



# Foreign, Commonwealth & Development Office

## CALL DOWN CONTRACT

**Framework Agreement with:** DT Global International Development UK Ltd

**Framework Agreement for:** Global Development Delivery Framework (GDD)

**Lot 4 – Economic Development and Trade**

**Framework Agreement ECM Number:** ecm\_5811

**Call Down Contract For:** Local Infrastructure Support Programme (LISP)

**Contract ECM Number:** ecm\_7060

I refer to the following:

1. The above-mentioned Framework Agreement dated 11<sup>th</sup> December 2023.
2. Your proposal of 24<sup>th</sup> May 2024.

and I confirm that FCDO requires you to provide the Services (Annex A, Terms of Reference), 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 13 November 2024 (“the Start Date”) and the Services shall be completed by 13 August 2029 (“the End Date”) unless the Call Down Contract is extended in line with the up to 24 months extension option as outlined in Annex A or terminated earlier in accordance with the Terms and Conditions of the Framework Agreement.

### 2. Recipient

- 2.1 FCDO requires the Supplier to provide the Services to the Government of Nepal (GoN) the “Recipient”.

### 3. Financial Limit

- 3.1 Payments under this Call Down Contract shall not exceed £19,386,339 (“the Financial Limit”) and is inclusive of any government tax.

### 4. FCDO Officials

- 4.1 The core FCDO officials for this contract are:

- \*REDACTED

March 2024



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4.2 The Contract Officer is: REDACTED.

### 5. Key Personnel

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

- REDACTED.

6. REDACTED.

### 7. Reports

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

### 8. 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 signature on behalf of FCDO, FCDO will be entitled, at its sole discretion, to declare this Call Down Contract void.

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

Signed by an authorised signatory  
for and on behalf of

Secretary of State for Foreign, Commonwealth  
and Development Affairs

Name:

Position

Signature:

Date: 8/11/24

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

Name:

Position:

Signature:

Date: 8/11/24

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**Call Down Contract - Annex A**  
**Terms of Reference for Local Infrastructure Support Programme (LISP)**

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**Abbreviations**

AMP	Aid Management Platform
BEK	British Embassy in Kathmandu
CAO	Chief Administrative Officer
CCMT	LISP Supplier - Core Central Management Team
CITIIS	City Investment to Innovate, Integrate and Sustain
CM	Chief Minister
COVID	Corona Virus Disease
DoLI	Department of Local Infrastructure
DP	Development Partner
FA	Financial Aid
FCDO	Foreign, Commonwealth and Development Office
FG	Federal Government
FRA	Fiduciary Risk Assessment
FRM	Fiduciary Risk management
GESI	Gender, Equity and Social Inclusion
GoN	Government of Nepal
GP	Gaunpalika
IEL	Innovation, Evidence and Learning
IT	Information Technology
IV	Independent Verification
KPI	Key Performance Indicator
LG	Local Government
LI	Local Infrastructure
LID	Local Infrastructure Development
LIMIS	Local Infrastructure Management Information System
LIS	Local Infrastructure Service
LISA	Local Government Institutional Self-Assessment
LISP	Local Infrastructure Support Programme
MEL	Monitoring, Evaluation and Learning
MIS	Management Information System
MoF	Ministry of Finance
MoFAGA	Ministry of Federal Affairs and General Administration
MOFE	Ministry of Forest and Environment
MoPIUD	Ministry of Physical Infrastructure and Urban Development
MoU	MoU Memorandum of Understanding
MOUD	Ministry of Urban Development
MTR	LISP Mid Term Review
NPC	National Planning Commission
NNRFC	National Natural Resources and Fiscal Commission
PaLIS	Provincial and Local Infrastructure Services Framework
PFM	Public Financial Management
PFTD	Public Finance, Tax and Disaster Risk Directorate
PG	Provincial Government

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PLGSP	Provincial and Local Governance Programme
PMO	Prime Minister's Office
PRO	Programme Responsible Owner
RAP	Rural Access Programme
RED	FCDO Research and Evidence Directorate
RENT	Research and Evidence for Nepal's Transition (RED programme in Nepal)
SDGs	Sustainable Development Goals
SEAH	Sexual Exploitation and Harassment
SRO	Senior Responsible Owner
TA	Technical Assistance
TL	Team Leader
ToC	Theory of Change
ToR	Terms of Reference
UC	User's Committee
UN	United Nations
UNDP	United Nations Development Program
VfM	Value for Money
WASH	Water Sanitation and Hygiene
WFP	World Food Programme

## Introduction & Background

1. The Foreign, Commonwealth & Development Office (FCDO) seeks a suitably qualified Supplier to design and implement Components C1 & C2 of the Local Infrastructure Support Programme (LISP). A budget of up to £20m, over 57 months has been allocated to the delivery of these services.

### Programme Context, Rationale and Goal

2. Delivering sustainable, inclusive, and resilient local infrastructure services by local and provincial governments is a key priority for implementing Nepal's new constitution and ensuring sustainable development of Nepal. To deliver local infrastructure services effectively, the Government of Nepal (GoN) estimates show that £3 billion (US\$ 5 billion) of investment will be required over the next 7 years. On the other hand, estimates suggest at least £100 million of investments in local and provincial infrastructure are lost each year due to the lack of maintenance, climate change impacts and hazards.
3. The new local and provincial governments of Nepal have gained experience in building infrastructure. Despite accumulated improvements and experience, significant works need is required on maintenance and life cycle cost efficiency; inclusive and evidence-based planning and prioritisation; quality and resilient design; implementation risk management; monitoring and outcome/impact assessments. Failure to deliver critical infrastructure will in turn adversely affect the success of Nepal's decentralisation process, as envisioned in Nepal's new constitution.
4. LISP will improve the ability of Nepal's local and provincial governments to respond to the demands of citizens for local infrastructure and increase the legitimacy and accountability of local government (LG) to their citizens with an emphasis on the empowerment of women. It will create green recovery jobs to stimulate the local economy and build climate resilience. The annexed LISP Business Case provides a detailed contextual background and rationale for the programme.
5. A Memorandum of Understanding (MoU) for LISP has been signed between the GoN and the British Embassy, Kathmandu (BEK) on the 16<sup>th</sup> of March 2023.
6. FCDO will provide up to £90 million grant support to Nepal under LISP. The grant support will be for capital and resilience investment grant and technical capacity support. In addition, the local governments of Nepal will invest up to £40 million to co-finance the capital investment component in the programme.
7. The **goal** of LISP is to improve LG legitimacy through the delivery of local infrastructure services as demanded by Nepali citizens. The key assumptions are that improved LG planning and delivery can lead to better development outcomes and that development partners' support can accelerate the rate of improvement in quality, accountability, and effective infrastructure delivery.

### Programme Approach and Results

8. LISP shall support the development of the Provincial and Local Infrastructure Sector Framework (PaLIS framework). This aims to provide coherence and collaboration in the sector through a common system and set of procedures for investment and the provision of technical capacity support. This element of LISP has a national scope as it's expected to guide local infrastructure across all of Nepal
9. LISP's investment and capacity support shall be focused on up to three provinces (Karnali, Lumbini and Madhesh). Local governments would only be able to access LISP grants and capacity support based on their sound expression of interest and analysis of their capacity strengths and weaknesses,



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investment priorities and gaps, vulnerability incentive mechanisms and project proposals. A *LISP Transition phase* in Karnali Province (following an earlier Pilot phase) is currently providing learning that will shape the incentive-based capital grants and the modalities to access to technical assistance (TA) and capacity support. BEK will provide additional guidance on LG selection during the inception phase.

10. LISP will use government systems and work closely with the Government-led Provincial and Local Government Support Programme (PLGSP<sup>1</sup>) and other broader governance initiatives.
11. The expected impact of the overall LISP programme is: Local governments in Nepal deliver local infrastructure services accountably, inclusively, effectively and sustainably.
12. The following outcomes will contribute to the impact of the Programme:
  - a. Improved, deliberative, transparent and inclusive decision-making in local governments' infrastructure service delivery.
  - b. Increased access to local infrastructure services (e.g., transport, energy, irrigation and water).
  - c. Increased, more effective, and accountable local infrastructure financing (e.g., inclusive and evidence-based planning, budgeting and implementation).
  - d. Reduced costs of infrastructure services and increased rural market activity.
  - e. Increased gender equity and inclusion to ensure that no-one is left behind from public investments in infrastructure.
  - f. Increased resilience of local infrastructure to natural hazards, climate change, and epidemic impacts.
  - g. Increased level of coordination among development partners supporting local level infrastructure.
13. The expected outputs are:
  - a. Up to 1.7 million people with improved access to sustainable infrastructure services as per the need of LGs (especially in local roads, irrigation, water supply and sanitation, and solid waste management).
  - b. 80 - 100 LGs with improved capacity to undertake planning, budgeting, deliberative decision making, expenditure, service delivery and reporting on local infrastructure services based on local level priorities (and in conjunction with the PLGSP).
  - c. Creation of up to six million person-days of employment in support of Nepal's Green Recovery and COVID-19 recovery. (These 'green jobs' are mainly for maintenance, rehabilitation and resilience works for local infrastructure.)
  - d. Improved use of evidence and innovation in local government planning, investment and delivery.
  - e. Up to 1,800 infrastructure assets with increased resilience and sustainability developed by local governments.
  - f. Up to 630 projects supported directly to provide resilient infrastructure services to remote, disadvantaged and vulnerable communities.
  - g. An agreed national framework for the Provincial and Local Infrastructure Sectors to support local infrastructure investments by development partners and to guide a significant proportion of investments in the sector (percentage to be defined by the GoN).

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<sup>1</sup> The PLGSP is a Government-led programme co-funded by several donors, including the UK, which aims to support the newly elected provincial and local governments according to their needs and the spirit of federal transition and devolution. Its objectives are to strengthen intergovernmental mechanisms and build capacity of provincial and local governments, elected representatives and public officials, by institutionalising the federalised architecture and gathering learning and evidence on deliberative decision-making and federalism.

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- h. Improved cooperation and coordination between the Local, Provincial and Federal Governments with enhanced intergovernmental relationship to deliver infrastructure services at the local level.
- 14. Through these Terms of Reference (ToRs), the FCDO wishes to contract a supplier, either an individual supplier or leading a consortium of service providers (“the Supplier”), to contribute to the outcomes and outputs defined in paras 11-13 and undertake the design, delivery and management of specific components of LISP, as detailed below.
- 15. See LISP’s Theory of Change (ToC) and draft results framework in Annex-A for further information on the logical flow and details of expected results, risks and assumptions.
- 16. A LISP Pilot was completed in July 2023, managed by the World Food Programme (WFP). A Transition phase for LISP is being implemented in Karnali Province, also through WFP, until July 2024. Both the pilot and transition phases will provide learning and evidence for the LISP Supplier and the broader LISP programme implementation.

## Programme and Contract Budget Details

- 17. Out of the £90 million FCDO allocation for LISP, the total allocation for the purposes of this Contract is only up to £20 million.
- 18. **Within this £20 million budget allocation**, the Contract will provide support through two main and interlinked components, which the Supplier is required to **design, implement, manage, and deliver**:
  - a) Systems strengthening and capacity support to different levels of the GoN for integrated planning, budgeting, engineering, and delivery of local infrastructure, with a budget of up to **£18.2 million**. Of these, at least **£12 million** should be directed to core governance areas of participatory planning, budgeting, and engineering support to LGs (frontline delivery). This component will also ensure management support and oversight for the effective and efficient utilisation and absorption of the infrastructure capital investment (ICI) fund, which will provide incentive grants to LGs channelled as Financial Aid (FA) through the Treasury, with a budget of up to **£66 million**. The FA budget value is **not included within the Contract value**, but the Supplier is expected to play a lead role in supporting LGs accessing and managing these grants through their TA offer, providing fiduciary risk management support, as well as validating disbursements of FA by the Treasury (more details available in the Scope of Work sections below).
  - b) Integrated but independent innovation, evidence, and learning (IEL), with a budget up to **£1.8 million**, included under the contract value.
- 19. The indicative annual allocation of the overall Contract budget is shown in the table below:

	Y1 (24/25)	Y2 (25/26)	Y3 (26/27)	Y4 (27/28)	Y5 (28/29)	Total
<b>Annual Budget</b>	£2.9	£5.4	£5.6	£4.1	£2	£20

## The Recipients

- 20. The main recipients of the LISP support shall be the people and governments of 80 to 100 Palikas in Karnali, Lumbini and Madhesh Province. The system and capacity support shall also be provided to the three provincial governments and the federal government aligned to the scope of works below.

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## Timeframe

21. To ensure continuity between LISP Transition phase (which ends July 2024) and the main LISP implementation phase, FCDO intends to award the Contract with the successful Supplier by **November 2024**. A handover from the LISP Pilot and Transition phases' implementing partner (WFP) will take place by the end of November 2024.
22. LISP Business Case envisions this to be a seven-year programme, running between 2022 and 2029. For this ToR, the Supplier contract will run for up to 57 months (inclusive of a 6-month inception phase), until mid-July 2029. The delivery timeline for the Supplier shall be as follows:
  - November 2024 – November 2025: Year 1, Included six months inception and transition from LISP Pilot/Transition phase.
  - November 2025 – November 2027: Year 2 and 3 implementation.
  - November 2027 – August 2029: Year 4 and 5 implementation, including exit and closure phase during the last three months (May - August 2029).

BEK may decide to extend the implementation beyond the end date if considered appropriate, and within the budget limits of the Business Case. This would be subject to securing the necessary approvals to progress and acceptance of the supplier's proposal to ensure continued value for money in the offer. It is expected that any potential extension of this contract would be for a maximum of two additional years and a maximum additional value of £9 million. Any extension is likely to be dependent on increase in FA contributions to the GoN.

23. The Supplier shall align programme delivery with the Nepali financial year, which runs from mid-July to mid-June.

## Flexibility and Break Clause Requirements

24. There shall be a first break point in mid-June 2025. Progression to Implementation phase (second half of Year 1) and beyond is subject to FCDO approval of successful completion of the inception phase, following the submission and review of the inception report, the verification of inception phase deliverables and the review of the implementation plan for the remainder of the programme. As per paragraph 88 under Phased Requirements, the Supplier is expected to ensure smooth continuation of the pilot & transition phases' activities predating this Contract, but it may not proceed to full implementation until approval of inception deliverables. The Supplier may continue to carry out deskwork for inception report revisions as per FCDO request during this period of approval.
25. A second break point will happen in Year 3 (July 2026 – June 2027) following the completion MTR (this timeline is indicative, and it may change if the implementation context changes and in agreement with BEK and GoN). Progression beyond this point will be subject to FCDO approval of the Supplier's successful delivery of the agreed scope and objectives during the previous years. The Supplier shall support FCDO to ensure the MTR of LISP is robust, evidence-based, and inclusive.
26. This contract will also have an additional break point as a result of the expected Spending Review by the UK government expected in the spring / summer 2025, which might affect the funding available for this programme. The date of this break point will be defined following the actual date of the Spending Review and based on its outcomes.
27. Nepal is an ever-changing context to work in, and as such FCDO is looking for a Supplier able to adapt their workplan and resource allocation to contextual changes in Nepal. The Supplier shall also

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be committed to collaborating with other BEK's and other donors' programmes in the governance, infrastructure and social impact spaces, and ensure coherence of development efforts at subnational levels. This Terms of Reference thus sets out requirements for the inception phase and implementation phase of LISP. However, as federalisation and risk mitigation approaches are evolving, the Supplier team is expected to be able to manage and deliver with significant level of flexibility. Any important changes in approaches, deliverables and milestones require contract amendments.

28. The contract will include the option to extend by up to two years as FCDO may seek to scale up or extend time or programme's budget by up to an additional value of £9 million in the following circumstances:

- Where the programme has been demonstrated to have a good performance;
- If BEK identify additional needs that are in line with LISP Objectives or;
- If GoN (via the LISP Steering Committee) request it and the rationale of this request is agreed upon by BEK.

Any extension will be contingent upon BEK securing necessary programme and procurement approvals (timeframe and budget).

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

- Poor performance by the Supplier.
- Reductions or shifts in UK's ODA funding negatively affecting BEK's budget allocations.
- Contextual and operational changes, for instance if the country's overall fiduciary and security risks increase beyond the appetite of FCDO.

## Scope of Services under this Contract

30. FCDO is looking for a high-quality Supplier with proven expertise in designing large and complex governance and infrastructure programmes, with an equally strong knowledge about and established presence in Nepal (either directly or through prospective downstream partners) and proven extensive expertise in infrastructure and public sector governance capacity enhancement for local infrastructure delivery. The services require a strong and cohesive multidisciplinary team (See section *Skills and Expertise Required*) to complete a large number of complex deliverables in a short time span. The Supplier must demonstrate how they will be flexible, collaborative, agile, adaptive and quick to learn, and commit to collaboration with BEK and related programmes.

31. The Supplier will be responsible for effective due diligence for each and every employee, sub-contractor, consortium member and any other person / organisation the Potential Supplier involves in their response to this Requirement. This includes but not exclusive to internal monitoring and reviews, financial management, risk management, logistics/operations, administration and procurement, including developing technical specifications, developing sub-recipients' agreements and processing payments where relevant. The Supplier will recruit and actively retain appropriate personnel to deliver on the interventions, outputs and outcomes associated with the LISP contract.

