Department for International Development

Department for International Development
Abercrombie House
Eaglesham Road
EAST KILBRIDE
Glasgow
G75 8EA

Telephone: East Kilbride 01355 84 4000

PricewaterhouseCoopers LLP
7 More London Riverside
LONDON
SE1 2RT

File Ref: PO 5954

Date: 8th January 2016

Contract Amendment No: 3

CONTRACT FOR: IMPACT Investment - Programme Co-ordination Unit (PCU)

CONTRACT NUMBER: PO 5954

With reference to the contractual letter dated 3rd December 2012 as most recently amended by the letter dated 5th August 2015 whereby your firm was engaged to undertake the services defined within Section 3 Terms of Reference of the contractual letter, I confirm that the UK Government wishes to make the following further amendments to the contract:

Section 1 Form of Contract, Paragraph 3, Commencement and Duration of Services

DELETE "and shall complete them by 8th January 2016"
INSERT "and shall complete them by 8th January 2019"

Section 1 Form of Contract, Paragraph 4, Financial Limit (as most recently updated in Amendment 1 dated 11th June 2014)

(The Financial Limit)
DELETE: "£20,911,873"
INSERT: "£37,889,667"

(Fees and Expenses)
DELETE: "£2,611,873"
INSERT: "5,589,667"

(Funds)
DELETE: "£18,300,000"
INSERT: "32,300,000"

Section 3 Terms of Reference (as most recently updated in Amendment 2 dated 5th August 2015)

DELETE: ''Section 3, Terms of Reference Revised August 2015'' in toto
INSERT: "Section 3, Terms of Reference Revised January 2016" enclosed

Section 4 Special Conditions, Paragraph 7, Price and Payment

INSERT:
"7.1. **Invoicing**

a) In relation to GIIN costs PWC will:

- Submit details of funding requests to DFID from GIIN no later than the end of the first month of the quarter period that the request for funding relates to (e.g. for the quarterly advance for the period Jan-March GIIN would submit their claim to PWC no later than mid- December, who in turn will review and submit this to DFID for initial approval before the end of January)

- Following DFID's approval of costs PWC will release funds to GIIN and invoice DFID for these costs no later than the end of the second month of each quarterly period.

b) In relation to the monthly invoicing relating to PCU and Monitoring & Evaluation costs PWC will:

- Submit their draft narrative report and draft details of expenses for each month before the beginning of the third week of the following month.

c) In relation to invoicing for Technical Assistance (TA) and Market Building grants PWC will:

- Submit invoices to DFID before the beginning of the third week of the month in which those costs are forecast by PWC"

Section 4 Special Conditions, Paragraph 8, Limitation of Liability

DELETE: "The supplier's liability under this Contract shall be limited to £4,279,814. This limit shall apply…"
INSERT: "The supplier's liability under this Contract, and the Services performed under this Contract, for the period up to and including 7 January 2016 shall be limited to £4,279,814. The supplier's liability under this Contract, and the Services performed under this Contract, on or after 8 January 2016 shall be limited to total fees and expenses added for the period from 8 January 2016 to contract end date, and 10% of funds added for the period from 8 January 2016 to contract end date. These limits shall apply…"

Section 5, Schedule of Prices

INSERT: "Annex 2 (December 2015): 2016-2019 Breakdown" enclosed

2. These amendments relate to a three year contract extension and related £16,977,794 increase to the financial limit for this extension. In addition, Section 3 Terms of Reference, Section 4 Special Conditions and Section 5 Schedule of Prices were updated.

3. Please confirm in writing by signing and returning one copy of this letter, within **15 working days** of the date of signature on behalf of DFID that you accept the amendments set out herein.

4. Please note the provision in the contractual letter that the financial limit of the UK Government's liability to the Supplier under this engagement shall not exceed the sum specified unless the amount of any such excess has been agreed by the Department for International Development in writing before the Supplier takes any action which might result in the financial limit being exceeded.

