Section 3

TERMS OF REFERENCE

Introduction

1. DFID appoints the supplier to design and implement the following programme.

Programme Context, Budget and Timeframe

2. The UK Department for International Development (DFID) manages UK support for efforts to end extreme poverty. The Growth and Resilience Department (GRD) works to promote broad based economic growth in DFID partner countries.

3. DFID, through GRD, is contracting the delivery of the Invest Africa programme. The value of this contract is between £50 million – £70 million (inclusive of VAT and all applicable government taxes), with the potential for an extension to take it up to £130 million (inclusive of VAT and all applicable government taxes) and subject to contract performance and funding availability. The initial contract value includes a Payment by Results (PbR) allocation of up to £4.5 million which is ring-fenced[1] (see Annex 2).

4. The supplier, or lead consortium member, will be responsible for delivering these Terms of Reference (ToR). The contract will consist of two Phases (i) Inception and (ii) Implementation. The Inception Phase will last for 4 months; the implementation phase is planned to start immediately upon satisfactory completion of the inception phase and will last for 80 months (with the possibility of a further 24 months subject to DFID approvals). The programme will be reviewed at the end of the inception phase and subsequently at the end of month 18 and 54 – with the ability to break the contract 6 months after that.

5. The supplier will work initially in: Ethiopia, Kenya, Rwanda and Uganda. There is the potential to have a phased scale up to include Tanzania, Nigeria, Ghana or any other country in Africa identified at a later date[2] - scale up will be in line with the Special Conditions.

Objective

6. Invest Africa aims to contribute towards the economic transformation needed in Africa to create more and better jobs and to set countries on a trajectory out of poverty[3]. The programme will support increased foreign direct investment (FDI) into manufacturing which in turn will boost productivity by introducing new technology and management capabilities, increase the capabilities of the workforce and diffuse these improvements into the wider economy. The aim of Invest Africa is to generate formal employment, which in turn creates social stability.

7. Through this contract, Invest Africa will generate £1.2 billion additional foreign direct investment by 2025, 13,750 direct jobs and 90,000 jobs (direct and indirect) (these results will be increased if the contract value increases or the contract is extended beyond the 7 years). DFID is committed to creating decent jobs and attracting high quality FDI that forms strong linkages in the local economy and facilitates productivity spill overs[4].

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[1] The PbR budget will be regularly reviewed and subject to change based on programme performance.

[2] These countries will be identified by DFID based on analysis of a range of criteria (economic potential, political viability etc). We are indicatively assuming that we will operate in up to 6 countries in Africa at a time, although potentially more over the life time of the programme, as we may exit operations in some countries.

[3] This ambition is set out in DFID's Economic Development Strategy.

[4] Invest Africa will also support firms whose poverty reduction benefits are longer term (e.g. in the pharmaceuticals sector where direct jobs created may not be for poorest).

The Recipient

8. The recipients of this service will be the Governments of targeted African countries and the beneficiaries of those services.

Scope of the ToR

9. The supplier will be directly responsible for the delivery of two main programme components:

   I. Transaction Facilitation Services to existing and potential investors. The supplier will need to take an active role in seeking out and supporting investments with the highest additionality and development impact in line with the attached Payment by Results Document. The supplier will:

   i. identify new investors in targeted sectors and countries – e.g. by producing and disseminating country / sector investment profiles; engaging existing investors in other countries who are or might consider relocating or expanding,
   ii. support new deals – e.g. by supporting investors with developing their case for investment; by undertaking market analysis on behalf of investors; by helping potential investee firms or investment promotion agencies produce “teasers” or information memorandums; by improving investee firms’ investment readiness (to a limited degree as it is noted this can be costly) and by linking buyers with producers,
   iii. get deals to investment close – e.g. by facilitating negotiations with the Government or its agencies or between investors and investees,
   iv. support deals to be more developmentally impactful by promoting better business practices, higher labour standards, improving skill sets of workers, enhancing environmental protections, supporting higher gender positive impact and social inclusion of youth and disabled people, having a greater community impact for example through refugee employment and/ or supporting linkages with domestic suppliers,
   v. support existing foreign investors to scale up – e.g. by helping them develop the business case for working on new product areas, in new geographies; identifying ways they could improve the development impact of existing investments,
   vi. supporting deals post investment – e.g. by helping develop early implementation plans,
   vii. track investment results including commitments around development impact (DFID is open to proposals which allow the requirement to be met while respecting any legitimate concerns by the firms concerning privacy about their commercially sensitive information).

   The precise type and intensity / cost of support provided will vary and will be informed by factors including the nature of the investment (e.g. new or in an existing firm), the size of the potential benefit, the stage in the process that the investment is at, and the level of additionality[5]. Testing and adaptation will be expected to assess what approaches are most impactful and cost effective.

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[5] Some types of project might be purely DFID funded, e.g. a prospectus promoting the agriprocessing sector in Rwanda. Where support becomes increasingly firm-specific – e.g. helping an investor develop the business case for operating in Rwanda – and as the investment progresses towards conclusion, the investor will probably be expected to meet an increasing share of the costs. We do not expect to pay for financial, legal or tax due diligence for example. Given available budgets, and additionality requirements, it is also likely that the investor will bear the large majority of total costs. However, the payment by results methodology sets out the factors that will be taken into account in varying these, e.g. Size of investor, previous track record etc.

Procedure for Transaction Facilitation management

The supplier needs to design and put in place with DFID approval a mechanism for reporting and tracking contact with investors (potential and existing) and development of their investments. DFID staff should be able to have live access as they will also be contacting investors, be aware of other partners and donors doing this and sharing of information early on will be critical for attribution of work. Deal specific information should include an assessment of the nature of the investment according to DFID criteria set out in the payment by results document. They include screening criteria such as the benefits/fit of the potential investment with the host country; investment value, additionality and Development Impact criteria. The Investment Information Form should be completed for each investment to qualify for the Payment by Results payment. Then the investment tracking mechanism also needs to record this and the progress of a concluded investment against any Development Impact commitments (amount of investment made, jobs, other development criteria).

Minimum Requirement

The supplier must provide support sufficient to meet the key transaction facilitation objectives set out in the Delivery Key Performance Indicators (KPIs) (Annex 7), namely:

- to identify and support manufacturing FDI deals (such that 215 deals are provided substantive support by 2025);
- to ensure the support provided is designed to enable targeted levels of deal closure (such that 55 deals reach financial close by Feb 2025, with £1.2bn of manufacturing investment and 13750 direct employees committed to by 2025);
- to support increased developmental impact of that investment (such that at least 20 deals receive a PBR payment for which the PBR element is paid for one or more of a) consumer goods for poor b) "other social") c) environmental d) gender by 2025,);

In addition, the supplier must provide within 6 months of contract signature a reporting mechanism capable of reporting to DFID (and where relevant other key partners) adequate information on potential and actual deals supported.

II. **Technical Assistance (TA)** to government (regulation, capacity, strategy etc.) and the private sector (weak or missing markets for key inputs, services etc.). Activities in each country will have a combination of both to the extent essential to support additional FDI in manufacturing sectors. Invest Africa is not a broad investment climate programme, rather it is designed to focus on deals and transactions. Rather than addressing broad investment constraints, Invest Africa will work to systematically address these constraints faced by specific foreign investors in order to facilitate their new investment or expand their existing ones. It will also support the development of backward linkages to domestic firms from FDI investors who play a key supporting role in the supply/value chain and the strengthening of those firms' capacity for their participation in the multinational investor supply chain by the investors.

Nonetheless, where cross-cutting issues are of sufficient magnitude that addressing them would significantly increase the prospects of any investment proceeding, a case may be made for addressing them.

TA will be provided in a way that is broadly in line with market systems principles and is systemic, adaptive, grounded in political economy analysis and aware of incentives. Use of challenge funds or similar may be considered.

TA will be prioritised in areas where it offers a good chance of creating the change needed to facilitate new investment or to create sustainable international value chain linkages, in the short to medium term (not more than 2-3 years) and where it is of manageable scale / cost (i.e. we do not expect this to entail far-reaching, sector-wide improvement programmes).

i. **Government** - TA will be provided to government institutions to support improvements and policy changes needed to attract more, better quality foreign investors in manufacturing sectors. Institutions supported may include Investment Promotion Agencies, Economic Zones/ Export Processing Authorities, Customs and Tax authorities and related ministries. Support may include the development of foreign investment promotion strategies, capacity development, trade facilitation, improvements to the economic zones and/ or industrial park regimes, refinement of the investor incentives regimes and policy changes which remove obstacles for investors.

ii. **Private Sector and related organisations**- TA will also be provided to address issues emerging from the private sector and other related organisations where it is necessary to unlock or sustain foreign direct investments. This could address such issues as poor availability of domestic inputs like cotton, inadequate provision of key services such as logistics or inadequate availability of skilled workers. Support may be provided directly to businesses, or to other parties, such as business membership organisations, Government agencies etc. Again, DFID will not enter into broad sector support arrangements.

10. All support needs to be strongly grounded in an understanding of political economy issues. Action should only be undertaken: a) in areas where political economy analysis shows there is potential for success and b) in ways responsive to politically economy constraints and opportunities, e.g. identifying potential blockers and supporters, and seeking to build coalitions to support activity.

11. DFID recognises that progress will be unequal across focus countries. While we are content for focus and activity level to differ between countries, we expect at least a minimum level of attention to be given to all countries included. This is reflected in the ambitions set out in the log-frame and Key Performance Indicators (KPIs) which include some specific country targets.

