and implementation is informed by the latest data; and collate useful data, evidence and learning for publication on P4P's website and social media channels. Finally, an independent Review and Verification Unit (RVU) will be set up through a separate procurement and be responsible for verification of P4P's reported results and annual strategic reviews to assess if P4P is on track to meet its intended outcomes and still represents value for money.

Economic appraisal

P4P's economic appraisal assesses whether the expected benefits are greater than the expected costs. P4P's costs are expected to be split evenly between interventions that support firms and interventions that improve the business environment. A detailed budget for the 6-year programme can be found in the Financial Case. In summary, £30m (86%) of the £35m budget is allocated to the workstreams, £3m (9%) is allocated to strategy development and programme management and £2m (6%) is allocated to monitoring and evaluation. Of the £30m allocated to the workstreams, £15m is allocated to interventions to support firms (Investment Catalyst Fund and Investment Ecosystem Facility) and £15m is allocated to interventions to improve the business environment (Business Environment Reform Advocacy Facility and Economic Diplomacy Fund).

The benefits of P4P's support to firms and the business environment are considered separately for the purpose of the economic appraisal. P4P's primary benefits are jobs created, increased labour productivity, increased sales/trade and investment facilitated. There will also be multiple secondary benefits (e.g. increased government revenues, increased stability, improved future trading and investment opportunities). For simplicity, the economic appraisal uses data from the horticulture sector (an initial priority sector for P4P) and assesses the cost effectiveness of two outcomes: (1) an improved business environment, and (2) improved firm growth and productivity. The total programme costs are split evenly between the two outcomes. Both analyses assume P4P will start in October 2021 and both use a discount rate of 10%.

Business environment

The cost effectiveness P4P's business environment interventions are assessed using breakeven analysis. Breakeven analysis determines how much impact an intervention needs to have in order to pay for itself. Key data and assumptions used for the analysis are as follows:

- Horticulture exports were $546m in 2015[187]
- Horticulture exports make up one tenth of the sector[188]
- The horticulture sector is growing at a constant 10% per annum[189]
- The current rate of growth for the sector continues
- The impacts on the horticulture sector are not realised until 2023
- The impacts will continue for 3 years after the programme ends

P4P's business environment interventions need to <u>incrementally</u> increase the horticulture sector growth rate by 0.5% to breakeven. This is on top of the existing growth rate of 10% - so the growth rate would need to be 10.05% rather than 10%. 0.05% is a conservative and realistic target. First, evidence on business environment reform suggests that countries that underwent reform grew faster by 0.2-0.4% the year after the reforms were enacted[190]. Second, P4P's business environment interventions will benefit more than just the horticulture sector. For example, reforms that make it easier to export, reduce the cost of tax compliance or increase the speed of acquiring a licence will benefit for the whole economy, not just horticulture. Third, the Bank of Tanzania's discount rate is 5% - half that used for this analysis. A higher discount rate reduces the "present value" of future benefits, lowering the cost effectiveness of a programme where costs are incurred before benefits are realised. The sensitivity analysis below calculates P4P's projected benefits for every £1 spent on business environment reform. For example, a benefit cost ratio of 2.20 means that P4P will return £2.20 for every £1 spent. Notably, there will be strong returns if P4P's impacts are in line with the abovementioned study. Based on this and the breakeven analysis, it is reasonable to assume that P4P's business environment interventions will provide positive value for money.

Benefit Cost Ratio Matrix (£ benefit / £ spent)				
		P4P impact on horticulture growth rate		
		0.05%	0.10%	0.20%
Discount Rate	10%	0.96	1.92	3.84
	5%	1.11	2.20	4.45

Firm growth and productivity

The cost effectiveness of P4P's support to firms is based on a rigorous evaluation of the YouWin! SME support programme in Nigeria. YouWin! ran a business plan competition to identify high-potential firms and then provided the winners with a 4-day training course and $50,000 grant[191]. The results were impressive. The evaluation found that, on average, supported firms increased the number of workers from 5.6 to 10.0 and profits increased by 27%. 7,027 jobs were created, paying $1,716 per year on average at a cost of $8,538 per job.

YouWin!'s cost and impact data have been scaled to Tanzania's lower GDP per capita. Nonetheless, YouWin! is not a perfect proxy for P4P's support to firms. YouWin was a grant facility whereas P4P will crowd-in growth capital using financial incentives. This additional benefit (investment leveraged) is not included in this analysis; it will in part be counteracted by increased firm costs from paying back the loan and therefore lower profits. Instead, the benefits modelled are income from jobs created, increased profits and spill-over benefits (demonstration effects and benefits to suppliers and customers). The key data and assumptions used for the analysis are as follows:

- The average loan size is $100k and 36/year on average are disbursed over a 6-year programme
- Cost per job created is £3,043 (in like with YouWin!), resulting in 5,029 jobs created
- Annual salary of each job created is $862
- Average annual profit of supported firms is $6,314 (based on Tanzanian tomato farmers using drip irrigation as a conservative proxy for high-potential horticulture businesses)[192]
- Profits increase by 27% in line with the YouWin! evaluation
- Spill-over benefits are equal to the direct income from the jobs created with a 1-year lag
- The number of jobs created will gradually increase between 2022 and 2025
- 15% of the SME support funds and facility is spent on administration
- The impacts will continue for 3 years after the programme ends

Based on these assumptions, it is reasonable to assume that P4P's support to firms will provide good value for money. The estimated benefit cost ratio is 2.11 and the net present value is expected to be £9.5 million. This is a conservative estimate. First, it does not consider any additional investment crowded in – a key objective of P4P. Second, the analysis is based on the average annual profit of a tomato farmer. Most firms supported by P4P will be in other sectors, and many of them will have significantly higher annual profits. Even if profits are increased by less than 27%, P4P's impacts on firms with a higher annual turnover will likely have a much larger net benefit. Third, as stated previously, the Bank of Tanzania's discount rate is 5% - half that used for this analysis.

Sensitivity analysis concludes P4P should carefully monitor the number of jobs created and associated spill-over effects. Reducing the % of funds spent on admin costs has a relatively minor effect on the benefit cost ratio. Instead, the benefit to cost ratio is most affected by the cost per job created and by extension *number* of jobs created. If the number of jobs created falls to 2,000 (40% of the base case scenario of 5,000 jobs), the present value of the benefits starts to fall below the present value of the costs. Similar effects occur if the spill-over effects fall below 25% of direct income from jobs created. These indicators will be included in P4P's value for money framework (see the next section) and monitored regularly throughout implementation.

Benefit Cost Ratio Matrix (£ benefit / £ spent)				
		Spill-over as % of income		
		100%	50%	25%
Cost per job created	£3,043 (5,029 jobs)	2.09	1.62	1.39
	£5,000 (3,060 jobs)	1.36	1.05	0.90
	£7,500 (2,040 jobs)	0.98	0.76	0.65

Comparing the chosen option with "do nothing"

The economic appraise concludes that the preferred options represent value for money. The "do nothing" counterfactual option is therefore rejected. Under the this option, FCDO would not allocate any additional ODA funding to sustainable economic transformation work in Tanzania and these resources would be allocated elsewhere. FCDO would continue to lobby for improvements in the business environment using existing staff and continue to engage with CDC and AgDevCo. This option has been rejected because it is insufficient to meet the need identified in the strategic case and UK's prosperity objectives in Tanzania. Business environment reform is a critical prosperity and development objective for the UK in Tanzania however it needs sustained, comprehensive, evidence-based engagement with a range of local actors. This is highly resource intensive and there are significant limits to what can be achieved without ODA resource. The "do nothing" option would also mean there would be no resource to support firm productivity growth, access to investment including International Climate Finance and job creation, significantly reducing the British High Commission in Tanzania's contribution to the Productive Economies Pillar in the Tanzania Country Business Plan, Prosperity Strategy and the prosperity results indicators in the UK's Strategic Approach to ODA.

Value for money

Potential bidders for P4P will be required to submit a value for money (VfM) framework which will be operationalised during inception. The framework will require both quantitative and qualitative analysis. Examples of quantitative indicators are listed below. Quantitative indicators will monitor economy (cost of inputs such as staff time), efficiency (how efficient inputs are at generating outputs), effectiveness (how effective the outputs are at delivering outcomes/results), cost effectiveness (benefits vs. costs, as assessed above) and equity (how equitably distributed are the benefits). Initially, economy and efficiency will be key factors for determining P4P's VfM, however as the programme progresses effectiveness and cost effectiveness will become the most important considerations. Equity will be considered throughout implementation. Recognising that the systems change that underpin P4P's ToC cannot be measure by quantitative indicators alone, the independent Review and Verification Unit will play a critical role in qualitatively assessing the likelihood of P4P achieving its desired outcomes and impacts on an annual basis.

Economy (cost of inputs)	• Benchmarked average daily fee rate • Benchmarked office costs • Overheads as % of total spend • Value of assets received from other projects
Efficiency (inputs to outputs)	• Adviser days per PPD event • Adviser days per approved research document • Number of revisions required on deliverables
Effectiveness (outputs to outcomes)	• PPD events per business environment reforms • Number of loans disbursed • Adviser days per committed investor
Cost effectiveness (£cost/impact)	• Investment leverage ratio • Increase in trade per £ spent • Aggregate increase in labour productivity per £ spent • £ cost per job created
Equity	• Job creation disaggregated by gender • Job creation disaggregated be location (rural / urban) • Number of loans disbursed to female-owned businesses

P4P will report progress against its VfM framework on a quarterly basis. Regular assessment of VfM is particularly important for flexible and adaptable programmes like P4P. VfM will be reported separately from the logframe, reducing the incentive to exaggerate performance to achieve a better annual review score. Activities that are not delivering value for money in terms of results will need to be quickly identified and stopped or changed. We will use the procurement process to solicit effective mechanisms and processes to ensure that low performing interventions "fail fast".

Annex A: Indicative logframe

PROJECT	Productivity for Prosperity (P4P): Investment, Trade and Job Creation in Tanzania									Last Updated: July 2021
IMPACT	Impact Indicator 1		Baseline (Jun-2021)	Jun-2022	Jun-2023	Jun-2024	Jun-2025	Jun-2026	Jun-2027	
Sustainable economic transformation in Tanzania through increased labour productivity and climate-resilience in job-creating sectors.	Number of new jobs and people with higher incomes as result of P4P's activities (cumulative)	**Planned (aggregate)**	**-**	**17,663 (50%)**	**41,438 (50%)**	**68,231 (50%)**	**98,006 (50%)**	**130,763 (50%)**	**131,175 (50%)**	
		Planned: Direct Jobs (% women)	**-**	**225 (50%)**	**750 (50%)**	**1,388 (50%)**	**2,100 (50%)**	**2,888 (50%)**	**3,300 (50%)**	
		Planned: Increased Incomes (% women)	**-**	**17,438 (50%)**	**40,688 (50%)**	**66,844 (50%)**	**95,906 (50%)**	**127,875 (50%)**	**127,875 (50%)**	
		Achieved (aggregate)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
		Achieved: Direct Jobs (% women)		**-**	**-**	**-**	**-**	**-**	**-**	
		Achieved: Increased Incomes (% women)		**-**	**-**	**-**	**-**	**-**	**-**	
		Source								
		P4P annual reports; RVU results verification report								
	Impact Indicator 2		Baseline (Jun-2021)	Jun-2022	Jun-2023	Jun-2024	Jun-2025	Jun-2026	Jun-2027	
	Increase in labour productivity of supported firms (% increase in output/hour from baseline)	**Planned: % increase (women-owned)**	**0.0% (0.0%)**	**1.0% (1.0%)**	**2.0% (2.0%)**	**4.0% (4.0%)**	**6.0% (6.0%)**	**8.0% (8.0%)**	**10.0% (10.0%)**	
		Achieved: % increase (women-owned)		**-**	**-**	**-**	**-**	**-**	**-**	
		Source								
		P4P baseline study; P4P annual reports; RVU results verification report								
	Impact Indicator 3		Baseline (Jun-2021)	Jun-2022	Jun-2023	Jun-2024	Jun-2025	Jun-2026	Jun-2027	
	Increase in economic complexity (measured by number of export lines that make up 90% of Tanzania's exports, HS-6 digit)	**Planned**	**TBC**	**Baseline + 1**	**Baseline + 2**	**Baseline + 4**	**Baseline + 6**	**Baseline + 8**	**Baseline + 10**	
		Achieved								
		Source								
		UNCTAD Trade Data								