32. The Supplier shall deliver the following two distinct components of LISP:

**Component 1: Systems Strengthening, Planning and Engineering Capacity Support & fiduciary and quality assurance of Infrastructure Capital Investment Fund (ICI Fund) – (TA £18.2M, on-budget, off-treasury)**

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33. This component focuses on strengthening systems, planning and engineering capacities for local infrastructure in three provinces of Nepal. This TA funding will be reflected as on-budget and off-treasury. The TA support shall initially start such support in Karnali Province, but it will extend progressively to Lumbini and Madhesh Province as the project develops and demonstrates impact. This approach will provide models for scaling up to a national sector framework for provincial and local infrastructure supported by the GoN and other development partners. It will also ensure the quality and VfM of FCDO's investments under LISP. This is an ambitious agenda aimed at achieving significant systemic change and sustainable impact at a national scale. The TA shall provide support to all three levels of governments - local, provincial and federal, as detailed in the paragraphs below.
34. The TA component will also provide assurance functions supporting the management of FA under the programme. LISP's ICI Fund is a key part of LISP and it's comprised of up to £62.1m of FA to be delivered through incentive grants<sup>2</sup> via the Treasury to local governments. The overall objective of this incentive grants is to incentivise local governments to adopt the improvements in planning, budgeting, delivery, resilience and maintenance of infrastructure services provided by the TA. The incentive grants will be delivered through government systems as ring-fenced FA on a reimbursement basis, and only if fiduciary risks can be reduced to acceptable levels. The LISP TA shall develop and implement, in collaboration with the LISP key stakeholders (see *Governance and Portfolio Management* below) a set of indicators related to local infrastructure delivery and local governance performance standards (for example infrastructure quality, inclusion, transparency, maintenance etc.) as well as resilience-related results that will be used as a triggering framework to release the ICI Fund. A fiduciary risk assessment (FRA) was undertaken in 2023, and an appropriate mitigation plan shall be put in place by the Supplier in collaboration with relevant GoN institutions prior to FCDO agreeing to channel funds to local governments through GoN treasury system based on the findings of the FRA and the related Fiduciary Risk Management Implementation Plan (FRMIP – see Key Document no.5). The detailed flows for this ICI Fund will be refined during inception.
35. The combined estimated value of these two areas under component 1 is up to £18.2m. **It is expected that at least two-thirds of the contract value (approximately £12 million) will be allocated to frontline technical delivery support at the subnational level (with a focus on supporting local governments).**

## **Component 2: Integrated Innovation, Evidence and Learning – IEL (£1.8m on-budget, off-treasury)**

36. LISP's adaptive systems building approach shall require a dedicated evidence and learning framework integrated within the Suppliers scope of work, but at arms' length to ensure enough intellectual independence to draw meaningful lessons for continuous learning and adaptation. This Innovation, Evidence and Learning (IEL) Component (provided directly by the Supplier or any sub-contractor under this Contract, as appropriate) should draw lessons for its iterative design from the delivery of the programme and from learning generated by BEK's Evidence Partners<sup>3</sup>, as relevant. This integrated but independent IEL component shall develop a flexible analytical framework and

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<sup>2</sup> The proposed indicators for measuring performance are: (a) Improved LISA score, (b) Climate vulnerability scores (c) Upfront commitment of LGs on owning and using LISP TA for improving their capacities and behaviours in delivering local infrastructure services, (d) Improved planning, budgeting and prioritisation in local infrastructure with strong technical criteria and effective community participation, (e) Improved project monitoring by certified engineers and sub-engineers and adherence to national infrastructure standards, environmental and social safeguards, (f) Increased spend in labour based maintenance and rehabilitation of local infrastructure, (g) increased investment in climate and disaster resilient local infrastructure projects, (h) Improved performance and safeguarding by users' committees and contractors etc.

<sup>3</sup> BEK evidence partners include Portfolio Monitoring, Evaluation & Learning (PMEL), BEK's Provincial Engagement Facility (PEF) and the Research and Evidence for Nepal's Transition (RENT) programme funded by FCDO's Research and Evidence Directorate (RED).



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adopt innovative ways to measure change and success engendered by LISP in infrastructure governance. This may require the combination of observational qualitative methods focused on the analysis of the overall structure of the system (including actors, networks) and the process of systems changes, and quantitative analysis of (proxy) indicators that capture impacts and results. Such innovation, evidence generation and learning are expected to improve policy and practice as the programme progresses.

37. The integrated IEL shall strengthen the local government infrastructure monitoring systems to track performance and provide learnings to the local infrastructure sector. The IEL component shall support LISP TA to design the LISP results framework and develop mechanisms to mitigate risks in LISP. The IEL shall also support the LISP TA to identify innovations for value for money and better delivery of local infrastructure services.
38. The TA and IEL Components shall proactively work together and ensure collaboration with other relevant programmes funded by BEK and other donors in Nepal.

### **General Scope of Work**

39. The Supplier shall deliver high quality TA support to the GoN across all tiers of Government to achieve the outputs and outcomes highlighted in paras 11-13 with interventions that tackle systemic issues in local infrastructure delivery and local governance. The TA should have a broad focus on infrastructure governance (rational planning, budgeting and design), financing appraisal and management support, engineering and resilience, monitoring and supervision, quality verification and auditing, policy and regulations development, and evidence generation and dissemination, all set against the ambitions to bring about general improvements in local governance.
40. The provision of TA services shall target all three levels of Government:
  - local infrastructure systems, capacity and implementation support to local governments (LG-TA)
  - systems strengthening and capacity support for provincial (PG-TA) and federal government (FG-TA).
41. BEK through LISP wants to enhance GoN ownership of sustainable and inclusive approaches to improve infrastructure delivery by LGs. The Supplier shall ensure that TA provides sustainable capacity building through systematic engagement and trust-building with the recipient governments. The Supplier shall propose approaches and plans to structure such capacity support (e.g., long-term approaches vs short-term reactive needs, individual vs institutional capacity strengthening with LGs). FCDO will sign off TA approaches and plans.
42. Through this systems and sector support, the Supplier's TA is expected to maximise VfM by improving the demand, responsiveness and effectiveness of delivery of infrastructure in Nepal by leveraging up to £2 billion local infrastructure investments planned by GoN and other development partners over the lifetime of the project. The Supplier shall support BEK in facilitating strategic engagement (including engagements of related BEK programmes, BEK Groups' Heads, Development Director and His Majesty's Ambassador) with the relevant donors, GoN institutions and other key stakeholders in the sector.
43. The Supplier shall proactively develop strategies, approaches, tools and activities to enhance and improve local governance and the current systems for delivering local infrastructure services at the subnational level. The Supplier shall strengthen municipal engineering sections and provincial engineering ministries' divisions.

44. The LISP Supplier shall be responsible for refining and delivering LISP targets and developing a LISP delivery plan for its interventions, showing how these will drive the delivery of the overall LISP programme. During the inception phase, it shall develop a detailed results framework (see LISP high-level draft annexed in this ToR) and costed implementation and delivery plans for both the inception and the main phase of implementation. The results framework should be for the whole LISP programme, showing how the Supplier's work under this contract will contribute to achieve the expected outputs and outcomes of LISP. The Supplier shall be responsible for receiving approvals for the implementation plan for the entire programme period from the GoN (via the LISP Steering Committee), with final endorsement by BEK's LISP Core Team, comprised by the Senior Responsible Owner (SRO), Programme Responsible Owner (PRO), an Infrastructure Adviser and a Governance Adviser. The LISP results framework and programme implementation plan shall be reviewed six-monthly and adjusted as the context evolves. The Supplier shall ensure that the implementation plan includes details of roles and responsibilities of relevant GoN's units and departments, including but not limited to LGs, PGs and FG, especially the Ministry of Federal Affairs and General Administration (MoFAGA) and the Department of Local Infrastructure (DoLI).
45. At federal level, the supplier-led TA shall provide national level sector-wide support through the PaLIS, which shall be developed and agreed with contributions from provincial and local governments. The sector framework shall also have elements that need to be implemented at the provincial level.
46. The Supplier shall use learning from the LISP Pilot and Transition phases, especially the outcomes the LISP Pilot early learning (which informed the LISP Learning Framework), to guide the main implementation phase and develop annual implementation plans. The Supplier shall ensure it gives a particular focus on the relationship and support to the various GoN spheres, and how these interlink to achieve LISP objectives and the broader provincial and local objectives in the infrastructure sector.
47. The Supplier shall also learn from other BEK and donor-funded programmes in the provincial and local infrastructure sector, as well as GoN's own infrastructure investment initiatives. The Supplier shall avoid duplication of interventions with other programmes and initiatives, ensuring close collaboration instead in order to maximise systems strengthening and sector coordination / collaboration. The Supplier shall also take the opportunity to leverage existing TA and capital and climate investments from other donors and GoN.
48. The Supplier shall ensure that at least £15m of the overall LISP programme budget qualifies as climate finance and is utilized for climate-resilient infrastructure works (e.g., slope stabilisation for roads, water supply resilience, river training, DRR shelters, irrigation channels, resilient bridges, renewable energy etc.). The allocation of LISP funds, decided jointly by the GoN, BEK and with advice from the Supplier, will be based on climate vulnerability to ensure the most climate vulnerable LGs get the most resources (using the existing allocation system already developed by the GoN and included in Nepal's climate policy framework<sup>4</sup>). The Supplier shall agree with BEK International Climate Fund results attribution targets, and report regularly against them.
49. The Supplier is required to demonstrate how it will report on the following ICF key performance indicators (KPIs):
  - KPI 1: Number of people supported to better adapt to the effects of climate change.
  - KPI 4: Number of people whose resilience has been improved.
  - KPI 6: Net Change in Greenhouse Gas Emissions (tCO<sub>2</sub>e).

<sup>4</sup> <https://www.mofe.gov.np/resources/policy-and-strategies-9446>.

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- KPI 12: Volume of private finance mobilised for climate change purposes.
- KPI 17: Hectares of land that have received sustainable land management practices.

These KPIs will be de-linked from the Payment by Result model described below. Additional ICF indicators will be considered by the Supplier and FCDO during the Inception Phase.

50. The Supplier shall support government institutions to deliver LISP results while mitigating risks to both FCDO and GoN monies. The Supplier shall develop and implement a robust financing and risk management approach. The BEK (and multi-donor) funded Public Financial Management – Multi-Donor/Development Partner Trust Fund (PFM-MDTF) Programme will ensure that high-level fiduciary risk assessments and risk mitigation action plans are in place. FCDO has commissioned an FRA of LISP, and its findings and recommendations will be an important source of guidance for the Supplier on how to manage fiduciary risks.
51. The IEL function will support both LISP TA under this Contract and BEK in testing innovations, novel approaches and capture evidence and learning to inform decision-making so that LISP can be implemented effectively, efficiently and economically (more below on IEL). The Supplier will embed **political economy** considerations, thinking and working politically, to form a crucial part of diagnostics, intervention appraisals, and portfolio management (such as when to stop activities). Support and engagement should be tailored to addressing binding constraints and implementing reform through building in strong political analysis, insight and understanding, and having a detailed appreciation of, and response to, the local context. The Supplier will also need to ensure flexibility and adaptability in programme design and delivery.
52. The Supplier will need to demonstrate a strong and clear approach to embedding **gender and social inclusion (GESI)** throughout all aspects of programme delivery. This will include systematically integrating GESI into political economy and other foundational analysis, and throughout the IEL systems and approaches, as well as part of management and decision-making processes over how to use programme resources. Analysis should be localised where relevant and identify those groups more excluded from existing political, social, and economic benefits. The Supplier will need to work to ensure interventions are as inclusive as possible and contribute to reducing exclusion and inequalities. The Supplier will comply fully with the International Development (Gender Equality) Act 2014.

### Scope of technical assistance to Local Governments (LG-TA)

53. LISP Supplier shall adopt a “Local Government Cluster” approach when delivering planning and engineering support to LGs (LG-TA). Each cluster is expected to serve 4-8 LGs in relatively well-defined geographical areas (guided by BEK) within the provinces, supporting infrastructure planning, budgeting, engineering, resilience, monitoring capacity support and local infrastructure project design and implementation.
54. The LG-TA element shall support 80-100 Palikas (75% rural municipalities, 25% urban municipalities with rural characteristics) in Karnali, Lumbini and Madhesh provinces. The LG-TA shall include direct support to LGs for:
  - Evidence-based, risk-informed, realistic, transparent, inclusive and deliberative local infrastructure planning, prioritisation and budgeting e.g., five-year infrastructure plans, annual asset management plans.
  - Behavioural changes in implementation and reviews of annual budget and plans and periodic plans for infrastructure.



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- Support to LG to generate and use data and evidence in local decision-making (related to infrastructure but ideally with broader positive governance effects on more general decision-making practices at the local level), as well as to inform programmatic decisions making by BEK, GoN and the Supplier.
- Technical support for infrastructure project development e.g., project proposal, project design, implementation, maintenance, as well as the identification of financing opportunities and best practices, such rational use of the ICI Fund to incentivise smart investments, government match-financing complementing BEK's and other sources of infrastructure financing (e.g., PGs, alternative FG granting mechanisms, other donors, development banks or private investments).
- Integration and mainstreaming of the inclusion agenda, with a focus on gender equity and support for people living with disabilities and other marginalised groups.
- Enhancement of community participation in decisions around local infrastructure and information sharing / transparency (e.g., citizens groups engagement, neighbourhood committees' trainings).
- Enhancement of financial management practices and proactive reduction of fiduciary risks on investments in local infrastructure through the integration and oversight of public procurement and financial management (PPFM) practices, with a focus on BEK's FA through the ICI Fund but also on general PFM for infrastructure investments.
- Support to the development and regular review and adaptation of municipal medium term expenditure frameworks.
- Support to enhance climate and disaster resilience and low-carbon development in local infrastructure and resilience plans, with a specific focus on nature-based and indigenous solutions and environment-friendly local material usage. This shall include awareness-raising among local communities and decision-makers on climate and disaster risks and dimensions of resilience.
- Support to the execution of Environmental Impact Assessments and Initial Environmental Examinations as required for local infrastructure, including supporting the development and implementation of action plans to mitigate environmental risks.
- Monitoring and joint oversight (with government counterparts) of service delivery, including costs tracking and control (e.g., inflation or other changes in raw material markets), and appraisals of sustainability of developed assets.
- Engagement of LGs in the development of FG and PG-funded strategic infrastructure projects implemented in their jurisdiction.
- Support to the adoption of infrastructure safety best practices (such as road safety), including the development and implementation of improvement plans for safer infrastructure.
- Enhance the relationship between LGs and DoLI to improve the effectiveness of DoLI's own technical support.
- Ensure grants from ICI Fund work as intended as incentives for good practices in resilient infrastructure delivery, including through the use of measurable criteria to appraise improvements.

55. The LG-TA shall include the effective quality assurance, technical oversight and fiduciary risk management that will regulate the release of ICI Fund grants.

56. At the provincial level, LG-TA shall be closely linked with the infrastructure sectoral support embedded in the respective provinces, as well as with the PLGSP support framework to local governments (especially in the areas of local governance and planning).

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57. LISP Pilot learnings shall be built upon to design the LG-TA technical assistance element of LISP as part of the bid offer, to be refined during inception.
58. LG-TA shall make up at least two-thirds of the total TA budget under Component one of this Contract (that is, approximately £12m).

### **Scope of capacity support to Provincial Governments (PG-TA)**

59. While it is expected that LG-TA have strong links to each of the selected LGs, the Supplier should consider that the overall systems strengthening and financial management support to LGs has strong links with the provincial levels, under the oversight of a provincial TA team. This approach will ensure the availability of strong multidisciplinary teams at the provincial level at municipalities' disposal, which can flexibly deliver customised capacity, process and implementation support. This provincial TA team would also ensure the oversight of inclusion dimensions across the province.
60. Embedded in the relevant ministries at provincial level, the Supplier's PG-TA shall support the PGs in Karnali, Lumbini and Madhesh, including Ministries of Physical Infrastructure (MoPID), Chief Ministers' offices and PGs' Cabinets, through the following main areas of support:
- Support to LISP Provincial Coordination Committees (PCCs) secretariat.
  - Support to the development of an infrastructure sector strategic planning framework for inter-palika coordination, including its review to track progress.
  - Support to and promotion of joint proposals by local governments for inter-palika collaboration in the planning and delivery of strategic infrastructure.
  - Support and incentivisation to PGs for the application of standard local infrastructure monitoring system.
  - Support to the prioritisation of investments for local infrastructure that incentivise local government performance, sustainable infrastructure and GoN co-financing of infrastructure works (including focus on maintenance, infrastructure resilience, infrastructure jobs creation).
  - Specialist backstopping for LGs (e.g., in planning, engineering, public financial management, climate risks and inclusion), jointly with PGs' teams to transfer and strengthen institutional backstopping capacity.
  - Support to the development and review of provincial infrastructure policies.
  - Support to coordination and collaboration among infrastructure-related ministries and planning commissions at the provincial levels.
  - Close collaboration with PLGSP TA through the Provincial Centres for Good Governance (PCGG) and DoLI's provincial structures placed in the PGs.

