



## Section 4 Appendix A

## CALLDOWN CONTRACT

**Framework Agreement with: DAI Europe**

**Framework Agreement for: DFID General Economic Development Framework (GEDF)**

**Framework Agreement Purchase Order Number: PO 8126**

**Call-down Contract For: Lebanon Economic Reform and Infrastructure Investment (LERII) Programme**

**Contract Purchase Order Number: PO 8586**

I refer to the following:

1. The above-mentioned Framework Agreement dated 8<sup>th</sup> February 2019;
2. Your proposal of 31<sup>st</sup> July 2019 and subsequent clarification e-mails:

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

**1. Commencement and Duration of the Services**

- 1.1 The Supplier shall start the Services no later than **22<sup>nd</sup> January 2020** ("the Start Date") and the Services shall be completed by **1<sup>st</sup> January 2024** ("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 DFID requires the Supplier to provide the Services to the Government of Lebanon ministries and institutions (the "Recipient").

**3. Financial Limit**

- 3.1 Payments under this Call-down Contract shall not, exceed **£9,515,228** ("the Financial Limit") and is inclusive of any government tax, if applicable as detailed in Annex B.

When Payments shall be made on a 'Milestone Payment Basis' the following Clause 22.3 shall be substituted for Clause 22.3 of the Framework Agreement:

**22. PAYMENTS & INVOICING INSTRUCTIONS**

22.3 Where the applicable payment mechanism is "Milestone Payment", invoice(s) shall be submitted for the amount(s) indicated in Annex B and payments will be made on satisfactory performance of the services, at the payment points defined as per schedule of payments. At each payment point set criteria will be defined as part of the payments. Payment will be made if the criteria are met to the satisfaction of DFID. When the relevant milestone is achieved in its final form by the Supplier or following completion of the Services, as the case may be, indicating both the amount or amounts due at the time and cumulatively. Payments pursuant to clause 22.3 are subject to the



satisfaction of the Project Officer in relation to the performance by the Supplier of its obligations under the Call-down Contract and to verification by the Project Officer that all prior payments made to the Supplier under this Call-down Contract were properly due.

#### **4. DFID Officials**

4.1 The Project Officer is: \*, Economics Adviser and SRO, DFID Lebanon,

4.2 The Contract Officer is: \*

#### **5. Key Personnel**

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

#### **6. Reports**

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

#### **7. Duty of Care**

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

- I. The Supplier will be responsible for all security arrangements and Her Majesty's Government accepts no responsibility for the health, safety and security of individuals or property whilst travelling.
- II. The Supplier will be responsible for taking out insurance in respect of death or personal injury, damage to or loss of property, and will indemnify and keep indemnified DFID in respect of:
  - II.1. Any loss, damage or claim, howsoever arising out of, or relating to negligence by the Supplier, the Supplier's Personnel, or by any person employed or otherwise engaged by the Supplier, in connection with the performance of the Call-down Contract;
  - II.2. Any claim, howsoever arising, by the Supplier's Personnel or any person employed or otherwise engaged by the Supplier, in connection with their performance under this Call-down Contract.
- III. The Supplier will ensure that such insurance arrangements as are made in respect of the Supplier's Personnel, or any person employed or otherwise engaged by the Supplier are reasonable and prudent in all circumstances, including in respect of death, injury or disablement, and emergency medical expenses.
- IV. The costs of any insurance specifically taken out by the Supplier to support the performance of this Call-down Contract in relation to Duty of Care may be included as part of the management costs of the project and must be separately identified in all financial reporting relating to the project.
- V. Where DFID is providing any specific security arrangements for Suppliers in relation to the Call-down Contract, these will be detailed in the Terms of Reference.



**8. Call-down Contract Signature**

- 8.1 If the original Form of Call-down Contract is not returned to the Contract Officer (as identified at clause 4 above) duly completed, signed and dated on behalf of the Supplier within **15 working days** of the date of issue for signature on behalf of DFID, DFID 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 DFID Contract Officer.

Signed by an authorised signatory  
for and on behalf of  
**The Secretary of State for  
International Development**

Name:

Position:

Signature:

Date:

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

**DAI Europe**

Name:

Position:

Signature:

Date:

## **Call Down Contract – Annex A - Terms of Reference for the Lebanon Economic Reform and Infrastructure Investment (LERII) Programme**

### **Introduction**

### **Context and rationale**

1. Lebanon is facing serious macroeconomic challenges. It has the third largest debt to GDP ratio in the world, persistent fiscal and current account deficits, and a chronic lack of investment in public services and infrastructure. As such, attention needs to be directed to adopting economic reforms that are needed to place the economy on a more sustainable footing. To help Lebanon face these challenges, international donors came together at the April 2018 CEDRE<sup>1</sup> conference and pledged £11bn to support the Government of Lebanon's Capital Investment Plan (CIP) and reform vision.
2. At the CEDRE conference, Minister Burt, on behalf of the UK, pledged additional grant financing for large infrastructure investments, linking UK support to progress on implementation of essential reforms and projects. The Lebanon Economic Reform and Infrastructure Investment (LERII) programme plans to deliver on the UK's pledge by providing:
  - i. Up to £20m to support preparation and investment in large infrastructure projects through the European Bank for Reconstruction and Development (EBRD). Delivery of this component is linked to progress on economic reform;
  - ii. Up to £10m Technical Assistance (TA) delivered through a flexible and adaptive facility to support the Lebanese government in implementing critical economic reforms.

For the delivery of ii) DFID wishes to procure the services of a supplier to manage a flexible and adaptive TA facility to support the Lebanese government in implementing critical economic reforms.

3. UK support aims to increase the chances that the Lebanese government delivers key economic reforms and secures investment for infrastructure that is well-built and operated. Whilst the political environment makes achieving this outcome challenging, the potential return is very high. A more sustainable and higher growth economy, accompanied by infrastructure investments, has the potential to significantly improve poor people's lives, including youth, girls and women and the large number of refugees currently in Lebanon. If Lebanon was to face economic crisis, it would be the poorest who would be hit hardest. There are also security implications: intercommunity tensions could quickly transform into violent conflict.