OUTCOME	Outcome Indicator 1		Baseline (Jun-2021)	Jun-2022	Jun-2023	Jun-2024	Jun-2025	Jun-2026	Jun-2027	Assumptions
A better business environment, increased investment (including climate and nature finance), improved business practices, and increased domestic and international trade.	Investment mobilised as a result of P4P's activities (cumulative, includes: domestic investment, domestic direct investment, foreign direct investment, foreign portfolio investment)	**Planned: Total Investment (women-owned firms)**	**-**	**£3,214,286 (25%)**	**£10,714,286 (25%)**	**£19,821,429 (25%)**	**£30,000,000 (25%)**	**£41,250,000 (25%)**	**£47,142,857 (25%)**	**Political feasibility:** the assessment of political feasibility in the options appraisal is correct and remains steady. **Domestic economic stability:** Tanzania's current broadly positive economic trajectory continues and there is not a major economic crisis. **Global economic recovery:** the global economic recovery will continue its current trend, and the market for Tanzanian exports (notably agriculture and tourism) will grow. **Private sector capacity:** there are sufficient SMEs in Tanzania that are capable of responding to technical assistance and absorbing investment. **Effective delivery:** the contracted supplier is able to establish an office in Tanzania and recruit staff with the require expertise to implement the programme. **Climate impacts:** the climate change impacts on agriculture production will not be so severe as to render large proportions of the sector unviable within 10 years.
		of which Climate & Nature Finance (women-owned firms)	**-**	**£1,071,429 (25%)**	**£3,571,429 (25%)**	**£6,607,143 (25%)**	**£10,000,000 (25%)**	**£13,750,000 (25%)**	**£15,714,286 (25%)**	
		Achieved: Total Investment (women-owned firms)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
		of which Climate & Nature Finance (women-owned firms)		**-**	**-**	**-**	**-**	**-**	**-**	
		Source								
		P4P annual reports; RVU results verification report								
	Outcome Indicator 2		Baseline (Jun-2021)	Jun-2022	Jun-2023	Jun-2024	Jun-2025	Jun-2026	Jun-2027	
	Number of firms in becoming more productive as a result of P4P's activities (cumulative)	**Planned: % increase (women-owned)**		**17 (25%)**	**45 (25%)**	**78 (25%)**	**114 (25%)**	**155 (25%)**	**165 (25%)**	
		Achieved: % increase (women-owned)		**-**	**-**	**-**	**-**	**-**	**-**	
		Source								
		P4P annual reports; RVU results verification report								
	Outcome Indicator 3		Baseline (Jun-2021)	Jun-2022	Jun-2023	Jun-2024	Jun-2025	Jun-2026	Jun-2027	
	Increase in trade as a direct result of P4P's activities (annual, as measured by value of new purchase orders)	**Planned (aggregate)**	**-**	**£100,000 (25%)**	**£300,000 (25%)**	**£700,000 (25%)**	**£1,500,000 (25%)**	**£3,000,000 (25%)**	**£6,000,000 (25%)**	
		Planned: Domestic Trade	**-**	**£50,000 (25%)**	**£150,000 (25%)**	**£350,000 (25%)**	**£750,000 (25%)**	**£1,500,000 (25%)**	**£3,000,000 (25%)**	
		Planned: International Trade	-	**£50,000 (25%)**	**£150,000 (25%)**	**£350,000 (25%)**	**£750,000 (25%)**	**£1,500,000 (25%)**	**£3,000,000 (25%)**	
		Achieved (aggregate)		**-**	**-**	**-**	**-**	**-**	**-**	
		Achieved: Domestic Trade		**-**	**-**	**-**	**-**	**-**	**-**	
		Achieved: International Trade		**-**	**-**	**-**	**-**	**-**	**-**	
		Source								
		P4P annual reports; RVU results verification report								
	Outcome Indicator 4		Baseline (Jun-2021)	Jun-2022	Jun-2023	Jun-2024	Jun-2025	Jun-2026	Jun-2027	
	Increase confidence in the investment climate (survey of P4P beneficiary firms)	**Planned**	TBC	Methodology Agreed	TBC	TBC	TBC	TBC	TBC	
		Achieved								
		Source								
		P4P annual reports; RVU results verification report								
INPUTS (£)	**£35,000,000**	INPUTS (HR)	**50% Grade 7 PSD Adviser; 35% HEO Programme Manager; 35% EO Programme Officer; 5% Grade 6 Team Leader**							

Annex B: Summary of key risks

Risk category	Appetite	Key risks
Strategy and Context	**P4P:** Receptive **BHC Tz:** Receptive	• A deterioration in the political situation leading to shifting political will and/or ability to reform. • Misaligned incentives preventing Government's policy being implemented in practice. • Local transmission of COVID-19 increases in Tanzania. Government confinement measures put in place that lead to reduced political engagement, deteriorating macro and micro economic conditions with lost income, job losses, blockages in supply chain and reduced investment. • Global economic downturn resulting from COVID-19 leads to reduced inward investment and demand for Tanzania's exports.
Policy and Programme Delivery	**P4P:** Receptive **BHC Tz:** Receptive	• Misunderstanding of the Government's priorities resulting in mistrust and stalled progress. • Risk that P4P is perceived to support large firms and/or investors over smaller businesses. • Risk that P4P works with firms with links to politically exposed people. • Internal delays in procurement of the independent Review and Verification Unit means there is no independent verification of P4P reported results.
Public Service Delivery and Operational	**P4P:** Cautious **BHC Tz:** Cautious	• Risk that working arrangements in response to COVID-19 are insufficient to ensure effective oversight of the programme.
People	**P4P:** Cautious **BHC Tz:** Cautious	• Resourcing gaps result in insufficient capacity within FCDO to ensure sufficient technical oversight or effective programme management. • Difficulty recruiting the right expertise that can work in Tanzania. • Challenges registering an entity and establishing an office in Tanzania. • Travel restrictions resulting from COVID-19 restricts P4Ps ability to draw down the required expertise to implement the programme leading to delays.
Safeguarding	**P4P:** Cautious **BHC Tz:** Cautious	• Risk that P4P works with firms that entrench negative power dynamics (e.g. relating to gender equality or child labour). • Risk that P4P's interventions in have an adverse effect on the environment and/or community land ownership
Financial & Fiduciary	**P4P:** Cautious **BHC Tz:** Cautious	• Weak financial management by partners leading to significant over and/or under spends • Risk of fraud or misappropriation and diversion of funds by suppliers or their downstream partners or grant beneficiaries. • Mismanagement of FCDO assets leading to loss or misuse of programme assets.
Reputational	**P4P:** Receptive **BHC Tz:** Receptive	• Risk that P4P is perceived to support large firms and/or investors over smaller businesses. • Risk that P4P works with firms with links to politically exposed people.

Annex C: References

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FCDO policy framework for the provision of grants or concessional finance to for-profit firms

The FCDO Subsidy Policy Framework

1. Increasingly FCDO is seeking to mobilise the assets, capabilities and resources of the private sector to achieve development outcomes, raising the question of when it is appropriate to provide public subsidy to for-profit companies[1]. There are circumstances where the commercial investment decisions of for-profit companies lead to under-investment in projects that deliver strong development returns. In these cases it can sometimes be justifiable for FCDO to provide grants or concessional finance.

2. This policy outlines when such funding to for-profit companies is justifiable, the conditions that should be met and the additional risks and legal factors that should be considered. It covers all cases where FCDO is extending an effective subsidy to for-profit companies by funding activities that can enhance their competitive position. This includes funding through intermediaries such as challenge funds or trust funds, direct funding to businesses and use of investment instruments.

3. The policy is targeted at staff designing interventions which extend subsidy to the private sector and this framework seeks to ensure that the right questions are being asked. The issues involved are necessarily subjective, so its application will rely on good judgement and utilising the best information available. Guidance on applying the policy is provided in Annex A.

4. Most forms of support that FCDO provides to business can be classed as subsidy. A subsidy in this context refers to any transfer of state resources which affects competition by favouring certain firms, and can apply to both grants and concessional finance. The value of a subsidy can be measured by the difference in an investor's expected rate of return with and without FCDO participation.

The conditions under which subsidy can be provided to for-profit companies

5. We define **six conditions** that should be met before a firm subsidy is provided. These are:

i) FCDO subsidy must always have a clear development rationale and an economic rationale
Subsidising a firm should be the best possible way to achieve our development goals while providing value-for-money to the taxpayer. There are two primary rationales for public subsidy; firstly, overcoming market failures, and secondly, achieving equity or distributional goals.

ii) FCDO subsidy should demonstrate additionality
All subsidies should ensure additionality – that the development outcomes would not have been achieved without FCDO support or would have been delayed for a sufficiently long period of time.

iii) FCDO subsidy should deliver sustainable development outcomes
Public subsidy to the private sector is intended to support investments with high developmental impact and where long-term commercial sustainability is expected. Subsidies should be time-bound and on-going subsidies should be avoided.

iv) FCDO subsidy should minimise market distortions

[1] A business or organisation which is established or operated with the primary intention of making a profit. The terms for-profit companies; companies; businesses; and, firms are used interchangeably throughout this note.

FCDO subsidies should seek to temporarily incentivise certain investments, to nudge markets towards more socially efficient outcomes. The subsidy should be the minimum necessary and targeted as closely to the market failure as possible. Poorly designed or poorly targeted subsidies can distort markets and create inefficiency.

v) FCDO subsidy should make a credible contribution to achieving systemic market impact
Targeting systemic market impact is important to ensure our interventions support the development of entire markets to achieve market transformation. They should avoid locking in inefficient market distortions by only benefitting individual firms.

vi) FCDO subsidy should align incentives with commercial partners
The alignment of incentives between commercial and development partners is critical in achieving development outcomes through subsidised commercial projects.

Risks of private sector partnerships

6. There are additional risks associated with subsidising private companies. Teams should consider:

Development legitimacy

7. To ensure development legitimacy and impact, the companies we are subsidising should attain high levels of environmental and social governance, and avoid elite capture.

UK political legitimacy

8. The UK political legitimacy of financing private companies is multi-dimensional and means we should avoid perceived poor corporate citizens, perceived poor levels of business conduct and perceived excess profits from an investment. Strong due diligence of the companies we subsidise is essential.

Financial Risk

9. Partnerships should also be avoided with counterparties who present significant financial risks to FCDO or the partnership.

Considerations in structuring subsidies

10. To maximise the effectiveness of FCDO subsidy, we must consider the following:

Instrument choice (grant vs. investment instruments)

11. Subsidies can be deployed through a wide range of instruments, including grants, investments (loans and equity), guarantees, and technical assistance. Instrument choice should be tailored to the constraint to investment that is being overcome.

Institutional Structures

12. There are significant institutional competencies that suggest – in general – it is more appropriate to channel subsidy to the private sector through intermediaries who have the appropriate skills and experience.

Legal and ODA Compliance

13. FCDO must ensure it adheres to all relevant requirements including the International Development Act (2002), conditions for ODA eligibility and EU State Aid rules.

Annex A. Guidance on application of the FCDO policy on the provision of grants or concessional finance to for-profit firms

14. This section provides further detail on the policy framework and guidance for staff on implementing the policy including the conditions that should be met and the additional risks and legal factors that should be considered.

1. Context

15. There are circumstances where the commercial investment decisions of for-profit companies – that is the need to achieve appropriate risk-adjusted rates of return – lead to under-investment in projects that deliver strong development returns. In these cases it can sometimes be justifiable for FCDO to provide grants or concessional finance to for-profit companies. The policy focuses on subsidy in the form of grant or concessional financing to the private sector.[2] The concepts are equally applicable to the provision of in-kind support including technical assistance.

16. Companies make investment decisions based on commercial criteria. At the simplest level, investments are expected to cover the full costs of the project – including the cost of capital employed – and achieve an appropriate rate of return having adjusted for the risks of the investment project. These considerations are not optional for a company – just as FCDO has a legal requirement to only undertake activities likely to contribute to the reduction of poverty, company directors have a legal duty to promote the company's success. Directors cannot direct resources to activities with high developmental returns unless these activities also promote the success of the company. Promoting the company's success can include activities related to promotion of the brand including through development activities that may not be immediately monetised.

17. The policy covers cases where FCDO is extending an effective subsidy to for-profit businesses by funding activities that can enhance their competitive position. This includes funding through intermediaries such as challenge funds or trust funds, direct funding to businesses and use of investment instruments.

2. Application

18. This section outlines the contexts and conditions that determine if and when FCDO subsidy is justifiable. It is targeted at staff designing interventions which extend subsidy to the private sector and seeks to ensure that the right questions are being asked. In the absence of definitive answers, much of its application will rely on good judgement and the best information available. The policy and guidance do not replace or supersede existing HMG rules and guidelines on the management of public money or FCDO operational procedures for aid disbursement. The policy is consistent with HMG-wide procedures and has been consulted on with HMT and Cabinet Office.

19. FCDO provides subsidy to the private sector mainly through intermediaries. This includes challenge funds, trust funds, multilateral organisations and international financial institutions. FCDO mainly uses grants to disburse funds, but can also use non-grant instruments. There may also be cases where FCDO provides subsidy directly to a company, although this will be the exception rather than the norm. This policy does not cover the procurement of goods and services from the private sector where subsidy should not typically be considered. Rather, it targets FCDO programmes and partnerships where the firm is a recipient of grant or concessional finance. The principles in this policy extend to social enterprises, defined as organisations with both social and commercial goals[3]. In these cases, the

[2] The scope of this paper excludes the procurement of goods and services where procurement guidance should be followed.
[3] Social enterprises apply commercial strategies to maximise improvements in human and environmental well-being. They can be structured as either for-profit or not-for-profit – only the former are covered by this framework. Profits made by social enterprises are typically reinvested or used to further social goals rather than delivering a return to investors. SROs should use their judgement in assessing the extent to which the policy should be applied to social enterprises.

reputational risks are likely to be less, but the risks of market distortion and inefficient use of public resources remain relevant.

20. Third parties are a major delivery channel for FCDO's support to firms. Third parties managing programmes directly funded by FCDO, such as challenge funds, are expected to ensure that subsidies provided to for-profit companies meet the conditions and consider all risks outlined in this paper. We expect other third parties, including development finance institutions and multilateral organisations, as well as bilateral partners, to apply similar principles when providing funding to for-profit companies. SROs should take a view on the materiality of any differences in policies on subsidies. FCDO will have influence but not control over some of these organisations.

3. Defining subsidy

21. Most forms of support that FCDO provides to business can be classed as subsidy. A subsidy in this context refers to any transfer of state resources which affects competition by favouring certain firms. It can apply to both grants and concessional finance. The value of a subsidy can be measured by the difference in an investor's expected rate of return with and without FCDO participation.

4. The conditions under which subsidy can be provided to for-profit companies

22. We define **six conditions** that should be met before a firm subsidy is provided. We give guidance on assessing these conditions, but cannot set definitive levels at which the conditions are met. Assessing the validity of a particular subsidy is a subjective decision that should be made on the balance of all factors affecting the particular case. FCDO staff should consider all six conditions.

23. The relative importance given to any one will depend on the type of firm, the market failure and the size and nature of the subsidy under consideration. For example, large subsidies or grants to large firms with good access to finance should bear a higher burden of proof that the grant is truly additional, i.e. that the desired outcomes would not happen in its absence. Those considering awarding subsidies to firms in thin markets should think hard about how to avoid potential risks of distortion and excessive market capture by a single firm. External scrutiny will vary with the type of programme but will invariably ask why a profit-making firm needs subsidy and whether this a good use of public money. SROs must be able to answer these questions.

    The six conditions which should be met before a subsidy is provided are:

i) FCDO subsidy must always have a clear development rationale and an economic rationale. Subsidising a firm should be the best possible way to achieve our development goals while providing value-for-money to the taxpayer.

24. The first stage in determining if a subsidy to a firm is justifiable is to identify a clear development and economic rationale for intervention. There are two primary rationales for public subsidy:

    - *The economic rationale of overcoming market failures, where markets fail to allocate resources efficiently, or responding to distortions resulting from previous government failures; and*

    - *The development rationale of achieving equity or distributional goals.*

    FCDO's focus on poverty reduction means that both rationales are important for justifying interventions.

