

Terms of Reference
DRC Private Sector Development Project
Market Development Component
UPDATED MARCH 2018

1. Introduction

- 1.1 Decades of economic mismanagement and war have exacted a heavy toll on the economy of the Democratic Republic of Congo (DRC). Official GDP per capita in DRC is still the lowest in the world (\$311) – less than half of its 1980 value in constant terms. And around 59% of the population live on less than \$1.25 per day. It is estimated that only around 300,000 people are employed in formal Small to Medium Enterprise (SME) firms and that up to 90% of all business activity takes place ‘below the radar’ in the informal sector.
- 1.2 Recovery of the private sector would provide jobs and business opportunities for poor people in DRC to lift themselves out of poverty. However, recovery of the private sector is impeded by a poor business environment, which is regarded as *the* binding constraint to growth in DRC. DRC is currently ranked 178th out of 183 countries in the Ease of Doing Business Index – 40 places behind the Sub-Saharan African (SSA) average. In addition, the legal framework is explicitly biased against female participation in business.
- 1.3 The DRC country office of the Department for International Development (DFID) is in the process of establishing a £42.5 million, 5 year Private Sector Development (PSD) programme to strategically target key constraints to empower the private sector to be an engine of growth, firm and job creation, and poverty alleviation in DRC. The estimated minimum result of this programme (to be verified during the design phase) is the creation of 20,000 new firms and 110,000 jobs.
- 1.4 The PSD programme will consist of two phases: a 1 year design phase; and a 4 year implementation phase. The design phase will:
- Provide benchmarking data necessary to monitor and evaluate the results of the implementation phase.
 - Diagnose the key constraints to private sector development in DRC.
 - Build relationships with key stakeholders in the private sector, civil society, the Government of DRC and other donors.
 - Design implementation phase interventions in collaboration with these stakeholders to address the key constraints to private sector development in DRC.

Ultimately, the design phase will result in a fully-worked up business case for the implementation phase.

- 1.5 The design phase, and by extension, the implementation phase will consist of three components:
- **Business environment reform component:** This component will address national, top-down regulatory and policy implementation problems associated with poor

governance. DFID DRC will undertake this component in collaboration with the World Bank/International Finance Corporation.

- **Meso-level reforms component:** This component will improve supporting markets and institutions affecting multiple sectors. This will involve both high-level regulatory and policy implementation reform as well as action to address market and coordination failures targeted at financial services and trade facilitation. DFID DRC will undertake this component in collaboration with other donors operating in DRC.
- **Market development component:** This component will develop the private sector more directly by tackling specific constraints affecting particular markets. Such constraints can stem from deficiencies in the business environment at the national, provincial and sectoral levels, as well as other government, market, and coordination failures. As is detailed in this Terms of Reference, a Service Provider (SP) will manage both the design and implementation phases of this component on behalf of DFID DRC.

- 1.6 The interconnectedness of the three components will provide a thread through which the localised impact of top-down reforms can be traced and demonstrated. This will enable DFID to demonstrate attributable results and bolster political will for reform – particularly when combined with support to the private sector to articulate their demands for a better business environment under all three components.
- 1.7 These ToR set out the objectives, recipients, and scope of the project, as well as the proposal requirements the service provider SP must meet and the outputs they must deliver. The following annexes provide further background information:
 - Annex A is DFID DRC's Country Operational Plan.
 - Annex B is the business case for the Private Sector Development Inception Project.
 - Annex C is a summary risk matrix for this project

2. Objectives

- 2.1 The overall objective of this assignment is to design and implement the **market development component (MDC)** of the PSD programme. The expected duration of the MDC is five years (1 year design + 4 years implementation) dependant on performance of the Service Provider and results of this part of the PSD programme with a budget of £11-£13.5 million. This includes design cost, programme cost (including disbursement of funds and procurement of technology) and supplier's management cost. However, note that there is scope to increase the balance of the PSD programme in favour of the MDC if design phase analysis suggests this would be warranted.
- 2.2 The MDC aims to contribute to economic growth and poverty alleviation by creating firms, jobs and raising the incomes of poor people, particularly women and adolescent girls, in DRC. It also aims to achieve more equitable market access for poor people and a deepening of selected markets.
- 2.3 It is expected that the MDC will be designed following the "Making Markets Work for the Poor (M4P)" approach and international best practices in this area. As such, the MDC will support a range of market functions and value chains in the selected sectors, address government failures, support entrepreneurship development and enterprise

innovation, stimulate private sector provision of services and promote innovative and inclusive business models which have a potential to reach a large number of low-income people, particularly women and adolescent girls.