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<sup>1</sup> Conférence économique pour le développement, par les réformes et avec les entreprises

## Objective

4. The overall outcome of the LERII programme is to increase the likelihood that the Lebanese government:
  - i. implements key economic reforms;
  - ii. reaches agreement on the construction of key donor-financed infrastructure;
  - iii. and that such projects are successfully built and operated.
5. The overall impact of success is: Lebanese Government infrastructure linked reforms strengthen the macro economy and support social cohesion. This will be achieved by combining the international-community-financed infrastructure projects and government-led reforms.
6. To help achieve these objectives, TA services will be made available to the Lebanese government ministries and agencies who are involved in direct planning and delivery of infrastructure and economic reforms. The TA provided will be flexible and based on demand from government. The scope of the TA will be broad and could involve facilitating discussions between Ministers as well as provision of TA. The TA should focus on implementation and delivery of outcomes rather than ratifying laws and developing strategies that are not implemented.
7. The supplier will need to be able to provide technical experts across a number of reform areas which will be targeted and tested but could include: <sup>2</sup>
  - Telecom
  - Energy
  - Transport
  - The Electricity Sector
  - Roads
  - Waste management
  - Water and waste water
  - ICT sectors
  - Procurement
  - Other cross cutting topics
8. Examples of successful outcomes under these areas could include<sup>3</sup>:
  - Fiscal reforms, to help achieve a reduction in the fiscal deficit to GDP ratio by 1% per year over the next five years;

<sup>2</sup> To note that work areas may change over the life of the programme in response to assessments of changing needs and effectiveness.

<sup>3</sup> Areas as set out in the Government of Lebanon's Economic Vision, presented at the CEDRE conference. The demand led, and responsive nature of the project means that specific work strands have not been identified in advance. The supplier will need to consult with the government ministries and agencies before specifying the targeted pillars and areas of reform and be prepared to adapt during implementation.

- Structural reforms including anti-corruption measures, customs reforms, e-government, public sector restructuring, governance in the oil and gas sector, justice reforms and business investment climate reforms; and
  - Sectoral reforms in electricity, solid waste, water and telecoms.
9. It is recognised that due to the scale, complexity and challenges to delivery that it may not be possible to deliver outcomes across all areas above. Suppliers will be expected to adapt delivery over the lifetime of the programme to focus on the outcomes where significant, effective and sustainable transformation can be achieved.

### **Recipient and beneficiaries**

10. The direct recipients of the TA provided by the facility will be Government of Lebanon ministries and institutions. Due to the demand-led nature of the facility it is not possible to say with certainty which ministries and agencies these will be but the cross sectoral nature of many of the challenges suggests a broad set of counterparts.
11. Significant counterparts are expected to include, but not be limited to: The Office of the Prime Minister, Ministry of Energy and Water, Ministry of Transport, Ministry of Finance, Ministry of Telecommunications, Council for Development and Reconstruction (CDR), Ministry of Environment and Electricity Du Liban (EDL).
12. The beneficiaries of the programme will be broader than the direct recipients of project-financed support. Through implementation of reforms supported through this programme we expect that there will be longer-term, indirect benefits to Lebanese citizens and refugee communities residing in Lebanon e.g. through job creation, improved service provision and living conditions. As the programme matures we would seek to monitor the impact that programme activities are having on the most vulnerable.

### **Scope of Work**

13. Through the facility, TA will be provided on a responsive and demand-driven basis to the Lebanese government and its institutions. The TA provided must be relevant to the overall outcome and impact of the programme as outlined in paragraphs 4 and 5. For each economic reform, the supplier will need to develop a mini theory of change, results monitoring sheet and related workplan and submit it for approval from the DFID team. The workplan should be a working document that can flex to accommodate changing Government of Lebanon priorities and needs.
14. As well as being responsible for the management and delivery of the TA, the supplier will also be responsible for building relationships with relevant stakeholders in government, international donors and other service providers to gain a deep understanding of the sectors and the areas in need of support. This will require an ability to learn and to capture lessons picked up through implementation and to be creative and opportunistic in how these lessons are

used to improve the effectiveness of project outputs and for wider dissemination. These lessons must be shared with the DFID team.

15. DFID will contract an M&E provider, via a separate procurement process, to fulfil the monitoring and evaluation requirements of this programme (see M&E section for more detail). In addition, an Independent Advisory Board will be an important feature of the programme's governance structure, bringing together experts on adaptive programming with specialists on Lebanon's political economy to support in assessing the feasibility of the TA work and promote learning and information sharing across the programme.

## The Requirements

16. DFID will contract a supplier to establish and manage a flexible, demand-led TA facility that delivers the full requirements set out in this ToR. Over the life of the programme, the facility will deliver TA to the Lebanese government and its institutions in the areas identified in paragraph 7. The supplier will be expected to have a physical presence in Beirut from where the administration of the facility will be managed. This will allow continuous engagement between the supplier and stakeholders and act as a base for LERII implemented activities in Government of Lebanon institutions. DFID would welcome bids from consortia that combines knowledge of the best worldwide practices and deep local context and experience.
17. Once in place, the supplier will work closely with DFID, the Government of Lebanon and other donors to develop a contextual understanding of the relevant component areas. The TA will need to consider its 'entry strategy' – how it builds reputation and credibility, which could in turn open doors to potential opportunities for further, and potentially more successful intervention. Equally each workstream will need a clearly articulated 'exit strategy' – setting out how positive effects of the intervention would be sustained after the TA support ends.
18. Given the complexity and dynamism of the context, the TA facility will need to be flexible and adaptive in nature. As such, DFID seeks to procure a facility that ensures our support is: i) problem-led, rather than designed around the implementation of donor developed and pre-defined solutions; ii) flexible enough to rapidly take advantage of opportunities as they arise; iii) tests assumptions and incorporates lessons as we learn more about what works and doesn't in Lebanon; and iv) works collaboratively with other international donors.
19. Specific requirements under these principles include:
  - i. **Interventions to support reform should be locally identified and designed**, rather than donor-defined solutions: Lebanon's political economy suggests that the imposition of pre-defined solutions is unlikely to succeed. The international community, through technical and financial support, can nudge, but can't force, the adoption of specific problems or the development of potential solutions. The support should be ready to help key decision-makers address problems where there is a will to solve them.