For and on behalf of the Secretary of State for International Development	Name: Position: Signature: Date:
For and on behalf of PwC	Name: Signature: Date:

Enc

CB11 (March 2014)

Department for International Development

UKaid from the British people

Section 3, Terms of Reference
Revised January 2016

1. Introduction

The Department for International Development (DFID) is the part of the British government that manages United Kingdom's (UK) aid to poor countries and works to get rid of extreme poverty. We are working to reach the Millennium Development Goals (MDGs), the international targets agreed by the United Nations (UN) to halve world poverty by 2015.

2. Background

DFID's IMPACT (Investment Mobilisation for Prosperity and Catalytic Transformation) programme aims to foster the development of the market for impact investment in Sub Saharan Africa and South Asia. The programme has 2 outputs:

1. Support to develop the market through research, training, impact measurement tools and other market building initiatives to be managed by a range of organisations as identified or agreed by DFID and including the Global Impact Investment Network (GIIN)

2. A range of investment facilities to be managed by CDC with funding available for technical assistance (TA) for investees.

The programme will be managed by a Programme Coordination Unit (PCU) working alongside CDC, the GIIN and other organisations as per 1 above. This Terms of Reference and subsequent contract is for the PCU, which is responsible for coordinating the programme's activities, reporting and communicating on performance and learning, monitoring and evaluation of the programme, managing a technical assistance fund and disbursing funds to GIIN. The PCU have a demonstrated track record in managing large multi-year private sector development programmes in developing countries and in designing and implementing monitoring and evaluation programmes.

3. Objective

To coordinate the implementation of the IMPACT Programme, carry out the Monitoring and Evaluation activities for the programme and manage Technical Assistance (TA) Funds.

4. The Recipients

The direct recipients are the GIIN and other market building organisations and other relevant organisations and initiatives as agreed with DFID; the DFID Impact Acceleration Facility and the Fund Managers of the DFID Impact Fund, receiving TA for their investments. Indirectly, the recipients are the poor people in Sub Saharan Africa and South Asia who benefit the programme through increased investment into enterprises that serve the poor as consumers, employees, producers or distributors.

5. Scope of Work

The role of the Programme Coordination Unit (PCU) has three components: (i) wider programme coordination between IMPACT programme participants and financial disbursements to the GIIN and other market building organisations and other relevant organisations and initiatives as agreed by DFID; (ii) implementation of the programme's monitoring and evaluation activities; and (iii) managing Technical Assistance Funds associated with the programme.

6. The Requirements

The PCU will deliver the outputs listed below:

6.1 Programme coordination and communication

- Propose strategies for integrating the different components of the programme;
- Propose the programme management tools for reporting on programme implementation;
- Prepare a detailed work plan for the duration of the coordination role
- Develop and manage a communications strategy for the programme, including a specific communications strand focussed on demonstrating the effect of the IMPACT Facility;
- Manage disbursement of funds, of up to £10.5 million to the GIIN on the basis of agreed work plans, budgets and provide DFID with actual invoices supporting expenditure;
- Maintain appropriate accounting and financial records accessible by DFID at any time;
- Prepare progress reports for the whole programme with inputs from GIIN and CDC where necessary and present to the Steering Committee on a quarterly basis, including explicit reporting of the achievement of GIIN and CDC of agreed targets;
- Update management tools and budgets as needed and in response to decisions by the Steering Committee;
- Act as secretariat to the Steering Committee.

6.2 Management of the Technical Assistance Fund

- The IMPACT Facilities will have TA Fund to support investee companies. This TA funding, of up to a maximum of 10% of the total facility size for each facility, will be managed by the PCU in cooperation with CDC and the impact investment Funds;
- The PCU, CDC and DFID will agree a process for evaluating the capabilities of the impact investment Funds to manage and deploy TA to their investee companies;
- The PCU will agree with CDC and DFID what the eligibility criteria for TA are, the admissible uses of the TA funding and the process for approval and monitoring of the TA funds;
- Monitor the progress of the TA deployed and report on it.

6.3 Implementation of a Monitoring and Evaluation framework

- Develop base-lines and a monitoring plan for assessing progress against the Log-frame on an annual basis with provision for an independent mechanism for validation of information/data generated through the concurrent monitoring exercise;

- Elaborate the details of the M&E framework, examining the feasibility of using randomised control approaches and how information from M&E can be used for decision making during project implementation;

7. Constraints and dependencies

The PCU is expected to work with a wide group of programme stakeholders that are geographically dispersed. The PCU will collate and create progress and performance reports from the programme participants and in doing so not increase unduly the administrative burden of small organisations such as impact Fund managers.