3. Recipient

- 3.1 The ultimate beneficiaries of the programme will be the poor, vulnerable and excluded people of DRC, including those who may otherwise seek to make a living through violence, and particularly women and adolescent girls.
- 3.2 The programme will support relevant government, private sector, financial institutions, civil society and not-for-profit organisations or partnerships thereof, delivering the expected outcomes at a systemic level.

4. Scope of services

Stage 1: Design phase

- 4.1 The SP will be initially required to produce a long list of sectors that will include: multiple agricultural sectors (e.g. coffee, cocoa, cotton, palm oil, rice, maize, peanuts, etc.), manufacturing (food and household goods), services/retail, construction, mining, transport (including river transport) and telecommunications. The long list will include both domestic and export oriented sectors, as well as sectors where significant investment is occurring such as roads, health, education and water & sanitation.
- 4.2 The SP (in collaboration with DFID DRC) will then select the 4-6 sectors where the MDC will focus and identify relevant interventions to be undertaken during the implementation phase. In principle, the MDC will focus its interventions in the provinces of Katanga, South Kivu, Kasai Occidental and Equateur, although there is the possibility to extend its focus to other provinces under discussion with DFID DRC during the design phase.
- 4.3 The SP will apply the following criteria to determine the 4-6 sectors that will be selected:

Scale of impact: What is the likely upside of interventions in this sector?

- Potential to generate economic growth and poverty reduction.
- Potential to create firms, employment and generate income.
- Possible benefits from spillovers with other sectors
- Potential benefits to women in terms of entrepreneurship, employment, access to markets and access to cheaper/more varied goods and services.
- Low carbon climate resilience.
- Potential opportunities for positive climate and environment outcomes, such as increased access to renewable energy.

- Potential to benefit from likely national-level business enabling environment reforms that will be generated by the PSD Programme.

Scale of feasibility: How likely is it that interventions in this sector will succeed?

- The **political economy** that will need to be overcome to bring about the necessary policy and institutional changes.
- The capacity of the private sector that will need to be engaged to overcome market failures.
- The competitiveness of the sector.

- 4.4 The final criteria and weighting will be refined during the inception phase. This will be done in consultation with DFID DRC's Growth and Economic Adviser.
- 4.5 Once the sectors are selected (and agreed with DFID DRC), the SP will prepare a list of interventions that will generate systemic change and contribute to the outcomes of the project. Whilst it is not possible to identify interventions to be implemented by the project before the sectors are identified, the types of interventions will include:
 - a) Innovation and provision of new business models and technologies that will help reduce production, transaction, financing, coordination, and information costs, and unlock new markets.
 - b) Provision of evidence for changes to policies and regulations (either at national or provincial levels) that undermine the development of the selected sectors.
 - c) Reform of Government policies and their implementation processes to facilitate an enabling environment for development of the relevant sectors.
 - d) Improvement of market linkages between DRC and other countries, including neighbouring ones.
 - e) Integration of private sector providers with other elements of DFID DRC's programmes in the areas of roads, water and sanitation, and health programmes.
 - f) Facilitate the establishment of advocacy mechanisms within the sectors to promote business environment reforms and link them to provincial/national level advocacy forums.
- 4.6 At this stage, the SP will also define the methods for implementation of the different interventions. These may include, amongst others, facilitation and coordination of the various stakeholders within the system; evidence for policy making; advocacy and business strategies; grants to share risks of new business models and technologies; and the full range of influencing/facilitating activities typically used with an M4P approach.
- 4.7 The scope of work will have to be sufficiently flexible as to respond to shifting political conditions and opportunities during the implementation phase. To this end, the design will integrate **political economy analysis** throughout, in order to effect maximum change and mitigate risks.