- ii. Recognising the vital importance of GoL ownership, the primary barriers to progress are political, and the complexity of the Lebanese political economy, interventions will need to be **flexible, politically sensitive and opportunistic**:
    - Interventions will need to be flexible enough to manage significant delays;
    - Interventions will need to be sensitive to the political environment and able to spot opportunities and avoid contributing to conflict;
    - Interventions will need to be nimble enough to quickly support opportunities when they arise, including opportunities to take preventative action before an economic crunch point bites;
    - Interventions will need to be problem- and demand-driven: supporting reform when there are incentives developing that make change beneficial to key decision makers.
  - iii. Any intervention will need to set out a clear Theory of Change (ToC), test assumptions and learn what works (see illustrative ToC at Annex 2).
  - iv. The programme must **be flexible enough to pivot in response to major changes** in Lebanon: The programme, if it is to be successful, will be a long-duration programme. Given the risks facing Lebanon, there is a reasonable probability of a dramatic change in the country's circumstances.
  - v. The programme should aim to **work collaboratively with other international donors**. There is no shortage of potential reforms that could be supported through this programme. The challenge will be identifying those where there is sufficient political support, where the politics allows scope to make progress, where significant impact can be achieved, and where support can add value.
20. Within the Lebanese context, it is unrealistic to expect all interventions will succeed. The supplier will need to understand that finding and shaping interventions where advice will lead to real change and learning about what works and what doesn't is just as crucial to success as it is to produce the advice itself.
21. Critical to the success of this component will be ensuring that the supplier has the right management platform including the right mix of people and skills. A highly skilled team which can generate demand for their services, and traction for reform delivery within the Lebanese political economy environment is a crucial component for any service provider. Continuity of TA facility staff will also be important.
22. The supplier will be responsible for maintaining a roster of experts covering the entire scope of the programme that can be called upon to deliver TA on a demand driven basis. Part of the facility's comparative advantage amongst other donor programmes will be speed and responsiveness; therefore, supplier's proposals should specify how this would be achieved. We expect that the supplier will be able to supply most of the technical assistance directly, however it is likely that whilst under implementation that requests will be made of the facility that the supplier will be unable to meet. It will be critical that the supplier has in place cost



effective and efficient approaches for sourcing and sub-contracting external expertise and services to meet these requests when they occur. Where the supplier sub-contracts organisations to deliver part of these services, due diligence assessments to DFID standards must be carried out to maintain the integrity of the supply chain.

### **Screening and Approval**

23. As the facility will operate on a demand-driven basis, requests for economic reform support should originate from the Lebanese Government. Formal written requests from GoL counterparts will be encouraged, but the supplier will be expected to help develop these proposals in partnership with counterparts.
24. The supplier will undertake an initial screening of all applications for assistance to verify that the request is clearly defined and within the overall scope of the programme and that the level of risk is acceptable. Criteria for assessing the relevance and feasibility of proposed projects will be agreed between DFID and the supplier but could include:
  - i. The extent to which this intervention is needed;
  - ii. Degree of (cross-party) political support;
  - iii. Complementarity with other activities (involving GoL, international financial institutions and other donors);
  - iv. The expected direct impact of the reform, if implemented
  - v. The likelihood support will translate into outcomes (i.e. taking account of enablers and obstacles to success (political, economic and social)
  - vi. Gender and social inclusion considerations
  - vii. The political and economic environment that will be governing the reform
  - viii. Potential indirect impacts and multiplier effects
25. The supplier will propose a process to pro-actively manage anticipated activities for the facility which will include a system for assessing and mitigating risks.

### **Management Arrangements**

26. The right management platform will be important for programme success. Suppliers should propose a structure for the facility in their tender. Proposals should include how the supplier will administer the facility, how learning will be captured within the facility and how the delivery of technical assistance will be managed.
27. DFID also expects to play a role in the governance and implementation of the programme. The DFID Senior Responsible Owner (SRO) and programme manager will provide input to decisions on which reforms to pursue; review and approval of workplans and review of evidence of what has (not) worked and why (not). The SRO will bring in other DFID advisory staff as needed. DFID will also embed a DFID member of staff with the selected service provider shortly following contract award. This individual will support M&E, lesson learning and coordination between the supplier and DFID (see Annex 5 for job specification).

28. A critical part of the governance structure will be an Independent Advisory Board (IAB). The IAB will support DFID in assessing the feasibility of workplans, and evidence of success and failure. They will provide informed challenge and mitigate against risks of group think and optimism bias. Members will comprise a mix of experts on flexible and adaptive programming, as well as experts on Lebanon. A representative from EBRD will also sit on the board to foster learning and information exchange across the two components.
29. At various points in the programme DFID will bring in an independent, third party monitoring specialist to provide an independent perspective on performance. DFID also believes it important to ensure coordination with other donors and International Financial Institutions (IFIs) working on economic reforms and infrastructure.

### **Provision of Services**

30. The supplier will provide both Facility administration (including finance and logistics) and technical experts that deliver assistance. The supplier will be afforded flexibility in the structure and composition of the core project team, which should be clearly specified in the bid documents. It is envisaged that the core project team may include:
- A Project Leader with proven leadership expertise, as well as capabilities in convening and building trust with partners. S/he must be able to manage and lead technical experts, represent the programme and build trusted relationships.
  - A project administration team with skills to manage experts and assignments, manage and forecast project expenditure, and monitor and communicate results being delivered by the project.
  - Coordinators for each aspect of delivery with a combination of technical and project administration skills. Short Term Technical Assistance (STTA) pool of national and international sector experts.
  - Expertise to undertake continuous political economy analysis to inform the team's work, and capacity apply an environmental, conflict- and gender-sensitive approach.
31. This structure is purely illustrative and DFID strongly welcome other structures that would enable the contractor to effectively deliver the project outputs. The structure will be expected to evolve with the programme, responding to need; the need for flexibility should be considered.
32. Risk management will be an important part of the management of the facility and therefore should also be reflected in bids. The supplier will ensure appropriate political economy, environmental, social and conflict sensitivity analysis is undertaken to ensure the long-term sustainability and effectiveness of all projects supported.
33. Suppliers should demonstrate that they have access to the relevant expertise. Where proposed programme staff have been identified and secured, technical

proposals should include the CVs of the core project staff, any other permanent staff, and technical experts available to be used.