Moreover, key stakeholders CDC and GIIN will use their own IT and reporting systems to generate the data required for the programme and the PCU will have to address this challenge.

8. Inception and Implementation requirements

- There will be an inception phase of **12 weeks** duration during which the service provider will deliver: (i) strategies for integrating the different components of the programme, (ii) programme management tools for reporting, (iii) a detailed work plan, (iv) a communications strategy, (v) accounting and financial systems to manage the programme funds under PCU responsibility, (vi) a process for evaluating the capabilities of the impact investment Funds to manage and deploy TA, (vii) eligibility criteria for TA, (viii) a simple pro-forma TA request form, (ix) a monitoring plan for assessing progress against the Log-frame, (x) details of the M&E framework, and (xi) the first disbursal to GIIN.

- This will be followed by an implementation phase of two years and nine months (with an option to extend for up to a further three years) during which the PCU will ensure the following aspects are in place to ensure a smooth mobilisation of the service: (i) deployment of the necessary expertise to implement all the tools, plans and systems developed during the inception phase, (ii) continuous monitoring of the programme performance and its components, (iii) reporting progress as agreed during the inception, (iv) deployment of funds to the respective programme beneficiaries and adequate and accurate accounting and invoicing to DFID, (v) meet with programme stakeholders and others for the benefit of the programme, and (vi) be available to DFID for ad hoc requests if necessary.

- All reporting lines run from the programme stakeholders to the PCU and from the PCU to DFID. For the DFID Impact Fund, investees must report on their financial and social performance to the Fund managers, and in turn Fund managers will report to CDC to enable CDC to prepare consolidated Facility reporting. CDC will then report to the PCU on the progress in their respective outputs. GIIN will report to the PCU on its activities. The PCU will then prepare the programme progress report for submission to the Steering committee and DFID. A similar quarterly reporting process will be put in place for other elements of the programme.

- All the systems required to perform the tasks specified above must be in place before the implementation phase can start.

8.1 Project management

- The PCU will develop and suggest detailed management arrangements to deliver the programme, with clear reporting and monitoring arrangements. The proposed management structure should be cost-effective and efficient for delivering the programme goal, purpose and outputs.

- The PCU will propose in detail how much time and resources they will require for the design and collection of baseline data/information. The baseline will commence only after the Logframe has been finalised and agreed with DFID.

8.2 Risk and issue management

- The Consultants will undertake a detailed risk assessment in accordance with DFID guidelines, and capturing all foreseeable and potential risks to the achievement of proposed outputs and purpose.

8.3 Key competencies and experience required

- Coordinating this programme effectively it is recognised requires a management consultancy team. It is further agreed the supplier has in place and will maintain the team to include the following skills and competencies:

- a team leader with a strong track record of leading similar programmes and experience in delivering technical assistance;

- Monitoring and Evaluation expertise (in particular with experience in design and implementation of independent impact evaluations, including the use of randomised control trials for similar programmes);

- expertise on financial sector market development;

- expertise on business advisory services markets development;

- expertise on market access developments for the poor;

- experience of developing and implementing communications strategies for a wide range of audiences

- programme monitoring and evaluation expertise;

- expertise on financial management, including budget, audit and accounts.

9. Reporting and key deliverables

During the first three months of the programme:

- **An inception report**: and detailed work plan one month after contract signing. The report will include a draft performance management process or service level agreement for DFID approval and templates for progress reporting.

- **Monitoring and Evaluation strategy**: Specific attention will be paid to ensure rigorous and independent impact assessments, involving randomisation and/or other approaches, and partnerships required to deliver this.

- **Communications strategy for the programme**: a key focus of this strategy will be around demonstrating the effectiveness of the IMPACT Facilities.

- **Detailed risk assessment**: with risk management/mitigation measures and strategies, including fiduciary risks.

- **Detailed budget**: for the PCU's activities disaggregated for each year of the contract.