25. It is sometimes argued that helping firms to invest in developing countries and create jobs and incomes is sufficient rationale for subsidy. However, without targeting a market failure FCDO risks distorting the market by skewing price signals and generating 'deadweight losses' – defined as inefficiencies in resource allocation. FCDO can end up supporting firms with limited prospects for growth, because the underlying market failure remains. In most places where FCDO works, there will be multiple market

failures – i.e. more than one reason why a market does not allocate resources efficiently. An effective intervention will identify and target the failures that are binding constraints to development.

26. There are a number of ways to address market failures, some of which may lend themselves to providing subsidy to firms whilst others may not. When determining the economic case for firm subsidy, FCDO should be confident not only that public financing will deliver sufficient value for money, but also that the development outcomes are expected to be achieved more efficiently through this route than through any other. This is particularly pertinent when thinking about subsidy to an individual firm where the risk of distorting competition in the market is high. Generally, if the market failure can be fixed via a market-wide solution, this will be preferable to supporting an individual firm. However, there are cases where the conditions of the market failure and the equity/distributional considerations can warrant support to an individual firm:

    a. First mover failure: First movers often face higher and sometimes prohibitively high costs or risks to enter a new market or to innovate within an existing one. The uncertainty around whether it is viable to sell or produce a good in a new location increases the return required to enter the market. Firms that follow can capitalise on some of the lessons learnt by the first mover as these are often difficult to keep within the firm. This generates a disincentive for firms to become first movers. For investments with high development potential, there is an argument for FCDO to help overcome the first mover problem. The ideal, 'first best' solution would focus on reducing these costs or risks for all potential entrants. The case for supporting an individual, pioneer firm to enter arises where the benefits or spillover effects to other firms of doing so, such as large learning or demonstration effects, outweigh the potential costs of supporting and creating an incumbent in the market.

    b. Fostering development externalities: Externalities arise when there are spill-over effects for society from the production of a good or service that are not captured by the firm itself. Firms' investment decisions are only based on the costs and benefits that accrue to the firm, leading to under- or over-investment for society as a whole[4]. Firms constantly generate positive externalities for society through the course of their regular business, for example through innovation, training and, in some cases, employment. As a result, externalities can appear to provide a relatively soft rationale for intervention. Discipline is required to determine the most effective public intervention, if any, to optimise firms' investment levels. The solution to externalities usually rests in changes to government policy, or in interventions that target the whole market. The exception to this is when there is a strong equity case[5] for a firm level subsidy which has strategic importance for poverty reduction. In these cases, the subsidy is provided under a developmental rationale and should be deemed to justify the distortion that is created by supporting a single firm, whilst also meeting all the other conditions set out in this note.

    c. Missing markets or prices is another category of market failure. It often arises as a result of coordination failure where an institution or market fails to emerge for a good or service because it cannot find a way to coordinate a fee from the relevant market players. Firm-level subsidy is rarely an appropriate candidate for fixing this type of failure. Support to firms at the market or industry level on the other hand, can be an appropriate intervention. FCDO's role will depend on the underlying source of the coordination problem. If the problem is institutional e.g. allocating legal entitlements, subsidy to firms is unlikely to solve the problem in a sustainable way. If it is a lack of information, where the information has a public good element, there may be a case for public provision or for targeting support in a way that helps the market as a whole to emerge.

[4] The first mover failure is a special case of this where the innovation or entry of a firm to a market generates valuable lessons for other firms that it cannot internalise for itself, thereby leading to lower levels of innovation or investment than are desired by the economy as a whole.

[5] An equity case is where an intervention is justified on the basis that it will improve the well-being of those on low incomes. An example would be supporting the development of a local value chain which is expected to significantly impact on the poor.

27. Further guidance on the economic principles can be found in the 2011 Chief Economist's Office paper, "Principles for Private Sector Subsidy Provision."[6]

ii) FCDO subsidy should demonstrate additionality

28. As set out in the HMT Green Book[7] conditions for government intervention, all subsidies should ensure additionality – that the development outcomes would not have been achieved without FCDO support or would have been delayed for a sufficiently long period of time that achieving development outcomes sooner justifies the subsidy. The Green Book emphasises the *net* effects of a subsidy – i.e. the positive gains minus what would have happened anyway plus any resulting negative impacts. Without expected net gains, the subsidy will simply result in a matching decrease in private expenditure, known as 'crowding out'. Subsidising activity that would happen anyway is a waste of public money and should be avoided at all costs, no matter how significant the development impact. The greater the scale of the subsidy, the greater the burden of proof required to show that FCDO support is additional – though all projects and programmes should be developed with the principle in mind. FCDO's additionality can be either financial or non-financial:

    a. <u>Financial additionality</u> – this refers to whether our money is really needed. It is necessary to assess: (i) if the firm could source financing from the market without FCDO support; and if so, (ii) would it invest in this particular investment? It is important not to conflate these two questions; it should not be assumed that just because a firm can attract additional finance from the market that it would choose to allocate it to a particular investment over and above all other options. Similarly, if the answer is no for both questions, then we should ask why this is the case to understand if a firm-level subsidy is an appropriate solution.

    If we offer support to business that is available from the market at affordable rates we will crowd out private sector financiers. This should be avoided as it not only reduces the commercial discipline in this particular investment but is also likely to suppress development of the capital market itself.

    Capital markets are continually evolving, meaning the window where it is appropriate for FCDO to supply subsidy this year, may not be the same next year. The range of capital market actors is increasingly large and diverse. There is a growth of impact and other investors who are offering finance in new, higher risk, lower risk-adjusted return areas. It is important that we do not restrict development of these markets. We need to continually reassess the readiness of the market to finance investments, and as a default should design exit routes from our investments that allow the market to move in as this frontier shifts.

    The dynamic nature of capital markets means the counterfactual for many development results delivered through subsidy to the private sector is that they would have been achieved later – rather than not at all – without public subsidy. In these cases we should be able to demonstrate that achieving the results earlier delivers sufficient value for money, over waiting for the market to deliver them itself. The case for FCDO support is likely to be stronger for more frontier investments where the market will take significant time to get there, or for investments that will reach scale quickly.

    Assessing whether a firm would invest in an activity is generally harder than assessing if it could source the financing to do so. If a firm thinks it can access free or concessional finance, it may have an incentive to exaggerate its need for the subsidy. There are various ways to test for additionality. It will normally require some analysis of the markets affected by the intervention, including whether any business is already delivering similar outcomes without support. It is important to understand the firm's incentives and areas of expansion and interrogate the extent to which the outcome is

[6] EDRM: 3212142

[7] The Green Book: appraisal and evaluation in central government, HM Treasury, https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-governent

likely to lead to clear commercial gains. Likelihood of commercial gain does not however mean that the firm would definitely invest regardless of the subsidy. Perceptions of risk may prevent it from doing so or there may be investments that offer better returns. Firms are also more likely to under-invest in activities that have public good elements – e.g. open research which others can then access, or activities with clear externalities. Finally, there is a risk throughout of moral hazard: firms are less likely to invest up front in normal market conditions if they believe that, should they hold off, FCDO will step in to assist them with a subsidy. There is potential for FCDO's subsidy regime to actually delay development outcomes if the balance and incentives are wrong.

b. <u>Non-financial additionality</u> – Importantly, there are cases where FCDO can add value beyond the provision of finance. We can, for example, help existing investors think through how to increase the development footprint of investments they would make anyway. In these cases it is critical that we can describe precisely what it is that FCDO is adding to the investment and why the market cannot provide this. In many cases FCDO is likely to be providing both financial and non-financial additionality. Where FCDO is only providing non-financial additionality there is a high burden of proof that enhanced development outcomes will be achieved. In these cases FCDO's inputs should be small relative to the overall investment.

iii) FCDO subsidy should deliver sustainable development outcomes

29. Public subsidy to the private sector is intended to support investments with high developmental impact and where long-term commercial sustainability is expected. Subsidies should be time-bound and on-going subsidies should be avoided. We require a clear exit strategy from subsidies and our analysis should mean we are confident of the prospects for the investment to become self-financing over time. We should also be careful of supporting markets or firms that may be short lived due to external threats or substitutes. Without ensuring the above, development outcomes can quickly be eroded once a subsidy ends. Or, if subsidy is extended for a prolonged period it can lead to undesirable changes in firm behaviour and entrench inefficient market distortions and is therefore unlikely to provide good value for money.

30. The timeframe over which a subsidy is appropriate will depend on the geography, sector or market of the investment and the constraints to that investment. As a default, subsidy should reduce over time as investments transition to commercial terms.

31. Investments delivering public goods or where there are continuing issues of equity to address are an exception that may receive on-going subsidy. Generally, domestic governments (rather than FCDO or other agencies) should provide these subsidies. For example, infrastructure projects may often have an on-going subsidy to reduce the cost at the point of use. An assessment of the long-term robustness of this on-going subsidy should be included in our analysis of the investment.

iv) FCDO subsidy should minimise market distortions

32. Our subsidies seek to temporarily incentivise certain investments, to nudge markets towards more socially efficient outcomes. Poorly designed or poorly targeted subsidies can distort markets creating inefficiency. Two factors should be considered:

a. <u>Minimum subsidy</u>: A subsidy should be set at a level that is just sufficient to prompt investment. It should be large enough to induce real change in the way desired, but no larger. This in practice is difficult to judge. We also need to be realistic about how prescriptive we can be. Market scoping and analysis of the constraints to investment are required, and competitive bidding processes can be used to allocate subsidy efficiently. When this is not feasible, commercial negotiations are required based on market benchmarks. This principle also includes the need for subsidies to be time-bound as discussed above in "sustainable development outcomes".

b. Subsidy targeting: Subsidy should be targeted as closely to the market failure as possible to avoid distortions. Where possible the subsidy should be linked to the achievement of development outcomes. For example, linking subsidy to minimum service quality, outreach targets or to performance.

v) FCDO subsidy should make a credible contribution to achieving systemic market impact

33. Targeting systemic market impact is important to achieve market transformation and avoid locking in inefficient market distortions. There may be a strong developmental case for subsidising an individual firm to overcome the constraints to investment, but such an approach may not be the most effective way of tackling the underlying problem and is likely to limit the scale of our impact. It is critical to understand the constraints to investment and try to tackle these constraints through our intervention. Often a market-wide approach to overcome market failure is preferable to approaching an issue through a single actor.

34. For example, if the primary constraint to investment is related to the investment climate or perceived or real political risk then subsidy to an individual firm would allow that investment to go ahead but would not tackle the underlying constraint for other investors, thereby locking in an anti-competitive position and failing to support market transformation. In this case our support would be better targeted at improving the investment climate or supporting political stability. In contrast, where the primary constraint is perceptions of high commercial risk related to first movers then subsidy to a firm can, in some cases, help not only the firm itself, but also the broader market by reducing the perceived commercial risk for subsequent investors.

35. Many of the markets FCDO works in are very thin, sometimes with no more than one or two players. A balance should be drawn between working with the few players available and avoiding inadvertently supporting their excessive capture of the market. Critically, the design of our support can help to ensure that a market-wide impact is achieved even if this is relatively long-term and requires subsequent complimentary support. For example, ensuring that the products of subsidy to an individual firm, such as an innovation or the interpretation of regulation, are transferrable to other market players. A combination of instruments (e.g. firm subsidy and market capacity building) may often be required to achieve systemic market impact. Where we are seeking to achieve equity or distributional impacts alone, these can, in exceptional cases, be achieved without systemic market impact. However, more often than not we can seek to create replicable approaches even in these cases that can spread across the relevant market.

vi) FCDO subsidy should align incentives with commercial partners

36. The alignment of incentives between commercial and development partners is critical in achieving development outcomes through subsidised commercial projects. The design of a subsidy (covered above in the third condition, “minimise market distortions”) and the way it is delivered (covered below in “instrument choice”) are two important factors. However, many partnerships in development are more complicated than mere financial transactions. Incentives of commercial partners can also be related to factors which are not immediately commercial, such as increasing the future productivity of workers, securing supply chains or improving the reputation of the firm. Partner selection should be considered carefully, particularly the commitment of the commercial partner to achieving an investment’s development outcomes in addition to its commercial outcomes. Governance structures are also critical, particularly those that bind the joint commitment of partners to both commercial and development objectives within the investment.

5. Risks of private sector partnerships

37. There are reputational risks associated with subsidising for-profit companies. As both a Whitehall department and a development agency, FCDO should ensure the UK political legitimacy and the development legitimacy of both the project and its commercial partner. Strong due diligence of the companies we subsidise (or indeed work with) is essential.

38. FCDO has specific guidance on identifying and managing reputational risks when working with business, including a tool to assess corporate engagement risk that complements FCDO's existing due diligence framework[8]. FCDO's due diligence framework guides the assessment of key risks with regards to bodies with which we are considering contractual relationships. It includes guidance on how far into an organisation, its subsidiaries, downstream partners and suppliers our analysis should go based on a proportional evaluation of identified risks. The level of due diligence required will depend on the financing mechanism, but in all cases where there is a formal relationship and a firm receives subsidy, a comprehensive risk assessment is required. Both pre and concurrent due diligence is important for decision-making. FCDO is currently reviewing its risk assurance processes to ensure they remain fit-for-purpose.

5a. Development legitimacy

39. To ensure development legitimacy and impact, the companies we are subsidising should:

   a. Attain high levels of environmental and social governance including positive interactions with local communities. Businesses have different approaches and it is important to take account of their overall development impact, not just support the front runners in terms of standards. There may be cases with large scale multinationals where we would engage with them at a global level, but would not engage in certain geographies due to specific localised impacts. We need to be careful to consider both the global and local impact of our engagement in any particular project. When operating in fragile and conflict-affected states we should also consider the conflict sensitivity of our subsidy; and,

   b. Avoid elite capture – FCDO's approach to poverty reduction is grounded in the "golden thread" of open societies and open economies. Where business is captured by elites, it is unlikely that our subsidy will be effective and undermines this broader approach to poverty reduction. It is important that we understand the political economy surrounding the businesses we are partnering with.