### **Monitoring, lesson learning and evidence**

34. Learning will be an important feature of LERII as the success of the facility approach is based on flexible, adaptive programming with “real time” feedback. This will facilitate a deeper understanding of areas of focus and the broader environment and hence improve the quality of future support. Approaches for how this lesson learning might be captured and leveraged should be included in bid documents.
35. Whilst the TA approach will require built-in monitoring, evaluation and learning systems which allow the facility to rapidly learn what works in a complex environment, and adapt support, LERII will also recruit an independent M&E specialist to bring an external perspective and maximise learning. This M&E specialist will lead an independent mid-term evaluation of the programme framework to test the analytical underpinning, the programme’s ToC and the adaptive approach itself. The TA facility and M&E specialist will be required to work in close coordination to capture lessons from within and across sectors and using them to build data and evidence. The coordination between both entities is crucial to the success of the programme and we are expecting the M&E to start at the same time as the TA facility.
36. DFID recognises that while there is certainty surrounding the inputs needed for the TA facility (see section on requirements), the complex context in Lebanon means that specifying a full suite of outputs in advance will be unlikely to deliver the greatest impact. The complexity of the problems which must be addressed mean that a continuous process of testing, learning and adapting will be required to discover the most effective interventions.
37. The key review points for the Programme and Contract are planned at the following stages: after 6 months, and thereafter annually until the end of the contract. Continuation following a review point will be subject to the satisfactory performance of the supplier during the preceding period, and the continuing needs of the programme.

### **Budget and Timeframe**

38. The approved maximum budget for this contract is £10 million, inclusive of applicable taxes. Note that DFID programmes are not automatically tax exempted and therefore suppliers may be liable to pay tax in Lebanon. Tax liabilities should therefore be taken into consideration in commercial proposals.
39. The contract start date is 22<sup>nd</sup> January 2020 and the project end date will be 1<sup>st</sup> January 2024.
40. The contract will contain two break clauses: (i) DFID retains the right to end the contract after 6 months. Progression beyond this break point will be dependent on the supplier having established a functioning presence in Lebanon and the

satisfactory delivery of the outputs agreed during implementation; *during the 6-month breakpoint review and prior to approval by DFID for progression, a transition period will be pre-agreed between DFID and DAI to ensure programme continuity during this review point. The cost of the transition period will come from the contract budget and will be agreed and approved by DFID* (ii) DFID also retains the right to end the contract during the key review points of the programme. This decision will be based on an assessment of the supplier's performance against agreed key performance indicators (see the table below); an assessment of the on-going need for technical assistance for GoL; and an assessment of the value for money delivered by the contract. This will be in consultation with the Independent Advisory Board (IAB).

**Table 1: Proposed Key Performance Indicators**

<b>INDICATOR 1: Delivery:</b> evidence of quality, timeliness and appropriate use of resources	a. Cost-efficiency and effectiveness of services, activities and outputs
	b. Milestones achieved and on time
	c. Quality of products, services and activities provided
	d. Partner delivery capacity and relationships formed or expanded
	e. Return on investment (of resources) in line with expectations
<b>INDICATOR 2: Innovation and Actionable Learning:</b> progress made testing and learning what works	a. Challenges and assumptions identified and (in)validated
	b. Innovations or solutions identified, tested, replicated or scaled-up, exited
	c. Technologies generated or adopted
	d. Key stakeholders/partners actively engaged in learning and planning processes
	e. Programme decisions informed by learning generated
	f. Provider works on improving the reporting period's performance
	g. Supplier proactively promotes innovative in programme
	h. Ability to maximize value for money for DFID including full flexibility to scale up or down quickly as appropriate
	i. Actively capturing and sharing lessons learnt
	a. Robust cost control in line with contract

<b>INDICATOR 3: Financial Management, risk Management and Forecasting</b>	b. Accurate and timely submission of forecasting and invoicing
	c. Studying considering and abiding by VfM in every decision taken
	d. Robust risk management, including updated risk matrix and delivery chain mapping
	e. Responsiveness to Annual Review/Due Diligence Assessment and audit recommendations
<b>INDICATOR 4: Personnel</b>	a. Performance of team leader (including managing staffing levels, staff performance and sub-contractors)
	b. Performance of the team and appropriate level of expertise/ skill level of personnel allocated to project –
	c. Ability to address issues and problem solve them with appropriate escalation channels
	d. Ensure that staff are appropriately trained (including specialist training where required)
	e. Having a pool of expertise that fit the targeted selected areas of reform
	f. Ensure that staff are provided with and have access to suitable equipment and will you ensure that this is reviewed and provided on an on-going basis
<b>INDICATOR 5: Fit for Purpose</b>	a. Programme design fits context
	b. Scale of funding is appropriate to programme goal
	c. Contractual arrangements fit programme design
	d. Governance structures provide strong oversight and appropriate flexibility
	e. Level of DFID support, oversight and resources allocated are sufficient and effective
<b>INDICATOR 6: Contribution to meaningful change</b>	a. Relative value of the reforms in achieving development goals
	b. Types (income, gender, etc.) of populations targeted and supported
	c. Level of satisfaction amongst participants involved

<b>INDICATOR 7: Relationship management</b>	d. Continued validity of theory of change assessed – steps in causal pathway, assumptions, and strength of evidence
	e. Theory of change updated as relevant based on assessment
	f. Application of political economy analysis and conflict sensitive approach
	a. Extent to which the supplier is responsive and flexible to stakeholders needs and seeks to align with DFID
	b. Regularity of communication with DFID and delivery of agreed action points
	c. Project team provide continuous coordinating and willingness to collaborate and improve partnership with DFID and other stakeholders
	d. Maintain strong relationships with donors, stakeholders as well as embassies to guarantee coordination without duplication in activities

41. Value for money of the facility will be monitored throughout the life of the programme. Bids should reflect suppliers' policy on/approach to value for money and demonstrate the ability to monitor and report on this throughout the life of the programme, including proposed indicators. Based on this, value for money indicators will be agreed between DFID and the supplier. DFID reserves the right to scale back or discontinue this programme at any point (in line with our Terms and Conditions) if it is not achieving the results anticipated.