### **Scope of TA to Federal Government (FG-TA)**

61. The Supplier shall support relevant federal government institutions, such as the Prime Minister's Office (PMO), National Planning Commission (NPC), MoFAGA, Ministry of Finance (MoF), DoLI, Ministry of Urban Development (MoUD), to:
- Lead LISP Steering Committee and Technical Coordination Committee.
  - Develop national systems (based on GIS systems that include geospatial and other relevant infrastructure data) to track performance and results against targets, including progress towards national infrastructure access goals (e.g., progress towards efficient maintenance, infrastructure resilience, or broader areas under relevant SDGs, such as SDG 4, 6, 9 or 11 etc.).
  - Develop national local infrastructure policies and standards.
  - Develop, test and scale-up the PaLIS Framework at the national level, including the definition of systems strengthening and capacity support approaches, financing and implementation

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modalities, geographical equity and coverage, intergovernmental coordination, learning and knowledge models for sharing best practices, etc. The PaLIS framework shall be developed in collaboration and agreement with other Development Partners (DPs<sup>5</sup>) to link broader infrastructure financing with progress towards reforms.

- Design and implement cost-effective models of long-term capacity building of LG technical and administrative staff, elected representatives, and other stakeholders, including by using innovative IT based approaches (for example through initiatives similar to **CITIIS**<sup>6</sup>).
- Ensure evidence-based recommendations and approaches to set local infrastructure financing allocation formulas.
- Develop incentive grant mechanisms (including from the ICI Fund) required to improve local infrastructure delivery and facilitate co-financing innovations.
- Provide oversight and fiduciary assurances on the use of FA through the ICI Fund.

62. The Supplier should engage, and support multilaterals involved in other local infrastructure programmes by promoting the adoption of the PaLIS framework (e.g., World Bank).

63. The Supplier shall collaborate with and support DoLI so that eventually they can autonomously strengthen the capacity of local and provincial governments for delivering infrastructure services.

64. The FG-TA shall also engage with Nepali and international academic and professional institutions (e.g., Institute of Engineering, Tribhuvan University, UK-ICE<sup>7</sup>, UK-TRL<sup>8</sup>, Nepal Engineering Council, Mid-Western University Surkhet etc.) for innovations in LG capacity support and local infrastructure delivery and governance.

65. The Supplier should provide rate cards for each long-term TA roles at each of the three tiers of Government.

### Scope of the integrated IEL (£1.8m under this ToR)

66. **Performance Systems, Testing of New Approaches and Upscaling of Best Practice:** The integrated IEL shall strengthen and review the local government infrastructure monitoring systems to track performance. IEL shall develop an infrastructure management information system (MIS) upfront to be led and used by GoN, which is linked with PaLIS framework, and part of the broader monitoring framework of LISP. LISP IEL will work closely with the BEK's Evidence Partners (Portfolio Monitoring, Evaluation & Learning (PMEL) programme and more broadly BEK's Evidence & Knowledge platforms) to ensure LISP supports the broader development and integration of national governance, monitoring and information systems. The IEL component shall also support LISP TA to design the LISP results framework during the inception phase. IEL shall test new approaches to accountability, deliberative and participatory decision-making, reducing corruption (drawing from LISP PFM/FRA support), infrastructure delivery (e.g., using drones or other innovative technologies or innovative approaches, drawing on global and local experience), and will have to assess how LISP achieves its ambitions around inclusion. LISP IEL will support LISP TA to integrate past learning into government standards and guidelines for all rural infrastructure investments, for instance working closely with PLGSP, scaling up the Rural Access Programme (RAP) 3 Road Maintenance Group

<sup>5</sup> Including but not limited the Asian Development Bank, World Bank, Swiss Development Cooperation and the Embassy of Finland.

<sup>6</sup> <https://citiis.niua.in/>

<sup>7</sup> Institution of Civil Engineers.

<sup>8</sup> Transport Research Laboratory.

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approach<sup>9</sup>, making digital payments to workers, and using climate data to inform climate resilient infrastructure, for instance by adopting the Building Information Platform Against Disaster (BIPAD) system hosted by National Disaster Risk Reduction and Management Authority (NDRRMA).

67. **Broader Evidence & Learning:** LISP IEL component will also contribute to building the evidence base on what works in local infrastructure support, including by collaborating with implementation research initiatives carried out by BEK's Evidence Partners, building on preliminary learning support under the pilot by WFP and the Research and Evidence for Nepal's Transition (RENT) programme funded by FCDO's Research and Evidence Directorate (RED). This shall allow the Supplier and BEK to track LISP's interconnected outcomes and, where feasible, impact in improving planning, budgeting and implementation of sustainable local infrastructure, supporting the transition to federalism and improving the engagement of citizens in Nepal's development when it comes to the infrastructure sector.
68. The Supplier through the IEL will be required to build in testing, deliberate learning, and experimentation on how best to achieve the desired outputs and outcomes. The IEL approach and strategy should have the built-in flexibility to make changes to programme activities to respond to opportunities, challenges, risks, changes in context and lessons learnt. This should be based on evidence and learning, and responsiveness to evolving priorities or needs, including feedback from beneficiaries and stakeholders, to guide capital investment decisions.
69. The IEL component within this contract is required to work independently but in close collaboration with TA component, complementing each other's work in fostering innovations and learnings. The IEL team shall ensure the detailed monitoring LISP programme results at all levels – impacts, outcomes and outputs. The IEL team shall document learnings and good practices in local infrastructure services for nationwide dissemination, including learnings and lessons from the LISP Pilot and Transition phases in Karnali.
70. FCDO expects that the combined TA and IEL Contract for LISP will maximise collaboration between these components, especially for the development of a national MIS for local infrastructure, the testing of innovations, the execution of research/studies and the application of their findings. This will ultimately promote an approach of continuous learning, adaptation, agility and evidence for LISP. During the LISP Pilot phase, a LISP *Learning Framework* has been developed (see in the attached key documents) to guide LISP approach of innovation, learning and evidence, in collaboration with the WFP and RENT leading academic institutions (Yale and SOAS).
71. The integrated IEL component under this Contract shall have independence in designing data collection, innovation, evidence and learning approaches in consultation with the main TA component, and the TA will ensure collaboration and the uptake of research/studies and innovations. Also, the integrated IEL component will PPFM the TA team to develop protocols for collecting data necessary to address its own learning. The infrastructure MIS shall be co-designed by the integrated IEL and TA, so that TA can ensure its effective use by GoN, and IEL can advise the programme implementation through analysis and learnings from MIS.

## **Linkages with other elements of LISP**

### **Financial Aid (ICI Fund)**

72. The Supplier will have a key role in providing PPFM oversight of FA flows and ensuring PPFM capacity building across all tiers of government, including but not limited to proposing triggers,

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<sup>9</sup> Rural Access Programme Phase 3 Project Completion Review and Road-Maintenance-Groups-in-Nepal.pdf (itad.com)

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suggesting priorities, and verifying the relevance and quality of any infrastructure activity LGs will carry out with funding from LISP's FA, through the ICI Fund. BEK will hold the FA and directly transfer it to the Treasury's Foreign Currency Account for release to the LGs once the relevant triggers and conditions are met. These could include the development of relevant infrastructure plans, the availability of matching funds from LGs, the successful completion of previously funded works including complete reporting and verification of results (by the Supplier's teams, MoFAGA, DoLI and the third-party IVQA).

73. The Supplier will not manage the ICI Fund but shall proactively work so that the ICI Fund achieves LISP's stated objectives, and successful absorption of FA by LGs and the programme shall be a key measure of performance under this Contract (see also paragraph 34). The supplier shall also oversee the fiduciary risk management framework that will underpin the financial management of the ICI Fund.
74. The detailed fiscal flows under the ICI Fund will be detailed during the inception period.

#### **Infrastructure Independent Verification and Quality Assurance (IVQA)**

75. The Supplier shall ensure strong collaboration with a separate LISP component, the **Infrastructure Independent Verification and Quality Assurance (IVQA)**. This independent performance monitoring function will sit outside this Contract's ToRs and will be procured separately by BEK. Its role will be critical to ensure that LGs receiving LISP funding and TA are delivering infrastructure that meets relevant Nepal standards and relevant best practices for infrastructure quality and safeguards. This will allow BEK to assess how infrastructure quality and verification improves over the lifetime of the programme, so that LGs are rewarded for the quality and life-cycle sustainability of infrastructure, and not just punctual construction investments. This third-party IVQA will comprise of an independent team tasked to verify quantity and quality of infrastructure results delivered by LISP as whole, including those delivered under this Contract. This will be one more safeguarding and quality assurance layer in addition to the TA's regular monitoring of LGs works (as practiced in previous BEK's programmes such as RAP3 Mugu-Humla Link Road Project). The Supplier will be required to proactively engage and collaborate with the third-party IVQA suppliers, under the oversight of BEK's LISP Core Team and through the relevant LISP governance arrangements described in paragraphs 81-84.
76. The third-party IVQA will also act as an additional learning and evidence partner for the Supplier of this Contract. The third-party IVQA will generate evidence and learning about systemic changes in GoN's ability to independently verify local infrastructure delivery quality based on its own standards and good practices. It will help track how the PaLIS Framework improves infrastructure quality. The IVQA component will also analyse the TA's infrastructure delivery reports and develop independently plans, methodology and approach for conducting independent verification of quality and quantity of infrastructure works being delivered by LGs with support from LISP. It will seek inputs from TA for the methodology and approach, which will require overall BEK approval. During the actual verification work in the field, the TA shall fully cooperate the IVQA teams. The IVQA reports will provide additional guidance to the Supplier's team in terms of programme adaptation (especially in relation to LG-TA, PG-TA and FG-TA) and provide learnings and evidence for the broader GoN infrastructure TA framework.
77. The integrated IEL and the third-party IVQA will also collaborate closely during the development of the MIS.



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**Link with PLGSP**

78. The LISP programme and within it this Contract shall work closely with the multi-donor PLGSP, co-funded by FCDO, and other related governance programming. LISP aims to dovetail its technical support with that of PLGSP's system-wide capacity building, including planning and deliberative decision making. PLGSP and other broader governance initiatives from BEK shall develop overall institutional capacity, whereas LISP shall develop infrastructure sector governance capacity to local and provincial governments, within the broader set of local governance improvements.
79. LISP shall adopt an approach of varying levels of collaboration with PLGSP with the different tiers of government. PLGSP's presence is strong at the provincial level. LISP provincial level technical assistance (PG-TA) is expected to closely coordinate and collaborate with PLGSP's province level structures and plans. LISP's LG support and Federal support are delivered separately but linked with PLGSP TA. This shall provide significant collaboration between the two programmes, mitigating the risks of duplication and competition whilst protecting some flexibility for both programmes to have bespoke approaches.
80. The Supplier shall consider risks and impacts of collaboration and integration while planning for delivering LISP. LISP payments shall not be made for deliveries made under PLGSP or other governance initiatives and programmes which BEK partially or fully funds, and vice versa.

**Governance and Portfolio Management**

81. Strategic and policy direction for the programme will be set and managed by a Steering Committee (SC) chaired by the MoFAGA Secretary and comprising representatives of the Federal GoN, PGs and LGs representatives, and representatives from development partners. The SC will meet twice a year (or ad hoc as required) and help shape strategic priorities and facilitate coordination with other programmes and initiatives. The Supplier will act as secretariat, with clear Terms of Reference and membership to be finalised during the Inception Phase.
82. A central Technical Coordination Committee (TCC) will meet quarterly, chaired by the Joint Secretary of the Planning Division of MoFAGA. The TCC will provide technical and programmatic advice to the SC, ensuring regular monitoring of interventions to ensure they the programme is on track, and adapt them as learning, opportunities and challenges arise. Options and governance arrangements for the constitution of the TCC will be finalised during the Inception Phase.
83. Provincial Coordination Committees (PCCs) will be set up in each province, also meeting quarterly, to support coordinate planning and operational implementation within the provinces. The PCCs shall be chaired by Province Principal Secretary. Options and governance arrangements for the constitution of the TCC will be finalised during the Inception Phase.
84. More background thinking on these committees is available in Appendix F, as well as in the Management Case section of the LISP Business Case and in Section 3 of the LISP Programme Design Document.

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## Phased Requirements

### Y1 Inception phase (November 2024 - May 2025)

85. The Supplier shall make sure that the inception phase deliverables will be completed to maximise impact of the LISP programme.
86. The LISP inception and initial implementation phase are critical, as they entail: (a) detailed design and implementation plans for LISP, (b) takeover of implementation by ensuring a smooth transition out of the LISP pilot and transition phases and c) liaison with other BEK programmes to agree mechanisms for collaboration and coherence. These shall be completed within a relatively short period of time. The Supplier shall develop and share with FCDO an approach to achieve the above requirements at the point of bidding, to be refined during the inception phase.
87. The LISP Supplier shall be required to mobilise a core team within four weeks from the date of signing the contract. The core team shall pre-plan the necessary inputs from the wider team for the quality inception works. The Supplier is required to present an outline of the inception phase workplan and budget as a part of their tender for this work. Any changes to this must be agreed with FCDO team.
88. The Supplier is required to complete the following deliverables during the inception phase:
  - Conduct consultation workshops with rural LGs, selected municipalities with rural characteristics and each of the three LISP focal Provinces for raising awareness about the programme and seeking feedback and buy-in from them.
  - LISP Pilot / Transition learning transfer: Transfer learnings from the LISP Pilot and Transition phases and consider how they can inform future implementation. The Supplier will be required to review and fine-tune the main test areas of the LISP Pilot and Transition phases, including a review of currently available LISA and other capacity and vulnerability reports, and any information that could be useful to design a LG support framework and milestone targets for their infrastructure service delivery.
  - Refine LISP ToC and develop detailed LISP results framework for the programme period, setting out the approach to achieving the LISP objectives as well as a series of results and milestones.
  - LISP detailed design and implementation plan for programme period - Develop a well-resourced detailed design and implementation plan of LISP for the whole programme period with annual targets including approaches for geographical (PGs and LGs coverage) and the programme scale ups. Get the LISP detailed design and implementation plan endorsed by BEK's LISP Core Team and LISP SC.
  - Finalisation of the detailed budget for full Implementation Phase, disaggregated by quarters; including breakdown of inputs, fees, expenses and linked to outputs in the results framework
  - PaLIS Framework agreement or approval: Support MoFAGA and BEK to get approval for the PaLIS for wider sector collaboration among different spheres of GoN and development partners. Revise the latest PaLIS Framework document as necessary for endorsement from the LISP SC.
  - Capacity development plans - The Supplier will prepare capacity development plans that should focus on promoting deliberative and inclusive infrastructure planning processes, building resilience in infrastructure, and reducing fiduciary risks. While developing capacity development plans, the Supplier shall work together with PLGSP team (and other relevant BEK's or donors' programmes, including the BEK funded Coherence programme implemented by International Idea) to explore areas of collaboration so that both programmes can share expertise and

resources available with each other, ensure coherence, rule out the possibility of resource duplication, and enhance the overall impact of capacity development for LGs.

- IEL inception and coordination: Develop IEL approach, methodology, management and coordination mechanisms.
- Monitoring framework and strategy – The Supplier shall develop and implement a robust monitoring and information framework and receive approval from both BEK and GoN for the use of such framework. This shall include how the infrastructure MIS shall be developed, what data shall be collected, and how and when data shall be collected. This framework should enable to track and monitor the programme outputs and outcomes based on the indicators defined in the results framework. This should also entail close collaboration between the TA and IEL components, with detailed clarity of roles of responsibilities of the implementation and IEL components.
- VFM analytical framework: A detailed VFM framework should set out how the LISP implementation Supplier and LISP more generally shall seek to achieve VFM, and how this shall be measured<sup>10</sup>.
- Knowledge and communications strategy: This should set out what kinds of data / evidence the programme shall generate, how it shall be used, disseminated, and what audiences the programme shall target and how.
- IT / digital strategy: This shall set out details of the hardware and software that shall be procured by the programme, as well as how it shall be used to support programme delivery, taking into account the **9 Digital Principles** and in line with the UK Government's Service Manual.
- Procurement manual: This shall set out how the Supplier shall undertake any procurements (including for assets such as vehicles).
- Risk management strategy: The Supplier shall develop a risk matrix and associated set of risk mitigation strategies giving due considerations to the constantly evolving context of political economy.
- Review and analysis of available FRAs report: The Supplier should carefully review and adopt the recommendations from fiduciary risk assessments (FRAs) and FRMs (Fiduciary Risk Management plans) of LGs conducted on behalf of LISP during the pilot and transition phases and develop and implement relevant mitigation actions.
- Develop plan to conduct FRAs – Develop a plan to conduct regular FRAs of selected LGs, in a way that is representative of all LGs to be covered under the programme and develop and implement mitigation actions.
- Exit plan/contract closure activities- A draft Exit Plan shall be developed by the Supplier and delivered to the SRO within 6 months of the Contract Commencement Date. The contents of the Exit Plan shall be as outlined in clause 16 of the FCDO standard Terms & Conditions and agreed with the BEK Infrastructure Adviser/PRO, SRO and PFTD Senior Management Team within 20 Working Days of its submission. The Exit Plan must be refreshed annually and costed accordingly. A final Exit Plan must be agreed prior to the final 6 months of the Contract and in accordance with FCDO Standard Terms & Conditions.

89. The Supplier is responsible to secure the necessary approvals to operate in Nepal under this Contract, if selected as preferred bidder.

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<sup>10</sup> See LISP Business Case Economic Appraisal for FCDO's understanding and approach for VFM in LISP.