5b. UK Political legitimacy

40. As a UK government department we should consider the need to be responsive to our political legitimacy as seen from the point of view of UK taxpayers, and the structures in which we are allowed to work. The UK political legitimacy of financing private companies is multi-dimensional and means we should avoid:

   a. Perceived poor corporate citizens – particularly those perceived as acting poorly in the UK, e.g. aggressively avoiding UK tax. When considering support to multinationals, we should also consider favouring those global corporations which opt to report to tax authorities on where they make their profits and pay taxes around the world. The G8 members are drawing up a database to collect this data. When working with foreign companies, we should be aware that our support may be subject to greater challenge from a UK political legitimacy point of view, but this should not in any way suggest our aid is tied.

[8] This work is led by PSD. Draft guidance is currently subject to consultation with relevant FCDO departments to consider options for implementation.

b. Perceived poor levels of business conduct – e.g. labour standards. Once the right organisation to deliver a particular development outcome has been identified, the challenge is to decide when to engage with, and build the capacity of, businesses that cannot yet set out a clear description of how they reflect and support our development priorities. The risks of engaging with these businesses are higher, but potentially worthwhile if engagement with FCDO not only to the achievement of the desired development outcomes but also leads companies to raise their standards in future.

c. Perceived excess profits from an investment – Whilst important for legitimacy, this focus needs to be balanced against the risk of distorting our own incentives to support losers rather than winners. The evidence of organisations like the IFC is that, on average, commercially successful projects deliver greater development outcomes. It is critical for FCDO to share in the upside of investments where they may be perceived as making excess profits. It is difficult to identify in advance those investments that will have large upsides. Programme design should systematically consider the option of securing claims on future returns, and assess whether the size of the grant warrants the transaction costs of establishing a share in the upside. Returnable capital instruments could enable FCDO to secure the return of its capital. Section 6 discusses instrument choices in more detail. Another option is to retain rights to the intellectual property. This is a common approach in FCDO's supplier contracts. In practice however, firms are likely to resist any conditions that permit FCDO to profit from the intellectual property rights of an investment, not least as this would affect the competitive position of the firm and be contrary to the spirit of partnership.

d. Projects with hard to demonstrate development returns – will be harder to justify within FCDO's remit than those with clearly demonstrable and uncontroversial development impact.

5c. Financial Risk

41. Partnerships should also be avoided with counterparties who present significant financial risks to FCDO or the partnership. A weak counterparty may default financially or operationally on their obligations to a partnership. Due diligence should include an assessment of the counterparty's financial position and the risk that they will not meet their obligations to the investment. FCDO should also be careful to avoid taking on any additional liability or obligation as a result of these partnerships, particularly those that may impose unduly onerous burdens and obligations.

6. Considerations in structuring subsidies

6a. Instrument choice (grant vs. returnable capital)

42. Subsidies can be deployed through a wide range of instruments; including grants, investments (equity, debt, and mezzanine products[9]), guarantees, and technical assistance. In this section we highlight the main factors to consider in determining the appropriate use of these instruments. We focus on financing products but the concepts can be equally applied to technical assistance where cost recovery can be used.

43. The instrument choice should be tailored to the constraint to investment that is being overcome. Subsidy should seek to incentivise investment by raising the risk-adjusted rate of return. This can be achieved by return enhancement or risk reduction, but each will create different incentives. It is critical to understand if the constraint to investment is one associated with increased cost, increased risk or a combination of the two.

44. In general, a grant is likely to encourage greater risk taking on the part of the firm, whilst a returnable capital instrument is more likely to incentivise a firm to think about long term sustainability. Debt products are effective in addressing high costs. Guarantees and other risk mitigation products are effective where perceptions of commercial risks are high. Mezzanine products and equity products can

[9] Mezzanine products combine both debt and equity components e.g. a loan that can be converted into equity

address both high costs and perceived risks. Guarantees are good at targeting clearly identified risks, whilst equity finance and mezzanine products may be more appropriate in new, frontier markets.

45. Where we expect that our support will result in commercially viable investments, there is both a legitimacy and a value for money case for sharing in the potential upside of the investment. This is particularly the case with investments that may deliver "blockbuster" returns. However, where the subsidy required to achieve social benefits is greater than the commercial return to the firm, it will not be willing to repay the subsidy in full. In these cases it may be possible to increase the legitimacy of the aid either by formalising agreements around matching grants and in-kind contributions or by providing a concessional returnable instrument to demonstrate partial repayment; however these arrangements will increase transaction costs.

46. Non-grant instruments can lead to significantly higher transaction costs for FCDO, both upfront and throughout the life of the investment, as a result of the additional design and management required. Where the size of the subsidy is small, these transaction costs can outweigh the additional value for money to FCDO from the financial return. It is important to maintain proportionality in the administrative burden of non-grant instruments; however, there can still be reasons to provide non-grant instruments where these costs are high, including political legitimacy and to enhance commercial discipline in the partner.

47. FCDO is developing an investment policy to ensure that FCDO's non-fiscal budget is managed effectively. The policy will set out in detail the conditions for the management and use of returnable capital instruments.

6b. Institutional Structures

48. There are significant institutional competencies that suggest – in general – it is more appropriate to channel subsidy to the private sector through intermediaries who have the appropriate skills and experience.

49. Skillsets: Providing subsidy to for-profit firms inevitably requires a degree of commercial acumen. FCDO – as other development ministries – has a skillset recruited and developed to assess and make development investments rather than commercial investments. FCDO does not currently have sufficient staff with the commercial and investment skills or experience to successfully pick commercial winners in-house. This skillset could be acquired, but this is unlikely within existing remuneration structures. In contrast, a number of development actors, including CDC, already have appropriate skillsets, experience and systems in place to take these sorts of investment decisions[10].

50. Risk management: FCDO, as a Whitehall department, faces significant reputational risks associated with individual failures. Each individual project can be viewed by the public as a failure regardless of overall portfolio performance. We therefore cannot run a diversified portfolio in the same way that a commercial actor would, thereby increasing the information requirements and management costs associated with our investments. Intermediaries have the advantage of being able to diversify risk by operating a portfolio of investments. While individual failures can still impact on FCDO's reputation, the impact is reduced and can be more easily cited against the overall performance of the intermediary's portfolio. This means that arm's length relationships can be more attractive vehicles, and increasingly so where risks are higher or information is more uncertain.

[10] Skillsets may require minor additions/adjustments through new hires (e.g. CDC's addition of impact investment expertise) but are broadly aligned with existing overall competencies.

51. There are certain special cases where it may be appropriate to take decisions in-house. The administrative costs of using intermediaries may be too great for small investments and there will also be cases where the impact of FCDO's unique skills is significant[11].

7. Legal and ODA Compliance

52. FCDO must ensure it adheres to all relevant legal requirements including the International Development Act and EU state aid requirements as well as conditions for ODA eligibility. Through legal advice sought on individual proposals, FCDO is building a clear determination of the appropriate limits on its engagement with the private sector. SROs should seek legal guidance as appropriate.

53. The UK International Development Act (2002) governs how we can spend our budget. Finance and other support can be provided to 'bodies' that undertake activity to reduce poverty. Current guidance on the Act suggests that the provision of public subsidy to business is acceptable where the primary purpose of the aid is for economic development and the welfare of recipient countries in line with OECD DAC reporting requirements, and not for commercial objectives.

54. The Act also makes the practice of giving 'tied aid' illegal, meaning all UK aid (including any subsidies) must be untied. Untied aid is defined as "Official Development Assistance for which the associated goods and services may be fully and freely procured in substantially all countries". [12] The DAC is the ultimate arbiter on whether aid is tied, untied or partially tied. FCDO (FCPD) provides the returns to DAC reporting on untied aid for which FCDO is responsible. There are a number of exceptions for ODA that does not have to be included in the "tied aid" report and this includes technical cooperation and scholarships.

55. For subsidies provided directly to companies to qualify as ODA, FCDO must seek a ruling from the DAC on a case-by-case basis. Subsidies which are extended via FCDO programmes or via ODA-eligible institutions, qualify automatically as ODA as per DAC guidelines (under the assumption that as part of the broader programme they will meet the DAC criteria). All financial support must meet the DAC's minimum concessionality requirements. The DAC is currently reviewing the definition of ODA, including the scope to include private sector financing instruments in a modernised definition. Initial outcomes of negotiations are expected by the end of 2014.

56. EU State aid rules are relevant where support from the UK government may distort competition within the EU and there is a potential impact on trade between EU member states (for example if there could be an impact on imports to the EU or the holding company of the beneficiary is an EU one). State aid is defined by the EU as "an advantage in any form whatsoever conferred on a selective basis to undertakings by national public authorities."[13] The EU Treaty prohibits in principle any form of government assistance for commercial undertakings.

57. EU State aid rules do not apply if the total public assistance received from FCDO (or a FCDO controlled or funded entity or agent) by an entity is less than Euro 200,000 over 3 years or if FCDO is investing on an equal terms to other investors and on a fully commercial basis into an entity. In a worst case scenario, aid has to be reimbursed or the UK must pay damages to other entities harmed. It is wise to consider early whether State aid rules apply. This allows time to work out whether any other exemptions are available, or, if necessary, to seek Commission agreement.[14]

[11] There is ongoing work looking specifically at CDC's role versus FCDO's in providing support to firms. The outcomes will inform FCDO's deployment of its non-fiscal budget.
[12] OECD Untied aid http://stats.oecd.org/glossary/detail.asp?ID=2817
[13] EU state Aid Overview http://ec.europa.eu/competition/state_aid/overview/index_en.html
[14] State Aid can be made legal by notifying and obtaining clearance from the Commission who may find aid compatible with the Treaty by balancing the market distortion against the public interest (development).

58. The risks of a complaint and of aid being found not compatible are reduced if aid is granted under an open competition or challenge fund, where there is a clear market failure being addressed, and if the principles in this subsidy paper are followed together with documented evidence of compliance. Where there are discretionary subsidies given or market failures are not so clear, then legal advice should be obtained.

8. Additional resources

59. This paper provides the over-arching policy framework and principles for public subsidy to the private sector. As we scale up our partnerships with commercial partners we require a more sophisticated and consistent application of these principles. Please contact the Policy Team in Private Sector Department if you require advice on assessing proposals against the conditions in this policy. Contact details are posted on FCDO's Economic Development Themesite

60. The guidance in this paper is additional to that set out in the FCDO Smart Rules and is only intended for programmes that involve subsidies to the private sector. These programmes, as with all programmes, will also need to ensure that they follow the Smart Rules throughout the programme cycle.

61. Detailed guidance and supporting work referenced in this policy framework include:
    i. Guidance on assessing reputational risks when working with business and appropriate integration with FCDO's due diligence framework;[15]
    ii. Investment policy and smart guide for Investment Capital programmes;
    iii. FCDO Smart Rules for Better Programme Delivery[16]
    iv. The UK International Development Act (2002)[17]

[15] http://insight/corporate/Pages/Due-Dilligence-Framework-launched.aspx
[16] FCDO Smart Rules http://insight/Smart-Rules/Pages/default.aspx
[17] UK International Development Act (2002): http://www.legislation.gov.uk/ukpga/2002/1/contents

Foreign, Commonwealth & Development Office

Delivery Chain Mapping and Delivery Chain Risk Mapping Guidance for external partners

UKaid from the British people

Contents

Introduction

Delivery Chain Mapping (DCM) and **Delivery Chain Risk Mapping (DCRM)** are useful tools for programme risk management for the Foreign, Commonwealth and Development Office (FCDO). These tools play an important role in the due diligence and programme monitoring processes and improve understanding of how FCDO funding flows throughout a delivery chain, to ensure that our programmes achieve their objectives.

By better understanding our delivery chains FCDO can:

- Establish a comprehensive view of all partners in receipt of FCDO funding and the extent of those arrangements.
- Develop and strengthen future supplier bases.
- Understand a delivery partner's role in achieving programme outcome(s) and opportunities for potential scale up.
- Capture and manage risks that could affect programme outcomes.
- Ensure risks are being managed by those best placed to do so.
- Strengthen our programme management capacity and programme delivery.
- Respond quickly and efficiently to requests for information about funding to specific organisations and provide greater transparency to the public.

Delivery Chain Mapping (DCM)

DCM is a process that identifies and captures, usually in visual form, the names of all partners involved in delivering a specific product, service or change, ideally down to the end beneficiary or recipient of FCDO funding.

The focus should be organisations with which FCDO's implementing partners (i.e. signatories of a funding arrangement with FCDO) have formal funding arrangements involving FCDO funding, right down to the partners responsible for providing goods or services to the end beneficiaries/recipients. As a minimum, we

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would expect our partners to provide the names of their **tier 1 partners** (e.g. organisation to which they provide direct funding) and where possible the names of partners at lower tiers.

Delivery Chain Risk Mapping (DCRM)

DCRM is a visual depiction that builds on the DCM. It provides more information about the **formal relationships, flow of funds from the initial source and the potential risks,** ideally right down to the end beneficiaries/recipients.

Where DCM focusses on identifying all partners involved in delivering a specific product or service, the DCRM is about understanding, capturing, and managing the risks to the successful delivery of a programme, in relation to downstream delivery partners.

DCRM enables the FCDO to have focused discussions internally and with our partners about risk and risk management and supports improved risk escalating and reporting.

DCRM can help identify, highlight, or prompt the FCDO to consider areas such as:

- FCDO funds being distributed to each implementing (downstream or indirect) partner.
- Where capacity issues may exist with delivery partners (e.g. a partner's capacity to manage a large number downstream / indirect partners).
- Vulnerable links or gaps where we have limited information (e.g. where knowledge and information about certain partners is limited).
- Key dependencies on downstream partners.
- Risks involved at each stage in the delivery chain (e.g. resources being diverted to terrorist groups) and associated controls.
- Where risk management is transferred or where there may be opportunities to transfer risk management and where accountability sits for the management of such risks.
- Administrative costs incurred throughout the delivery chain.

DCRM should, where possible, identify all partners (funding and non-funding e.g. legal/contributions in kind) involved in the delivery of a programme. Good practice includes details of:

- The name of all downstream delivery partners and their functions.
- Funding flows (e.g. amount, type) to each delivery partner.
- Risks involved in programme delivery, mitigating measures and associated controls.

DCRM should identify, to the extent possible, the fiduciary and other risks associated with the management of FCDO funds down the delivery chain. For example, how funding might be diverted, and where the FCDOs knowledge of the downstream partners may be incomplete. This should include consideration of potential fraud, bribery, or terrorist financing. It might also consider the dependency on key partners and the coherence and value for money (VFM) of the overall supply chain for the intervention.