### Implementation Phase

42. We do not plan on having an inception phase for the programme. Instead, we envisage a period of mapping the feasibility of each reform as a key part of the implementation stage where the supplier will be able to test learn and adapt

43. As soon as the contract is signed, the supplier will be required to begin the first cycle of preparatory work to support delivery of a chosen economic reform. The proposed workflow for the delivery of reform X is as follows:

- Select the reform
- Map the opportunities for supporting delivery of the identified reform, including political, financial and social 'champions of change' and 'blockers of change.' Conduct a high-level analysis of potential impacts of reforms, including on different groups and regions (see Annex 2 for an illustration).

- Use this mapping to develop hypotheses about how technical work might support champions of change or allay concerns of blockers of change. Including assessing what work the TA might do directly, and what work might be done more effectively by other stakeholders (such as civil society, or the World Bank, or parts of government acting without support, etc). This will look like a mini theory of change (ToC) for supporting the identified reform.
- Build a workplan, based on the above mentioned 2 steps, which begins to deliver the theory of change developed. Crucially, this workplan must be designed so that it tests assumptions set out in the developed ToC so that, within a specified time period (e.g. 3 months), the TA facility will be able to say, in an evidenced-based way, 'this intervention is working, and has promise'. Or 'this intervention is partially working, but we have learned a, b and c which means we must adjust our ToC and workplan'.
- Approval of the workplan by DFID, supported by the Independent Advisory Board. Agreement by DFID on how the workplan will build evidence of its success, and how and when this will be measured, and any changes of course next considered.
- Delivery of approved workplan
- Review of evidence by the service provider, DFID, and independent programme advisory board, on whether the workplan is working as we expected, and whether changes need to be made based on what we have learned.
- In light of review, TA refines ToC developed, or changes it radically. Proposes new or adjusted workstream for the next period. DFID and independent advisory board review this and approve the next phase of work.

46. Over the lifetime of the programme, the supplier must provide:

- Quarterly progress reports, which twice a year will be tailored to inform six monthly meetings of the IAB. Reports will include both a narrative review of progress against the programme logframe, and a forward-looking assessment of risks and opportunities including the financial information linked to this and a summary work plan of the quarter ahead.
- Quarterly financial reports.
- Annual reports. These will include progress to date against KPIs and project milestones, emerging risks and opportunities, statements of expenditure and reporting against agreed value for money indicators.
- A projection each month of projected spending for each of the following three months, and for expenditure through to the end of the financial year.

## **Payment and Reporting**

47. Suppliers will include in their proposals appropriate payment by results models to incentivise efficient resources to maximise results and value for money whilst ensuring that risk is shared between DFID and the supplier. The payment model can be clarified with the supplier prior to moderation and/or prior to contract signature. The payment will be based on the developed timeframe and the milestones.
48. DFID reserves the right to increase or change the performance-based pay element of the contract based on an assessment of efficacy and feasibility in the midterm evaluation.

### **Contract Management**

49. The supplier will report to the DFID Lebanon's Senior Responsible Owner (SRO) and will have regular engagement with other relevant advisers and programme management staff from DFID Lebanon. The supplier must identify in the tender a senior representative with whom any contract management issues may be escalated.
50. Building on those offered within bids, DFID and the supplier will agree and finalise the Key Performance Indicators to manage contract performance by Month 5 at the latest. This will be based on indicative headings in Table 1 and suppliers should develop specific KPIs as part of their proposal.

### **UK Aid Branding and Transparency**

51. Transparency, value for money, and results are top priorities for the UK Government. DFID has a duty to show UK taxpayers where their money is being spent, its impact, and the results achieved. DFID has guidance on the use of its logos, which will be shared with the SP as necessary.
52. DFID has transformed its approach to transparency, reshaping our own working practices and pressing others across the world to do the same. DFID 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. 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 DFID – further IATI information is available from: <http://www.aidtransparency.net/>
53. Partners that receive funding from DFID must use the UK aid logo on their development and humanitarian programmes to be transparent and acknowledge that they are funded by UK taxpayers. Partners should also acknowledge funding from the UK government in broader communications, but no publicity is to be given to this Contract without the prior written consent of DFID. If any press releases on work which arises wholly or mainly from the project are planned, this should be in collaboration with DFID's Communications Department. Country-facing and UK-facing branding guidelines will be provided by DFID Lebanon.

### **Duty of Care**



54. The supplier is responsible for the safety and well-being of their personnel and third parties affected by their activities under this contract, including appropriate security arrangements. They will also be responsible for the provision of suitable security arrangements for their domestic and business property.
55. DFID will share available information with the supplier on security status and developments in-country where appropriate. DFID will provide a copy of the DFID visitor notes (and a further copy each time these are updated), which the supplier may use to brief their personnel on arrival. A named person from the contracted organisation should be responsible for being in contact with DFID to ensure information updates are obtained. There should be a process of regular updates so that information can be passed on (if necessary). This named individual should be responsible for monitoring the situation in conjunction with DFID.
56. Travel advice is also available on the FCO website and the supplier must ensure it (and its personnel) are aware of this. The supplier is responsible for ensuring appropriate safety and security briefings for all its personnel working under this contract.
57. The supplier is responsible for ensuring that appropriate arrangements, processes and procedures are in place for its personnel, taking into account the environment they will be working in and the level of risk involved in delivery of the contract (such as working in dangerous, fragile and hostile environments etc.). The supplier must ensure its personnel receive the required level of appropriate training prior to deployment.

## Annex 1: Lebanon context for programme

**Since the end of Lebanon's civil war in 1990, the Lebanese economic model has proved highly resilient to political and economic shocks**, weathering partial occupation by Syrian and Israeli militaries, the assassination of Prime Minister Rafik Hariri in 2005, war between Hizballah and Israel in 2006, internal conflicts in 2007 and 2008, and external shocks including the global financial crisis.

**More recently, Lebanon has been hit hard by the eight-year conflict in neighbouring Syria**, which has seen export routes closed, investment risk increased, and over one million refugees seek shelter in Lebanon, putting pressure on public services. Economic growth has slowed from 10% in 2009 to 1-2% in recent years, also due to the fall in the value of oil. This reduced the incomes of Lebanese diaspora based in the Gulf, reducing inward investment and finance from the diaspora.