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### Implementation Phase Requirements

90. A series of indicative activities under the LISP implementation scope are set out below. The Supplier may make suggestions and proposals as to how the activities under each objective and outcomes can be designed or adapted to maximise impact of the LISP programme. Activities shall not be misinterpreted as deliverables but should be considered as the required intermediate steps to achieve specific outputs and outcomes relevant to LISP's overarching objectives.
91. The transition from inception to implementation could (but it's not required to) bring about the need to agree to a contract amendment, for instance if there are substantive changes on approaches, or implementation modalities for the main implementation phase relative to what was submitted in the bids. Any change to the Contract will activate the need to amend it. Changes on key areas of the ToR such as those related to (but not limited to) scope of work, payment models or staffing requirements may not be approved and result in the potential termination of the contract.

### Y1 Implementation phase (November 2024 – November 2025)

92. Year 1 plan for the implementation phase: The Supplier should ensure that the momentum generated from the LISP pilot and Transition phase, through WFP results in a smooth transition throughout the inception period and the early phases of implementation of this contract. The Supplier shall prepare the year 1 initial implementation plan (November 2024 - November 2025) for Karnali and Lumbini provinces, with the possibility to expand to Madhesh if feasible, in consultation with BEK, LISP Pilot and Transition supplier WFP and LISP TCC and SC and agree it with BEK and relevant GoN coordination unit.
93. The year 1 implementation shall prioritise the following **indicative** activities:
- Approach to select and scale up LGs for LISP support in the first year. It is anticipated that Karnali and Lumbini Province shall be selected for LISP support in its first year, but the Supplier shall be ready to expand early implementation activities to Madhesh province if required.
  - Implementation plan to implement the agreed PaLIS framework and activities for FG, PGs and LGs.
  - Drive and support the development of a Safeguarding Framework for Local Infrastructure (SFLI).
  - Support selected LGs to prepare periodic development plans and sectoral plans (e.g., transport master plans, WASH and irrigation master plans) by adopting deliberative and inclusive planning approaches through a comprehensive governance improvements approach, linking with PLGSP and the Coherence programme as set out above. (para 90).
  - Support LGs for annual planning and budgeting, prioritization of infrastructure projects following deliberative and inclusive decision-making processes.
  - Support selected LGs to prioritize their infrastructure projects (single and multi-year) for co-financing with LISP and other GoN and DP financing sources based on the specific criteria and conditionalities: the TA shall influence LGs to prioritise strategic infrastructure rather than proliferating micro-projects.
  - Support LGs to develop asset inventories of all built local infrastructure (whether operational or not) and make integrated asset management plans incorporating both new build and maintenance projects for key infrastructure.
  - Support MoFAGA, DoLI and PGs to implement guidelines on climate/disaster resilient design and implementation approach for different types of local infrastructure.
  - Influence PG and LGs to plan and undertake larger (single and multi-year) inter-Palika infrastructure serving larger sections of rural communities, provide support for building

coordination and collaboration mechanisms for financing and implementation arrangements with technical and financial support from LISP.

- Review the approach of incentive and delivery mechanisms and performance grants for capital funding as tested in LISP Pilot and Transition in Karnali; make revisions, if required, in coordination with GoN entities and FCDO.
- Support the selected LGs to launch programme activities, including differential support approaches depending on the capacity of each LGs (i.e., more hands-on TA support for weaker LGs that present substantial fiduciary risks, and at least until their capacity reaches a minimum threshold.
- Develop and implement the integrated IEL plan for Y1.
- Refine and adapt the fiduciary risk management framework to ensure adequate oversight of FA under LISP, with a focus on PPFM. This will include the quality assurance and validation of financial monitoring reports (FMRs) and FA disbursements for submission to BEK, as well as PPFM capacity building and TA support across tiers of Government. The Supplier shall engage with and integrate key GoN PFM initiatives, such as the nascent PFM Reform Unit led by the MoF.
- Refine and adapt LISP pilot and Transition innovations (e.g., implementation modality, co-financing projects, community owned revenue models of infrastructure etc.).
- Develop format and template for monthly, quarterly and annual reports to be agreed with FCDO.
- Support MoFAGA and DoLI for revision of local infrastructure policy, norms and standards (e.g., LID policy, local and provincial road norms and standards).
- Prepare monthly, quarterly and annual reports covering all components of the programme, comparing targets vs achievements for key activities and documenting success stories, learnings and best practices.
- Support LGs, MoFAGA and PGs to organize province level review and lesson learning workshops and prepare documentation on key learnings and best practices generated from the 1<sup>st</sup> year of LISP implementation.

94. Activities above are indicative only. It is expected that some of those activities will be already running in Karnali Province through the current LISP Transition Phase and will need to be picked up and finetuned by the LISP Supplier. These activities shall be scaled up first in Lumbini Province within the same year, as well as in Madhesh Province if operationally feasible and with prior agreement from GoN and FCDO.

95. The Supplier shall conduct a preliminary light-touch review of the Y1 implementation plan and progress against in January 2025, together with the Inception Report, and submit to BEK an updated Y1 plan for approval to continue the Y1 implementation.

## **Year 2 Implementation (November 2025 to November 2026)**

96. The list of **indicative** activities that the Supplier is required to deliver in the 2<sup>nd</sup> year of implementation shall be as follows:

- Conduct consultation workshops with rural LGs in other two Provinces for raising awareness about the programme and seeking feedback from them.
- Review and refine the implementation plan of LISP for the whole programme period with annual targets, covering all three provinces and get it endorsed by FCDO.
- Prepare annual implementation plans for each province in consultation with government entities and agree it with FCDO before implementation kicks-off.

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- Continue system, capacity development support to LGs and PG in Karnali and Lumbini Provinces based on the capacity needs assessments and LISA.
- Based on the results of the fiduciary risk assessments and capacity needs assessment, categorize LGs into two groups, one to be covered under direct funding and another to be proposed for implementation under FA funding.
- Review and refine criteria and indicators for performance grants to LGs based on the experiences of 1st year of implementation.
- Built on the learnings and best practices in 1st year, support to expand the programme in designated rural (and some urban) LGs in Karnali Province in consultation with FCDO and government entities.
- Make selection of few LGs in Lumbini and Madhesh in consultation with MoFAGA and respective PGs to launch the programme activities.
- Support the selected LGs to launch or expand programme activities in all three provinces.
- Continue providing demand-based support to MoFAGA, DoLI, MoF, NNRRFC and other relevant institutions.
- Support LGs for annual planning and budgeting, prioritization of infrastructure projects following deliberative and inclusive decision-making processes.
- Support LGs to prioritize their infrastructure projects for co-financing with LISP based on the specific criteria and conditionalities and use the TA to influence LGs to prioritise strategic infrastructure.
- Support MoFAGA, DoLI and PGs to develop guidelines on climate/disaster resilient design and implementation approach for different types of local infrastructure.
- Continue influencing PG and LGs to plan and undertake larger inter-Palika productive infrastructure serving larger sections of rural communities such as irrigation, energy, and roads, where returns can be generated. Risks should be shared among stakeholders and public and resilience benefits can be maximised by contracting out long-term service delivery and providing support for building coordination and collaboration mechanisms for financing and implementation arrangements with technical and financial support from LISP.
- Continue support to LGs to develop/update/refine asset inventory of all built local infrastructure and make integrated asset management plans incorporating both new build and maintenance projects for key infrastructure.
- Perform monitoring of overall programme activities based on the milestone, indicators and targets agreed in the annual implementation plan.
- Develop and implement IEL plan for Y2.
- Prepare monthly, quarterly and annual report covering all components of the programme making a comparison of targets vs achievement of key activities and documenting success stories, learnings and best practices.
- Support MoFAGA and all three provinces to organize province level review and lesson learning workshop and prepare documentation on key learnings and best practices evolved so far

### **Year 3 - 5 Implementation**

97. The Supplier shall develop Year 3 implementation plan (until November 2027) based on progress and learnings until Y2 and deliver the plan. A costed annual workplan for year 3 shall be submitted at least a month before the start of year 3 for approval by BEK.
98. An independent MTR of LISP programme shall be commissioned after 24 to 30 months of full implementation (to be completed before the end of Year 3). Necessary adjustments will be agreed

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to reflect the MTR recommendations, while remaining within overall scope of the Requirement. Implementation of key activities and application of best practices shall continue in the following years.

99. Results framework and workplans will also be amended after the MTR and related decision point for the Supplier's scope of works, activities, and results for the remaining period of the programme, complying with LISP Business Case.
100. Any decision to change and adapt any of the deliverables included in each phase shall require approval by the FCDO, and the Supplier shall provide evidence on how the changes benefit LISP Programme.
101. Provided a decision is made to continue the programme, for both year 4 and 5 the supplier shall submit an updated costed workplan at least a month in advance of the start of each year for approval by BEK.
102. Six months before the end of the Contract, the supplier shall share with the FCDO a final exit plan including all relevant
103. If the decision after the MTR is made to discontinue with the programme, a close-down period for the programme shall be agreed, lasting a maximum of three months, mainly focusing on exit strategy and gradual phasing out of programme activities, and building on the draft exist plan prepared at inception.

## **Team structure and human resources**

104. The Supplier will be expected to provide appropriately skilled personnel and systems to ensure appropriate strategies and effective day to day management of the programme. The LISP capacity support and delivery team shall have relevant capacity to deliver the ambitious objectives of LISP with consistent high quality. The Supplier may make specific recommendations to the FCDO on how best to deliver these ToRs.
105. The Suppliers shall put together a team with a range of excellent skills, appropriate experience and deep technical expertise. In particular, deep technical expertise in engineering, governance, political economy analysis and civic engagement are essential. The team shall have extensive experience in working in Nepal and with Government, including local and provincial governments, and in sustainably building capacities, providing collaborative solutions and promoting good governance.
106. The team shall have excellent programme delivery and management expertise and proven experience with adaptive programming, ensuring that they can be flexible, agile and able to adapt to changing circumstances in Nepal.

### **Core Team**

107. The Supplier's TA and IEL team shall be led by a Team Leader (TL) or equivalent role with overall responsibility for delivering on these ToRs, and who has the requisite leadership, experience and credentials, along with similarly appropriately qualified team members. The TL will provide the overall strategic leadership, management and technical oversight of the programme and ensure that the ToR outputs and outcomes are delivered with high quality. The TL and ultimately the Supplier shall be responsible for quality control of LISP management and delivery. They will also be a main liaison for the strategic relationships with GoN counterparts and the FCDO.

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108. The TL must show proven extensive expertise in leading programmes of a similar size and complexity. Strong leadership, collaboration and influencing skills are critical. The TL shall have relevant extensive experience in locally led and community-driven development, inclusion and voice, evidence-based decision-making and sustainable and resilient systems, supported by the relevant academic background, and ideally at the intersection between governance and infrastructure. Experience in Nepal or in similar federalised or devolved governance context would be an advantage. The TL must be able to work across disciplines and ensure coherence across different elements of LISP, including between TA and IEL, and with other programmes across the broader BEK portfolio.
109. The Supplier shall propose a LISP Core Management Team (CMT) to work on LISP full time. Besides the TL, the CMT shall include a mix of extensive technical and programme delivery and management expertise, with minimised number of international staff. A strong case shall need to be made for the use of full-time international experts, which should be in most cases limited to bespoke, short-term drawdown expertise to help the CMT for specific tasks and deliverables as required. All members of the CMT including the TL shall be located in Nepal, and ideally have local language skills. The supplier shall encourage delivery of specific international inputs using available new IT and communication technologies to minimise long distance air travels as much as possible.
110. The CMT will have responsibility to guide strategic, core management and technical requirements set out in this ToR. In particular, the CMT will drive the design and adaptation of LISP strategic approaches, provide oversight around contract management and operational delivery of this Contract, and ensure a coherent and apposite provision of TA to government counterparts.
111. Technical expertise within the CMT shall cover engineering, governance, social development, with specialisms in gender equity and social inclusion, climate resilience, public finance management, preferably with experience of working in Nepal (including experience in local governance and working within a federalised or decentralised government contexts). The Supplier should consider the advantage of having a senior engineering expert as a deputy TL but may propose alternative models.
112. The CMT shall also include senior critical senior corporate functions related to programme, financial / grant and risk management. The Supplier may consider assigning a senior corporate function as alternate deputy TL role or propose alternative models.
113. The Supplier may decide to also include additional non-full-time roles in the CMT.
114. Suppliers in their bids are required to provide named individuals and CVs for the CMT. The composition of the CMT should give appropriate consideration to gender balance and how it supports the delivery of the requirements.
115. CMT stability is a primary metric in LISP and will be used by FCDO as a standalone KPI (de-linked from the Payment by Result model described below) to assess the programme's performance. Frequent changes in CMT within the first two years of contract (defined as more than two changes in TL or a combination of more than two changes for two roles within the CMT) without ensuring comprehensive mitigation measures agreed by FCDO will be considered a Major Performance Failure and potentially a material default of Contract. The only exception to this is if FCDO recommends a change in any of the CMT members on account with those member's performance.
116. The Supplier shall provide an outline of their governance and contract management model, including clear pathways and named focal points for escalation for issues with LISP (programmatic, operational or technical) that, for any reason, cannot be readily resolved via BEK's ordinary regular interactions with the TL and the CMT.

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### Broader team

117. The broader TA team must demonstrate experience in delivering complex development programmes and working with the GoN. The team members shall demonstrate past experience in building institutional capacity of government counterparts. The following set-up may be considered:
- (a) The federal government capacity support team embedded within federal GoN structures (delivering FG-TA).
  - (b) The province government capacity support embedded within Provincial Government structures (delivering PG-TA).
  - (c) Locally based LG capacity support teams embedded within LGs and across clusters (e.g., Infrastructure Development Office), delivering LG-TA. FCDO will welcome innovative but risk-mitigated ideas of the bidder in ensuring VFM in LG-TA, i.e. providing low-cost engineering TA recruited and paid by LISP with more competent engineering back-stoppage TA at the cluster-level.
118. All team members must have current and up-to-date competencies in their respective areas, with strong ability to communicate (both verbally and in writing) and use current information technology. The broader team may draw personnel from a combination of long-term and short-term expert pools.
119. The long-term expert pool shall include personnel with skills that LISP will likely require for 10+ days/month on average for the duration of the programme. Potential Suppliers are required to provide named individuals and CVs for all personnel in the long-term expert pool. Suppliers will be assessed on the breadth and quality of expertise provided in the long-term expert pool. All named personnel offered in the bid are expected to be available to work on the programme and any replacements must meet the requirement of the assigned role, in a timely manner to ensure no gap in service. The replacements daily rate should be commensurate to their expertise but not exceed that being replaced or the capped rate for that level of expertise. Failure to meet this requirement will be a material breach of the contract.
120. In terms of corporate skills, the Supplier's long-term expert pool shall demonstrate skills / experience in:
- Programme and grant management - The team shall have experience managing and delivering complex development programmes of similar size. The team shall demonstrate expertise in business administration and procurement – with detailed knowledge of GoN procurement systems.
  - Collaborative solutions- The team shall have experience and work hard continuously to build relationships with a large array of stakeholders, especially in the areas of local and provincial infrastructure sector and infrastructure governance.
  - Capacity building - It is essential that the team demonstrate experience working with GoN and demonstrate how they have successfully built capacity in Nepal or other similar contexts. Experience of embedded TA is highly desirable.



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- Financial management and reporting - The team shall demonstrate experience in managing the finances (or supporting financial management) of large development programmes. At least one member of the team should have a relevant accountancy qualification in Nepal.
- Information / digital technology – knowledge of hardware, ability to manage IT systems and provide IT support to users (or ability to draw in this expertise).
- Monitoring and evaluation of development programmes - Quantitative and qualitative data analysis skills are desirable.
- Knowledge management and learning - The team shall be able to intelligently analyse the MIS and other performance data, generating learning about programme performance.
- Communications – experience developing and implementing communications strategies. Technical expertise such as graphic design is desirable.

121. In terms of technical skills, the Supplier's long-term expert pool shall need to have expertise in, but not exclusive to:

- Inclusive Local Infrastructure Planning and Development - The TA team shall provide expert services on evidence-based and inclusive and deliberative planning, design and implementation of local infrastructure projects with abilities to advise/influence government entities to follow sustainable maintenance approach.
- Rural Infrastructure Engineering - The TA team shall be able to provide expert engineering advice to all spheres of government during the design, implementation and monitoring of local infrastructure investments.
- Climate Resilience and Disaster Risk Reduction - This should include knowledge on effects of climate change on the sustainability of infrastructure, climate resilient design approach, preparedness/response/mitigation/recovery strategy for climate and earthquake induced disasters.
- Public procurement and financial management – with detailed knowledge of Nepal's fiduciary and corruption risks and PPFM systems.
- Support to local infrastructure policy development - The team shall have knowledge of Nepal's local infrastructure policies and strategies and can contribute to revision or formulation of new policies in the changed context of federalism.
- Political economy analysis - The team shall be able to analyse the political context in order to continuously inform programme delivery.
- Gender and social inclusion - Particularly in the context of Nepal or other relevant contexts, and in relation to infrastructure planning and implementation.
- For the IEL component - Excellent expertise and experience in developing and delivering innovation in delivery, performance incentives, financing, resilience, monitoring/MIS, independent verification for local infrastructure and research on infrastructure outcomes (see outcomes in the LISP Approach and Results Section above). Members of the IEL team should also be familiar with implementation research, including experience in qualitative and quantitative research methods. The IEL lead will be considered as part of the Core Team for the purpose of the bids.

122. It is expected that the majority of the long-term expert pool members will be based in Nepal, and preferably filled by Nepali staff. Prospective suppliers should clarify in their bids if any of the long-

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term pool members are expected to be based outside Nepal and justify the rationale in terms of appropriateness of selection choice and value for money.