FCDO delivery partners are responsible for mapping the complete delivery chain. Once the initial mapping is complete this will form the basis for a discussion with FCDO to identify the key risks and management of such risks.

A good delivery chain risk map will:

- Provide a clear understanding of all delivery partners involved in the delivery of a programme and the relationships between them.
- Identify key delivery risks, mitigating measures and associated controls throughout the delivery chain.
- Help ensure suitable risk management throughout the delivery chain.

DCRM remains important throughout the programme lifecycle. The map will be a live document which will support programme management and monitoring, helping all those involved in programme delivery remain alert to new and emerging risks.

Risk maps should be reviewed and updated periodically, in line with agreed programme monitoring processes and procedures e.g. during quarterly progress meetings. Any material changes to either the programme risk assessment or delivery chain should be recorded as soon as possible. It is the responsibility of the partner to notify the FCDO programme of any changes to risk within the delivery chain.

Application of the DCM and DCRM

DCM is a key mandatory component of FCDO's Due Diligence Framework and Programme Operating Framework (PrOF) which assesses a potential delivery partner's capacity and capability to deliver programmes and manage UK taxpayer's funds. DCM/DCRMs are developed iteratively throughout the programme lifecycle. However, FCDO require a complete DCM/DCRM as soon as possible before funding is disbursed, as part of FCDOs due diligence process. **DCRMs are currently considered as best practice by the FCDO within the Due Diligence Framework and PrOF.**

Partners are required to maintain an up to date and accurate record of their delivery chain, detailing all downstream partners in receipt of FCDO funds and/or FCDO funded inventory or assets. FCDO programme teams work with partners and may request up to date DCM/DCRM information regularly throughout the implementation of any programme as part of ongoing programme monitoring. Partners must inform the FCDO programme teams of any changes to the partners in the delivery chain as and when any changes arise.

DCM and DCRM remains relevant throughout the programme lifecycle. These maps are a live programme management and monitoring tool to help FCDO programme teams remain alert to new and emerging risks.

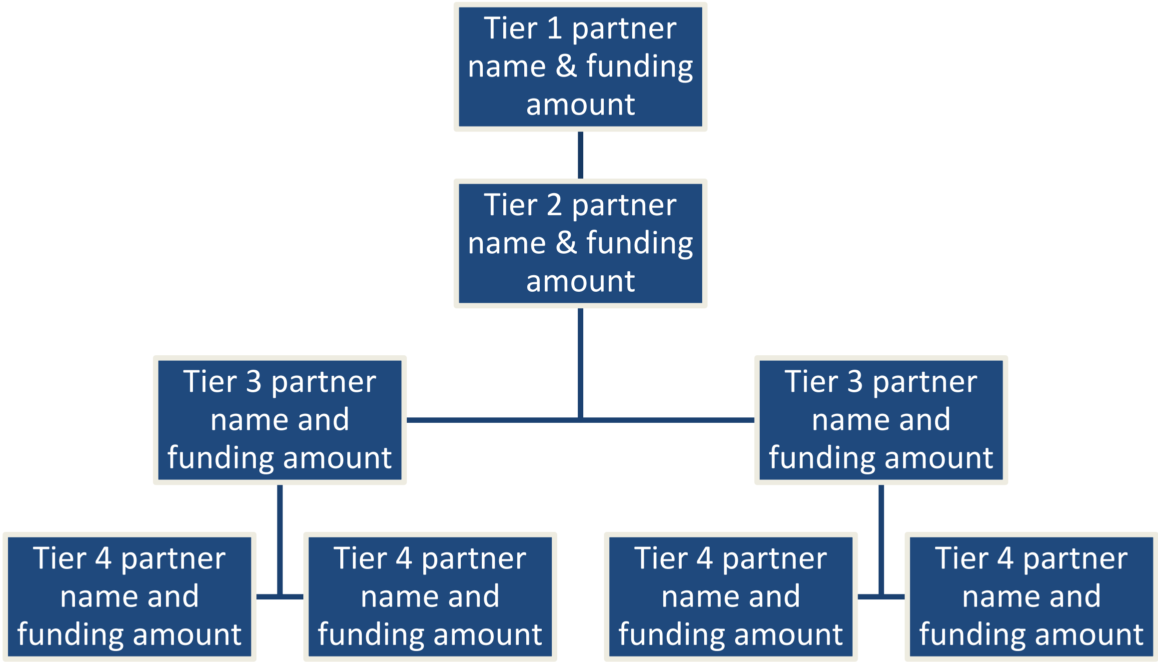
Where the partner organisation is publishing this information to the **International Aid Transparency Initiative (IATI)** and effectively connecting downstream partner information so that a specific FCDO activity is traceable down the delivery chain, you can refer the programme team to the data available. For more information on publishing to IATI please find the IATI guidelines on gov.uk

Questions or Concerns

Please contact the Senior Responsible Owner or Programme Responsible Owner of the programme you are working on if you have any questions relating to this document.

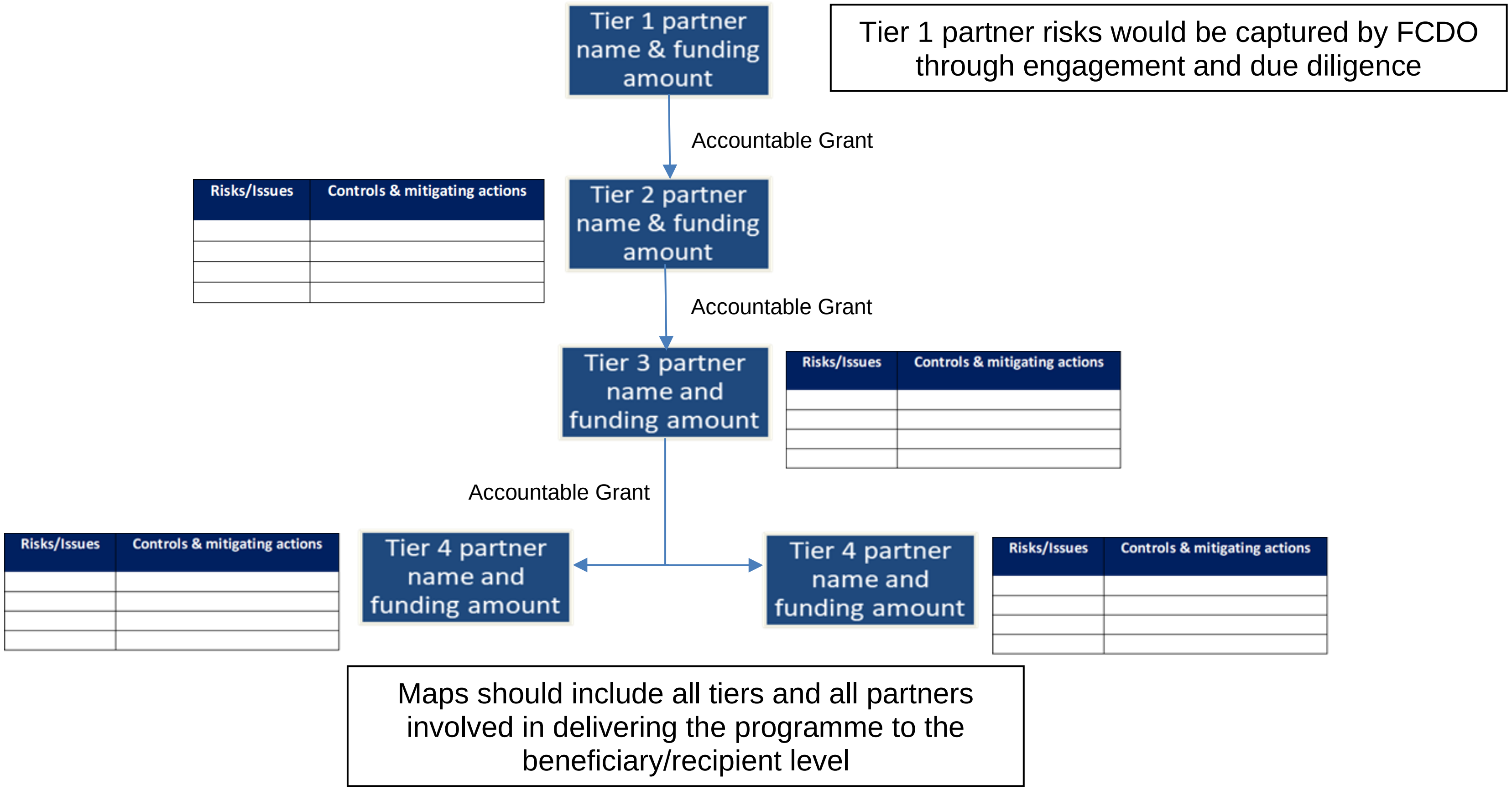
The annexes below provide example formats for the DCM/DCRM but these are not presciptive. The partner and the programme team can discuss and agree what format works best for DCM and DRCM to provide/ obtain the information required.

Annex A – Examples of a Delivery Chain Map



Maps should include all tiers and all partners involved in delivering the programme to the beneficiary/recipient level

Annex B – Examples of a Delivery Chain Risk Map



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FCDO
Due Diligence Guidance for External Partners

Contents

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1. Purpose of the Guide

This guide is designed to explain to the Foreign, Commonwealth and Development (FCDO) partners and external stakeholders how due diligence processes operate within the FCDO. This document should prepare partners for what to expect if undergoing an FCDO Due Diligence Assessment (DDA) or Central Assurance Assessment (CAA).

2. Why due diligence matters

The FCDOs due diligence approach forms part of our risk assessment process intended to gain assurance that our potential delivery partners have the technical capability, capacity, and financial stability to deliver our programmes effectively and efficiently, and that outcomes and value for money are achieved. Due diligence can also identify risks to our partners' ability to deliver in line with FCDO's expectations and in line with the funding arrangement, which partners and programme teams can then manage over the programme cycle. It is also an opportunity for our partners and FCDO to get to know each other's expectations and priorities, which in turn can lead to improved understanding, communication and helps to foster positive partnerships into the future.

Due diligence helps the FCDO ensure that the delivery partnerships we form are appropriate before funds are released or agreements signed, but its value extends beyond this decision point. Due diligence informs risk management and programme delivery throughout the programme cycle, enabling our programme teams to work closely with partners to tackle potential concerns in implementation and share and build on good practice.

The importance of due diligence is underlined by its requirement as a programme rule, which forms part of the FCDO Programme Operating Framework (PRoF)

The FCDO understands the resource burden due diligence places on our partners, and we will strive to minimise that, however, we have a responsibility for safe use of government money which demands that we do conduct appropriate assessments of our partners.

3. Overview of the FCDO Due Diligence Framework

The FCDO takes a risk-based approach to partnerships as we operate in highly complex and challenging environments and will undertake higher risk activities if the expected results justify this, and FCDO are comfortable that the mitigating actions keep the residual risk to an acceptable level. Our programme teams achieve this by agreeing a risk appetite (the risk they can tolerate to achieve objectives) during the design stage and managing risk exposure within appetite across the programme cycle, escalating or mitigating risks, which exceed appetite.

The FCDO operates under five principles and five pillars of due diligence:

3.1 Five Principles of Due Diligence

Principles	Description
Responsible and Accountable:	Effective risk-based due diligence provides assurance that public funds are being spent to maximise impact and value for money. It can help improve performance by identifying and appropriately responding to risks.
Context-specific	It is important to understand the capacity and capability of the partner to deliver in the context that they are operating in.
Evidence-based	Due diligence critically analyses a range of evidence including policies, processes, controls, and financial information to inform decisions on each partner and provides an opportunity to identify and share lessons and good practice internally and externally.
Proportionate and balanced:	Assessment scope and depth depends on a range of criteria, including risk appetite, programme size and complexity programme, value, inherent risks, availability of evidence, programme objectives, timeline (urgency) and any history with the partner.
Transparent:	Due diligence helps us fully understand what we are investing in. This can help in being transparent with the public. Due diligence also helps assess whether partners have the capacity and capability to be transparent too.

3.2 Five Pillars of Due Diligence

Due diligence assessments and central assurance assessments evaluate partners through five pillars:

Pillar	Assurance areas
Governance and Internal Controls	This pillar focusses on how partner organisations are established, structured, directed and controlled. It seeks to understand how the organisation operates.
Ability to Deliver	This pillar focusses on an organisation's capacity and capability to deliver programmes of the type, size, and complexity that the funding applies to.
Financial Stability	This pillar focusses on establishing if the partner organisation exposes the FCDO to any financial or Value for Money VFM risks and how these are managed.
Downstream Delivery	This pillar focusses on how the organisation manages any downstream delivery partners in terms of governance, and how due diligence is cascaded further down the delivery chain.
Safeguarding	This pillar focusses on controls and processes to avoid harm to people or the environment with a specific focus on the prevention of harm via sexual exploitation, sexual abuse, and sexual harassment.