Minimum Requirements:

The supplier must provide support sufficient to meet the key technical assistance objectives set out in the Delivery KPIs (Annex7), including:

- To identify the key barriers facing manufacturing FDI investors. Then to use that information to target key public and private sector problems, such that: policies are reformed (reaching 50 reforms by 2025); government institutions supported (reaching 4 by 2025); industrial parks made operational (reaching 5 by May 2025); and material market development interventions designed and implemented (reaching 28 by 2025).
- To support backward linkages to domestic firms from FDI investors (so that by May 2025 35 domestic firms have secured contracts as upstream providers in the value chain or key service providers) and upstream linkages with new buyers introduced to FDI investors resulting in buyer contracts with a likely value of more than £500k in country (reaching 30 by 2025)

Inception and Implementation requirements

12. The Supplier is responsible for the implementation of Invest Africa as follows (activities to be undertaken will include but are not limited to those set out below):

    i. **Inception Phase (4 months):**

        a. Getting the core programme team in place and setting up teams to work on Invest Africa in each of the countries of operation
        b. Potential enhancements to sector analytical work already done in targeted countries (drawing on the extensive analysis that will already have been completed by the time the contractor commences)
        c. Developing an implementation strategy and plan for both programme pillars, recognising that the programme will be highly demand led and adaptive
        d. Developing a strategy and plan for working with local sub-contractors [6]
        e. Developing high level work plans for years one to three
        f. Developing arrangements for documenting, agreeing and amending specific work projects for Technical Assistance and the arrangements for Transaction Facilitation (using the Investment Information form)
        g. Developing detailed budgets including country, sector, component and project breakdowns. Quarterly budgets should also be developed for the first two years. Again it is recognised that there may need to be changes to this as the programme adapts.
        h. Developing an investor and buyer engagement strategy including a list of initial investor and buyer targets
        i. Putting in place a mechanism for reporting and tracking contact with investors including reporting on payment by results indicators (see Payment by Results document)
        j. Development of Value for Money Indicators
        k. Finalising details of the supplier's contribution to both the monitoring and evaluation plan
        l. Preparing a knowledge management and communications strategy
        m. Developing a development impact strategy, including for addressing gender and social inclusion issues
        n. Establishing a reputational risk assessment mechanism for businesses with whom the programme will engage

[6] If the company is registered in-country and paying staff locally and has permanent staff (as opposed to being a temporary project office) then this would be classified as a local company.

o. Identifying other key international organisations and donors working in each country and areas of their work and drawing up influencing/engagement strategies
p. Agreeing a format for reporting on progress quarterly.

The outputs from above should be summarised in a report (of not more than 50 pages which should include tables, power points or printouts from electronic systems). Progress to the implementation phase will be subject to DFID's approval of the inception phase activities and report.

ii. **Implementation Phase (Month 5 to Month 84):**

a. Implementation of programme activities based on agreed objectives, strategies and work plans. A phased approach will be taken, allowing future objectives, strategies and workplans to be set and/or stretched in light of regular assessments of value for money performance to date.
b. Ensure staff are in place based on the agreed organogram and staffing plan. DFID needs to approve all changes to the core staff and all experts who will work for more than 30 days on the project (see below).
c. Management of any subcontracting relationships effectively including contracting, monitoring, supporting and assessing sub-contractors
d. Six monthly updates of the risk register

13. In addition to the core implementation activities of Invest Africa, the supplier is responsible for the following:

a. **Coordination with other delivery work streams of Invest Africa**

The will work on both the Transaction Facilitation Services and Technical Assistance (TA) pillars. The Supplier will be the key delivery mechanism for Invest Africa. It will however have to work closely with and actively complement the other delivery work streams of the programme which include:

I. Partnership for Investment and Growth in Africa (PIGA) implemented by the ITC to work on transaction advisory services to Chinese investors looking to invest in Mozambique, Zambia, Kenya and Ethiopia and provision of TA to investment promotion agencies to improve their capacities for trade flow analysis, promotion documents and pitches.
II. Systemic Investment Response Mechanism (SIRM) roll out through the World Bank Group. This will speak to the technical assistance pillar and will focus on investor management (especially aftercare and investor grievance systems) and is working in Ethiopia, Rwanda and Kenya.
III. DFID may engage with others including the African Development Bank, foundations, multilaterals, business associations and with other donors.

Significant engagement with national Governments' investment and export promotion agencies will be expected. Engagement by the contractor with Governments (both developing and with other donors) will need to be closely coordinated with DFID; DFID will lead engagement where politicians are involved or on politically sensitive matters.

b. **Coordination with DFID programmes, other donors and Cross HMG** initiatives

DFID has extensive country programming as well as regional and central programmes in Invest Africa countries. The Supplier will be responsible for coordinating and aligning with the relevant DFID programmes and staff (especially those DFID staff in-country) and maximising synergies with these programmes and other donor programmes and ensuring Invest Africa does not duplicate. For example, use will be made of/referrals to programmes such as the DFID Private Enterprise Programme Ethiopia programme for garments, agricultural programmes for out-grower support for agri-processing; the Cities and Infrastructure for Growth programme for issues relating to manufacturing related infrastructure; and Trade Mark East Africa to address customs or logistics issues or tax authority programmes in country.

DFID will expect the supplier to engage with CDC, the Private Infrastructure Development Group, and other similar institutions to share market knowledge / intelligence and encourage them, as well as other investors, to invest (and otherwise support investment) in ways which enable expanded manufacturing FDI.

The programme will also collaborate with donor/multilateral infrastructure programmes in country on industrial parks, PPPs, water and electricity.

In addition, DFID will work closely with other UK government departments such as the Department of International Trade (DIT) and the Foreign and Commonwealth Office (FCO) on the implementation of Invest Africa.
Invest Africa will often act as a point of first contact for investors.

c. **Support DFID in programme Governance**

Invest Africa is a complex multi country, multi component programme that requires a high level of coordination and governance that includes:

- A steering board to provide steer from DFID senior managers
- An external advisory panel to provide strategic guidance and external challenge
- An implementation partner coordination committee to ensure effective coordination amongst implementation partners and the maximization of synergies between components

The supplier is responsible for the implementation partner coordination committee meetings and will provide logistical support to the steering board and advisory panel.

d. **Wider DFID/HMG support on non-Invest Africa manufacturing activities**

The supplier will be required to use its expertise to provide light-touch support and advice to DFID and other parts of the UK Government on their approach to supporting pro-development manufacturing in developing countries (e.g. inputting to the development of CDC's manufacturing strategy; advising other DFID countries on their approaches to developing industrialisation programmes; supporting analysis, such as of DFID's overall manufacturing strategy; analysing the effectiveness of DFID's portfolio of manufacturing activities; supporting manufacturing related event delivery).

e. **Co-operate in preparation for a potential future institution**

Consideration is being given to the possibility of creating an institution at some later stage in the Invest Africa programme's life to sustainably deliver results, including following the programme's end[7]. If preparation for such an institution goes ahead, the supplier will be expected to support analysis (which would be undertaken by a third party) of the case for and modalities of setting up an independent institution. If it is agreed that such an institution should be created, the supplier may also be required to undertake actions to support its creation (such as extending access to it of the data contained in the transaction facilitation reporting mechanism).

f. **Strategy and Planning**

[7] No decision has been taken on this. The issue is likely to be revisited several years into the life of the programme to assess at that point the case for setting up an institution at some later date.

Given the flexibility and demand driven nature of Invest Africa, key strategic documents will need to be updated, and approved by DFID annually. These include:

- Country and sector strategies
- Annual work plan (including Quarterly targets)
- Risk assessment – potentially updated quarterly dependent upon nature of risks
- Detailed annual budget
- Development impact strategy
- Investor and buyer engagement strategy
- Knowledge management and communications strategy
- Revisions to the both the monitoring and evaluation plan

g. Monitoring and Evaluation

Separately DFID is procuring a Monitoring and Evaluation contractor(s) which will be responsible for collecting baseline data, indicators and measuring deliverables such as jobs and items in the logframe. The supplier will be expected to provide support to the both the Monitoring and evaluation contractors to facilitate the collection of data and evaluations, for example by providing key contact details, access to investors and stakeholders and delivering up information it holds.

h. Knowledge generation, management and communication

The supplier will also:

- Collate and provide systematic relevant country and sector information for investors
- Synthesise information into analytical and information products suitable for dissemination and stakeholder engagement with different audiences as required: private sector, public sector, donors and others, working with the Monitoring and Evaluation contractor(s) if appropriate.
- Proactive communication to all relevant stakeholders identified in the knowledge management and communications strategy
- Conduct research to cover knowledge gaps. This is likely to include, among other areas, analysis of the case for entering new sectors in existing countries and new countries.
- Share all information, outputs and contacts generated through the programme with DFID and any parties identified by DFID as requested. One exception to this is that some market and other studies undertaken for investors and work with investees may need to be treated as commercially sensitive information and not generally shared outside of the contractor and DFID except under a confidentiality agreement.
- Provide information required by the International Aid Transparency Initiative.
- Respond promptly to audits and enquiries whether originating from DFID's own internal auditors or financial/press staff, UK Parliament or related entities such as the International Development Committee, Independent Commission for Aid Impact, National Audit Office or questions to UK Members of Parliament.

i. Financial Management and Reporting

The supplier will be required to provide full and detailed cost information to DFID

- Agreeing fee rates, costs (including event costs) and budgets with DFID.
- Demonstrating that proposed funding is value for money by using benchmarks, cost comparisons and agreeing efficiency saving targets.