Stage 2: Implementation phase

- 4.8 The SP will be responsible for implementing the market system interventions according to M4P principles of facilitation, avoidance of becoming a market player, taking account of market and political incentives, and generating impact at scale through private sector replication of business models. Interventions need to be cognizant of addressing barriers and opportunities for the poor, including women and adolescent girls, in the market system, both in parts of the system where they are numerous and have a presence and parts where they are not currently present but could play a role. In the latter, it will be important to consider cultural barriers.
- 4.9 It is critically important that the MDC works synergistically with the other components of the PSD programme. Accordingly, a steering group will be formed to ensure coherence across the programme. This steering group will consist of DFID DRC, representatives from implementing agencies in all 3 components, and other interested parties as deemed appropriate, such as the Government of DRC. The SP for the market development component will be expected to play an important role in this steering committee.
- 4.10 Wherever possible, and practical, resources should be shared across all 3 components of DFID DRC's PSD programme. The SP will work with DFID DRC's Growth and Economic Adviser (as well as the steering committee) to identify areas where resources could be used synergistically (for example, where surveys overlap, costs could be reduced and disruption for survey respondents minimised by using the same surveyor to ask questions related to both surveys).
- 4.11 The SP will develop rolling annual business plans for the MDC which will be flexible and will set out the interventions to be implemented. It will also be responsible for managing the financial resources of the MDC instruments (specific technical assistance, grants, etc) and operate a Monitoring and Evaluation (M&E) system that meets the relevant standards of the Donor Committee for Enterprise Development (DCED).
- 4.12 Following the M4P approach, the SP will:
- Review the progress of the interventions and, where necessary, scale up some and abandon some.
 - Work out how to influence both the public and private sectors.
 - Identify the key actors within the system (both from public and private sectors) that will help generate change.
 - Identify facilitators with good knowledge of the market, who will be able to stimulate it without being part of it and catalyse change.
 - Identify the partners within the market system with whom the SP will work with.
 - Ensure the sustainability of the interventions.

5. Deliverables

Design phase

5.1 The design phase of the MDC will support DFID DRC in the development of a Business Case, in DFID format, for the implementation phase of its PSD programme. To this end, the SP of the MDC will supply:

- Technical inputs to the different sections of DFID's business case following DFID 'How To' notes methodology, including:
 - Process of selection of sectors.
 - Proposal of credible intervention plans to address the constraints and opportunities identified in each selected sector.
 - A clear theory of change from activities through to impacts (economic, social and environmental), identifying the critical assumptions and causal factors.
 - Economic appraisal of the proposed interventions following DFID methodology.
 - Proposed implementing partners and recipients, including evidence that relationships have been established and that there is a willingness to engage.
 - Proposed stakeholder-led advocacy strategy.
 - Full risk assessment (fiduciary, political and operational) and adequate risk mitigations measures and safeguards.
 - Proposal on how to incorporate specific gender and climate/environment benefits in the programme.
 - A proposed logframe for the MDC with key outputs, outcomes and impacts of the programme and indicators which are specific, measurable, achievable, realistic and timely (SMART). Results will be disaggregated by gender, and challenging targets for the proportion of women beneficiaries will be agreed with DFID DRC during the design phase.
 - Contribution to the M&E framework of the overall PSD programme.
 - Value for Money strategy/assessment.
 - A Climate and Environment Assessment.
 - A consultation record and coordination plan with relevant projects, policies and stakeholders.
- Technical proposal for the implementation of the preferred option of the MDC:
 - Staffing structure with detailed CVs of core team members of the implementation team and job descriptions.

- Options for programme management with indicative workplans, procurement and fund management processes, and indicative budgets.
- Communications and knowledge management strategy.
- Methodology for undertaking fiduciary risk assessment of proposed interventions and instruments.
- A detailed M&E framework and strategy that will comprise:
 - A proposal for the design and implementation of baseline surveys reflecting the need to monitor equity issues (poverty, gender).
 - A monitoring plan establishing quantified milestones against which progress can be tracked and budgeted plan for data collection activities. The monitoring plan should include arrangements for monitoring value for money.
 - A budgeted M&E plan for the intervention and the M&E lesson learning approach to be used incorporating Randomised Control Trials (RCTs). This plan will also be expected to contribute to the overall evaluation of DFID DRC's PSD programme.
- Revised full commercial proposal:
 - Detailed annual work plan and budget for setting out the main tasks and cost of activities.
 - Full budget for implementation phase.
 - Justification why the commercial proposal is good value for money.
 - Proposal for milestones for payments linked to clear deliverables.