The depth to which the five pillars are examined during an assessment will vary according to a range of factors, considering the risk appetite and level of Inherent risks, as a result this will look different depending on the programme.		
Pillar	**Description**	**Indicative areas of focus**
Governance and Internal Control	Understanding who the partner is, and who they are owned by (if applicable) by and how the partner is: - organised. - directed. - controlled. It is important to understand how the oversight and risk management in the organisation and how governance is well embedded in the country or region where the programme will operate.	• Ownership and legal structure • Board/management/business unit structure and experience • Conflict of interest protocols • Risk management & Policy governance (and across all pillars) • Performance management • Audit structure and approach • General Whistleblowing • Counter-aid diversion • Data protection, information security and Cyber security • Diversity and inclusion across the organisation
Ability to Deliver	It is important to understand if the partner will be able to deliver the project in line with our objectives. Critically assessing if the partner has the capability and capacity to deliver the programme.	• Experience and skills of key staff managing or delivering the programme • Stakeholder engagement processes (such as beneficiary engagement) • Recruitment protocols • Performance management systems (staff and programmes) • Business continuity
Financial Stability	It is important to ensure that there is no risk of the partner going into financial distress, as this failure could result in the programme closing or needing to be redesigned. Financial reporting (to FCDO and within the partner) should be regular, timely, understandable, complete, and accurate. FCDO want to ensure that the partner is attaining results in a value for money way with limited opportunities for waste/losses.	• Financial stability • Financial reporting (internal and external) • Asset and inventory management • Procurement processes • Fund and Financial risk management • Segregation of duties
Downstream Delivery	Partners using downstream partners can transfer risk management responsibly. FCDO partners should be taking steps to understand their partners and managing risks from working through them (such as safeguarding, delivery or fiduciary). It is important to ensure that partners can trace further disbursement of funding through the supply chain.	• Selection criteria and process • Downstream mapping and transparency & downstream due diligence • Performance management systems • Monitoring and evaluation of downstream partners • Financial reporting • Aid diversion controls
Safeguarding	Programme interventions should not risk inadvertently causing harm to people or the environment. Partners should have appropriate measures to prevent, detect, respond to and report safeguarding incidents. The assessment will investigate what expertise, systems, and policies they have in place to safeguard against harm. The relevance of this expertise will be mapped against the programme design in question. FCDO have a zero-tolerance approach to inaction, mishandling or ineffective controls in relation to Sexual Exploitation and Harassment (SEAH)	• Policy, culture, and processes • Environment and social impacts, indigenous people, vulnerable people, cultural heritage, and labour management (HR) • Consultation and engagement methods • Whistleblowing/grievance procedures • Code of conduct • Environmental and social safeguard capacity within the downstream partners

4 FCDO Due Diligence Assessments (DDA)

FCDO Accountable Grant (AG) and Memorandum of Agreement (MoU) DDAs must be completed before an agreement is signed and funding is disbursed to the chosen partner or, for "rapid onset" humanitarian emergencies a formal DDA can be completed after disbursing the initial funds but must still be completed.

Our programmes team engage with our partners at an early stage to explain the process and discuss any concerns the partner may have. The partner will be issued with an "**Acknowledgement of due diligence and processing of data**" notice which will specify how the FCDO manage information that is gained through the due diligence process.

Our programme teams will scope a DDA to be proportionate to the risks and risk appetite of the project or programme, considering how complex the programme/project is imperative when determining proportionality in due diligence.

Our programme teams are encouraged to use any available information either within FCDO or publically available to limit requests on our partners for already available information as part of FCDO's review while scoping. This includes previous DDAs or other assessments that the partner is willing to share.

After scoping out a DDA, proportionality is continually reassessed, as such throughout the DDA there may be further areas that arise that require further investigation.

The DDA itself may be conducted in several different ways, depending on the context, risk, or history of engagement with the FCDO. However, in many cases our programmes team will issue a tailored questionnaire to the partner seeking answers to some open questions regarding the processes, policies, and controls in place. This will also be an opportunity for the partner to explain and demonstrate strong controls and provide documentary evidence to support responses. The partners responses will be analysed and may lead to our teams seeking to gain further documentation. In some cases, face-to-face meetings will take place at the partner's locations or done virtually, if more appropriate. In person meetings facilitate shared learning and fosters positive relations and outcomes.

After the analysis there may be discussions regarding recommendations or actions that can be put in place to tackle any identified risks or gaps in a partner's controls, capabilities, or processes. If the DDA identifies risks that sit outside the specific FCDO risk appetite there will be a discussion on how to bring that within risk appetite through various actions. These actions will be recorded in the programmes risk register and managed as part of ongoing programme management.

The FCDO does not consider due diligence as a one-off exercise; but rather link with risk assessments and other tools that can help manage risks. FCDO will review risks raised at the initial assessment regularly, for example, through risk assessments and through regular monitoring meetings, reporting or reviews (including beneficiary engagement). Actions, agreed with the partner, for managing risks or gaps identified in the initial due diligence, are tracked to effective implementation.

5. Multilateral due diligence

The significant proportion of the UK's ODA spend is delivered through core or non-core contributions to multilateral organisations. There is a different approach to assurance and due diligence for core and non-core funding to multilateral organisations.

5.1 Core Contributions to multilateral organisations

Core contributions are made directly to multilaterals to support the overall aims of the organisation and deliver objectives in line with their core mandate. When FCDO provides core funding to a multilateral organisation, due diligence of that organisation is undertaken by the FCDO Institutional Lead through a Central Assurance Assessment (CAA). If there is no CAA arrangement in place, then a proportionate due diligence assessment will be completed.

The CAA is a periodic assessment (usually done every 3 years) conducted in close cooperation with the multilateral organisation and focuses on the central systems and processes of the organisation. The FCDO works with the partner to gather evidence to evaluate the organisation against the same five pillars identified in the due diligence framework at 3.2 of this document.

The CAA aims to provide an overall judgement of the risks related to working with that organisation, underpinned by assurances that it has an appropriate governance structure, that central policies, controls, and processes of sufficient quality are in place to ensure that core funding will be administered effectively and appropriately.

5.2 Non-core funding to Multilateral organisations

Non-core funding is provided when FCDO decides a multilateral organisation is the most effective delivery partner for a specific outcome in a local context or policy area.

Non-core arrangements (often referred to as “multi-bi” or “bilateral through multilateral” programmes) can take many forms, from large Centrally Managed Programmes (CMP), to programmes in a specific country or region where FCDO posts have selected a multilateral partner as the best delivery option over others (e.g., NGOs or contractors). Multi-bi programmes may also involve other donors, such as multi-donor trust funds.

Non-core multilateral programmes should be supported by appropriate funding arrangement-specific due diligence to understand and gain appropriate assurance on how the multilateral’s governance, rules, policies, and procedures will be operated in the specific local contexts and operating environments**.** Local DDA questions focus on local operational delivery to establish how the programme will be implemented and managed in country and ensure that any contextually specific issues or risks are being properly considered by the multilateral and its implementing partners.

Local due diligence is conducted by the multi-bi programme team (e.g., in country). The Senior Responsible Owner (SRO) or Programme Responsible Owner (PRO) for any potential multi-bi programme will consult with the Institutional Lead for the relevant multilateral organisation concerned, to ensure that they are aware of any overarching reform priorities, performance concerns or risks linked to the overall governance or performance of that organisation.

The multi-bi programme team will use the CAA (if available) as a starting point for desktop research to prevent duplication of effort for our programme teams and for the partner. Programme teams draw key information from the CAA of the multilateral concerned and not re-request or seek to duplicate assurances that have been gained through the central process. Instead, local due diligence should focus on assessing the capacity and capability of the organisation to apply its own procedures and implement the non-core programme in the local context and operating environment.

6. Commercial Contract Due Diligence

As part of the competitive tender process, FCDO’s Commercial Department will perform due diligence assessments. The assessment differs depending on the value of the contract. Programme teams are expected to conduct due diligence with support from a Delegated Procurement Officer if below a certain financial threshold.

7. Sharing due diligence information/reports

FCDO may share the due diligence information with the partner organisation who is subject to the assessment. The assessment is intended for FCDO use only and has been classified as such. However, FCDO may share assessments with other

UK government or public bodies. Our partners must not make assessments available to other external bodies without the express permission, granted in writing, from the FCDO.

In the circumstance that FCDO is asked by another donor/delivery partner to share an assessment performed by FCDO, then permission will be sought in writing from the partner in question, prior to releasing the information. FCDO teams will make it clear who the report may be shared with and explain the reason why FCDO wish to share the document.

8. Delivery Chain Mapping

As part of the FCDO five pillars of due diligence it is important that there is a good understanding of any subsequent partners within the delivery chain.

As part of the initial due diligence, partners must submit a Delivery Chain Map (DCM), this enables the FCDO programme team to initially identify any risks arising from the proposed delivery chain. There is a delivery chain mapping guide publically available for partners here. PRoF - Delivery Chain Mapping Guide.

FCDO predominantly focus DDAs on the partner in direct receipt of FCDO funding and as part of this DDA we would seek to gain an understanding and assurance on how the partner is subsequently managing any risk in the supply chain and downstream partner network.

9 Environmental and Social Safeguarding

FCDO are responsible for delivering against ministerial and UK Government priorities, with a clear understanding of our role and the role of others in pursuing government policy. We are accountable for rigorous programme design, managing programme risk and performance effectively; and avoiding doing harm.

The FCDO expect partners to attentively consider social and environmental safeguards through their own processes. The capacity and capability of our partners to manage risks of the interventions causing harm to either people or the environment, within the programme risk appetite, are considered throughout the programme cycle.

The safeguarding pillar of the FCDOs due diligence framework covers all safeguarding elements that are relevant to the programme in question: this includes all social (which includes sexual exploitation, abuse, and harassment) and environmental impacts. FCDO Programme teams take a risk-based approach to scoping the relevant safeguarding assessment as part of the due diligence assessment. When carrying out DDAs, programme teams review the programme and the partner’s risk register with a lens on possible social and environmental risk and impacts.

One part of ensuring environmental and social safeguards are being well addressed is through the existence of strong beneficiary feedback and engagement throughout the stages of the programme ensures feedback loops are in place.

Based on the context of the programme, programme teams gather evidence from prospective partners that provide assurance they have the capacity to manage those impacts and risks sufficiently to deliver the 'Avoiding Harm' approach to development. This means understanding and managing risk of any potential harm that could occur to people or the environment. It is important for the FCDO to understand the scope of safeguarding risks that might need to be considered in each project and work with partners to ensure that any risks are identified, noted and mitigation measures in place and monitored with clear oversight responsibility.

10 Sexual Exploitation and Abuse and Harassment (SEAH)

As highlighted in section 3.2 of this document FCDO has a specific focus on Safeguarding in our framework. We have detailed guidance and criteria when it comes to assessing partner capability on safeguarding against sexual exploitation and abuse and sexual harassment (SEAH) and on child safeguarding. The table below summarises the six areas related to SEAH that are examined through the safeguarding due diligence process. For more information, please access the detailed guidance here:

SEAH Safeguarding Due Diligence Guidance:
https://www.gov.uk/government/publications/dfid-enhanced-due-diligence-safeguarding-for-external-partners/enhanced-due-diligence-safeguarding-for-external-partners

Child Safeguarding:
https://www.gov.uk/government/publications/dfid-enhanced-due-diligence-safeguarding-for-external-partners/child-safeguarding-due-diligence-for-external-partners

10.1 Six Areas of SEAH due diligence

A summary of the six areas of SEAH due diligence

SEAH Approach	Complaints & Whistleblowing	Recruitment & Training	Risk Management	Code of Conduct	Governance & Accountability
Policy Standards Children & Vulnerable Adults Beneficiary Engagement Survivor Support	Policy Training Internal Complaints External Complaints Case Register	Job Descriptions & Risk Selection & Interview References & Vetting Induction & Refresher Training	SEAH Risk Category Regular Review Fundraising Online Risks Downstream Partners	Code of Conduct IASC Six Principles Staff Signature	Designated Board Safeguarding Lead Board Handling of SEAH Local Focal Points Requirements of Others

[1]

11. Compliance with the International Aid Transparency Initiative (IATI)

Prior to programme commencement FCDO may check that the potential partner has a file registered on the IATI website and whether they are publishing information. FCDO staff may check via d-portal.org, looking for the partner's name in the publisher field. If they are visible on the site, FCDO will note that the organisation has completed the expected first step. Programme teams then consider whether information is being published by checking the results available. If this is not present the staff member may discuss with the organisation FCDO expectations for IATI publication. During the programme delivery and at annual checks, some parts of FCDO may go further and check that programme information is being published to the website regularly, and that downstream partner information is also present.

12. Data Protection and Information Sharing

As part of the FCDO due diligence process information will be gathered that will help us gain assurance that our partners:

- Have the capacity and capability to deliver our programmes
- Do not present unacceptable fiduciary, fraud, safeguarding or other reputational risks.

As part of the due diligence process, we may conduct background checks on key management (staff and/or volunteers), directors and/or trustees to provide assurance in respect of the points outlined above using publicly available information or our internally held data. In addition, we may ask for other information, including personal information such as, but not limited to, salaries for given positions, to help us assess value for money and fiduciary risk, information about individuals' criminal records to assess safeguarding and other risks, or CVs to assess the experience and skills of the staff delivering or involved in FCDO programmes.

We may need to share information gained through this assessment with other UK government departments and public bodies (including law enforcement entities).

The FCDO Privacy Notice sets out how we process any personal data which we use or obtain and we specifically refer you to it.

The FCDO is subject to the requirements of the Freedom of Information Act 2000, the Environmental Information Regulations 2004, the UK General Data Protection Regulation, the Data Protection Act 2018 (DPA), subordinate legislation and guidance and codes of practice issued by the Information Commissioner and relevant Government Departments.

Should you have any queries regarding the above please discuss them with your point of contact within the FCDO in the first instance.

For more information on personal data: https://ico.org.uk/for-organisations/guide-to-data-protection/guide-to-the-general-data-protection-regulation-gdpr/what-is-personal-data/

13. Reporting Concerns

The FCDO expects partners to have effective incident management procedures in place to respond to incidents of any kind effectively. This may include the capacity and capability to initiate their own investigation or to commission an external investigation. Incident investigation and reporting is an important part of good governance, transparency, and overall performance. Partners should keep FCDO programme teams informed of incidents relating to FCDO funded programmes. Incidents can include any suspected fraud, theft, bribery, corruption or other breach of governance policies or any suspected harm caused to people or the environment.

If there is a suspected safeguarding incident which includes incidents of sexual exploitation, abuse, or harassment, the FCDO expect our partners to take it seriously through reporting, learning (e.g., changes made to policies and practices) and providing support to those affected. It is also important to take a survivor-centred approach when deciding upon reporting safeguarding incidents to authorities. For example, whether reporting would cause harm to the survivor, witnesses, or other parties. Consideration should also be given by the organisation to the support needed by all those affected by the incident, including staff and volunteers assisting victims of sexual abuse, exploitation, and harassment.

Concerns should be reported immediately to FCDO's Reporting Concerns inbox at reportingconcerns@fcdo.gov.uk or through the confidential reporting hot line +44 (0)1355 843 747.

14. Further support

The topics below will be of help. Programme teams are advised to seek help from departmental colleagues which may include the Social Development Adviser or Safeguarding Lead.