123. Staff embedded with provincial and local governments or based at the subnational level are expected to be Nepali or have excellent Nepali language skills. Exceptions must be agreed by BEK.
124. The short-term expert pool includes personnel with specific skills that LISP may draw on if required. Potential Suppliers are not required to provide named individuals for the short-term expert pool in their bid (but they will be expected to when submitting proposals for specific interventions). Instead, potential Suppliers are required to demonstrate the breadth and quality of their consultant network and their approach for rapidly recruiting high-quality, niche expertise relevant to LISP. All short-term experts shall be approved by the FCDO. While unnamed, bids will be expected to show the maximum gross rates for all expertise levels. This will form a fee rate card. Rates within this upper limit will be agreed by FCDO as part of the intervention proposal and the individuals' expertise.

## Programme Management and Delivery

### Reporting

125. The Supplier shall produce delivery and financial progress reports on a monthly, quarterly and annual basis, in line with the Nepali fiscal year. These reports will be reviewed and approved by BEK core team (PRO, key technical advisers, and SRO).
126. The Supplier will engage with FCDO to ensure reporting is concise, efficient and meets requirements with minimal unnecessary information and effort. The Supplier shall be responsible for ensuring high quality of technical and financial reporting to FCDO. The Supplier shall help to improve quality of data and reporting over time through capacity building support. Quality assurance of reports by the Supplier must include systematic technical review and proof-reading before final products are shared with the FCDO.
127. The Supplier shall organise monthly management meetings with FCDO LISP core team during the inception phase, and quarterly management meetings in the main implementation phase. These meetings will be used to review progress towards delivery of activities, outputs, the budget, results achieved, forecasts and risk mitigation. FCDO reserves the right to request for additional ad-hoc meetings at a higher frequency as required.
128. The FCDO Programme Team will consist of:
  - **Senior Responsible Owner (SRO)**. The SRO is accountable for LISP meeting its objectives, delivering the required outcomes, and making the expected contribution to BEK's portfolio outcomes and FCDO as a whole.
  - **Technical Lead** (Infrastructure Adviser). The Technical Lead for LISP will providing guidance and oversight of technical aspects of the programme to deliver the vision, outcomes and results of LISP.
  - **Programme Responsible Owner (PRO)** / Senior Programme Manager. The PRO will be the primary FCDO contact point on LISP. The PRO is accountable for driving, on a day-to-day basis, the delivery of programme outputs within agreed time, cost, and quality constraints.
  - **Programme Manager (PM)**. The programme manager will oversee programme management and delivery issues as detailed in these ToRs.



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BEK may include ad-hoc other management and technical members of its staff in any given management meeting. Changes in the Core LISP Team will be communicated to the Supplier as required.

### Results framework

129. The Supplier is required to submit in their proposal a results framework, which will be assessed as part of its bid. The results framework shall be integrated with the Theory of Change and VfM framework, and include output, outcome and impact indicators and targets for the duration of the programme, along with the justification for these targets. Outputs, outcomes and impact shall build on and expand the basic framework proposed under paras 11-13, linked to LISP Business Case and to the Programme Design Document agreed as part of the MoU with the GoN.
130. The results framework will be assessed on the quality of the indicator definitions, the quality of justification provided for the indicator targets, and the level of ambition shown in the indicators and targets. The results framework should be accompanied by a justification for the outcome and impact targets. It will form the basis for internal monitoring of programme progress. The Supplier will provide a summary of progress made against the results framework indicators in each quarterly and annual narrative reports.
131. The Supplier will develop and refine a more detailed results framework during the Inception Phase to guide programme implementation. This shall feed into FCDO Nepal's Country Business Plan and FCDO results framework reporting.
132. All relevant impact, outcome and output indicators should be disaggregated and tracked in terms of their gender and youth impact, including for women, disability and geographically where possible. A minimum 50% of benefits should be for women. Opportunities to support vulnerable communities and populations (e.g., minorities, marginalised communities, persons living with disability) shall be integrated into programme design and the monitoring framework.

### Routine LISP programme reporting

133. The Supplier is required to provide the following narrative reports:
  - **Monthly updates**, in a two-page maximum briefing format or a 10-slide maximum PowerPoint deck, providing concise updates on key achievements, upcoming events/actions and emerging risks and mitigations. These updates shall be shared with BEK's LISP Core Team a week in advance of the monthly management meeting.
  - **Quarterly Reports**, a 20-page maximum report summarising key achievements in the previous quarter, an assessment of how the programme performed against the objectives set in the previous quarter, priority objectives for the next quarter, interim progress against output, outcome, and value for money indicators, updated risk analysis including Safeguarding and progress against the KPIs. Quarterly narrative reports shall include a financial progress report, with summary in the narrative report and a detailed annex. Financial data and (output level) results data produced by the Supplier shall include data generated by the LGs with support from field TA teams and collated centrally with support from the central TA team.
  - **Annual Report**, a 40-page maximum report, together with a detailed financial report delivered within maximum 30 days after the end of each programme year. The first section should include the same information as the quarterly report; however, it should cover the full year. The second section should include a strategy refresh based on lessons learnt from the

previous year, and recommendations from the Supplier's IEL, LISP IVQA and FCDO (including from its Evidence Partners), where appropriate (see paras 75-77).

- **Annual Workplan.** The Supplier is required to submit a costed annual workplan for the year ahead in Gantt chart or other appropriate format, detailing the activities and timelines for each workstream.

134. The formats (and process) for technical and financial reports shall be defined during LISP Pilot and shall be refined and updated in the inception phase and agreed by the FCDO.
135. As per mandatory FCDO requirement, LISP will be subject to an Annual Review, which will include an assessment of progress on output and outcomes of the programme. Annual Reviews will be led by BEK and will be conducted in collaboration with the TCC and the PCC, and the final report will be presented in the LISP SC meetings for strategic directions and decisions. The Supplier will be required to supply BEK with a self-assessment report to inform the LISP annual review, within a timeframe and in a format agreed with the FCDO.
136. As part of the Risk Management Strategy, the Supplier shall develop a programme risk register and monitor programme risks. The Supplier shall present the risk analysis to the FCDO each quarter.
137. The Supplier shall have an active role in reporting programme performance to the LISP governance structures detailed in paras 81-84. It is envisioned that the TA team shall provide an update on programme performance (including financial performance), LISP deliverables and on the PaLIS framework to the TCC and PCCs on a quarterly basis, and to the LISP SC on an annual basis.

### **Payment and Performance**

138. FCDO will award a hybrid contract for these ToRs, with payment made on a combination of inputs, expenses and payment by results (PbR). The Supplier will be responsible for the effective oversight, management and governance of programme funds, procurement, and spending and ensure compliance with FCDO policies and international best practices in prudent financial management regulations. See section 144 onwards for further details.
139. The Supplier will be responsible for aggregating expenditure and forecasts from all downstream suppliers and providing transparent, disaggregated invoices accompanied by a clear and concise narrative to FCDO. The narrative should proactively highlight issues to FCDO to maximise the efficiency of the invoice sign-off process. Invoices will be submitted quarterly in arrears within no more than two weeks of the month end. The Supplier should manage downstream suppliers to ensure that this deadline is met.
140. The Supplier will provide quarterly, and yearly expenditure forecasts based on resource accounting standards. Forecasting accuracy is a primary metric used by FCDO to assess a programme's performance. The Supplier will be expected to forecast FCDO financial year with an accuracy of +/- 5% in Q1-2, and +/-3% in Q3-4. The Supplier will notify FCDO immediately if expenditure is expected to exceed this range.
141. Annual forecasts must be prepared to reflect FCDO financial reporting expectations such as Overseas Development Assistant (ODA) targets and other formats as they arise.
142. A proportion of the payment to the Supplier will be based on PbR, to ensure effective implementation of the LISP programme and to maximise results, efficiency and value for money, whilst ensuring that risk is shared between FCDO and the Supplier.

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143. LISP's PbR model is guided by the principles that the model should: (i) reflect the logical framework performance targets and workplan; (ii) identify verifiable, achievable but challenging milestones; (iii) assign a fair level of variable risk between FCDO and the Supplier, and (iv) recognise the practicability of the system.
144. The sections below detail the requirements of the PbR mechanism where total fee payments will be subject to: 1) KPIs and 2) Payment of Milestones.

### **Key Performance Indicators (Implementation phase)**

145. A proportion of total fee payments to the Supplier shall be linked to KPIs. The purpose will be to manage the Supplier's performance throughout the life of this contract to allow the measurement of aspects such as service provision or programme delivery.
146. Fees at risk. The KPI pillar of the PbR mechanism will start after the inception period, and it will be paid quarterly on time and materials, with fees at risk based on a fixed percentage of total Fees. This will be 20%.
147. The Supplier will be assessed against KPIs quarterly. The core framework for KPIs is set out in **Appendix E**. During the Inception Phase, these KPI's shall be refined, agreed, and approved by FCDO and subsequently used to measure performance during implementation.
148. Performance Assessment. Each KPI will be assessed on a scale of 1-5 and multiplied by the weighting for a total score out of 500. KPI payments will be in accordance with the KPI payment structure in Appendix E. The Supplier is required to submit evidence of delivery against the KPIs quarterly, in line with requests for milestones' payments. FCDO will respond with feedback within ten working days. The Supplier will have ten additional working days to respond to any feedback to ensure delivery and activate release of payment.
149. **Major Performance Failure**. In the event that the Supplier achieves a score of 75% or less for 3 consecutive quarters despite the definition of performance improvement plans, this will amount to a material Default of the contract.

### **Payment of Milestones**

150. A proportion of total fee payments to the Supplier shall be linked to the achievement milestones and annual deliverables. Suppliers should submit in their commercial bids a detailed schedule for the first twelve months that addresses both Inception Phase milestones (first six months), as well as milestones and deliverables for the following six months of full implementation. This schedule should include personnel costs for all CMT, long-term, short-term and management positions in the bid. Verified achievement of milestones and deliverables will trigger payment. In subsequent years, the Supplier will be required to prepare a PbR schedule for the upcoming year along with the annual costed workplan, updated and reviewed on a six-monthly basis.
151. 100% of total Fees will be at risk during the Inception phase.
152. 80% of total Fees at risk during the Implementation phase (with the remaining 20% linked to KPIs).
153. For the purpose of this ToR, **deliverables** are defined as outcome-level results that provide a tangible measure of change compared to before LISP interventions. Deliverables will measure changes from programme baselines and other benchmarks, with a focus on key outcome areas of infrastructure governance, coverage and inclusion set out in para 12. It is expected that most

deliverables will be measured and paid for annually, and that most (but not necessarily all) deliverables will be measured as proportions rather than absolute numbers or completed processes.

154. **Milestones** are defined as output-level results that are expected to contribute to intermediate outcome or outcome-level deliverables. Milestones are usually tangible and countable, can be independently defined but would not, per se, generate intermediate outcome or outcome-level change. They might include discrete steps to achieve governance outcomes (policies, guidelines) or that are prerequisite to test novel approaches (e.g., a dedicated tool, software solutions), or concrete assets generated by the programme thanks to TA support (measured by quantity, quality and reach of outputs), which will in turn improve access to services or to economic opportunities. Depending on their focus and complexity, milestones might be achieved within a programme year or at the end of a programme year.
155. Assessment. Each milestone and deliverable will be assessed as either a pass (scoring 100%) or fail (scoring 0%). Milestones and deliverables cannot be partially met. Both milestones and deliverables will be subject to six-monthly revision during the contract or (exceptionally) more frequently if circumstances require a change, for example due to major policy change or exceptional changes in the political environment. FCDO has the right to agree or disagree to any changes, as well as to whether the Supplier's rationale for sudden changes in milestones and deliverable targets meets the threshold of exceptionality.
156. Any changes to milestones and deliverables, including but not limited to due date, evidence of completion, targets etc., will need to be submitted to and agreed by FCDO at least one month prior to the due date. Failure to follow this will result in the milestone or the deliverable being missed.
157. The inception phase will only include Milestones based on the "Inception Phase Requirements", with a proposed weighting presented in Appendix H.
158. The Supplier shall set out indicative high-level milestones and deliverables for the rest of the implementation period, beyond the first 12 months of implementation. During inception and throughout the Contract, milestones and deliverables will be refined, agreed and approved by FCDO. Annual implementation plans with costed workplan with milestones and deliverables, including estimated relevant fees and other expenses required to achieve them, shall be submitted by the Supplier and agreed with BEK LISP Core Team within a month before the end of each programme year (June each year). These must be reviewed and agreed by the FCDO before the start of the new programme year and might be refined anytime during the first two months after the review of the annual reports, if requested by FCDO.
159. The PbR schedule will use output-level and outcome-level milestones. All milestones will be assigned a risk category as outlined below (with increasing challenge from A to D), considering the estimated level of risk for their achievement. Definitions of the risk categories are below. All milestones for the Inception Phase are considered Category A. Milestones and deliverables for the Implementation Phase will be identified with FCDO towards the end of the Inception Phase.
  - **Category A:** output-level milestones within the full control of the Supplier – **supply side** – low risk of failing to complete on time (illustrative example: a simple process output such as the production of a revised framework for the selection of beneficiary LGs to apply to a new province).
  - **Category B:** output-level milestones predominantly within the control of the Supplier, though recognised as achievable and gradually more within a Supplier's control through learning what works – **mostly supply side** – some risk for Suppliers that gradually reduces (illustrative

example: outputs that require LGs collaboration but likely mostly under Supplier's control given its TA resources, such as the development of LGs annual infrastructure prioritisation plans).

- **Category C:** deliverables linked to intermediate outcomes, or outputs with some degree of co-dependency, partially within the control of the Supplier. Recognised as results that are more difficult to achieve, potentially contributing to outcomes. Linked to potential “*stop or progress*” interventions, or to vital high-value areas of the programme (e.g., infrastructure assets). Mix of **demand and supply side – some risk for Suppliers though mitigated by lower expectations** (illustrative example: intermediate outcomes such as an agreed minimum proportion of targeted LGs that implement inclusive and participatory planning for local infrastructure, with evolving targets as the programme matures; or core outputs related to production of infrastructure assets).
- **Category D:** deliverables contributing to the outcomes – including **complex deliverables** with several co-dependencies, or predominantly **demand side** – gradually within Supplier's control towards the later stages of the programme (illustrative example: higher-level deliverables such as additional financing – beyond LISP's contributions – leveraged for local infrastructure in Nepal by adopting governance improvements generated by LISP).

The above are illustrative examples only and the Supplier should not use these as an exclusive guide in their bids.

160. The table below assigns a share of risk for the achievement of the milestone/deliverables between FCDO and the Supplier. Taking a practical example, should a Category B milestone be achieved and verified, then payment would be made in line with forecast. Should the milestone not be achieved, then only 25% of payment would be approved providing it was judged the Supplier had made reasonable effort. Means of verification will be identified and agreed during the inception period and thereafter during each annual workplan validation process to facilitate clear, unambiguous assessment.

**Table 1: Delivery Risk Profile**

Risk Category	FCDO Risk (%)	Supplier Risk (%)
Category A	0	100
Category B	25	75
Category C	50	50
Category D	75	25

161. Milestones and deliverables must not be activity-based and should not be confused with relevant products associated to achieving them (such as reports, case studies, meetings'

minutes or proceedings). They shall instead refer to concrete outputs, intermediate outcomes and outcomes that are expected to contribute to LISP's impact statement. The categorisation will be decided in agreement with and approved by the FCDO. The Supplier may refer to and build upon the annexed Transition Log frame to define indicative milestones and deliverables but shall propose more comprehensive measures of change in line with the ambition of the programme (see paras 11-13 and paras 129-132 on Results Framework).

162. With the exception of Year 1, the supplier is expected to propose a mix of milestones and deliverables that fall across all categories. The identification of a category D deliverable is not required for Year 1.



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**Payment Schedule**

163. All payment for fees, expenses and intervention costs will be made in arrears and in line with the Commercial Proforma Cost Template payment schedule.
164. Expenses (including but not limited to Travel, Subsistence, Accommodation, Office Costs, Security, capital expenditure, etc.) will be reimbursed quarterly and shall be based on actual expenditure – with the final Pro Forma Cost Template unit rates as a ceiling (provided they are in line with the overall budget agreed with FCDO and FCDO policy on expenses).
165. Fees will be paid quarterly in arrears based on: (i) the satisfactory completion and FCDO approval of milestones and deliverables due in the quarter, and (ii) an assessment of agreed quarterly KPI performance.
166. The Supplier accepts that a proportion of payment of fees will be withheld in accordance with Appendix E if KPI performance is assessed as less than 'good' and if any milestones or deliverables are not achieved.
167. The successful Supplier will submit invoices to FCDO on the Supplier's letterhead - in line with the Cost Template payment schedule and assessed and agreed KPI performance. The Supplier is required to assess and report on a quarterly basis against the KPI's to FCDO. FCDO shall then undertake the final assessment of the KPIs prior to agreement on the KPI payment to be made for the quarter.
168. All fee rates, costs and expenses should be clearly set out in the proposal in line with FCDO's Transparency and Accountability agenda and must be justified in terms of value for money.