Implementation phase

5.2 The implementation phase will require the delivery of the MDC to achieve the desired outcomes and impact consistent with the logframe outputs. To this end, the SP will supply:

- Annual business plans (which will include up-to-date strategies for each sector).
- Baseline and annual surveys for selected sectors.
- Procedures manual for grants.
- Communication and knowledge management strategy.
- And all reporting requirements included in section 6.3

6. Reporting

6.1 The SP will report to the Growth and Economic Adviser in DFID DRC with regard to any technical or programme management issues. The team will be expected to discuss the approach and emerging findings during the design phase with DFID DRC's Growth and Economic Adviser on a continuous basis.

6.2 The reporting requirements during the design phase are:

- Inception report.
- Quarterly performance management reports.
- Final design report based on the 4 deliverables requested (revised ToR for the implementation phase; technical inputs to the business case; technical proposal for implementation; commercial proposal for implementation).
- Annual audited accounts.

6.3 Reporting requirements during the implementation phase will be defined at the design phase, but it is expected that it should include:

- Annual workplans
- Annual forecast of expenditure (including procurement plans) - disaggregated monthly for the financial year April to May. These should be updated on a monthly basis.¹
- Annual audited accounts.
- Quarterly performance management reports.
- Annual reports outlining progress against agreed targets.

6.4 DFID will undertake:

- 6 month reviews of the programme by the DFID DRC Growth and Economic Adviser (supported by other relevant advisers specialising in areas such as evaluation).
- A full mid-term review after 2 years.
- A project completion report.
- An independent evaluation at the end of the project.

7. Timeframe

7.1 The programme is expected to run for five years commencing September 2012. There will be a design phase of 1 year followed by a 4 year implementation phase. It is anticipated that the implementation phase of the MDC will begin in October 2013. The programme and the contract may be extended beyond the five year term for a further one year dependant of Service Provider performance and budget availability.

7.2 The contract will be issued for the full period. However, progress to the implementation phase will be subject to satisfactory completion of the design phase of the assignment, subsequent approval by DFID of the full business case, and agreement on the technical and commercial proposals for implementation. This will be assessed at the end of the design phase.

¹ Note that reimbursement of disbursed funds and funds used for procurement will be made retrospectively (subject to negotiation with DFID DRC during the design phase).

- 7.3 If DFID decides not to proceed to the implementation phase, the contract will be terminated and DFID shall not be responsible for any cost which is not part of the agreed design budget.
- 7.4 If DFID decides to proceed to the implementation phase, a contract amendment will be issued to include details of the services to be provided in the form of updated ToR and detailed costs; and provision for a mid-term review to be undertaken two years after the start of the implementation phase.
- 7.5 If not satisfied with the quality of services received during the design phase, DFID reserves the right to terminate the contract and re-tender the implementation phase and select an alternative SP to implement the MDC.
- 7.6 It is envisaged that the design phase of the market development component will last until September 2013 at the latest. There will be a transition period of around three months between the submission of the outputs of the design phase and start of the implementation phase to allow for further refinement of the deliverables and acceptance of them by DFID. As such, outputs will be expected in July 2013. During the transition period, the SP will be required to have in place cost effective ways to manage the transition period and have available core members of the design team to respond to enquiries from DFID and other stakeholders, and undertake any refinements to the documents. It should be noted that team continuity is an important part of the added-value by the SP.

8. Qualifications of SP

- 8.1 The selected SP shall have the following skills, expertise and experience:
- Ability to design, deliver, monitor and evaluate market development/M4P programmes.
 - A successful track record of implementing projects in support of economic growth and poverty reduction in the Central Africa region/francophone countries/conflict affected areas.
 - Ability to deploy experts who are able to operate fluently in French (essential) and have strong credibility in DRC.
 - Ability to deploy experts who have a strong track record and commitment to poverty and gender equity issues, and have acquired knowledge of the M4P approach.
- 8.2 Location of the core implementing team within DRC will be agreed with DFID during the design phase.
- 8.3 DFID DRC encourages collaboration with local organisations to maximise spillovers to wider development within DRC and to increase the pool of local expertise. As such, it is expected that the SP will award a number of sub-contracts to local consultancies, NGOs or academic organisations.