- Adhering to DFID guidelines on travel, communication and entertainment spend which may require pre-approval of some/all elements due to reputational risk
- Checking, verifying and authorising all financial claims, ensuring funds are claimed in accordance with agreed budgets and rules.
- Disbursement of funds to ensure valid claims are paid within agreed timeframes.
- Commissioning and sharing with DFID Annual Externally Audited Accounts verifying that all Invest Africa funds were spent in accordance with the agreed terms of the contract and these terms of reference.
- Dealing with ad hoc enquiries relating to the project.
- Maintenance of full financial records
- Verification of payment claims by sub-contracted implementers
- Producing quarterly and annual financial returns for Invest Africa showing amounts spent, broken down into individual projects in DFID's financial year period.
- Reports on the Payment by Results element – both payments accrued, anticipated and any reimbursements.

Reporting

14. The supplier will be responsible for reporting progress and finances to DFID. This includes but is not limited to:

I. Fortnightly meetings with DFID Invest Africa team throughout inception period and monthly meetings during implementation phase.

II. Completed Investment Information Form (see Payment By Results attachment)

III. Continued access by relevant DFID staff and the Monitoring and Evaluation contractor(s) to the IT system/mechanism to monitor and track work contact with investors (see procedure section above)

IV. Quarterly reports (of maximum 30 pages) that will include updates on:

- Activities and Work plan targets
- Logframe results at an output level
- Transactions, broken down in terms of countries and sectors (can be extracted from the IT system) and where appropriate attached Investment Information forms (see PBR document)
- Company risk assessments completed
- Implementation of the development impact strategy
- Developments under the payments by results (PBR) approach
- Financials: spend and budget for next quarter

V. Annual reports (of maximum 50 pages) that will include updates on:

- Progress against annual work plan
- Logframe results at an output and outcome level
- Progress against Key Performance Indicators
- Results against Value for Money indicators
- Transactions, broken down in terms of countries and sectors
- Company due diligence completed
- Implementation of the development impact strategy
- Financials: annual spend
- Payment by Results achievements
- use made of local subcontractors
- use made of small and medium enterprises in delivery

Reporting for Invest Africa should be aligned with DFID's annual review process, with annual reports submitted three months before the annual review deadline. An annual review assesses the progress of a programme and the findings of the review are put into a standardised document which is published. Example annual reviews can be found on devtracker.dfid.gov.uk.

Constraints and dependencies

15. **Funding allocation** – unless, during the life of the contract, the amendment procedure in the Special Conditions is used, at least 60% of core funds (i.e. those not allocated to administration) should go towards Transaction Facilitation Services, with the remainder going to Technical Assistance and ancillary activities. DFID is open to balances with a higher allocation to transaction facilitation, for which the Supplier must document their rationale. The effectiveness of the allocation to each component will be reviewed on an annual basis, to coincide with the Annual Review, and changes may be agreed in line with the Special conditions between DFID and the Supplier where there is a justifiable need to adapt. The PbR attachment should be followed for payment by results allocations.

16. **Project approval** - Invest Africa will be partly demand led (investor/investee needs, and TA needs will be determined as the project proceeds) and adaptive (DFID will scale up and down support in a country depending on government traction, performance, development impact and government and investor needs.) Given this, the supplier will need approval from DFID (including pricing) on each new investment and TA project as follows:

- DFID will authorise working on each investment based on the Investment Information form including the amount of planned expenditure and timing of related payment e.g. whether input or output based. and agreement on any issue of attribution.
- DFID will review and approve each "work project" under the technical assistance pillar based on the format agreed during the inception phase.
  The "work project" put forward to and agreed with DFID will need to include details of the experts (in line with the categorisations in the attached annex 1) to be deployed and their approximate time/days of work, any additional costs e.g. travel as well as a delivery time and timing of payments against deliverables. Where there is an SME involved which cannot reasonably meet the upfront costs of particular aspects of the "work project", the Supplier can propose alternative financing arrangements for those organisations only. This must be a viable proposal without significant impact on overall value for money for DFID and may also include proposals for low-value Supplier pre-financing or other innovative financing methods.
- Each "work project" will adopt a performance-based payment mechanism as agreed within the contract. DFID will review and approve the payment mechanism to be adopted for each "work project" or Investment Information Form in the event that, for reasons mutually agreed in advance, the PbR and Key Performance Indicator (KPI) mechanisms defined within the contract require minor adaptation to be reflective of the specific project or work on the investment.

  DFID will provide reasonable latitude to the supplier in implementing agreed projects, especially for technical assistance work-streams, to enable the supplier to act without needing continual DFID approval.

17. There are no pre-identified upper limits on the costs to be incurred in supporting transactions. However, such limits will be agreed for each package of support to be provided, prior to support beginning. Recognising there may be a need for change to such limits due to unforeseen issues arising, a mechanism is in place to enable this to occur – details are set out in the PBR document. Additionally, we will expect the overall portfolio of support to be managed in such a way as to ensure overall results are delivered with value for money while managing the risk of individual packages of support not leading to investment.

    Because of Invest Africa's demand led and adaptive approach, a phased approach will be taken, allowing future objectives, strategies and workplans to be set and/or stretched in light of regular assessments of value for money performance to date.

Minimum Requirement: -

The supplier must operate in a way which complies with the programme 'tools' designed to incentivise and manage their performance:

1. The proportion of core funds to go towards Transaction Facilitation Services shall be no less than 60% unless amended via the mechanism in the Special Conditions during the life of the contract.
2. The Key Performance Indicator system (including the delivery KPI targets) must be used and a total of 5% of net fees (after taxes and expenses) are tied and payable only in the event that the KPIs (set out in Annex 7) are met. For clarity, the only negotiable element of the KPIs are: a) the specific detailed Service KPI measures to be used, b) the progressive targets for the service KPIs and c) the process for how all the KPIs will be monitored. The KPIs are also subject to special conditions.
3. Screening criteria – in line with the PBR document to screen out transactions that shouldn't be supported
4. A Payment by results mechanism for Transaction Facilitation as set out in the PBR document – note that that the PBR mechanism is not negotiable with the exception of the following aspects:
   - the definition of "deal signing";
   - the approach to recording the current status of deals already in progress, which the programme may seek to support;
   - the process for information sharing and assessment between the supplier and DFID, and the monitoring contractor (including the design of communication systems)

18. **Payment basis** - The supplier will be paid based on the following basis and process for each of the pillars:

II. Transaction facilitation: -

i. Basis – inputs and expenses incurred, up to pre-agreed maximums; paid upon satisfactory delivery of associated outputs agreed ,–in-line with paragraph 16) additional incentive benefit paid (based upon the size of the investment facilitated and the subsequent development impact it achieves – see separate "payment by results" document)[8] Process – agreed upfront for each transaction as per the Transaction Information Form.

III. Technical assistance

i. Basis – Either inputs and expenses incurred, up to pre-agreed maximums; paid upon satisfactory delivery of associated agreed outputs (as assessed against how far specific deliverables for the project have been met) or if agreed under paragraph 16 above a flat fee payment paid on delivery against the output. ii. Process – agreed upfront for each work project.

The proposed KPIs for this contract which apply in both i and ii above are in Annex 7 - Key Performance Indicators document, and the Supplier must use this DFID model as the minimum baseline to build upon within their proposal.

19. **Permitted Variations**

The permitted variations include variation for Political Economy Reasons. A Political Economy Reason is a change in the situation of the security, government stability, corruption, or delays in key, necessary government engagement in the specific areas in question which are such that they affect the effective delivery in the specific areas (rather than generally) in a way and it is not possible to make a reasonable adjustment to the programme in an appropriate time frame (such as switching resource to another country).

[8] To note that in the event of the investment not being facilitated or the development impact not materialising, the incentive payment will not be made, even if this is as a result of factors outside of the supplier's control.

a. **Countries of Operation**

For the avoidance of doubt, the scope of these Terms of Reference includes any country in Africa and is not limited to the countries listed in paragraph 4 above.

DFID may vary the level of Service provision or cease to provide services in any or all Country/Countries in which the Services are to be delivered if the following conditions are met, subject to the notice periods specified:

Condition	Notice Period
(i) a Force Majeure Event has occurred	None
(ii) there are Political Economy Reasons for the change	3 months.
(iii) if in DFID's opinion the Invest Africa programme could be more usefully deployed in other countries.	6 months.
(iv) if in DFID's opinion, DFID's work in the country is no longer needed or effective.	6 months.

DFID may reduce the notice periods set out above by agreement with the Supplier or if a Force Majeure Event has occurred.

DFID may increase the level of Service provision in any country if the following conditions are met:

- 6 months' notice is given
- the increase in service provision is due to any of the reasons set out above and 3 months' notice is given.

DFID may request fly in/out work and scoping work in any country on at least 3 months' notice.

b. **Funding Allocation:**

The Funding Allocation set out in paragraph 15 of these Terms of Reference may be varied if the following conditions are met:

- by the Supplier to DFID with good cause and justification but only to revise the Transaction Facilitation portion upwards
- by DFID to the Supplier with good cause and justification in either direction

Good cause and justification here may be Force Majeure, a Political Economy Reason or in the case of DFID evidence of evidence of lack of need for transaction facilitation or strong, appropriate pressure and evidence from country governments or businesses for effective spend on Technical assistance.