- **Detailed programme institutional and management framework**: with management arrangements between programme partners, as well as staffing requirement for the programme implementation along with job descriptions for those employed directly by the PCU.

- **A first disbursal of programme Funds to GIIN.**

For the remainder of the contract life the PCU will deliver:

- **Quarterly** progress reports and budget updates, cash-flow forecasts and recommendation papers on activities and disbursements by GIIN and the TA Fund. Other ad hoc programme coordination reports may be required by the Steering Committee and/or DFID.

- **M&E outputs and reports** according the approved M&E strategy.

- **Communication outputs** according to the approved communications strategy.

At the contract's end the PCU will prepare project completion documentation, including:

- A Draft Final report and a Final Report to be presented to DFID four weeks before the end of the contract.

- A detailed budget statement.

The PCU may be required to prepare other deliverables and reports as DFID sees fit depending on the progress of the programme activities and the performance of the programme stakeholders.

10. Timeframe

The work of the PCU will commence in January 2013 and last for 3 years. The contract will be extended for an additional three years.

11. Costs

The PCU will be expected to manage funds for disbursement to GIIN of up to £10.5 million over the first 3 Years. The PCU will also be expected to manage a TA fund of up to £7.5 million for the DFID Impact Fund over the first 3 years.

During years 4-6 (the contract extension period), additional funding to be managed by the PCU will increase by up to £14m. This will be in addition to up to £12.6m carried over from the initial 3 year contract period due to delayed and slower starting activities than originally envisaged. Overall, during the 3 year contract extension period the expected managed funds will include for disbursement to GIIN of up to £5.3m, for Market Building activities up to £10m, a TA fund of up to £7.3m for the DFID Impact Fund and a separate TA fund of up to £4m for the Direct Impact Acceleration Facility, making £26.6m in total over the extension period.

In addition to this, the PCU will have an M and E budget of between £1-2 million over 3 years and management costs of between £1- 1.5 million over 3 years. During the 3 year contract extension period, the PCU costs for M and E including management costs of £2.97m.

The PCU will be required to pre-finance all programme activities, including the disbursement of funds to third parties under the TA Fund. DFID does not provide advance funding, therefore the Service Provider will be required to use their own resources or source the capital before claiming reimbursement from DFID in arrears based on mechanisms agreed with DFID prior to implementation.

In respect of TA funding provided to Fund Managers[1] in accordance with clause 4 of these Terms of Reference, the PCU will pre-finance the disbursement of funds to Fund Managers. The PCU will first request DFID's approval of the amounts requested by Fund Managers and issue payment to the Fund Managers.

The amounts requested by Fund Managers will be estimates based on their forecast of expenditure and will be shown in a TA Quarterly Submission template to be shared with DFID by the PCU. After the PCU has paid the invoices to the Fund Managers, the PCU will claim reimbursement from DFID for funds disbursed to the Fund Managers. The PCU will notify DFID of any difference between the amounts requested by Fund Managers based on their estimates and actual expenditure (for example, due to revised scope of consultancy services, conversion risk or cancelled interventions). This will be accounted for by the PCU in subsequent payments to the relevant Fund Manager as appropriate, and in subsequent reimbursement claims to DFID showing a corresponding increase or decrease.

In the quarter following the payment by the PCU to the Fund Managers, the Fund Managers will be required by the PCU to demonstrate that funding has been applied in accordance with the funding request.

Where the PCU can reasonably demonstrate that the funds have been released in response to requests from Fund Managers based on their estimated requirements, payment shall be made by DFID to PCU within 30 days of receipt of a valid invoice in respect of these sums only.
This procedure supersedes payment arrangements stated in Annex 2 - Service Providers Commercial Tender Submission, in respect of the payments to Fund Managers only.

12. DFID Coordination

The head of the PCU will report to the Lead Adviser in DFID's Investment and Finance Team. DFID's Procurement Group in East Kilbride will be responsible for issuing and managing the contract and contract extension.

[1]Fund Managers refer to organisations that manage investments in companies on behalf of CDC. These are selected by the DFID Impact Fund Investor Committee and manage contracts with technical assistance providers for the provision of services to investee companies.