**The Lebanese political settlement has hampered a coordinated response to these economic challenges.** Disagreement between different Lebanese political blocs meant two and a half years without a President and, until 2017, no budget passed for 12 years. Many economic reform and infrastructure investment opportunities which could have supported economic growth during this period have been delayed for years or decades or blocked by different factions within Parliament. Estimates put the cost of the confessional government system, and associated blockages, at nine percent of GDP annually.<sup>4</sup> Slower economic growth has exposed two fundamental weaknesses in the current Lebanese model:

- **An entrenched government deficit, which has averaged at around 8% of GDP for the past seven years**, has seen the growth in public sector debt outpace the growth in the economy. Servicing the interest on the Government's outstanding debt now accounts for around 10% of GDP or a third of total government expenditure, one of the highest rates in the world. Debt has exceeded 150% of Lebanese GDP, the third highest in the world, and the IMF expect this to reach 180% within three years without rapid policy action.<sup>5</sup>
- **A current account deficit averaging around 20% of GDP over the past 5 years.** As the Lebanese Lira has been fixed in value to the US Dollar at the same rate since 1997, this deficit must be financed by inflows from abroad, or through the Central Bank's foreign currency reserves. Lebanese diaspora investments in real estate and cash deposits at Lebanese commercial banks have historically financed this deficit. In recent years, however, a weaker real estate market and increasing need to subsidise the Government's growing debt, has seen the Central Bank increasingly spend its own resources to attract foreign currency.

<sup>4</sup> Chaaban (2014) cited in Le Borgne, Eric and Jacob, Thomas (2016), *Promoting Poverty Reduction and Shared Prosperity: A systematic Country Diagnostic*, World Bank Group, Report No. 103201, January 2016, page 4

<sup>5</sup> IMF Article IV report, 2018

**An economic crisis, if it were to occur, would seriously undermine the ability of the Lebanese state to maintain peace and security.** An economic crisis would play into the politicisation of the refugee issue and aggravate inter-communal socio-economic tensions including over real and perceived unequal access to resources and jobs. An economic shock and financial hardship would increase the risk of a return to sectarian/inter-confessional violence. Renewed conflict within Lebanon would reduce the security services' capacity to effectively counter Daesh or other terrorist organisations' infiltration and operation within Lebanon. All of these dynamics would significantly increase absolute poverty and humanitarian need, potentially for decades.

**Given this very difficult context, the Government of Lebanon (GoL) has proposed a significant programme of infrastructure investment, paired with economic reforms.** The GoL has identified that the most promising route to avoid further economic decline is a significant capital investment injection to boost economic growth, combined with reforms that could further accelerate growth, though increased private investment, whilst reducing the Government's need for more borrowing.

**A focus on infrastructure is sensible given Lebanon's significant infrastructure gap.** Lebanon's high interest bills have discouraged productive investment. At less than 2% of GDP in recent years and just 1.1% of GDP in 2015, Lebanon's capital expenditure is among the lowest in the world. Public expenditure on infrastructure in upper middle-income countries averages 7% of GDP.<sup>6</sup> The gap between 1-2% and 7% every year, extending over a long period, largely explains the poor state of Lebanon's public infrastructure, particularly in electricity, water supply, waste management, transport and ICT sectors. Very low levels of public investment have been compounded by insufficient maintenance of existing infrastructure as well as poor policy (e.g. high electricity subsidies) and increased pressure on infrastructure from very high numbers of refugees.

**Inadequate infrastructure increases costs to firms and undermines the economy's competitiveness.** Out of 137 countries in the World Economic Forum's competitiveness index, Lebanon ranks 130 in quality of overall infrastructure, with quality of electricity supply at 134 and quality of roads at 120.<sup>7</sup> However, for new infrastructure to succeed and to have the desired impact on economic growth, sectoral and horizontal reforms and preparatory work must also be delivered by the Government. Private sector investment will not increase without the reforms that are needed to improve the rate of return on their investment. Growth without reform, i.e. growth based only on concessional loans and grants, will not deliver sustained growth. Such reforms need to be undertaken in a manner which avoids worsening the lives of the most vulnerable and generating grievances that could fuel instability and conflict.

**The GoL set out their plans at the Conference for Lebanese Economic Development and Reforms (CEDRE), hosted in Paris on 6<sup>th</sup> April 2018.** This included a Capital Investment Programme (CIP) of around 280 projects with an

<sup>6</sup> Abdul Abiad et al (2017) The Role and Impact of Infrastructure in Middle-Income Countries: Anything Special? Asian Development Bank Economic Working Paper

<https://www.adb.org/sites/default/files/publication/359136/ewp-518.pdf>

<sup>7</sup> World Economic Forum, Global Competitiveness Index 2017-2018.

estimated total cost of around \$23 billion over a period of 8-12 years; as well as a Vision for Stabilisation, Growth and Employment<sup>8</sup> which contained commitments to deliver key reform measures such as electricity sector reforms and reductions in the budget deficit that would support sustainable and inclusive economic growth. The GoL called on the international community's support to deliver this package, given the country's challenging fiscal position and the additional pressures brought by the Syria crisis. And in response, the international community pledged \$11 billion in concessional loans and grants to finance the government's plans.

**The CEDRE conference emphasised the critical link between delivery of reforms, and a successful programme of infrastructure investment.** In the run up to the CEDRE Conference, the World Bank worked with the GoL to assess the CIP projects against different criteria, including strategic importance, feasibility, financial viability and social benefit. This assessment also sets out which reforms must be implemented, and what other enabling actions must be undertaken, before individual projects are able to deliver their potential economic and social impact.<sup>9</sup> The CEDRE Joint Statement between international donors and the GoL<sup>10</sup> reiterated this point, as did the IMF statement which noted the growth and investment opportunity presented by the conference, whilst emphasising that the immediate focus should be on delivering substantial economic reform and strengthening public investment management to ensure successful implementation of the CIP.

**The LERII programme operationalises the UK's pledge at CEDRE,** promising grant financing in support of the CIP, providing sufficient progress is made on reform.

**Lack of fiscal space and high existing debt levels means that the GoL cannot afford to finance their plans alone, and the potential return from UK support is high.** Whilst the UK contribution is modest relative to the infrastructure financing need, our potential to help the Government deliver meaningful economic reforms is more significant.