**Independent Assessment of LISP Programme Performance**

169. Besides the Annual Reviews described in para 135, FCDO shall commission a Mid-Term Review of the programme and a Project Completion Review at the end of programme implementation. The timing of the Mid-Term Review will be agreed during implementation, but it's expected to be carried out by the end Year 3 of the programme. These reviews shall be conducted by an independent team contracted by FCDO. The reviews shall look at the extent to which the programme is being effective, efficient, economic and equitable. It shall assess performance of the Supplier against the agreed workplan and results (milestones, outputs, outcomes and where possible infer impacts).
170. BEK may also rely on a separate evaluative source comprised by a quasi-experimental implementation research carried out under the oversight of BEK' Evidence & Knowledge Hub on LISP and other BEK programmes working at the subnational level. This research, if confirmed, will compare outcomes and, where possible, impacts of LISP between intervention and non-intervention communities. The Supplier shall provide inputs / advice during the design of this implementation research and fully cooperate with the selected researchers.

**Risks Assessment and Mitigation**

171. FCDO expects the Supplier to devise appropriate strategies and controls to manage risks. LISP Supplier shall ensure FCDO's funding is used only for the intended purposes and delivers good VFM by:
- Strengthening delivery oversight to the entirety of programme (including FA) to reduce fiduciary risks and increase the quality of the investments.
  - Improving local government capacity in speed and quality of decision-making, financial management, cost monitoring and control, mitigation of fiduciary risks, and prioritisation and effectiveness of investment decisions

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- Strengthening social and environmental safeguards (including construction-related health and safety), building on the successful approaches adopted in RAP3 and the FCDO Reconstruction programme.

172. The Supplier shall be required to assess and manage risks using the FCDO risk framework including with respect to the contextual realities on the ground. The programme risk management framework shall include a risk register to be reviewed in regular delivery plan meetings and updated in the relevant FCDO digital platforms. The Supplier shall ensure new or expanded risks are identified and managed. Risk appetites shall be reviewed and escalated as necessary.
173. The Supplier shall devise strategies that allow capacity, systems and knowledge in the government spheres built by the programme to survive frequent government changes and other political disruptions.
174. A key focus of the Supplier shall be to continuously assess and mitigate fiduciary risks and put in place effective anti-corruption measures, in close collaboration with BEK Nepal's PLGSP and Public Financial Management programme. Measures shall be put in place to ensure that climate finance integrated into LISP delivers climate results, and that the risks of misuse for community-based projects have specific control requirements. Similarly, fiduciary risk management should include the fiduciary risks associated with the use of FA.
175. The Supplier shall develop a robust exit plan upfront (in the inception phase) based on FCDO vision of responsible and sustainable exit plan highlighted in the LISP Business case and implement it effectively to mitigate the risk of increasing dependency on the programme and creating parallel systems.

#### **Assets**

176. The Supplier shall follow FCDO Assets guidance and procedures. Key responsibilities of the Supplier and FCDO include:
177. Maintaining a complete, accurate and up to date inventory of all assets, carrying out physical asset checks and reporting against this at least annually to FCDO. This should be coordinated by the Supplier including for all downstream suppliers / implementing partners and shared with the FCDO programme Team.
178. The Supplier shall develop an asset register which shall be submitted to FCDO for review on a 6-monthly basis. FCDO will periodically carry out spot checks on assets within the register.
179. Accountability for the use and control of assets, including responsibility for any assets being lost, stolen or damaged should be managed through implementing partner and discussed with FCDO Programme Team.
180. The Supplier shall prepare an asset disposal plan at the latest six month before the end of the Contract, and contingent to FCDO's approval, ensure that it is carried out in its entirety by the last day of the Contract.
181. The Supplier shall be responsible for procurement, management, and maintenance of the LISP transport assets as per FCDO guidance and procedures. FCDO welcomes suggestions from the Supplier as to what transport assets shall be needed for programme delivery and how VfM considerations are included in the proposed approach. Before procuring and disposing any vehicle or other engine assets (motorbikes, generators), FCDO approval is necessary.

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### **Procurement of Goods and Equipment**

182. Any procurement undertaken for this project by the Supplier shall be done in accordance with international best practice, using robust systems which ensure best value for money for the programme. The Supplier must ensure that programme assets are accurately tracked, reach their intended beneficiary, and are used for their intended purpose. Any goods and equipment procurement must be carried out in accordance with FCDO standard T&Cs. The Supplier shall provide a Procurement Manual (setting out the way in which they shall undertake procurement) for agreement with FCDO during the inception phase. Based on the agreed Manual, FCDO shall carry out procurement audits and financial audits of any goods and services procured by the Supplier.

### **Information Technology**

183. The Supplier shall be responsible for procurement, management, and maintenance of the LISP IT systems. FCDO approval shall be in place prior to procuring IT equipment.

184. LISP shall make rational use of digital technology. FCDO welcomes suppliers to make innovative suggestions on how technology could be used to improve programme delivery. IT systems could be used to connect field staff with the central teams via email and intranet. IT hardware could be used to help collect monitoring data, unit cost information and beneficiary feedback. The Supplier shall be responsible for IT hardware and the systems that it shall use.

185. In Year 1 of the programme, the Supplier shall review the MIS developed and/or proposed by the LISP Pilot / Transition and suggest improvements or develop a new system. It shall be part of the Supplier's work to develop and improving LISP M&E framework.

186. The Supplier shall have overall responsibility for the operation of the MIS and analysis of the results data that it generates. As part of the capacity building objective, the Supplier shall seek to enhance the capacity of government staff to operate and manage the MIS. The MIS shall be handed over to the GoN at the end of the programme, after agreement by FCDO.

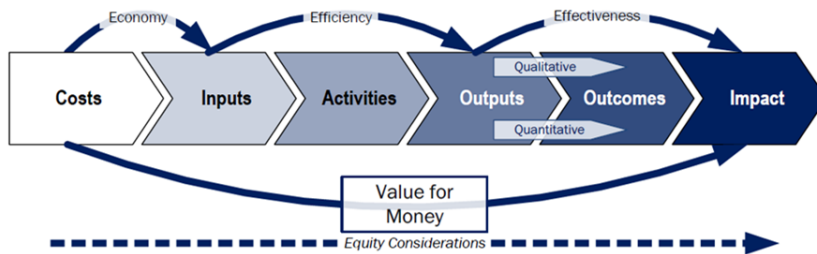
187. Expenditure budgeted under information services, websites, transactional services, web applications (e.g., maps) or platforms, mobile apps, and extranets falls under the category of FCDO's Digital Spending Policy. Expenditure on such item(s) shall require prior approval from the LISP SRO as well as approval by FCDO Digital Services Team. The Supplier should seek clearance of the list of items under IT with the SRO prior to commencing procurement.

188. All digital platforms, tools and other digital spending will remain the property of FCDO (in line with the GDD T&Cs), with the expectation of handover to the GoN, unless agreed otherwise by FCDO in writing.

### **Value for Money**

189. We expect prospective suppliers in their bids to outline a VfM analytical framework. The framework shall set out how they shall demonstrate VFM of the bid and how VfM shall be evidenced and analysed during programme implementation. The framework shall make reference to key indicators for VfM analysis over the life of the programme, the programme results, and potential measurement approaches. This information shall provide reassurance that VfM shall be central to programme and commercial considerations. Final agreement on the VfM approach and framework shall be agreed during the inception phase. FCDO's current VFM approach can be summarised by the diagram below:





190. Value for Money (VfM) in FCDO is about maximising the impact of every pound spent to improve peoples' lives. This means more than just the benefits of LISP work outweighing the costs. It means that in everything LISP does, it tries to maximise impact given the available financial, political and human resources.

191. At the programme level, this requires prospective suppliers to think about whether we are getting the most value out of our activities with the best use of resources. This influences how prospective suppliers procure skills in inputs (economy), how suppliers use inputs to deliver activities (efficiency) and, most importantly, what overall benefits and impact we are generating for the intended beneficiaries and at what cost (cost-effectiveness). The selected Supplier shall continuously challenge themselves to see if they can do the same for less, if they can deliver activities in more efficient ways that drive better value and if these are the best activities to achieve the right benefits, for the right people in the right ways.

### End of Contract Activities

192. Six months before the end of the Contract, the Supplier will share a final revised draft of the Exit Plan for FCDO's approval which should meet the following requirement:

The disposal plan should cover all assets procured throughout the lifetime of the programme and be designed in accordance with FCDO procedures on asset management and disposal.

- The plan should address any material items that are necessary or desirable for the continued co-operation of the UK Government with GoN after the contract ends.
- The Supplier's plans should ensure smooth transfer of responsibilities from the Supplier to any persons or organisation taking over such responsibilities after the contract ends.
- The Supplier should define a plan to deliver to FCDO (if requested or as otherwise directed by FCDO) prior to the contract end date (or termination of the contract) any finished or unfinished works that relate to the contract.
- The plan should include an actionable handover plan for any digital product, repository, platform, or system generated with the programme's funding.
- The plan should include the return by the Supplier of all Confidential Information to FCDO before the contract end date.

## Other Requirements

### UK Aid Branding

193. The Supplier Partners that receive funding from FCDO 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 FCDO.

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194. If any press releases on work which arises wholly or mainly from the project are planned, this should be in collaboration with FCDO's Communications Department. Country-facing and UK-facing branding guidelines will be provided by the respective FCDO Programme Teams.
195. Any specific branding terms for the programme will be agreed between the Supplier and FCDO Communications Department.

### **Transparency**

196. FCDO has transformed its approach to transparency, reshaping our own working practices and pressuring others across the world to do the same. FCDO requires Supplier 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 to FCDO. Further information is available from: <http://www.aidtransparency.net/>

### **Security and Duty of Care**

197. The Supplier is responsible for the safety and wellbeing of their personnel and third parties affected by their activities under this Contract, including appropriate security arrangements. The Supplier will coordinate with relevant FCDO Posts prior to any travel being undertaken as part of this work. The FCDO shall share available information with the Supplier on security status and developments in-country where appropriate. The selected Supplier Personnel shall be offered a security briefing by the British Embassy, Kathmandu. The Supplier is responsible for ensuring appropriate safety and security briefings for all of their Personnel working under this contract.
198. Nepal is in a seismically active zone and is considered at high risk of earthquakes. Earthquakes are impossible to predict and can result in major devastation and loss of life. There are several websites focusing on earthquakes the Supplier can refer to<sup>11</sup>. 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 (subject to travel clearance being granted).
199. As part of FCDO's Duty of Care policy, British Embassy Kathmandu has assessed the country and project risks (in the form of Duty of Care Risk Assessments provided by FCDO Posts), see Appendix C. to allow the Supplier to take reasonable steps to mitigate those risks.

### **Safeguarding/Do No Harm Considerations**

200. All organisations that work with or come into contact with children, women and other vulnerable groups should have safeguarding policies and procedures to ensure that every person, regardless of their age, gender, religion or ethnicity, can be protected from harm through involvement, directly or indirectly, with FCDO 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.
201. The Supplier must demonstrate a sound understanding of the ethics of working in this area and must apply these principles throughout the lifetime of the programme to avoid doing harm to beneficiaries. In particular, the Supplier should recognise and mitigate the risk of negative consequences for women, children, and other vulnerable groups. The Supplier should include a statement that they have duty of care to 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 the immediate reporting to FCDO and addressing of incidents, should be summarised

<sup>11</sup> E.g. see the [Global Seismic Hazard Assessment Program](#).

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in both regular and annual reporting to FCDO.

202. FCDO safeguard the interests of all our stakeholders, ensuring we comply with the humanitarian imperative to “do no harm” through our actions in all our work. FCDO launched a new [HMG strategy for safeguarding against SEAH](#) in September 2020. The strategy challenges us to ensure that we take all reasonable steps to prevent harm, particularly SEAH, from occurring; and listen and respond sensitively but robustly when harm or allegations of harm occur. FCDO has zero tolerance of sexual exploitation and abuse. We consider this to constitute gross misconduct, and therefore grounds for termination of employment. The Supplier should never abuse the trust and power placed in you to benefit yourself or others, including your family. The Supplier/Partner should report at [reportingconcerns@fcdo.gov.uk](mailto:reportingconcerns@fcdo.gov.uk) any allegation credible enough to warrant an investigation of SEAH.

### Modern Slavery

203. FCDO is already taking action against modern slavery through current programming, and we are working to expand our reach and scale-up successful country office and centrally managed programmes. A large number of our programmes operating through country offices look at addressing the underlying vulnerabilities of people at risk of modern slavery, with a particular focus on those within indirect supply chains.

- Strengthening evidence base of effects of laws, policies, practices on workers in high-risk industries including migrant garment and domestic workers
- Advocacy and common understanding of corrective legal, policy and procedural measures
- Information campaigns among employers
- Training and awareness programmes for direct employees and supply chain employees
- Organising workers to protect themselves and access services
- Sensitising labour recruiters on accountability for fair recruitment

### Disability Considerations

204. For FCDO disability inclusive development means that people with disabilities are systematically and consistently included in and benefit from international development.

205. Service provider should outline their approach to disability inclusion and how people with disabilities will be consulted and engaged throughout the project.

### Social Value Considerations

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

207. The government is committed to awarding contracts based on social value, ensuring that contracts are awarded based on more than just value for money – considering a company’s values too, so that their actions in society are rightly recognised and rewarded. Social Value outcomes are already embedded and evaluated within the programmes that FCDO deliver, however application of the Public Services (Social Value) Act 2013 will be extended to ensure that all government departments explicitly evaluate social value when commissioning services. This will help create and nurture

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innovative, competitive and diverse marketplaces of suppliers that include and encourage small businesses, charities and social enterprises.

208. Supplier shall support a diverse supply chain to deliver the Contract (e.g. new businesses and entrepreneurs, start-ups, SME's, VCSEs), as well as engage with government counterpart and encourage them to adopt similar approaches, with a focus on transparency, accountability and social impact. Ensuring accessibility for disabled business owners and employees and a focus on women-led entrepreneurship would be especially valued. Suppliers should demonstrate ability to foster co-creation and demonstrate capacity and readiness to influence staff, suppliers, customers and communities throughout the delivery of the contract to support the programme outcome e.g., through proactive engagement, iterative co-design, capacity-building across the delivery chain and with external stakeholders (e.g., government), partnering/collaborating.

209. The Supplier shall track the following KPIs related to Social Value (SV) dimensions:

- KPI SV1: Total percentage of full-time equivalent (FTE) people from groups under-represented in the workforce (including women) employed under the contract, as a proportion of the total FTE contract workforce.
- KPI SV2: Total percentage of full-time equivalent (FTE) people from groups under-represented in the workforce (including women) employed under the infrastructure work contracts managed by local governments and supported by the ICI Fund, as a proportion of the total FTE workforce included in said contracts.
- KPI SV3: Diversity of supply chain, mapped as number and proportion of non-traditional suppliers (e.g. new businesses and entrepreneurs, start-ups, SME's, VCSEs, including those featuring disabled business owners or female leadership) involved a) under this Contract (direct) and b) within the broader government-led supply chain for LISP (indirect).

The above KPIs serve as a corporate monitoring requirement for the FCDO and will be de-linked from the Payment by Result model described elsewhere in the document.

### **Delivery Chain Mapping**

210. Delivery Chain Mapping is a process that identifies and captures, usually in visual form, the name of all partners involved in delivering a specific good, service or charge, ideally down to the end beneficiary. Bidders should provide details of their supply chain (if any) that will be involved in delivering this work.

211. In line with the FCDO Supplier Code of Conduct, the Supplier shall provide and maintain an up to date and accurate record of named downstream delivery partners in receipt of FCDO funds. This record must demonstrate how funds flow from the initial source to end beneficiaries. This record needs to be updated regularly by the Supplier and when there are material changes to the delivery chain. As a minimum, delivery chain data should be submitted to FCDO on an annual basis as part of the annual programme report. Delivery Chain Mapping should be included as a standing agenda item in the regularly scheduled progress meetings with FCDO, for discussion and review.

212. It is now also a requirement to report on the levels of contracted work being allocated to SME and other sub-contracted organisations to the government SME Small Business Policy team. As part of the contractual compliance checking process, the Supplier will be required to submit returns providing these details, as a minimum on an annual basis.

### **Participation and Fair Treatment of Partners and Sub-contractors**

213. The Supplier will have overall management and financial responsibility of any partners and sub-contractors and must ensure fair treatment and their participation in the programme. It is expected

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that the Supplier is confident in the capability of other partners and supports their participation. It is vital that the Supplier has a clear governance and management structure in place for the programme, which is viable, feasible, and represents good value for money.

### **Risk of Fraud**

214. All suspected cases of fraud must be reported immediately to FCDO, and the Supplier will be expected to put in place a comprehensive risk management system which is appropriate to the context and consistent with FCDO's own methodologies.
215. The Supplier will be required to set out their fraud mitigation strategies including internal risk management and reporting systems. FCDO will further require that annual financial audits include spot checks of high-risk areas of programme activity and – if any causes for concern arise – these must be reported to FCDO immediately.
216. The risk of fraud through downstream suppliers or with partners in country will need to be partly mitigated through the Supplier's due diligence of downstream suppliers, ensuring acceptable levels of financial control and reporting before granting funds.

### **Compliance with Counter-Terrorism Legislation**

217. Suppliers must comply with relevant counter-terrorism legislation, and at a minimum must:
- Identify their partners.
  - Keep appropriate records.
  - Identify risks and be clear about the process for escalating risks.
  - Develop good relationships with partners.
  - Report any suspicions and incidents to the counter-fraud and whistle blowing unit.
  - Be aware of relevant legislation; their responsibilities; potential risks of terrorism.
  - Support strong governance arrangements, financial controls and risk management policies and procedures to provide safeguards against a range of potential abuse, including terrorist abuse.