DFID shall give the Supplier no less than three months' notice of any change to the Funding Allocation unless:

- a Force Majeure Event has occurred; or
- the parties agree to a shorter notice period, and 4 weeks' notice is given.

c. **Key Performance Indicators:**

The Key Performance Indicators document at Annex 7 of the Terms of Reference may be varied on the conditions set out within annex.

d. **Payment by Results**

The Payment by Results Rules set out in Annex 2 to these Terms of Reference may be varied on the conditions set out in Annex 2.

e. **Key Personnel**

DFID shall be entitled to make changes to the requirements for Key Personnel under the following conditions:

- a variation to the Funding Allocation;
- variations to the Countries in which the Services will be delivered;
- following review of the Performance Monitoring Reports at agreed quarterly or annual review points;

20. DFID will retain flexibility in the pricing model we are using and reserve the right to change it subsequent to annual reviews, based on experience gathered during implementation.

21. **Activity constraints** - The supplier is allowed to generate additional business with the clients they have supported through the Invest Africa programme. However, suppliers will be required to set out the reasonable steps they will take to ensure there is no conflict of interest in doing so and no double billing (i.e. DFID not billed for work billed elsewhere), either in their strategic choices of sectors/geographies/firm types to focus on, or in the specific support they provide to individual firms.

22. **Supplier composition** - Given the complexity of the work and range of activities that will have to be undertaken as part of this contract, the supplier is encouraged to form a consortium to deliver Invest Africa. The Transaction Facilitation requires investment specialists and Potential Suppliers with a large manufacturing client base. The Technical Assistance facility requires some more traditional development specialists and more subcontracting/outsourcing of experts. A consortium approach will maximise value for money and will enable the provision of appropriately costed services.

23. **Local content** - The supplier is also expected to maximise local content and knowledge in part through the use of local sub-contractors (it is expected that the pool of local sub-contractors used will expand through the life of the contract). Through this contract, we want to build local capacity so that a competitive intermediary market exists for when DFID exits and for non-DFID funded work.

24. **Evaluation coordination** – a Monitoring and Evaluation supplier(s) will be contracted in in order to build in effective evaluation and learning from the start. The Monitoring and Evaluation supplier(s)will report to DFID. The Supplier is expected to work with the both the monitoring and evaluation supplier(s) to ensure that all organisations supported by Invest Africa are willing to share information with the supplier(s) to allow them to collect systematic baseline data, monitor progress and plan for and conduct relevant project surveys, including facilitating DFID's internal project completion report requirements. The supplier will also support the process of assessing the delivery of the Delivery KPIs and the Payment by Results mechanism.

Minimum Requirement:

1. Reputational risk - The Supplier will be required to undertake or, engage a third party to undertake, corporate risk assessments prior to any support provided to businesses (see attached internal guidance on reputational risk assessment and Company Engagement Relationship Assessment). These are not as extensive as the due diligence undertaken when a Development Finance institution investment is made. The assessment requires a review of business registration, accounts filing, directors and beneficial ownership, checking against sanctions lists using a mechanism such as Reuters World Check and then reviews against news databases such as Factiva for negative press. The assessments, will ensure that to the greatest extent necessary that the investment is not managed by anyone subject to relevant UN, EU or international sanctions or blacklists, will deliver development gains and that the appropriate social, environmental, business integrity (anti-corruption) and labour standards will be adhered to and that DFID's reputational risk is managed e.g. by not associating with businesses who have a negative reputation or past conduct that has not been appropriately remedied. The Supplier will be responsible for satisfying itself that the reputational risk is sufficiently low or manageable and submit this in writing to DFID prior to contract award. DFID will be available to make any difficult judgment calls.

Staffing requirements

25. **In-country presence** - It is expected that the Supplier will place staff on the ground on a long-term basis (not just a few days each month) in each of the beneficiary countries that the supplier works in directly– initially Rwanda, Uganda, Kenya and Ethiopia. This is necessary to ensure that programme teams are familiar with investment opportunities and that they develop relationships with the beneficiary country institutions, an understanding of the political economy and networks with businesses in country, to foster continuity and to avoid a fly in/fly out culture. DFID recognises some specialists will need to be flown in for specific pieces of work for shorter trips, however this must be in line with the above. Additionally, presence in key countries investing in or buying from Africa may be required in order to find the investors and understand the complexities and needs of manufacturing businesses.

26. The staffing plan will indicate the categories and names for the core team for the initial 1 to 2 years. Key named experts cannot be changed without DFID's approval of the replacement expert and CV. The expert qualification requirements for each category of experts and a rate card for those experts have been determined as part of the tender process and initial experts approved and assigned to each category. **DFID will also have the right to approve the CV and categorisation/rate card amount of any expert engaged on the project for more than 30 days**. DFID may also at any time verify that an expert does in fact have the requisite experience for the particular category assigned by checking CVs and also the underlying documents or evidence within the CV and the Supplier shall cooperate with this.

Break Points

27. As mentioned in paragraph 4 above, the contract will be subject to break points after inception, years 2 and 5. The continuation of the services after these periods will be based on agreement of deliverables and on satisfactory performance and the progress of the Supplier against the specified outputs. In addition, annual reviews will be done of the programme as per DFID corporate requirements.

Contract Management

DFID expects a performance-based payment methodology to be used for effective implementation of this programme, including use of payment by results and Key Performance Indictors (Annex 7).

28. A separate annex is provided on payment by results methodology specifically.

29. DFID expects up to 5% of the fees (net of tax and expenses), proportionate to the nature of the requirement and associated risks, to be linked to the Key Performance Indicators (KPI's).

Scale Up/Down

30. DFID reserves the right to scale back or discontinue this programme at any point (in line with our Terms and Conditions). Conversely, we may also scale up the programme.

DFID co-ordination

31. DFID Invest Africa Team will have the day-to-day oversight and management of the Supplier. The main contact for the contract will be a staff member based in Whitehall, UK and finance/administration will be out of Abercrombie House in East Kilbride, Glasgow, UK. The country activities of Invest Africa will be coordinated by DFID staff – currently based in Ethiopia but serving the whole region.

Duty of Care

32. The Supplier will be expected to meet the appropriate overseas duty of care in relation to its employees and other personnel it retains and logistical arrangements. If deemed necessary DFID may need to be convinced that systems and procedures that the Supplier has in place are adequate if there is travel requirements to conflict affected or similar high security risk countries.

Safeguarding

33. Risks being addressed
DFID aims to do no harm and provide sustainable outcomes in all of its work. DFID expects suppliers/partners to follow our lead and robustly consider environmental and social (E&S) safeguards through their own processes. The capacity of our suppliers/partners to do this and their effective performance in doing so is an important requirement for DFID, in programme design, delivery and monitoring and evaluation.

DFID requires that our suppliers ensure that they comply with the "do no harm" principle defined as follows:

"Avoid doing harm by ensuring that our interventions do not sustain unequal power relations, reinforce social exclusion and predatory institutions, exacerbate conflict, contribute to human rights risks, and/or create or exacerbate resource scarcity, climate change and/or environmental damage, and/or increasing communities' vulnerabilities to shocks and trends. Ensure our interventions do not displace/undermine local capacity or impose long-term financial burdens on partner governments."

Further details on these safeguards are set out in annex 8

The supplier will be required to ensure that risks are identified, properly analysed (and noted) and mitigation measures in place, with clear oversight responsibility. An approach to ongoing risk identification and, where agreed necessary, an approach to undertaking “Environmental and Social Impact Assessments” should be set out and agreed as part of the inception period, and then delivered during the implementation period.

Reporting on the implementation of the safeguarding approach will be required as part of the suppliers’ standard reporting processes. This will include an assessment of how safeguarding measures can best be applied to third parties worked with, including firms supported, including through due diligence processes. A focus on prevention or mitigation can mean a variety of things, including: promoting safe and healthy working conditions; outreach to and engagement with communities as active stakeholders and partners; or interventions to address potentially harmful attitudes (for example, backlash against women entering workplaces that are considered traditionally male). Breach of the safeguarding approach agreed will be treated with the upmost seriousness

General Data Protection Regulations (GDPR)

34. Please refer to the details of the GDPR relationship status and personal data (where applicable) for this project as detailed in App A and the standard clause 33 in section 2 of the contract.

Other requirements

Minimum Requirement:

2. **UK Aid Branding**- The supplier must use the UK aid logo to be transparent and acknowledge that it and resulting products are funded by UK taxpayers. They should also acknowledge funding from the UK government in broader communications, but no publicity is to be given to the broader Contract without the prior written consent of DFID.

3. **Transparency**- DFID requires Suppliers receiving and managing funds, to release open data on how this money is spent, in a common, standard, re-usable format and to require this level of information from immediate sub-contractors, sub-agencies and partners. Further IATI information is available from: http://www.aidtransparency.net/

4. **Delivery Chain Mapping**- The supplier must provide a delivery chain map that identifies and captures (usually in visual form) the names of all partners involved in delivering a specific product or service, ideally down to the end beneficiary. The first version of this will be needed by the end of the first month of the inception phase. Updates to this will be required whenever the delivery chain changes. These must be produced in accordance with DFID guidance (current version of the guidance annexed).

5. **Small to Medium Sized Enterprises (SMEs)-** The supplier is expected to report on the levels of contracted work being allocated to SMEs. Information needs to be provided on the levels of direct and indirect SME spend. This should be provided in the annual report.