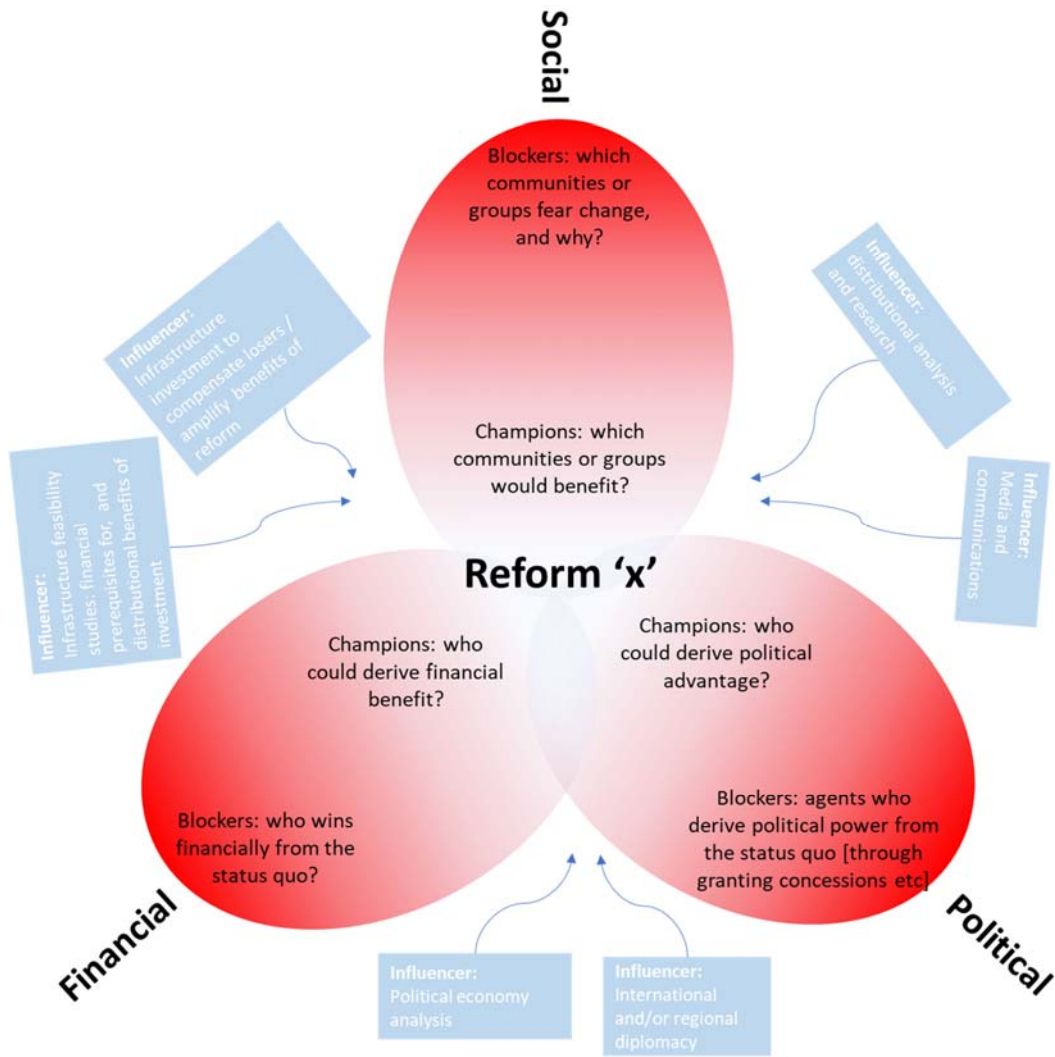
**DFID is also able to draw on experience outside Lebanon** successfully supporting economic reform and economically-significant infrastructure investment in fragile and conflict affected countries with complex political economy dynamics. We will continue to draw on global evidence and make use of the full range of HMG resources in the development and implementation of this programme.

<sup>8</sup> <http://www.pcm.gov.lb/arabic/ListingAndPDFWithDropdown.aspx?pageid=11224>

<sup>9</sup> <http://documents.worldbank.org/curated/en/935141522688031167/pdf/124819-WP-PUBLIC-APR-6-1030-AM-DC-Full-Version.pdf>

<sup>10</sup> [https://www.diplomatie.gouv.fr/IMG/pdf/cedre\\_statement-en- final\\_ang\\_cle8179fb.pdf](https://www.diplomatie.gouv.fr/IMG/pdf/cedre_statement-en- final_ang_cle8179fb.pdf)

**Annex 2: Illustrative Theory of Change underpinning a particular reform initiative**



### Annex 3: Risk Register

Key risks, appetites and mitigating measures are summarised below:

- *External Context Risk:* DFID Lebanon has a high appetite for external context risks. Although currently stable, domestic Lebanese and regional politics in the MENA region can be volatile and remain challenging as conflict, economic shocks and social unrest could upend the status quo with little warning. A core activity of the programme will be supporting the delivery of key economic reforms and a clear economic vision to help put the economy on a more sustainable footing. The partner will need to undertake scenario planning, diversify target areas and build flexibility into the programme should the external context worsen dramatically.
- *Delivery Risk:* DFID Lebanon has a moderate appetite for delivery risk. Key delivery risks for the programme are associated with outputs (TA support) translating into outcomes (meaningful economic reform; increase in economic growth). To treat this, we need a highly skilled TA team that can build credibility and navigate the local political economy. Overall, treating this risk successfully will require flexible, adaptive and opportunistic delivery. Implementing partners will need to leverage multiple partnerships and communication channels to aid this approach.
- *Operational Risk:* DFID Lebanon has a low appetite for operational risk. Given the ambitious nature of the programme, the key operational risk is staff capacity. Based on lessons learnt from other flexible and adaptive DFID programmes, we will embed a DFID member of staff in the TA programme team. This will allow DFID to help foster a close collaborative relationship with the partner and allow day-to-day decisions to be made quickly.
- *Fiduciary Risk:* DFID has a low appetite for fiduciary risk. DFID has a zero-tolerance approach to fraud and corruption and requires all partners to adhere to UK and international law relating to counter-terrorism financing. Implementing partners will be subject to detailed due diligence, will be required to maintain comprehensive delivery chain maps and demonstrate full compliance with DFID's fraud and CTF policies and reputation procedures.
- *Reputational and Safeguarding Risks:* DFID Lebanon has a low appetite for reputational and safeguarding risks. For this programme, we will seek to avoid harm to people, to the environment, and to DFID's reputation by operating within our international obligations including those covering human rights and environmental conservation and protection. In line with DFID's commitment to the 'Do No Harm' agenda, we will work closely with partners to apply robust

safeguards and reporting measures, through their own processes. Managing risks around extremism, violent extremism and terrorism (EVET), and ensuring compliance with counter-terrorism legislation will be a key part of our risk management with partners.