- FCDO Programme Operating Framework
- Contact reportingconcerns@fcdo.gov.uk to report concerns
- SEAH Safeguarding Due Diligence Guidance: SEAH Safeguarding Due Diligence
- Child Safeguarding: Child Safeguarding
- The Core Humanitarian Standard, the CHSA Guidance Notes and Indicators (including the new PSEA Index), and the CHSA PSEAH Handbook.
- IASC Minimum Operating Standards on Preventing Sexual Exploitation and Abuse and PSEA Guidance
- FCDO Resource and Support Hub
- ICED SEAH Infrastructure Tool
- https://safeguardingsupporthub.org/

FCDO Partners – for any specific queries relating to this guide please contact your designated FCDO programme representative. For any general queries regarding this guide please contact the FCDO Due Diligence Hub at duediligencehub@dfid.gov.uk

Control sheet

Version	Preparation	Sign off	Date
1.0	Margaret Tracey – Senior Due Diligence Adviser	David Wasley – Team Leader – Due Diligence Hub	December 2021

About this guidance

This branding guidance is for staff in FCDO and UK government departments other than FCDO that spend Official Development Assistance (ODA) money. It is also relevant for staff in implementing partner organisations.

Branding is a requirement under FCDO's Smart Rules for programme management (Smart Rule 14) and, for FCDO's implementing partners, it is a condition of accepting funding from the UK government.Key points are highlighted in the checklists on page 3.

UK government departments other than FCDO that spend ODA money should consult Section 7 for information on using the UK aid logo on their ODA funded programmes. They should also consider the actions in the checklists on page 3 and are strongly encouraged to apply these wherever possible alongside their department's own rules for programme delivery.

Smart Rule 14

Smart Rule 14: The SRO must ensure that all programmes follow FCDO's UK aid branding guidance – including having a completed visibility statement in place - and that digital elements of programmes (e.g. text messaging, cash transfers with a digital angle, websites and databases), are reviewed at the earliest possible stage in the process by FCDO's Digital Service Team.

Branding checklists

Checklist for SROs (Senior Responsible Owners)

FCDO SRO's must:

- Read this branding guidance in full and apply it to your programmes, in accordance with Smart Rule 14
- Ensure there is a finalised visibility statement in place for each programme you are responsible for, saved with the programme documentation
- Ensure exceptions to recognising UK aid have written record of approval from the Head of Department of the team in whose portfolio the programme sits
- Review past programme branding decisions in light of this guidance – are these still relevant or there any additional opportunities to increase UK aid visibility?
- Agree with implementing partners how and when they will provide updates to show that agreed branding is in place e.g. at programme review meetings, programme visits, or by asking implementing partners to provide photos
- Share any good examples of photographs showing UK aid branding in situ with corporatecommunications@FCDO.gov.uk

Checklist for Implementing Partners

Implementing Partners must:

- Read the full branding guidance and ensure that your programme complies – if you have questions on applying the guidance, discuss these with your FCDO SRO
- Work with your FCDO SRO to ensure a completed visibility statement is in place for your programme, setting out how and where you will recognise funding from the UK government
- Discuss and agree with your FCDO SRO at the earliest opportunity any circumstances requiring an exception from recognising funding
- Ensure your programme colleagues are aware of the commitment to brand as set out in the visibility statement, and use the logo wherever appropriate, observing this guidance on correct usage
- Provide evidence of branding to your FCDO SRO, e.g. at programme review meetings, programme visits, or by supplying photos from the field
- Ensure that your supply chain and any sub-contractors bidding for work know that the funding for the work is from the UK government, and that they are also committed to acknowledging this on the work they deliver

Contents

1. Introduction

Effective branding helps build the UK's reputation as a global leader in international development, communicates to beneficiariesand wider audiences where aid comes from, and recognises the role that British taxpayers play in international development efforts. The main way we communicate this is through use of the UK aid logo.

This branding guidance is for FCDO staff working on ODA programmes and FCDO ODA funded implementing partners. Branding is part of the Smart Rules for FCDO programme management (Smart Rule 14) and FCDO Senior Responsible Owners (SROs) are responsible for making sure it is applied to their programmes.

Staff from other UK government departments that spend Official Development Assistance (ODA) money should also consult this guidance if permission has been granted by FCDO to use UK aid branding on their programmes (refer to Section 7 for further information).

SROs should share this guidance with implementing partners atthe earliest opportunity, so they can familiarise themselves withthe guidance, be clear about their own responsibilities with respect to UK aid branding and visibility, and make sure they are compliant.

Shelter provided by UK aid for people displaced by Daesh in Dalal, Iraq, July 2015.Picture: Florian Seriex / Action Against Hunger.

A UK aid funded humanitarian flight arriving in Cebu in the Philippines, following Typhoon Haiyan Picture: Simon Davis / FCDO.

2. FCDO’s logos

The FCDO corporate logo

This represents who we are as an organization. The FCDO leads the UK's work internationally, promoting the UK overseas, defending our security, projecting our values, reducing poverty and tackling global challenges. This logo uses the same style as all other UK government departments.

The UK aid logo

This is used to show wherethe UK development budgetis spent. It should be used on ODA funded programme assets, communications and events to recognise the contribution of the UK government and UK taxpayers.

How to get the UK aid logo

To get the UK aid logo files, send an email to corporatecommunications@ fcdo.gov.uk. There is a separate process for staff from UK government departments other than FCDO wishing to use the logo - refer to section 7.

If you are an ODA funded implementing partner, please include in your email: your name, the name of your organization, the name of a contact person in FCDO and the programme your request relates to, a sentence to explain why the logo is required and where it will appear.

If you are from FCDO, please include in your email:your name, the name of your team / department in FCDO, the name of the implementing partner and the programme your request relates to, a sentence to explain why the logo is required and where it will appear.

Rules on how to use the UK aid logo artwork are in Annex B.

Creation of new logos

FCDO staff and implementing partners must not create or commission any new logos, programme identitiesor other branding outside of the UK aid and FCDO logos, whether to represent their department, teamor programmes. This rule applies also to the creation of logos for FCDO internal purposes e.g. for a specific work stream or project. If there is a perceived need for a new logo, either for external or internal programmes, FCDO staff must contact corporatecommunications@ FCDO.gov.uk first to discuss whether there is an exceptional case.

This guidance predominantly covers use of the UK aid logo, which is the logo most relevant to ODA funded implementing partners. Brief information on use of the FCDO corporate logo is provided in Section 9 of this guidance. Before using the FCDO corporate logo, contact corporatecommunications@ FCDO.gov.uk as permission must be sought for each use.

3. Recognising UK aid: roles and responsibilities

Recognising UK aid is not optional - it is a requirement under FCDO's Smart Rules for ODA programme management (Smart Rule 14) and, for ODA funded implementing partners, it is a condition of accepting funding from the UK government.

FCDO SROs and programme managers in other ODA spending departments must ensure implementing partners use theUK aid logo and acknowledge funding from the UK government when communicating about their programme work. This can take a variety of forms, fully detailed in Section 4, but includes branding on programme assets, communications that are part of the programme (operational) and communications about the programme (proactive) such as mentioning UK aid in interviews and press releases.

The primary global brand for all ODA funded programmes is UK aid, except for in transition countries where specific considerations apply. FCDO SROs in transition countries must first seek advice on use of the logo for their programme(s) from their Head of Office before contacting corporate communications@fcdo.gov.uk for further guidance.

Implementing partners must usethe UK aid logo on ODA funded programmes to be transparent and acknowledge that they are funded by UK taxpayers. Typically this will be wherever the partner's own logo and that of any other donors is displayed (see Section 4 for further information how to acknowledge UK aid). See page 3 for a full checklist of SRO and implementing partner responsibilities.

Humanitarian response work for people affected by Typhoon Haiyan / Yolanda in the Philippines, led by the International Organisation for Migration. Picture: Henry Donati / FCDO

Visibility statements

A UK aid visibility statement must be completed for all FCDO ODA funded programmes at the time of signing the formal funding arrangement. The visibility statement sets out how organisations will acknowledge funding from the UK government on programmes, in written materials and verbal statements, and through use of the UK aid logo on programme assets.

ODA spending departmentsother than FCDO who have been permitted to use the UK aid logo must document agreements made with implementing partners, and are strongly encouraged to use the visibility statement as a template to do so. See Section 7 for advice on working with implementing partners to ensure UK aid visibility and appropriate use of the logo.

Visibility statements are a vital part of recognising UK aid, which:

- ensure that implementing partners are clear on their branding responsibilities from the outset of the programme
- enable SROs to answer questions and provide informationabout branding on their programmes as required e.g. in advance of a ministerial visit
- empower SROs in their conversations with implementing partners about their branding responsibilities throughout the lifetime of the programme

The requirement to completea visibility statement comesunder Smart Rule 14 and it is the responsibility of FCDO SROs to make sure that this is completed with implementing partners at the programme set up stage. The completed visibility statement should be saved alongside other programme documentation for future reference.

Visibility statements must include details of any exceptions to using the UK aid logo and the rationale for this (see Section 5 for further detail on branding exceptions).

Even where the exception appliesto the whole programme a visibility statement must still be completedto this effect. This will ensure that there is a record of this having been discussed and agreed with the implementing partner. In all cases, exceptions must be approved by the Head of Department of the team in whose portfolio the programme sits.

A record of this approval, e.g. an email, and the completed visibility statement detailing the exception should be saved together.

See Section 6 for further guidance on multilateral and core funded programmes.

FCDO SROs can find the visibility statement template on the intranet along with the other Smart Rules documents and templates, and in Annex A of this document.

A staff member with the appropriate authority within the implementing partner should complete andsign this form as part of their funding arrangement with FCDO.

For any programmes where a visibility statement is not in place, the programme SRO should now ensure this is completed.

Examples of completed versions are available on request from corporatecommunications@FCDO.gov.uk.

4. Where UK aid brand should appear

Examples of where the UK aid logo and/or written and verbal statements should be used to acknowledge UK support include but are not limited to:

Programme assets

- infrastructure (e.g. bridges, buildings, roads, wells, pumps)
- educational materials (e.g. public health leaflets)
- shipments and goods (e.g. blankets, tents, tarpaulins, jerry cans) as part of humanitarian responses
- building signage (e.g. on health centres, distribution points)
- packaging of smaller items for distribution (e.g. malaria nets, hygiene kits and medical supplies) where possible and appropriate on these items
- staff clothing, but only where relevant to successful project delivery, such as uniforms for community outreach staff. During emergency humanitarian relief operations, FCDO staff should be the only personnel wearing UK aid branded clothing, to avoid confusion on the ground
- other materials where donors and other sources of funding are recognised

Communications and events associated with the programme or partnership

- publications (e.g. annual reports, research reports)
- banners, posters or backdrops for interviews or media events
- media relations activity (e.g. press releases, briefings, presentations, in interviews)
- websites (e.g. on home page or a page listing donors)
- social media content
- video content
- speeches and lectures
- on tenders for subcontractors/sub-grantee

Visual examples of the UK aid logo in use appear in Annex C.

Verbal / written acknowledgement of UK aid

Branding is not limited to the useof the UK aid logo. ODA funded implementing partners should also acknowledge funding from the UK government in any interviews, press releases, public statements, on social media and in all other public communication.

ODA funded implementing partners must, asa minimum include the following statement in communications activities such as those listed above: 'this project was funded with UK aid from the UK government' or 'this project was funded with UK aid from the British people' or some appropriate variation agreed with the programme SRO.

The UK government, rather than FCDO or other UK government department, should be credited as the source of funding within the text of a document.

The following disclaimer can be used: 'This material has been funded byUK aid from the UK government; however the views expressed do not necessarily reflect the UK government's official policies.'

Logo translation

The UK aid logo is available in English and Arabic. Translation of the logo into other languages may be permissible following discussion with Corporate Communications - please contact corporatecommunications@ fcdo.gov.uk for further guidance.

5. Where UK aid brand should not appear

The default position is that ODA funded implementing partners should always use the UK aid logo to highlight UK government funding in line with the guidance above. However, in deciding where and how UK funding is recognised, consideration should be given to the safety, security and dignity of beneficiaries and staff. Implementing partners must agree exceptions with FCDO SROs. Exceptions (for entire programmes or aspects of them) must then be approved by the Head of Department of the team in whose portfolio the programme in question sits.

These exceptions may be relevant to any ODA funded programme. ODA spending departments other than FCDO must consider them when seeking permission to use UK aid branding on their programmes, and detail any exceptions on their request form (see Section 7 for further information).

An exception to branding a programme or aspects of a programme may be approved where:

- it may cause loss of individualor organisational human dignity– for example personal goods, individuals' homes and businesses
- visual or verbal identificationof UK support in country may endanger the lives, safety and security of beneficiaries and staff, and threaten the safe and effective delivery of the project or humanitarian assistance
- it obstructs, humanitarian operations. For example, the delivery of humanitarian aid supplies should never be slowed down for a branding activity
- visibility of funding towards a specific programme or organisation could undermine the independence or credibility of the programme or organisation. For example, programmes supporting civil society organisations lobbying the local government to increase transparency; programmes in which thefinal delivery partner in the chain (for example, with multilateral development banks) is a partner government
- the number of donors is too large for co-branding to be practical, and none of the donors are being recognised individually. In such cases, branding with UK aid may risk being misrepresentative

Generally, the following items should not be branded and no exception need be sought:

- every day stationery used by implementing partners
- business cards
- an organisation's own office signage and office equipment including computers
- vehicles not exclusively used for delivering UK-funded projects
- staff clothing (unless by prior agreement for project- specific materials)
- small, personal goods (for example, toothbrushes, razors)
- school books/bags
- clothing for beneficiaries

ODA funded implementing partners with queries about items that do not appear here should speak to the relevant FCDO SRO or contact at another government department in the first instance for advice and agree what is appropriate.

6. Co-branding with other organisations

While for some programmes,the number of donors makes it impractical to acknowledge themall, generally programmes shouldbe co-branded. Where there are multiple donors all contributing similar amounts to a programme, UK aid should be given recognition in line with that given to other donors. This includes use of the UK aid logo alongside other donor logos and implementing partner logos, and equal acknowledgement in any public statements or other communications.

FCDO will not accept instances in which acknowledgement of UK government funding and UK aid branding is less than that of other co-donors contributing similar amounts.

If the UK government is the main donor and contributes a significantly larger amount than other donor organisations, this should be duly recognised by the partner where feasible. For example, by citing UK aid from the UK government as the main sourceof funding in public statements or in other communications / documents.