6. **Safeguarding** - Reporting on the implementation of the safeguarding approach will be required as part of the suppliers' standard reporting processes. This will include an assessment of how safeguarding measures can best be applied to third parties worked with, including firms supported, including through due diligence processes.

Background

35. Poor people in Africa need jobs. Africa's population is set to double by 2050 and its urban population to triple. To absorb the growing labour force in Sub-Saharan Africa, an estimated 18 million new jobs will be needed each year until 2035[9]. Creating jobs for women and empowering women economically are particularly important to supporting equity and growth. In Africa, manufacturing has stagnated at just 12% of GDP[10] and provides just 6% of all jobs. This has barely changed in the last thirty years.

36. The type of transformational growth needed to create jobs at the scale needed is not happening in Africa. Productivity is low and many poor countries have struggled to develop their manufacturing base or move into high value services. In Africa, manufacturing has stagnated at just 12% of GDP and provides just 6% of all jobs. This has barely changed in the last thirty years.

37. Strong growth in the African region, rebalancing and rising wages in China, provide a unique opportunity for African countries to attract investment in higher value-added, export-led manufacturing that can kick-start economic transformation. This opportunity to capture manufacturing capacity moving from Asia in search of lower cost locations is time bound,

[9] IMF (2015) "IMF Annual Report, 2015" http://www.imf.org/external/pubs/ft/ar/2015/eng/pdf/ar15_eng.pdf based on population estimates from World Bank (2014), "Youth Employment in Sub-Saharan Africa"

[10] Rodrik, D. "Premature De-Industrialisation", NBER Working Paper No. 20935, Feb 2015

as new locations are found if Africa is not amongst them it is likely to miss out on significant industrialisation for another generation.

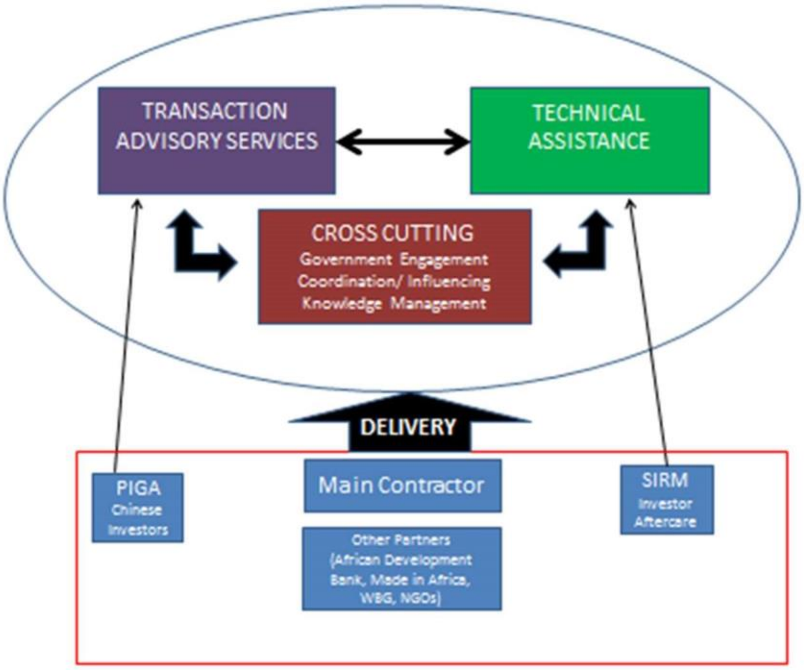
38. There remain a number of key barriers that need to be addressed. Invest Africa aims to address some of these barriers to increase Foreign Direct Investment (FDI) in manufacturing sectors in Africa. This is being done with the objective of driving the creation of more, better and inclusive jobs in key focus countries.

39. This programme aims to contribute towards the economic transformation needed in Africa to create more and better jobs for the future and set countries on a trajectory out of poverty.

Annex Summary

1. Invest Africa Overview Diagram
2. Invest Africa Payment by Results (PbR) Rules Document (version Dec 2017)
3. DFID Exclusion List
4. Identified risks and mitigating measures
5. Investment Information Form
6. Non-negotiable Requirements
7. Key Performance Indicators Document
8. Safeguarding
9. Additional Documents (including links)

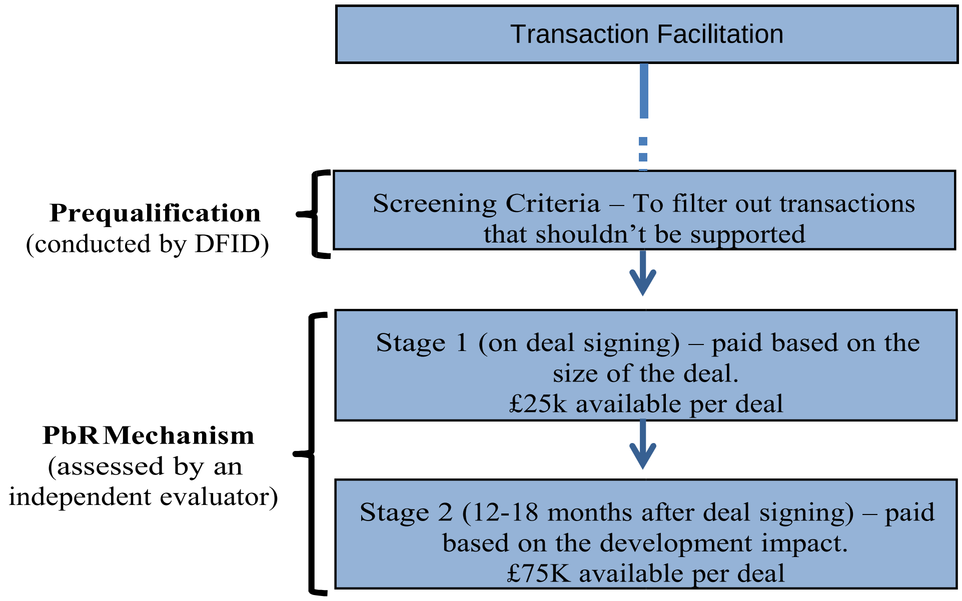
Annex 1 - Invest Africa Overview Diagram



Transaction Facilitation

This document sets out the rules which DFID will apply to the calculation of Payment by Results for the Transaction Facilitation element of the Invest Africa programme.

Process Overview



The definition of a "deal signing" is a) in the event of a legally binding investment agreement being required, that agreement has been signed (as opposed to a non-binding memorandum of understanding being reached), b) where there is no binding investment agreement required (perhaps for scale-up to existing investment), that the first substantial import of additional capital (in financial terms) or capital investment (in kind) has been undertaken.

Screening criteria

a) **Viability and Mobility – is the investment viable and is it viable in the host country?**
Investment projects which might be viable elsewhere may not be viable in a specific country. This could be because the necessary conditions (e.g. skills and infrastructure) are not present or just because of excessive costs in a developing country. We will not however try to second guess the private sector view of a transaction.

b) **Suitability – does the investment fit with the country's industrial and investment strategy/ies?**
Governments and investment promotion agency tend to be selective in which types of projects they support and expend resources in targeting. This may be in an attempt to diversify economic activity away from sectors that are already heavily invested in and where the supply of labour may be an issue, or it may be a tactic to ensure investments are properly supported (a country has limited support resources). Investments that align with the country's investment and industrial strategy will be more sustainable.

c) **Efficiency – will the project, within a reasonable timeframe, return more benefits to the country than will be invested to promote it?**
The benefits of the investment (including the salaries, taxes and development benefits) must materially outweigh the resources expended (including any incentives provided by to attract and facilitate the investment by the investment promotion agency, supplier and/or third parties). Incentives in particular must not be used either to make viable an otherwise unviable project or to artificially boost profits; the project must be fully funded and sustainable before incentives are added into the financial projections.

In addition, incentives may need to be removed to reflect WTO requirements.

d) **Systematic** - will the investments contribute more than just additional capital expenditure? All transactions should result in transformational benefits over and above the investment value, and at a minimum should result in incremental wealth to the broader economy and employment. Such benefits could include contribution to agglomeration economies, productivity spill-overs, improved local industrial capacity and a more favourable investment climate.

e) **Does the investor have any issues under the Corporate Engagement Risk Assessment (CERA) report or not meet ethical and environmental standards?**
A CERA report needs to be completed on all businesses that support is given to. This assessment should verify the sanctions lists and consider any prior allegations of corruption, poor ethical behaviour and basic corporate compliance on areas such as tax and financial accounts. Where businesses do not comply with international codes and standards (such as UN Compact, labour standards or basic health and safety) support from DFID/Invest Africa to meet these requirements may be justified to bring them up to compliance standards [11]. DFID cannot support businesses which are unduly environmentally damaging.

f) **Compliance - is the investment one DFID should not support with aid money for other reasons?**
There are some investments DFID can't support because they are on DFID's exclusion list (See later Annex) or we shouldn't be supporting because of the negative development impact. These include investments in alcohol, inappropriate sugary snacks and drinks companies, and companies that produce infant formula that doesn't meet DFID's policy on nutrition or promotion.

g) Additionality – does DFID support result in something positive above and beyond what would have happened in the absence of the support? Many investments might occur anyway. In line with DFID's Private Sector subsidy policy approved by Ministers DFID should not be providing financial support (this includes support "in kind") where it is not needed unless there is a good justification for doing so. This justification is referred to as "additionality".