#### Annex 4: Duty of Care – Country Risk Assessment

##### Summary Risk Assessment Matrix

Project/intervention title: Lebanon Economic Reform and Infrastructure Investment (LERII)

Location: Lebanon

Date of assessment: 15/11/2019

Assessing official:

Theme	DFID Risk score	
Country/Region	Lebanon (excluding red and amber zones)*	Lebanon (including red and amber zones)
<b>OVERALL RATING<sup>11</sup></b>	<b>3</b>	<b>4</b>
FCO travel advice	3	4
Host nation travel advice	n/a	n/a
Transportation	3	3
Security	3	4
Civil unrest	3	3
Violence/crime	3	4
Terrorism	4	5
War	2	2
Hurricane	1	1
Earthquake	3	3
Flood	1	1
Medical Services	3	3
<b>Nature of Project</b>	<b>1</b>	<b>1</b>

\* see latest details on UK Foreign Office Travel Advice

<https://www.gov.uk/foreign-travel-advice>

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

<sup>11</sup> The Overall Risk rating is calculated using the MODE function which determines the most frequently occurring value.

### Annex 5: Terms of reference for DFID embedded staff at the TA facility

Job Title: Lebanon adaptive economic programme lead
Grade: A2 / Grade 7
Location: Beirut, Lebanon

Purpose of Job	<p>DFID Lebanon is recruiting an expert in flexible and adaptive programmes to provide technical support to the Lebanon Economic Reform and Infrastructure Investment (LERII) programme. The role is open to generalists but the nature of the work would also suit certain technical specialists: applications from infrastructure, economics, private sector development or results and evaluation advisers would be encouraged.</p> <p>LERII is a newly approved flexible and adaptive programme designed to deliver the UK's pledge at the 2018 CEDRE conference which raised £11bn to help tackle Lebanon's infrastructure deficit and build investor confidence. Over the next 5 years, LERII will support preparation and investment in large infrastructure prioritised by the Government of Lebanon and provide technical assistance to deliver economic reforms.</p> <p>Whilst the political environment is challenging, the potential return is very high. A more sustainable and higher growth economy, accompanied by infrastructure investments, has the potential to significantly improve poor people's lives, including girls and women and the large number of refugees currently in Lebanon.</p> <p>In this context, LERII uses an approach which is:</p> <ul style="list-style-type: none"> <li>• Flexible and adaptive; testing new hypotheses in short cycles and learning what works.</li> <li>• Politically-sensitive and opportunistic; nimble enough to quickly support opportunities as they arise in a complex political environment.</li> <li>• Collaborative; working with other international donors, IFIs, and cross-UK Embassy to maximise impact.</li> <li>• This is an exciting and busy time, as DFID Lebanon is delivering cutting-edge programming and policy engagement in response to the regional crisis. This role represents an exciting opportunity for the right post holder to shape and deliver an innovative programme, while making a meaningful contribution to Lebanon, the Syria crisis response, and its refugees.</li> </ul>
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<p>Key responsibilities and accountabilities</p>	<p>We anticipate the post holder will spend the majority of their time embedded with the lead partner implementing the flexible and adaptive Technical Assistance (TA) component, with one day per week spent with the DFID team.</p> <p>Specific responsibilities will include:</p> <ul style="list-style-type: none"> <li>• Shaping and contributing to programme activities and interventions across the range of work that LERII does, contributing to all outputs and the programme outcomes.</li> <li>• Assisting in the competitive tendering process for the TA provider</li> <li>• Providing a secretariat function to the Independent Advisory Board (IAB) for the programme.</li> <li>• Contributing to LERII's strategic direction, by effective technical advice, recommendations and collaboration with the LERII team and the DFID SRO.</li> <li>• Building relationships and influencing to ensure the programme is well coordinated with other donor programmes including those of the International Financial Institutions (IFIs). Working collaboratively with cross-UK Embassy colleagues, international donors, Government of Lebanon, the Central Bank, NGOs and private sector organisations to maximise influence.</li> <li>• Ensuring coordination and collaboration across programme components, particularly the M&amp;E and TA providers, and infrastructure component. Monitor and collaborate with the TA provider, ensuring value for money in a situation where a private provider is operating opportunistically within a very fluid environment.</li> <li>• Maximising uptake and use of M&amp;E knowledge products, ensuring learning and evidence produced by LERII is strategically conceptualised, commissioned and used (internally and to a range of key stakeholders).</li> <li>• Leading (with support from EPIC and BDD) the flexible and adaptive programming agenda for DFID Lebanon, sharing best practise and lesson learning with the wider team. Bringing in relevant policy or programme knowledge, learning, innovation and contacts from other DFID-funded work (centrally funded and other bilateral work) to maximise LERII's influence and impact.</li> </ul> <p>This role is critical to the success of LERII's objectives. This is an unusual post, and one in which you will need to work proactively to shape the role. You will need to be creative, innovative and have strong 'soft' skills. You will have a specific focus on flexible and adaptive programming, influencing for change, communicating LERII's learning, capacity building, knowledge management, and influencing within DFID and externally with a range of stakeholders.</p>
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	<p>This is a technical role focusing on supporting the programme's delivery and influencing work as part of the programme delivery team. It's an opportunity to gain direct experience of working on a challenging and innovative programme with the service providers, shaping the programme direction and helping to achieve its outcome. This is not a management role; you will not be SRO of LERII, or play a management function within the programme. The SRO, Economic Advisor and Programme Manager will provide overall programme oversight and management (e.g. DFID programme administration, technical quality assurance, programme strategy and vision, management of the Service Provider, annual reviews and ultimate accountability for programme spend).</p>
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