9. Do No Harm

9.1 DFID requires assurances regarding protection from violence, exploitation and abuse through involvement, directly or indirectly, with DFID suppliers and programmes. This includes sexual exploitation and abuse but should also be understood as all forms of physical or emotional violence or abuse and financial exploitation.

9.2 The programme is targeting a highly sensitive area of work. 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 evaluations should recognise and mitigate the risk of negative consequence for women, children and other vulnerable groups. The supplier will be required to include a statement 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 incidences, should be included in both regular and annual reporting to DFID.

9.3 A commitment to the ethical design and delivery of evaluations including the duty of care to informants, other programme stakeholders and their own staff **must** be demonstrated.

9.4 DFID does not envisage the necessity to conduct any environmental impact assessment for the implementation of the programme. However, it is important to adhere to principles of “Do No Harm” to the environment.

10. Duty of Care

10.1 The Supplier is responsible for the safety and well-being of their Personnel (as defined in Section 2 of the Framework Agreement) and Third Parties affected by their activities under this Call-down Contract, including appropriate security arrangements. They will also be responsible for the provision of suitable security arrangements for their domestic and business property.

10.2 DFID will share available information with the Supplier on security status and developments in-country where appropriate. DFID will provide the following:

- All Supplier Personnel will be offered a security briefing by the British Embassy/DFID on arrival. All such Personnel must register with their respective Embassies to ensure that they are included in emergency procedures.
- 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.

10.3 The Supplier is responsible for ensuring appropriate safety and security briefings for all of their Personnel working under this Call-down Contract and ensuring that their Personnel register and receive briefing as outlined above. Travel advice is also

available on the FCO website and the Supplier must ensure they (and their Personnel) are up to date with the latest position.

- 10.4 This Procurement will require the Supplier to operate in conflict-affected areas and parts of it are highly insecure. The security situation is volatile and subject to change at short notice. The Supplier should be comfortable working in such an environment and should be capable of deploying to any areas required within the region in order to deliver the Contract.
- 10.5 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 delivery of the Contract (such as working in dangerous, fragile and hostile environments etc.). The Supplier must ensure their Personnel receive safety in the field training prior to deployment if judged necessary.
- 10.6 Tenderers must develop their Tender on the basis of being fully responsible for Duty of Care in line with the details provided above and the initial risk assessment matrix developed by DFID (see Annex C of this ToR). They must confirm in their Tender that:
- They fully accept responsibility for Security and Duty of Care.
 - They understand the potential risks and have the knowledge and experience to develop an effective risk plan.
 - They have the capability to manage their Duty of Care responsibilities throughout the life of the contract.
- 10.7 Acceptance of responsibility must be supported with evidence of capability and DFID reserves the right to clarify any aspect of this evidence. In providing evidence Tenderers should consider the following questions:
- a) Have you completed an initial assessment of potential risks that demonstrates your knowledge and understanding, and are you satisfied that you understand the risk management implications (not solely relying on information provided by DFID)?
 - b) Have you prepared an outline plan that you consider appropriate to manage these risks at this stage (or will you do so if you are awarded the contract) and are you confident/comfortable that you can implement this effectively?
 - c) Have you ensured or will you ensure that your staff are appropriately trained (including specialist training where required) before they are deployed and will you ensure that on-going training is provided where necessary?
 - d) Have you an appropriate mechanism in place to monitor risk on a live / on-going basis (or will you put one in place if you are awarded the contract)?
 - e) Have you ensured or will you ensure that your staff are provided with and have access to suitable equipment and will you ensure that this is reviewed and provided on an on-going basis?
 - f) Have you appropriate systems in place to manage an emergency / incident if one arises?
- 10.8 Further information on Duty of Care is provided in the Supplier Instructions (Volume 1 of the Mini-Competition Invitation to Tender Pack).