Additionality can be either financial or non-financial:

<u>Financial additionality</u> refers to providing support which makes the difference in an investment going ahead, increases the ticket-size or results in greater risk taking on the part of the investor. Invest Africa support is also additional if the intervention accelerates the process in which an investment is made, provided that achieving the investment earlier delivers sufficient value for money over waiting for the market.

The supplier should be cautious about displacing commercial businesses already providing commercial advisory and consulting services in the sector. It is critical that the focus countries have a thriving network of international and local consultancies providing advisory support to potential and existing investors. Part of additionality is determining when DFID should provide support but also <u>how much, the volume of co-funding from the business</u> and when the DFID support stops, and the potential investor is expected to

[11] There are also some DFID programmes such as Responsible, Accountable and Transparent Enterprise (RATE) which can support companies to improve standards.

continue. At some point the investor will need to take over and continue with full tax, financial, legal due diligence.

As part of determining financial additionality, the following are key criteria. They also determine how much support DFID provides, co-funding and when DFID should stop providing support:

- **Size of investor** and its overall budget (DFID should provide more support to smaller, less well-financed investors)
- **Previous track record** in investing in developing countries, including in Africa (inexperienced investors may require more support)
- **Risks of the investment** – is there a major first mover disadvantage? Is it highly complex, with potential long pay-back periods, untried and untested elsewhere or highly experimental? – those factors will support the case for greater support. There is a very strong argument for support to first movers in a sector who are effectively paying some costs for their follow-on investors in getting policy approvals/changes.
- **A low financial return investment** that is still worth doing for social impact reasons may require greater support.

Non-financial (or value) additionality refers to support which results in investments having a greater development impact than the investment would otherwise have. This includes, but is not limited to, the implementation of better business practices, higher labour standards, broadening the skill sets of the wider population e.g. work with Training and Vocational Education Training (TVET) schools, enhanced environmental protections, higher gender positive impact, greater community impact e.g. refugee employment and greater linkages with domestic suppliers. Where DFID is only providing non-financial additionality there is a higher burden of proof that enhanced development outcomes will be achieved.

Transaction facilitation PbR

The aim of introducing an incentive payment or Payment by results payment for Transaction Facilitation is a recognition that transactions can be very hard to achieve, especially in more difficult economies and the risk is that the Supplier undertakes easier work such as brochures or events without getting financial transactions to close.

Further, in line with its development mandate, DFID would like the supplier to focus on increasing development outcomes by either focussing on transactions which will have a development outcome or increasing the development outcome that could result from such a transaction by working with the investor to increase its development commitments.

For deals which are already underway or planned, supplier activity which encourages the deal to be larger or more developmentally impactful than it otherwise would be may trigger a PbR payment. Details of transactions already underway at the start of this agreement will need to be established at the beginning of this contract and the same will apply with deals already planned which the supplier wishes to support further. The investment information form in the separate Annex will need to be completed as soon as the supplier is aware of the issue.

PbR Incentive Payments

The maximum Incentive Payment available is £100,000 per transaction. The maximum amount available for payment of Incentive Payments is £4,500,000.

There will be two stages to the PBR payment.

Stage 1 PbR incentivises the supplier to support higher £ value deals. Stage 2 PbR incentivises the supplier to target deals that will have a higher development impact or convince the investor to make changes to the investment project which results in a higher development impact (as measured by the Development Impact Criteria set out below).

2 stage payment of PbR:

Stage 1 to be paid on total investment value[12]:
Paid out once per year across the portfolio for investments that have reached signed commitment of expenditure or equivalent and have been verified by independent evaluators. The reason for the once a year payment is to reduce administrative burden on DFID and the Monitoring suppliers and also facilitate comparison between a set of transactions. It will also facilitate financial forecasting accuracy in DFID.

If support has been provided but the deal falls through, then no PbR will be paid.

Investment Value	PbR payment
0 - £5,000,000	£5,000
£5,000,001 - £25,000,000	£10,000
£25,000,001 – £60,000,000	£15,000
>£60,000,000	£25,000

Stage 2 to be paid on development impact of investment:
The table displays the Development Impact Criteria and the points available for each category. Definitions for each category can be found below in the “commentary on PBR” section.

	Points					
Measure	0	1	2	3	4	Max Possible Points
Direct jobs potential	<100	101-200	201-500	501-1500	>1500	4
Greenfield Investment	No	Yes				1
First mover	No		Yes			2
Halo Impact	No		Yes			2
Complexity/Value add	Low	Some	Moderate	High		3
Gender positive impact	None	Minor	Moderate/High			2
Use of local supply chain	None	Minor	Moderate	High		3
Positive climate impact	No	Minor	Moderate			2
Improved key consumer goods for poor	No	Yes				1
Positive investment climate policy change	No	Minor	Moderate	High		3
Other economic and social impacts	None	Minor	Moderate	High		3

**Grey cells indicate no points available*

The Incentive Payments will be calculated using the following formula:

Incentive Points x £3800.

The maximum number of points available at stage 2 is 26. This could result in a Stage 2 Payment of up to £98,000. However, this is subject to **an overall cap (together with stage 1) on each transaction of £100k**. It is highly unlikely that the maximum points would ever be reached.

The Incentive Payment for each of Stage 1 and Stage 2 is capped at the sum which is equal to 1.5 times the consultancy expenditure of the service provider unless express consent is received in writing on the Investment Information Form by two DFID advisory staff members, including the Senior Responsible Officer.

[12] The element of payment related to the transaction value will be the size of the total investment made by the FDI entity. So if for example there is a joint venture with a public partner, the PBR payment would be on the basis of the FDI contribution. It doesn’t matter what instrument the finance takes e.g debt, equity etc as the key is the capital FDI.

Development Impact Score

The following table illustrates the calculation of Incentive Payments relative to the number of Incentive Points scored.

Total Points	£ Value
0	£0
1	£3,800
2	£7,600
3	£11,400
4	£15,200
5	£19,000
6	£22,800
7	£26,600
8	£30,400
9	£34,200
10	£38,000
11	£41,800
12	£45,600
13	£49,400
14	£53,200
15	£57,000
16	£60,800
17	£64,600
18	£68,400
19	£72,200
20	£76,000
21	£79,800
22	£83,600
23	£87,400
24	£91,200
25	£95,000
26	£98,800

Attribution

If the supplier is only one of several donors or consultancies supporting the investor then it needs to be worked out to what extent results will be attributable to the supplier. It may be that the supplier is fully responsible for all the development impact elements or only some of them e.g. a community element but not the policy change element (if say US State Dept was also lobbying for a policy change for a US investor). We would not encourage a straight sharing arrangement for joint input as this would suggest overlap – better to apportion specific aspects.

In assessing attribution, we will be looking to identify where value has been added to the process. The process for attributing credit for achieving the results includes: the company and country/local government being asked who was most helpful and instrumental in discussions on other donors and donor contractors operational in the field; looking at the specific obstacles tackled in terms of policy changes or technical advice provided.

Timing of payment

The second stage payment will be made at an appropriate assessment point where the Development Impact can be shown to be achieved/close to achievement – assessment will be 18 to 24 months after the Deal signing (but again using the annual assessment point).

Later Loss of Investment

DFID is aware that more than 50% of FDI investments by value are later lost or withdrawn after being made and that a key element is investment aftercare. In order to reduce the risk of the supplier working on investment just to get it in but then the investor not being looked after down the line, there would also be an ability for negative PBR. If an investment is lost within 3 years of the support work concluding, or within such three years it is clear the development impact which triggered the payment is not going to be achieved then the payment relating to such affected result which has already made would be deducted from the PBR otherwise due that year or would become a debt from the supplier (which DFID could offset against core fees too under this or another DFID contract).

Process

Prior to supporting a transaction, the supplier will complete a key investment information form with an assessment of the investment against both the screening criteria and the development impact criteria. This will also include assessment of the likely support needed in terms of supplier input costs and duration and services type (naturally this will be an estimate) and any attribution elements (see above).

This form would then be submitted to the DFID point person on the contract. They will liaise with DFID staff on the ground for input on whether the transaction would happen anyway, whether other donors etc are supporting it and on the proposed screening and Development Impact scoring, including likely payment times.

Any issues will be fed back to the supplier and DFID and it will seek to agree the min/max scoring for the project and likely payment times. Then DFID will authorise the supplier to go ahead with the support. The supplier will provide regular feedback, including completing the transaction information database referred to in the Terms of Reference.

To note, it is recognised that DFID-funded support can influence the final development impact of the investment. Assessment of its likely development impact will influence the decision on whether it should be supported, with how much resource and in what way.

Any disputes between the parties would initially be escalated to the monitoring contractor once in place. The Monitoring and evaluation contractor(s) will be separate entity/entities procured by DFID to assess the success of the programme and learn lessons from it. The M&E supplier(s) will be mandated to collate information about key indicators including number of jobs and to look at both the initial situation/counterfactual and the PBR criteria. The M&E supplier(s) will consult with all stakeholders including the supplier businesses, other donors and governments as taxpayer funded entity/entities which look constantly to improve performance and is accountable to government and other monitoring agencies. DFID takes M&E seriously and will incorporate lessons into its arrangements.

The PBR arrangement will be maintained between DFID and the lead supplier. It will be up to that lead supplier to manage how this payment system is followed through with sub-contractors. The lead supplier will need to ensure the subcontractor is appropriately motivated and performs well, an objective which is reflected in the Key Performance Indicators.