There may be some programmes where the number of donors is so large that it would be impractical to acknowledge them all through co-branding. In such cases, an exception to using UK aid branding may be agreed, but FCDO will look at each one on its merits.

Multilateral agencies

FCDO has negotiated specific arrangements with ODA funded multilateral agencies with respect to communications and branding. FCDO SROs should ensure they are familiar with these arrangements and apply this UK aid branding guidance as appropriate in light of the provisions within these arrangements. This includes completing a visibility statement wherever possible. Templates for formalising agreements with UN agencies, development banks and other multilateral agencies, which include provisions on communications and branding, can be found on the intranet.

Core funding

It is generally not feasible to applyUK aid branding to core-funded programmes because the contribution of UK aid is not identifiable from that of other donors and to recognise UK aid alone would misrepresent the UK government’s involvement. However FCDO should actively consider if opportunities to acknowledge funding are available, and enact these where appropriate.

Dereige refugee camp, Sudan, co-funded with UK aid Picture: WFP

7. Use of the logo by other ODA spending departments

UK government departments other than FCDO may use the UK aid logo on their ODA funded programmes. Permission to do so must first be sought from FCDO via HMG-UKaidrequest@fcdo.gov.uk.

A form will be sent to you to complete with information about your programme, which will help FCDO assess the benefits and risks of using the UK aid logo on the programme in question. Completed forms should be sent to HMG-UKaidrequest@fcdo.gov.uk.

Other UK government departments are responsible for ensuring their departmental colleagues and implementing partners adhere to the full UK aid branding guidance, as set out in this document, once approval is given to use the UK aid logo.

Measures to support this include, but are not limited to:

- Sharing the UK aid branding guidance with colleagues / implementing partners
- Discussing visibility and branding arrangementswith implementing partnersat the earliest opportunity, documenting agreements made using the visibility statement in Annex A as a template
- Including provisions on the use of UK aid branding and visibility in contracts and other formal agreements with partners, where feasible (e.g. when new agreements are being made)
- Agreeing with partners to review branding arrangements, and asking partners for evidence (e.g. pictures) of UK aid branding in situ, at regular intervals, such as existing programme review meetings

There is approved artwork and design standards for the UK aid logo that must be adhered to, to ensure brand consistency and integrity. Other UK government departments should only use the approved artwork as provided by FCDO and must not alter the UK aid logo. Artwork will be provided once approval to use UK aid branding has been given.

8. Spending on branding and communications activities

Funding from the UK government must not be used by ODA funded implementing partners to pay for communications materials and activities that do not directly support agreed programme outcomes. These include, but are not limited to, branded promotional goods, including:

- pens
- mugs
- bags
- hats /caps/t-shirts (unless part of a uniform that necessarily identifies those delivering the programme)
- communications activityand materials to promotethe implementing partner organisation (as opposedto activities to promote the adoption of the development activity e.g. hand washing campaigns, vaccination drives, gender equality advocacy, etc)

Cost of using the UK aid logo

Where branding forms part of an organisation's own standard practices, applying the UK aid logo is unlikelyto incur significant additional costs and will, in most cases, be used wherever the implementing partner's own logo is to be used in the field. For instance, if signage at a health centre is required, incorporating the UK aid logo onto that signage should not add significant cost.

If applying the UK aid logo to acknowledge funding from the UK government does involve additional costs, for example for production of signage that would not otherwise have been required, a proportionate amount of the programme budget may be used. This amount should be agreed in advance as reasonable by both the implementing partner and programme SRO.In all cases, costs associated with applying the UK aid logo should be kept to a minimum, and implementing partners should always ensure that UK aid branding is being appliedin the most cost effective way.
If branding is not in place on ODA funded programme assets but should be according to the completed visibility statement, the implementing partner is responsible for any costs associated with putting this right.

Ordering branded items

FCDO staff may occasionally need to order branded items, such as pop up banners or t-shirts, for events, field visits, or to refresh branding in country offices. Enquiries about ordering branded items should be sent to GovernmentClientServices@ theapsgroup.com, copying in corporatecommunications@ FCDO.gov.uk

Spend on branded materials may be subject to communications spending controls. FCDO staff should read the information on communications spending controls on the intranet to make sure they are compliant.

9. The FCDO corporate logo

Foreign, Commonwealth & Development Office

This logo is used to represent FCDO's organisational presence – such as on FCDO letters, and on FCDO offices - rather than FCDO funding.

There are only a few circumstances in which it should be used instead of the UK aid logo by FCDO's ODA funded implementing partners, which may include:

- invitations to some co-hosted events
- to recognise a working partnership or collaborationin which no funding is involved

Permission must be sought for each use. All queries regarding which logo to use should be directedto: corporatecommunications@fcdo.gov.uk

Annex A: visibility statement template

UK aid visibility statement

As part of your funding agreement with FCO, you are required to acknowledge funding from the UK government on your ODA funded programme, in written materials and verbal statements and through use of the UK aid logo on programme assets. Please refer to the UK aid branding guidance for further information on how to acknowledge ODA funding from the UK government

You may be asked to provide, as part of your agreed reporting to FCDO, evidence of the branding in use, including photographs of the logo in the field and examples of communications materials.

By completing and signing this statement you agree to fulfil these requirements.

1. Organisation name:
2. Programme name and brief description of what it will deliver:
3a. Please list the assets that will be delivered by the programme that will carry the UK aid logo or acknowledgement of UK aid funding.*List all assets including physical items and supplies, and other non-physical items that will be delivered as part of the programme e.g. annual reports, research reports, websites, press releases, other communication or event materials (refer to Sections 5 & 6 of the branding guidance for more information on where UK aid branding should / should not appear).*
3b. Please list the assets that will be delivered by the project that will not carry the UK aid logo or acknowledgement and explain clearly why these items will not carry UK aid branding. All exceptions require approval by the Head of Department of the team in whose portfolio the programme sits and a record of this approval, e.g. an email, should be kept along with the programme documentation *(refer to Section 6 of the UK aid branding guidance for more information on branding exceptions):*

Declaration:

I understand that no UK aid funds may be used to procure any promotional communications goods or activities that do not have a direct impact on the successful delivery of this programme or serve to increase the transparency of funding.

By signing this statement, you agree to fulfil the commitments stated above:

Partner organisation representative:

Name:

Job title:

Signature: ________________ Date:

Agreed by FCDO programme manager:

Name:

Job title, department:

Signature: ________________ Date:

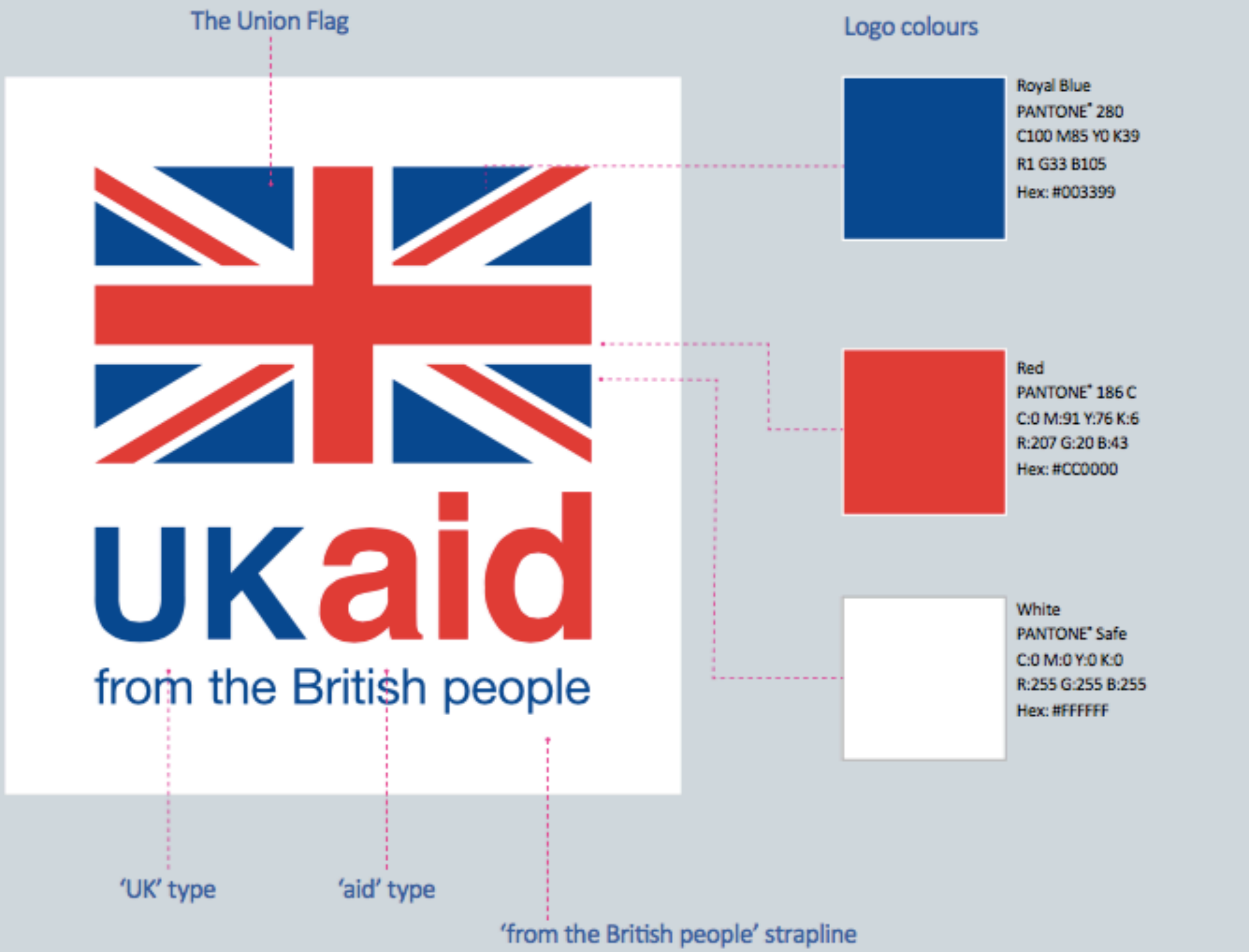
Annex B: using the logo - the elements

The UK aid logo is made up of four elements:

- **the Union Flag:** one of the most recognised images in the world, clearly linking our work to the UK
- **UK:** this signifies that the activity is funded by the government of the United Kingdom of Great Britain and Northern Ireland
- **aid:** a word that members of the UK public associate with our work
- **from the British people:** reinforces recognition that UK aid is funded by British taxpayers
- the **colours** used are the officially recognised colours of the Union Flag.

If you are using red and blue elsewhere in your design, try to match them to those of the logo.

Figure 1. UK aid large logo version



Annex B: using the logo - clear space and minimum size

The UK aid logo should always have a border of clear space to ensure it stands out clearly. This is also known as the exclusion zone, and its width is determined by the width of the letter ‘U’. Nothing, including the edge of a page, should fall within the exclusion zone.

See Figure 2 opposite for details.

Minimum size

The minimum width of the logo is 17mm, measured by the width of the flag.

See Figure 3 below.

Figure 2.
UK aid logo exclusion zone

The width of the ‘U’ in the ‘UK aid’ text equals the depth of the exclusion zone

Figure 3. UK aid minimum size

Annex B: using the logo - official versions

You can obtain the logo files by emailing corporatecommunications@ fcdo.gov.uk (see Section 2, p6)

Figure 3. Colour UK aid logo

Figure 4. Black UK aid logo

Figure 5. White UK aid logo

Colour

The red, white and blue colours reflect the Union Flag and are integral to the logo's design. You should use the colour logo where possible. The colour logo should be used against a white background with white exclusion zone.

Black

The black logo format should only be used when colour production is not possible, and where the background does not interfere with the legibility of the logo.

White

If your communication uses a background colour that clashes with the logo, for example, because it is too dark, you may reverse the logo out in white (see Figure 5). You must ensure that colour or any image or pattern on the background does not interfere with the logo's legibility.

All UK aid logo formats are available for print and online use.

Logo file format best for you

The logo files are available in two different file formats, JPEG and AI.

JPEG files can be used in most programmes, including Microsoft office, and on the web.

AI files are vector files - files that can be enlarged without losing resolution. For professional print and design you should always use these files.

For designers: how to identify the different colour logo files

Each file name uses one of the following suffixes:

1S (spot or Pantone - for single colour printing (blue) for stationery)

4C (CMYK or 4 colour - for normal colour printing)

WT (White - for use on solid colour backgrounds)

BK (black - for use on black & white documents only)

Annex B: using the logo - what not to do

Alterations to the UK aid logo are not permitted. It is important for consistency and recognition that you use only official versions of the UK aid logo. Start with the original artwork files each time.

The full colour UK aid logo should only be used against a white background.

If you use a sign painter, do not accept work unless it is faithful to the original.

Do not alter the size of or rearrange any of the elements

Do not change the font or alter any of the text

Do not remove or create your own straplines

Do not rotate

Do not change the colours

Do not stretch the logo out of shape

Do not use the text without the flag

Annex C: the UK aid logo in use

The images here provide just a few examples that illustrate how FCDO's partners have used the UK aid logo to acknowledge the UK as a donor.

South Sudanese refugees in a child friendly space in Bidibidi settlement, Uganda
Picture: Angela Balakrishnan / DFID

A tented settlement home to Syrian refugee families, Bekaa Valley, Lebanon
Picture: Russell Watkins / DFID

A MAG mine clearance team at work in Ban Naxai district, Laos
Picture: San Sutton / MAG

UK aid supported 'She Leads' programme in Burma providing training to Burmese women.
Picture: IFES

The Girls' Education South Sudan Programme which is supported by UK aid.
Picture: Bruno Bierrenbach Feder

A UK aid supported water, sanitation and hygiene facility in DRC.
Picture: Alexandra Jonnaert / Mercy Corps

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UK aid funded Protection of Civilians site in Wau, South Sudan
Picture: IOM

Vehicle used by Action Against Hunger to deliver water to those in need in Gaza
Picture: Action Against Hunger

Emergency food distribution point for people fleeing violence in Burma
Picture: Anna Dubuis / DFID

A UK aid funded food parcel in Leer, South Sudan provided as part of famine relief.
Picture: Angela Balakrishnan / DFID