### **Digital Policy**

218. All digital<sup>12</sup> content produced by the Supplier is subject to UK Government digital principles as set out by the Government Digital Service (GDS). All digital developments should:
- Put the needs of users first.
  - Learn from and improve these services over time.
  - Be freely available for other UK Government programmes to use. For more information see <https://www.gov.uk/designprinciples>
219. The Supplier must consider the use of digital elements to maximise value for money while ensuring the programme remains inclusive and fully accessible. Any proposed digital elements will require approval from FCDO.

### **Conflict of Interest**

220. Neither the Supplier nor any of the Supplier Personnel shall engage in any personal, business or professional activity which conflicts or could conflict with any of their obligations in relation to this assignment. The Supplier and the Supplier Personnel shall notify FCDO immediately of any actual or potential conflict together with recommendations as to how the conflict can be avoided. The Supplier shall establish and maintain appropriate business standards, procedures and

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<sup>12</sup> Digital is defined as any service provided through the internet to citizens, businesses, and civil society or non-government organisations. This includes, but is not limited to, information services, websites and transactional services. This includes services provided by others but funded by the UK government.

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controls to ensure that no conflict of interest arises between services undertaken for FCDO and that undertaken for other clients. The Supplier shall avoid knowingly committing any acts which are likely to result in any allegation of impropriety against FCDO, including conflicts of interest which are likely to prejudice their independence and objectivity in performing the Contract, howsoever arising. The Supplier shall notify FCDO immediately of any circumstances of which it becomes aware which give rise or potentially give rise to a conflict with the Services and shall advise FCDO of how they intend to avoid such a conflict arising or remedy such situation. The Supplier shall, subject to any obligations of confidentiality it may have to third parties, provide all information and assistance reasonably necessary (at the Supplier's cost) that FCDO may request of the Supplier in order to avoid or resolve a conflict of interest and shall ensure that at all times they work together with FCDO with the aim of avoiding a conflict or remedy a conflict.

### **General Data Protection Regulation (GDPR)**

221. Please refer to the details of the GDPR relationship status and personal data (where applicable) for this project as detailed in Appendix C and the standard clause 33 in Section 2 of the Contract.

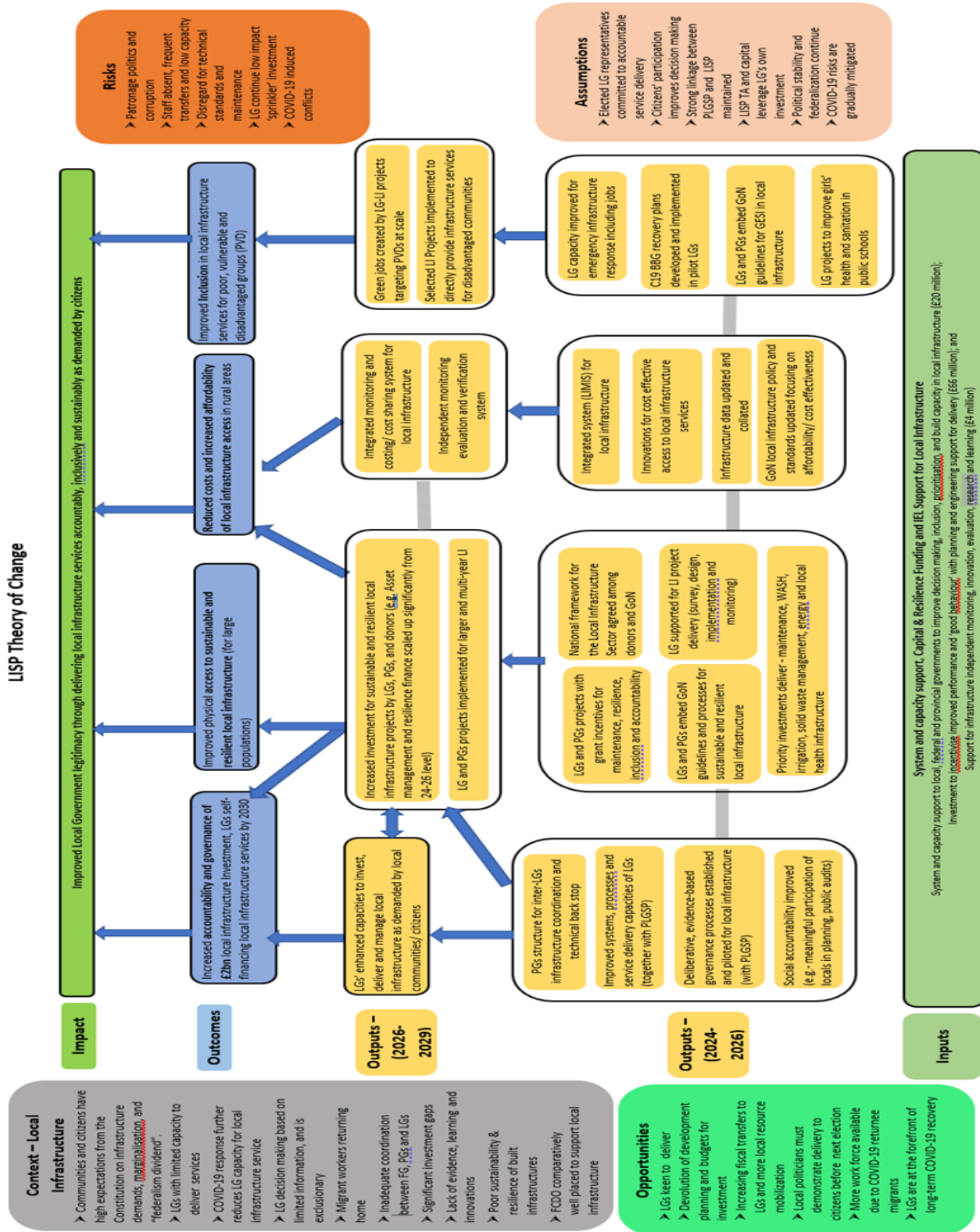
### **Key documents**

1. Nepal LISP Business Case
2. LISP Programme Document approved by GoN.
3. LISP Learning Framework paper.
4. LISP FRA 2023 (redacted and approved by GoN)
5. LISP FRMIP (redacted and approved by GoN)
6. LISP Pilot Learning Summary in Karnali briefing paper.
7. RAP3 Project completion review (for LISP Pilot results)
8. LISP Provisional Log frame (Transition).
- [9. LISP Annual Review 2024](#)



## Appendices

### Appendix A – LISP Simplified Theory of Change



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**Appendix B - Draft Results Framework for the LISP Programme**

Context	Inputs	Outputs	Outcomes	Impact
<p>Communities and citizens have high expectations of new Constitution to address grievances and marginalisation, and of "federalism dividend".</p> <p>New LGs and PGs weak, significant lack of staff in quantity and quality</p> <p>Multiple development partner projects working with low-capacity local government</p> <p>Investments in local infrastructure not efficient and effective</p> <p>Lack of coordination and collaboration in different spheres of governments</p> <p>FCDO comparative strength well placed to support local infrastructure</p> <p>Lack of incentives for credible systems for accountability, inclusion, and sustainability</p> <p><b>Lack of evidence, learning and innovation in local infrastructure</b></p>	<p><b><u>Technical Assistance (TA)</u></b></p> <p>Develop GoN/Development partners framework for local infrastructure, support sector co-ordination</p> <p>TA to support PG and GP inclusive planning and budgeting process complementing PLGSP including citizen participation, and deliberative decision making</p> <p>Technical support to improve quality of design, project implementation, local monitoring and accountability, resilience</p> <p>Oversight of FCDO's direct capital investment</p> <p><b><u>Innovation, evidence and learning (IEL)</u></b></p> <p><b>Support GoN spheres for testing new approaches for LIS and data collection</b></p>	<p>An agreed national framework for the Local Infrastructure Sector in Nepal that is supported by 45% of development partner finance - additional 17% DPs' finance is expected to increase</p> <p>80-100 Palikas supported to improve systems and processes in Karnali, Lumbini and Madhesh Provinces. System and processes support scaled up nationally by GoN</p> <p>Capacity and delivery improved in Palikas (min 75% Gaunpalikas) through strong and sustainable local government capacity building institutions (in conjunction with the PLGSP programme)</p> <p>Inclusion improved through deliberative, accountable, evidence-based planning, budgeting design and implementation that takes account of the needs of vulnerable groups in 80-100 palikas</p> <p><b>Embed innovation and evidence in GoN LIS guidelines and processes</b></p> <p><b>Independent LISP evidence and learning</b></p>	<p>Increased accountability for local infrastructure finance up to £2 Billion</p> <p><b>Good practices for vulnerable and excluded groups</b></p>	Improved Local government legitimacy through delivering local infrastructure services accountably, inclusively and sustainably as demanded by citizens
<p>Local infrastructure delivery needed for LGs and PGs legitimacy, significant investment gap in local infrastructure</p> <p>Poor sustainability and resilience</p> <p>Poor infrastructure services for poor and disadvantaged people</p>	<p><b><u>Infrastructure Investment -</u></b></p> <p>Matching financial support for strategic rural infrastructure (e.g., Maintenance, roads, WASH, energy, irrigation)</p> <p>Matching support for larger, multi-year LI projects</p> <p>C19 Green Recovery</p>	<p>£ 2bn of local infra spend improved</p> <p>1.7million people with improved access to sustainable, inclusive and resilient infrastructure services that connects them to essential services</p> <p>1,800 infrastructure assets with increased resilience and sustainability - with performance bonus 1,000 more infrastructure assets will be covered</p> <p>600 projects directly providing infrastructure services for disadvantaged communities</p> <p>6 million employment days created for poor women and disadvantaged groups</p>	<p>Higher coverage of infrastructure services (more people with access to local infrastructure services, more people benefitting from more sustainable and resilient infrastructure)</p> <p>Reduced costs for access and services e.g., reduced transportation costs, increased rural market activity and rural health and education (including girls) services</p>	

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Assumptions			
Context	Inputs	Outputs and Outcomes	Impact
<p>Opportunity for change is perceived to be a result of federalisation</p> <p>Federalisation process continues</p> <p>Increasing risks of climate shocks and appetite to mitigate for them</p> <p>Political stability in Nepal</p> <p>Local politicians respond to local demand for delivery</p> <p>Corruption incentives do not overly distort investment decisions</p> <p>GoN buys in to LISP design, approval and implementation</p>	<p>Phased approach (2 years C19 recovery and capacity support, preparatory works for FCDO investment and LIS framework, and 6 years of LISP delivery) provides flexibility and time</p> <p>Development partners and GoN buy in a common-framework approach within the first phase (1 year)</p> <p>TA at the right level/ effective dose despite C19 slowdown</p> <p>Impacts of longstanding local infrastructure programme are positive</p> <p>Case for Build Back Greener investments is accepted and acted on</p>	<p>BEK and partners will be able to flex in different scenarios of federalisation, including backtracking</p> <p>Development partner commitment for LIS Framework funding over time</p> <p>LISP and PLGSP incentives to reduce patronage politics</p> <p>TA able to bring together all relevant elements</p> <p>Resilient infrastructure improves service levels</p> <p>Opportunity to reduce number of LI programme and projects i.e., opportunity for LGs and PGs to coordinate, and get rid of micro projects</p> <p>Strong linkage evolves between PLGSP, LISP and ongoing local infrastructure programme</p> <p>Maintenance and resilience lead to more accountability and political incentive for jobs creation and services</p> <p>Large financial leveraging ambition - £90m leveraging £2 billion</p>	<p>LGs' ownership of the need to improved delivery</p> <p>Systemic changes in delivery are sustained after project completion</p>

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**Appendix C: of Contract Section 3 (Terms of Reference), Schedule of Processing, Personal Data and Data Subjects**

This schedule must be completed by the Parties in collaboration with each-other before the processing of Personal Data under the Contract.

The completed schedule must be agreed formally as part of the contract with FCDO and any changes to the content of this schedule must be agreed formally with FCDO under a Contract Variation.

Description	Details
<b>Identity of the Controller and Processor for each Category of Data Subject</b>	<p>The Parties acknowledge that for the purposes of the Data Protection Legislation, the following status will apply to personal data under this contract <b>[Complete or remove the options below as appropriate prior to Contract Award]:</b></p> <ol style="list-style-type: none"> <li>1) The Parties acknowledge that Clause <b>33.2</b> Protection of Personal Data] and <b>33.4</b> (Section 2 of the contract) shall not apply for the purposes of the Data Protection Legislation as the <b>Parties are independent Controllers</b> in accordance with Clause 33.3 in respect of the following Personal Data: necessary for the administration and/or fulfilment of this Contract.</li> </ol>

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## Appendix D: FCDO/British Embassy Kathmandu (BEK) Overall Project/ Intervention Summary Risk Assessment Matrix

Project / intervention Title: **BEK**Location: **NEPAL**Date of assessment: **February 2023**

Assessing official:

Signed Off by: Deputy Head of Mission/PSO

*Note that this risk assessment will be re-examined at the point of transition between the design phase and the implementation phase.*

Theme	BEK/FCDO- N Risk score	Comments if any
OVERALL RATING 10 <sup>[1]</sup>	3	
FCDO travel advice	N/A	<a href="#">Travel Advice</a>  Latest updated 21 <sup>st</sup> January 2023
Host nation travel advice	N/A	<a href="http://nepal.gov.np:8080/NationalPortal/view-page?id=113">http://nepal.gov.np:8080/NationalPortal/view-page?id=113</a>
Transportation by: (i) Air	4	Transport by air and road both carry substantial risks in Nepal, particularly during the monsoon period. All air carriers from Nepal have been refused permission to operate air services to the EU due to safety concerns. See <a href="#">Air travel</a> .
Transportation by: (ii) Road	4	Car and motorbike accidents are one of the biggest causes of injury and death overseas. If possible, avoid travelling at night. Always travel in a well-maintained vehicle with seatbelts. See <a href="#">Road travel</a>
Security	2-3	Depending on the area you are travelling to. See <a href="#">Safety and Security</a>
Civil unrest	2-3	Depending on the area you are travelling to.
Violence/crime	2	There's a low rate of serious crime in Nepal. However, you should take sensible precautions. See <a href="#">Safety and Security</a>
Terrorism	2	Terrorists are likely to try to carry out attacks in Nepal. See <a href="#">Terrorism</a>
War	1	
Hurricane	1	
Earthquake	4	Kathmandu valley and western part of Nepal most vulnerable.
Landslides	4	High risk during monsoon season especially in hills/mountains region. See <a href="#">Monsoon season</a>
Flood	4	High risk during monsoon season especially in Terai region. See <a href="#">Monsoon season</a>
Medical Services	3	Depending on the area you are travelling and remoteness.
<b>Nature of Project/ Intervention</b>	3	Depends on location of the project and visit sites.

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

<sup>[1]</sup> The Overall Risk rating is calculated using the MODE function which determines the most frequently occurring value.