Permitted Variation of PbR Rules:

In accordance with Clause 16 of Section 4 (Special Conditions of Contract) DFID may vary the Development Impact Criteria, the amount payable per Incentive Point and method of calculating Incentive Payments set out above, if any of the following conditions are met:

- a Force Majeure Event has occurred and is likely to subsist for a period of 6 months or more; there is a Political Economy Reason to vary the Development Impact Criteria;
- Subject to the maximum payments set out above, DFID at its sole discretion determines that the Development Impact Criteria require to be adjusted to better incentivise performance;
- Invest Africa materially changes the countries of operation such that those countries in which it is operating have an easier or tougher political or investment economy.

A Political Economy Reason is a change in the situation of the security, government stability, corruption lack of or delays in key, necessary government engagement in the specific areas in question which are such that they affect the effective delivery in the specific areas (rather than generally) in a way and it is not possible to make a reasonable adjustment to the programme in an appropriate time frame (such as switching resource to another country).

<u>Worked examples:</u>

1.A small garment manufacturer invests £4m in a new plant in an existing industrial park in Ethiopia to create trims, buttons/labels, expected to create 150 jobs, mostly for women.

Stage 1 PbR: £5,000
Stage 2 PbR: £11,400 (3 points)

Measure	Select Value	Points
Jobs Potential	101-200	1
Greenfield Investment	Yes	1
First mover	No	0
Halo Impact	No	0
Complexity/Value add	Low	0
Gender positive impact	None	1
Use of local supply chain	None	0
Positive climate impact	No	0
Improved key consumer goods for poor	No	0
Positive investment climate policy change	Moderate	0
Other economic and social impacts	None	0
Total	2	

2.Phillips invests £20m in a light bulb plant producing energy efficient lightbulbs for average person (not just business) and employing 80 directly.
First type in the
9 points assuming the light bulbs are for poor and Phillips is first mover in sector. Could be higher if related policy change achieved or other positive economic impacts

Stage 1: £10,000
Stage 2: £34,200

Measure	Select Value	Points
Jobs Potential	<100	0
Greenfield Investment	Yes	1
First mover	Yes	2
Halo Impact	Yes	2
Complexity/Value add	Some	2
Gender positive impact	No	0
Use of local supply chain	No	0
Positive climate impact	Minor	1
Improved key consumer goods for poor	Yes	1
Positive investment climate policy change	Moderate	0
Other economic and social impacts	None	0
Total		***9***

3.A pharmaceutical company invests £30m in a new plant to produce generic drugs for the local market that will employ 80. This is the first generic drugs manufacturer in the country, which requires policy changes, a lot more work with the investment commission etc around the transaction. Hence max 3 points for policy change. A pharma company will score the top points for the complexity and assuming these are generic drugs they will help poor/women (but note no double scoring) to some degree (minor). If they were contraceptives, then the score would be higher (major). It will use a local packaging company for the cardboard packaging (so use of supply chain = minor)
The project would score 12 but could score as much 15 points if there is work done with say the local TVET or other communities or women or more if say blister pack manufacturing and instruction printing was local too.

Stage 1: £15,000
Stage 2: £41.8k (12 points)

Measure	Select Value	Points
Direct jobs potential	<100	0
Greenfield Investment	Yes	1
First mover	Yes	1
Halo Impact	No	0
Complexity/Value add	High	3
Gender positive impact	Minor	1
Use of local supply chain	Minor	1
Positive climate impact	No	0
Improved key consumer goods for poor	Yes	1
Positive investment climate policy change	High	3
Other economic and social impacts	None	0
Total		***11***

4. A packaging company sets up a £50m packaging plant for cardboard but also fruit/veg packaging, employing 40.

Stage 1 - £15000
Stage 2 – 4 points to 9 points = £15.2 to £34.2k

If recognised European brand with halo impact – extra 2 points
Potential 2 climate points and point for supply chain if works with local recycled material – so could go up to 9 points

Measure	Select Value	Points
Direct jobs potential	<100	0
Greenfield Investment	Yes	1
First mover	Yes	1
Halo Impact	No	0
Complexity/Value add	Some	1
Gender positive impact	Minor	0
Use of local supply chain	Minor	1
Positive climate impact	No	0
Improved key consumer goods for poor	Yes	0
Positive investment climate policy change	No	0
Other economic and social impacts	None	0
Total		***4***

5.A European chocolate/sweet snacks producer aims to set up a factory employing 500 using some local ingredients

Issue – DFID support is probably not needed/merited in this instance. The company may come anyway, and we should be mindful of the developmental negatives of sugary snacks.

1. Chinese company sets up £20m capital investment for smart tablet assembly factory to serve local market with 300 employees

Key screening question here is why DFID is needed again. The argument might be to increase value additionality e.g. gender improvements, work with upstream suppliers, work with community or increasing value add.

Stage 1 payment £10,000

Stage 2 This will only score 2 points based on employment alone (£7600 payment), unless there are regulatory changes, the service provider increases the Development Impact e.g. by work on gender, skills work in community etc. There could be up to 7 to 8 points to play for, increasing the payment to potentially £30k).

Measure	Select Value	Points
Direct jobs potential	201-500	2
Greenfield Investment	Yes	1
First mover	Yes	1
Halo Impact	Yes	2
Complexity/Value add	Some	1
Gender positive impact	Minor	0
Use of local supply chain	Moderate	0
Positive climate impact	Moderate	0
Improved key consumer goods for poor	Yes	0
Positive investment climate policy change	No	0
Other economic and social impacts	None	0
Total		***7***

2. Thai foods company sets up £10m broiled/processed chicken factory for local consumption. This uses local out-growers for the chickens. Potential employees 120.

Stage 1 - £10,000
Stage 2 – 7 to 11 points £26k to £41k

Due to the number of outgrowers it would likely score the max 3 points for the use of supply chain. If the product is one for the poor it could score a point.
If this involves policy change to VAT etc or first mover issues, then there could be a further 2-5 points. More points could be gained if there are some positive gender employment actions (beyond just engaging women) or community work.

Measure	Select Value	Points
Direct jobs potential	101-200	1
Greenfield Investment	Yes	1
First mover	Yes	0
Halo Impact	Yes	0
Complexity/Value add	Low	1
Gender positive impact	Moderate	2
Use of local supply chain	High	3
Positive climate impact	Moderate	0
Improved key consumer goods for poor	Yes	1
Positive investment climate policy change	No	1
Other economic and social impacts	None	0
Total		***10***

3. An Indian Garments factory opens up investing £15m and sourcing its fabric from its Indian mill. It produces garments for US buyers under AGOA and employs 3000, more than 50% women.

The Points available would depend on where this investment was made, as the following examples show:

Ethiopia: If this were in Ethiopia, where there are more than 15 or so similar foreign investors and there would be no policy changes achieved, DFID involvement would achieve limited additionality, unless the investment was in a new area (e.g. a refugee area) or the factory did something new like employ disabled workers,

Uganda: In Uganda there could be points for being the first mover etc. and maybe achieving policy changes for facilitating exports this investment could score as much as 10 points.

Stage 1 £10k – only if worth DFID involvement so not likely to be paid for Ethiopia

Stage 2 - £26.6k - 7 points. Due to the jobs and women employment. Could go up to £40k in Uganda or could add points for refugees (other ec and social impacts) or TVET work etc.

Measure	Select Value	Points
Direct jobs potential	501-1500	4
Greenfield Investment	Yes	1
First mover	Yes	0
Halo Impact	Yes	0
Complexity/Value add	Low	0
Gender positive impact	Moderate	2
Use of local supply chain	No	0
Positive climate impact	No	0
Improved key consumer goods for poor	No	0
Positive investment climate policy change	No	0
Other economic and social impacts	None	0
Total		***7***

Commentary on PBR measures

Direct Job Creation
Number of direct jobs that the investor has committed to create over the next 3 years at point of signing to commit expenditure. This does not include indirect job creation or ex pat positions. It will include jobs for refugee residents in the host country.

Indirect job creation is not included here but can be captured via the supply chain indicator. We want to avoid a protracted debate on the numbers here which are difficult to calculate. The idea is to encourage investments in areas which have high indirect job creation (but which might otherwise be ignored as low direct job creation) An example here is an agri-processing factory e.g. canning tomatoes for export. Canning factory will produce few jobs but tomato growing would produce more.

Greenfield investment
An investment that creates a new physical presence in a country. An expansion/scale up of an existing project, a merger or an acquisition of an existing firm is not counted greenfield. A new joint venture which includes additional capital expenditure from the FDI partner AND a major new site would be counted. It is the opposite of a brownfield which is scale up of existing venture.

Halo Impact
Major multinational brand that meets all 3 of the following a) provide a signalling impact to other investors and b) bring up the level of environmental and health and safety standards (c) increase the manufacturing sophistication in country.

A major multinational brand is one with an annual turnover of over £500m per annum and that trades with or produces in more than three countries.

Complexity/Value add
The complexity and value addition of the manufacturing process of the investment will score a point if it is sufficiently complex and results in material spill-overs to the host country (e.g. upskilling, greater product space[13]). Complexity is the level of skill required in manufacturing process and should be assessed relative to the average level present in the host country as a baseline. A cut and trim garment manufacturing company is not complex, nor is most light assembly or basic production line work. High complexity investments are expected to be products not currently manufactured in the host country and requiring a level of skill and/or technical knowledge from the workers in the country far above the baseline.
Thus, for example if a factory which assembles mobile phones were to start engaging staff in computer coding or circuitry design/R&D that would be moving up to a more complex value add element.
A pharma factory that requires lab testing or quality control or design from university level scientists would be another example of complex value add.