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## Appendix E – Indicative Key Performance Indicators

The table below shows the indicative Key Performance Indicators (KPIs), which shall be revised during inception. Suppliers must include a draft set of KPIs in their proposal that build on and improve the indicative indicators shown below:

No	KPI Description	Acceptance criteria	KPI Weighting %	Score (1 – 5)	Max total score
KPI 1: Timeliness and quality of deliverables	<p>High quality of deliverables and reporting according to the FCDO standards and with clear alignment to project outputs and outcomes.</p> <p>Timeliness of milestone delivery to the satisfaction of FCDO.</p> <p>Timely submissions to FCDO of all programmatic and financial reports within agreed timelines and of acceptable quality to FCDO.</p> <p>Agreed detailed quarterly workplan aligned with the results framework and project outputs, including set of key activities for the next quarter.</p> <p>Appropriate, effective and timely identification and management of risks</p>	<p>Early communication and agreement from FCDO (defined as at least one month in advance) required for any requests to adjust output timelines. Agreement will only be given where there is a strong justification and impact on delivery is outside the control of supplier.</p> <p>All implementation deliverables and regular reports are delivered on time (monthly, quarterly and annual reports due within 30 days following month) written clearly to a high technical standard, professionally edited and proof-read. Reports and other written product (including for milestone deliverables) are technically sound but easily understandable, and no more than one round of FCDO comments, within 15 working days from original submission. Each product has gone through a peer review or quality assurance process before being submitted to FCDO. A clear trail of QA should be attached with each deliverable.</p> <p>Evidence that the supplier is raising all issues with FCDO that may significantly affect delivery or performance, is proactively solving problems and has sought to improve on the last reporting period's performance (this includes updated risk register as part of quarterly and annual reporting, as well as ad-hoc timely escalation of new / changed risks)</p>	30		150
KPI 2: Effective financial management	<p>Accurate and timely submission of yearly and quarterly forecast and invoices.</p> <p>Robust cost controls in line with contract to maximise Value for Money across inputs, outputs, and outcomes and FCDO's 4E framework, through demonstration of effective programme management. Vfm analysis to support/accompany regular reporting</p>	<p>Accurate and timely submission of forecast and invoices along with detailed expenditure report. Invoices should be detailed, disaggregating fees, expenses, and cost of deliverables. Accuracy evaluated ex-post based on variances within 5%. Cost transparency during submission of yearly milestones for following year's workplan.</p> <p>Adherence to cost transparency and cost controls in quarterly financial reports and review of invoices, including for milestones payments. Expenditure reports should provide details of the fees &amp; expenses &amp;</p>	25		125



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	<p>A detailed expenditure report providing details of the fees &amp; expenses in total and for the quarter along with the remaining budget against each budget line.</p> <p>Up to date and accurate records of all downstream partners (as applicable), including all payments</p>	<p>milestones in total and for the quarter, along with the remaining budget against each budget line of both workplan and contractual commercial cost proforma. VFM analysis must be part of quarterly and annual reports, in line with agreed VFM framework/indicators.</p> <p>The Supplier will need to keep records of all work and expenditure in a form which can be transferred to FCDO and available upon request. Costs should be based on agreed annual workplan proposals and aligned with contract budget proposal and agreed Pro Forma Cost Template.</p>			
KPI 3: Strategic Partnerships and stakeholder relations	<p>Active engagement with FCDO throughout.</p> <p>Supplier is responsive and flexible to client and stakeholder needs and seeks to align with FCDO priorities.</p> <p>Good access is maintained across Government of Nepal (Federal, Provinces and Local Governments), private sector and civil society with evidence of work progressing from key stakeholders.</p> <p>Partners satisfied with performance and engagement.</p> <p>Active engagement and communication with other FCDO programmes and development partners.</p>	<p>Monthly coherence and check-in meetings with stakeholders</p> <p>Evidence of collaboration with IVQA, clearly reflected in the reports and deliverables (including corrective actions from IVQA recommendations on local infrastructure activities).</p> <p>Positive feedback from steering and technical committees' meetings and annual surveys. Expectation of proactive and regular engagement with government counterparts (proven by formal communications and meeting proceedings). Negative feedback and breakdown in relations with government will be considered as major failure under this KPI.</p> <p>Evidence of collaboration / communication / coordination with other FCDO / DPs programmes reflected in reports, minutes and ad-hoc email exchanges.</p>	20		100
KPI 4: Innovation, adaption, and continuous learning & improvement	<p>Supplier delivers new ideas, which benefit the programme.</p> <p>Supplier's core team ability to respond quickly and adapt to the changing contexts or requests within the agreed timeline.</p> <p>The Supplier's core team responsiveness to FCDO's recommendations based on the findings of annual reviews, mid-term reviews, annual audit reports and performance improvement plans or evaluation reports.</p>	<p>Continuous learning as be part of the quarterly report.</p> <p>Lessons learned and recommendations as standing agenda with concrete topics in the LISP Steering Committee and Technical Committee meetings.</p> <p>Proactive dissemination of lessons learned, public good documents or similar (each year).</p> <p>Proactive testing of innovative and more efficient approaches (new governance approaches, new technologies for infrastructure, financing innovations, innovative community engagement approaches, etc.)</p> <p>Tracking of recommendations' uptake in successive reports</p>	15		75

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KPI 5: Safeguards & crosscutting priorities	<p>Environmental safeguard policies are in place with publication of environmental performance reports on a regular basis.</p> <p>Evidence of effective integration political economy considerations into programme interventions.</p> <p>Evidence of effective integration of gender and social inclusion into programme interventions.</p> <p>Safeguarding against sexual exploitation, abuse and harassment policies are in place.</p>	<p>Evidence of uptake of various policies, principles and approaches in regular and ad-hoc reports, published documents, email exchanges, ToR of dedicated interventions, ad-hoc escalation of specific issues to FCDO.</p> <p>Evidence of training provided to the staff and beneficiaries in a regular basis.</p>	10		50
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On a quarterly basis, the Supplier will be required to provide evidence of achievement against each of the KPIs to the FCDO. The FCDO will consider the evidence provided by the Supplier to award a score for each in line with the below methodology.

Scoring Methodology	Score
<b>Serious underperformance:</b> Not meeting responsibilities or requirements. Immediate and major changes needed.	1
<b>Less than Satisfactory:</b> Some responsibilities and requirements are delivered efficiently and effectively, but in many areas the supplier delivers below requirements, with substantial improvements needed.	2
<b>Satisfactory:</b> Supplier delivering efficiently and effectively on most areas but there are some areas where improvements are needed.	3
<b>Good performance:</b> Proactive supplier delivering efficiently and effectively meeting responsibilities and requirements with little improvement needed.	4
<b>Excellent Performance:</b> Proactive supplier with outstanding delivery, innovation and execution, meeting or exceeding responsibilities and requirements with no improvements needed.	5

The scores awarded for each KPI will be multiplied by their respective weighting and added together to arrive at a total score. The total score will determine the total payment to be paid to the Supplier which shall be calculated as follows:

Total	Payment
400-500	100%
300-399	75%
200-299	50%
199 and below	25%

The Supplier will be assessed against KPIs on a quarterly basis, and KPI performance shall be reported to FCDO every quarter in line with requests for milestone payments, with low performance resulting in the corresponding deduction. A hypothetical example of KPI deductions is provided below:

Quarter	Total KPI Fees	Fees at risk (20%)	KPI Score	% KPI Payment	Deduction
1	£400,000	£80,000	435	Full payment	£0
2	£200,000	£40,000	365	75%	£10,000
3	£300,000	£60,000	285	50%	£30,000
4	£500,000	£100,000	415	Full payment	£0

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During the Inception Phase, these KPI's shall be refined, agreed, and subsequently used to measure performance during implementation. KPIs shall need to be measurable, and it should be objectively verifiable and agree a minimum standard of performance.

KPIs performance shall also be included in the FCDO Annual Review, Mid-Term Review and Project Completion Report (all of which are public documents).

**Appendix F: Box1- LISP Strategic and Coordination Arrangement**

There will be two levels of LISP strategic and coordination arrangement among Government spheres, BEK and implementing partners as below:

Level	Management Arrangement	Details
Federal	LISP Steering Committee (LSC)	LSC is for strategic guidance and strategic approvals. Composition for LSC: Chair- MoFAGA Secretary, Member Secretary–Joint Secretary, Planning division, MoFAGA, Members- Joint Secretary leading local infrastructure sector unit in MoFAGA, joint secretary-NPC, joint secretary-MoF, Provincial Principal Secretaries, Provincial Representatives from MoPIUD, 2 LGs Representatives one each from program R/Municipality, BEK, WFP/UNDP (until LISP Pilot ends); Invitees- LGs associations (e.g., MuAN and NARMIN).  The federal SC themselves will expand to include representatives of other provinces when LISP expands beyond Karnali.
	Technical Coordination Committee (TCC)	Technical Coordination Committee to support the steering committee: Chair- Joint secretary, planning division, MoFAGA, member secretary- Under Secretary, Development Cooperation Coordination Section, members- Provincial Government Representative from infrastructure ministries (e.g., MoPIUD), MoF representative, NPC representative, LISP coordinator in MoFAGA, BEK representatives and representatives from implementing partners.
Provincial	LISP Provincial Coordination Committee (PCC)	For planning, operational and implementation level, a provincial level LISP PCC will be formed: Chair – Province Principal Secretary, Member Secretary- MoPIUD Secretary; Members- representatives of program LGs, another infrastructure ministry at province, PLGSP/PPIU, PCGG, WFP/UNDP (until LISP pilot ends), BEK, representative from Technical Assistance Supplier (TASP) and representative from TCC.  The LISP PCC will also ensure that the LI framework and LISP will be responsive to local and provincial contexts and owned and coordinated at sub-national levels.

The key function of the Provincial Level Coordination Committee is to support planning and implementation of LISP while that of Federal Level Steering Committee is to provide strategic and policy directions. Accordingly, the LISP Provincial Coordination Committee (PCC) will meet at every GoN financial quarter and LISP Steering Committee will meet twice a year. The key considerations are to ensure equitable representation of the Provincial and Local Governments in LISP decision making and implementation as well as good representation of women in all committees.

1. The Provincial Coordination Committee will meet regularly (every quarter) to review and ensure progress in respective provinces. The provincial coordination committee will also assess risks to LISP and support LISP Supplier as above for managing risks.
2. The LISP Technical Coordination Committee will meet regularly (every quarter) to review and ensure progress in LISP and prepare for 6 monthly strategic meetings of LISP Steering Committee. The technical committee will also assess risks to LISP and support LISP Supplier as above for managing risks. Risk appetites will be reviewed and escalated as necessary.

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## Appendix G - Box 2: GoN and BEK agreement on LISP Financing Mechanism<sup>13</sup>

LISP's capital funding will be delivered to provide incentives mainly to rural municipalities to improve performance on planning, budgeting, delivery and maintenance of local infrastructure services. It is expected to focus on:

1. Incentives for inclusive, deliberative planning and demonstrated good performance as a prerequisite for accessing additional finance.
2. Capital fund for local infrastructure maintenance to ensure sustainability.
3. Performance grant funds for strategic rural infrastructure spend in the sub sectors defined in the proposed revised local infrastructure policy. This will be based on a needs-based assessment that provide incentives for evidence-based prioritization and consultation with beneficiaries.
4. Providing additional finance to improve the resilience of infrastructure to climate and earthquake shocks. This will include support for improved design based on improved climate and earthquake science and technology and development of risk finance mechanisms to accelerate recovery after large shocks e.g., Earthquakes.
5. Finance (e.g., as Matching fund) for larger, multi-year projects that will have significant local development impact but are beyond the capacity of local government to deliver. This will also include exploring options for private investment in revenue earning infrastructure such irrigation with necessary risk sharing approaches and matrix.
6. Financial Aid will be made available to local government for infrastructure development and associated activities. The capital funding will be allocated against the infrastructure priorities of the local government for which they are accountable and responsible.
7. Before making any payments to local governments using the GoN finance system, BEK will undertake a Fiduciary Risk Assessment. This assessment will identify the level of fiduciary risk and propose a risk mitigation action plan to reduce risks to an acceptable level. No payments will be made until the risks have been reduced to an acceptable level. Funds will be paid on a reimbursable basis as and when results and actual expenditures are verified by the TA. LISP budget will be released on a reimbursable basis every quarter with proper checks and reconciliation of expenditures with previous quarter.
8. LISP TA will provide support for LG's efficient and accurate reporting required for reimbursement-based payment. A PFM support plan will be tested and implemented applying the learnings and good practices in the UK funded Climate Smart Development Programme (NCCSP2), e.g., correct categorisation of eligible resources and follow ups for ineligible spends.
9. £15m of LISP budget will be for climate finance and will be utilized for climate-resilient infrastructure works (including slope stabilisation for roads, water supply resilience, river training, DRR shelters, irrigation channels, resilient bridges, renewable energy etc.) where they are part of LGs Local Adaptation Plans of Action (LAPAs). Allocation of LISP funds will be based on climate vulnerability to ensure the most climate vulnerable LGs get the most resources (using the existing allocation system already developed by MoFE and included in Nepal's climate policy).
10. LISP funds will be provided as performance grants for delivering local infrastructure sustainably, inclusively, resiliently, and accountably. The proportion of LG finance and LISP grants will be dependent on the local context, poverty and vulnerability levels and LG performance. Maintenance requirements shall be emphasised when prioritizing projects and allocating budget.
11. Capital funding will primarily be made available to local governments that make real efforts to improve their technical and non-technical capabilities e.g., financial management, anti-corruption; and for infrastructure services delivery.

The funding approach under LISP will be different from the conventional modality of fixed proportion cost sharing by the government and the Development Partners. LISP proposes to provide funding as performance grants to LGs that demonstrate good performance when measured against a set of performance indicators that shall be agreed on before the monitoring of performance. The LGs shall use these funds for implementation of their prioritized local infrastructure and resilience as set out above (points 1-11). The exact modality of grant funding will be designed during the inception phase of LISP implementation in close consultation with relevant GoN institutions – e.g., MoF, MoFAGA, provincial governments and LGs. The formal and informal learnings of the LISP Pilot and Transition phases shall be used to feed into the implementation phase of LISP.

<sup>13</sup> See LISP Programme Design Document approved by GoN Cabinet for UK/Nepal MoU for LISP (LISP-PDD).

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**Appendix H – Inception Deliverables**

<b>Month's End</b>	<b>Inception Deliverables</b>	<b>Acceptance criteria, submission by agreed deadline, and approval of quality of content by BEK.</b>	<b>Payment weighting</b>
<b>Month 1</b>	<p>Develop detailed LISP inception plan for BEK's approval.</p> <p>Secure necessary government approvals to operate in Nepal (as relevant)</p> <p>TL recruited and at post</p>	<p>Draft plan submitted to BEK.</p> <p>GoN Approvals secured, including for any sub-contractors.</p> <p>Confirmation of TL deployment in country</p>	10%
<b>Month 3</b>	<p>Establishment of offices</p> <p>Finalise staffing of full CMT</p> <p>Agree on processes:</p> <ul style="list-style-type: none"> <li>• Monthly meetings with FCDO</li> <li>• Quarterly meeting with LISP TCC and Steering Committee.</li> <li>• Reporting schedule and templates</li> <li>• Monitoring, financial compliance/ accountability&amp; quality assurance information management</li> <li>• Audits</li> </ul> <p>Finalise downstream partners selection and contractual arrangements.</p> <p>Finalise costed inception workplans with downstream partners for approval by BEK.</p> <p>Define coordination and governance arrangements both with subcontractors and for the broader LISP programme (with government counterparts, BEK and other DPs), including stakeholders management and partnership arrangements.</p> <p>Develop detailed operating procedures and systems necessary for the management of the programme and disbursement of funds, to be approved by BEK.</p>	<p>Embedded office presence established at federal, provincial, and local levels.</p> <p>Confirmation of Core team being operational and deployed in country.</p> <p>Minutes detailing programme and contract management processes</p> <p>Reporting schedule agreed with BEK.</p> <p>Confirmation of subcontractors (contracts, downstream DDAs)</p> <p>Approved costed workplans.</p> <p>Approved governance arrangements</p> <p>SOPs and key systems developed.</p>	40%



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	<p>Develop adapted LISP-wide Fiduciary Risk Management Plan based on the review and analysis of available FRAs / FRMPs.</p> <p>Conduct consultation workshops with target LGs and each of the three LISP focal Provinces.</p> <p>Develop a draft exit and transition plan within 3 months of the Contract Commencement Date</p> <p>Quarterly Report</p>	<p>Revised FRMP finalised and approved.</p> <p>Minutes of subnational consultations</p> <p>Draft exit and transition plan</p>	
<b>Month 6</b>	<p>Finalise staffing of broader team.</p> <p>Finalise costed full implementation workplans with downstream partners for approval by BEK.</p> <p>Execute training for all subcontractors in financial systems and reporting, technical monitoring and reporting, and safeguarding.</p> <p>Refine LISP ToC and Develop detailed LISP results framework for the programme period, setting out the approach to achieving the LISP objectives as well as a series of results and milestones.</p> <p>Develop LISP detailed design and implementation plan for whole programme period (including annual targets, approaches for geographical prioritisation and scale-up plans aligned with ToC and results framework) to be endorsed by BEK's LISP Core Team and Steering Committee for LISP.</p> <p>Finalise the detailed budget for full Implementation Phase, disaggregated by quarters (with breakdown of inputs, fees, expenses, linked to outputs and milestones in the detailed results framework).</p>	<p>Full long-term staff recruited and at post in time to meet delivery of requirements. Any justified delays to be agreed by FCDO one month before end of inception period.</p> <p>Draft and final plans shared and approved by BEK.</p> <p>Training reports</p> <p>LISP ToC refresh and Results Framework approved by BEK.</p> <p>Implementation plan shared and approved by BEK, together with minutes of SC and TC meetings.</p> <p>Budget shared and approved by BEK.</p> <p>Draft PaLIS Framework approved by BEK and MoFAGA)</p>	50%

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	<p>PaLIS Framework agreement (by BEK, MoFAGA and development partners) for endorsement by LISP Steering Committee.</p> <p>Prepare capacity development plans for PGs and LGs</p> <p>Develop a plan to conduct regular FRAs of selected representative LGs</p> <p>Refine LISP ToC and develop detailed LISP results framework for the programme period, including agreed results, milestones, outcomes and impacts.</p> <p>Develop a monitoring framework and strategy for approval by BEK and GoN, including plans for the development of the infrastructure MIS</p> <p>Smooth transition of LISP Pilot and Transition phase and associated learning and development of an updated learning framework for the LISP programme.</p> <p>Develop integrated IEL approach, methodology, management and coordination mechanisms, including detailed clarity of roles of responsibilities and coordination between the TA and IEL components.</p> <p>Develop a detailed VFM framework with indicators.</p> <p>Develop a knowledge management and communication strategy</p> <p>Develop an IT and digital strategy</p> <p>Develop a risk management strategy (including detailed risk register incorporating also approaches to management of political risks).</p> <p>Develop a detailed procurement manual</p>	<p>Draft PGs/LGs capacity development plans</p> <p>FRA plan approved.</p> <p>Revised ToC and results framework approved by BEK.</p> <p>Draft monitoring framework and strategy, with government counterparts appropriately involved and with inputs from BEK (including Evidence Partners) and third-party IVQA. Monitoring framework provides details on approaches to guide FA disbursements.</p> <p>Minutes of transition meetings and co-signed handover from WFP to Supplier</p> <p>IEL learning framework approved by BEK.</p> <p>Draft VfM framework following FCDO VfM categories.</p> <p>Draft strategies (knowledge management &amp; comms; IT &amp; digital; risk management) shared with BEK.</p> <p>Draft risk management strategy following FCDO policy.</p> <p>Procurement manual approved by BEK.</p> <p>Inception Report approved by BEK.</p>	
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