Gender positive impact
The extent to which the investor helps women overcome key barriers that limit their economic opportunities as employees, consumers or producers, or improve the social status of women and girls. Positive gender impacts could include investments in consumer goods that are welfare improving such as sanitary and health products and labour-saving devices for the home, which are expected to disproportionately benefit women and girls. Most food items would not count, except for maternity supplements and other related goods. Investment projects which explicitly seek to improve the educational attainment and/or skills of women markedly above the level required for the investment would also be considered (merely training women is not enough as this is just standard). A specific realistic programme to get

[13] Product space is defined as the network of related traded products where it is relatively easy to redeploy capabilities needed to produce these products.

more than 70% of women into management would count for one point so. A high proportion of female employees by itself will not be sufficient, unless the investment employs both over 1000 women and more than 70% women (both criteria would have to be met), in which case one point will be awarded. Similarly, standard facilities such as breastfeeding break rooms, childcare and family planning training and/or harassment programmes are not sufficient in and of themselves.

Use of local supply chain

The extent of backward and forward supply chain linkages with locally incorporated companies (but not necessarily owned by nationals). Thus, for example if a garment factory sources buttons or trims or packaging or material locally that would count. Sourcing imports via local wholesalers and distributing of final goods (e.g. a pharmaceutical company that supplies local pharmacies) are not counted. Use of local factory for packaging or instructions would count.

Agri-processing companies will gain points here for use of out-growers. If high numbers, then the maximum points could be awarded.

Positive climate impact

An investment that is counted as having a positive climate impact – both in terms of mitigation and adaptation - will have to go above and beyond the local industry standard regarding its use of low-carbon energy, zero liquid discharge (these are standard practices in Ethiopia for example). For example, it might produce products that have a transformational climate impact (e.g. low carbon products or those that improve climate resilience). Simply using grid renewable energy, solar panels on the factory roof or producing products meeting average environmental standards will not acquire points. On the other hand, a company producing cloth nappies, solar home systems, solar pumps, very low energy fridges or key storage batteries for solar would be counted as these would be expected to have a systematic climate impact. A company that produces simple flood defence barriers for households (cheaper and easier to use that sandbags) would be an example of a qualifying adaptation investment.

Improved key consumer goods for poor

This will only cover issues not covered elsewhere; there can be no double counting of any other measures. To be counted, investments must provide consumer goods at a sufficiently lower cost or higher quality that will be used by the poor in the host country and thus materially improve their living standards. Such goods could include nutritious food, bicycles, pharmaceuticals, bed nets, school equipment, fridges and sanitary products that are supplied at a substantially lower price and/or quality than previously available in the market.

Positive investment climate policy change

Investments that change investment policy or formal legislation that positively affect other investors/future investors (including potentially just those in a sector) which will result in development benefits beyond the deal in question and which would otherwise prove an impediment for investors. Examples could be changes in VAT law, transfer pricing or customs processing arrangements. Direct attribution will have to be demonstrated, with the investment project representing a major driver of the policy/legislation change.

Other economic and social impacts / Inclusion

This will only cover issues not covered elsewhere; there can be no double counting of any other measures. The impact therefore has to be something very significant, such as the first and only factory in a very poor area, or a factory that employs a high proportion of refugees, ethnic minorities and/or those with disabilities. These impacts should be greater than standard Corporate Social Responsibility initiatives.

This could also include investments that will lead to key skills being developed which have lasting ramifications above and beyond immediate investment. For example, if a pharmaceutical company works with local technical colleges to improve skills development, beyond merely training its own staff. This could also include building sufficient affordable housing for workers or building a new road which will connect up a village and improve livelihoods. Such benefits should tackle the constraints identified in the host country.

Annex 3 – DFID Exclusion List

DFID funds should not be used to fund or procure the following:

- Military services or equipment
- Luxury goods (pearls, precious and semi-precious stones; raw, tanned or dressed fur skin).
- Drugs not on the World Health Organisation Essential Drugs List, unless there is a compelling reason for doing so and agreed in advance with DFID.
- Pesticides, unless there is a compelling reason for doing so and agreed in advance with DFID.
- Chlorofluorocarbons (CFCs).
- Exploitation of adult workers or employment of children.
- Manufactured and unmanufactured tobacco.
- Brewers and producers of alcoholic beverages.

Annex 4 – Identified risks and mitigating measures

Institutional Capacity Building

Risk	**Mitigating measure**
Contactor does a lot of capacity building relative to investment facilitation	Spend ceiling on this element – money cannot be moved between the two budget lines
Supplier provides Capacity Building of poor quality or that has low development impact (irrelevant, unnecessary etc.)	Scrutiny of ToRs and spot checks during annual reviews.

Transaction Facilitation

Risk	**Mitigating measure**
Supplier supports deals that are already going to go ahead	Such deals should be screened out using filter criteria. If support does go ahead, but information is inaccurate and provided on a false premise then PbR payment will be withheld.
Supplier provides support that is readily available from the host Government or commercial firms	Screened out using filter criteria.
Supplier targets small deals	PbR incentivises targeting of higher value deals (up to £25k)
Supplier doesn't target high dev impact deals	PbR incentivises high impact deals (up to £98k)
Supplier only secures a couple of deals	Logframe milestones act as an incentive for supplier to meet targets, PbR payment will be very limited
Supplier receives a high PbR payment relative to the size of the support provided	This will be mitigated in part by the screening criteria and cap of 1.5x support provided as well as general mitigation in DFID contract around excessive profits
Supplier is ineffective in securing deals	No PbR will be paid out unless deal is secured. Logframe milestones will be missed.
Supplier supports deals receiving support from other donors, public or private sector services.	Supplier will have to prove additionality and attribution. In such cases PbR payment will be adjusted to reflect what the supplier is working on (see attribution section above).

Annex 5 - Investment Information Form

The service provider must pre-submit all involvement in transactions. Failure to do so may affect payment of core fees and any PBR element.
This form should be completed with reference to the PBR Rules document.

Date

Contact Info

Name of investor
Holding company and other information (in detail – also annex). Turnover/size of investor

Person/s engaging with at investor and level/emails

Country of origin

Country/ies of interest

Name of service provider lead contact and any subsidiary contact at service provider

Nature of engagement
Other donors or agencies involved e.g. Investment Promotion authority investment, what will they do and what will the service provider do?

How did you identify/come across this investment?

Description of proposed investment
(Capital $, phasing, activities e.g. what will be built, rented, timelines for conclusion of investment and in particular any employment)

Current stage of investment

Main risks

Screening Criteria

Why the service provider thinks it is worth supporting the investor

Viability
Mobility
Suitability
Efficiency
Systematic
CERA analysis
Compliance

Additionality
a) Financial additionality – what will the investor support and why is UK taxpayer money needed?

b) Value additionality/Development Impact

Jobs (including gender disaggregation)
Supply chain/spill over effects
Value additionality of manufacture
First mover disadvantage
Implication for specific location
Policy changes?

What do you think the min/max Dev Impact points could be and how can the service provider input influence these?

DFID response

Date:

If information in this form substantially changes an amendment should be submitted to DFID highlighting the changes

END

Transaction Facilitation Services	The supplier must provide support sufficient to meet the key transaction facilitation objectives set out in the Delivery Key Performance Indicators (KPIs) (Volume 7), namely: • to identify and support manufacturing FDI deals (such that 215 deals are provided substantive support by 2025) • to ensure the support provided is designed to enable targeted levels of deal closure (such that 55 deals reach financial close by Feb 2025, with £1.2bn of manufacturing investment and 13750 direct employees committed to by 2025); • to support increased developmental impact of that investment (such that at least 20 deals receive a PBR element for which the PBR element is paid for one or more of a) consumer goods for poor b) "other social") c) environmental d) gender by 2025,); In addition (separate to the Delivery KPIs) the supplier must provide within 6 months of contract signature a reporting mechanism capable of reporting to DFID (and where relevant other key partners) adequate information on potential and actual deals supported.
Technical Assistance	The supplier must provide support sufficient to meet the key technical assistance objectives set out in the KPIs (volume 13), including: • To identify the key barriers facing manufacturing FDI investors. Then to use that information to target key public and private sector problems, such that: policies are reformed (reaching 50 reforms by 2025); and material market development interventions designed and implemented (reaching 28 by 2025). • To support backward linkages to domestic firms from FDI investors (so that by May 2025 35 domestic firms have secured contracts as upstream providers in the value chain or key service providers) and upstream linkages with new buyers introduced to FDI investors resulting in buyer contracts with a likely value of more than £500k in country (reaching 30 by 2025)
Delivery and Results	The supplier must operate in a way which complies with the programme 'tools' designed to incentivise and manage their performance: • The proportion of core funds to go towards Transaction Facilitation Services shall be no less than 60% unless

	amended via the mechanism in the Special Conditions during the life of the contract. - The Key Performance Indicator system (including the delivery KPI targets) must be used and a total of 5% of net fees (after taxes and expenses) are tied and payable only in the event that the KPIs (set out in Volume 13) are met. For clarity, the detailed measures to be used for the Service KPI targets, provisional progressive targets for them and the process for how these will be monitored are the only negotiable element. All the above is subject to special conditions. - Screening criteria – in line with the PBR document to screen out transactions that shouldn't be supported - A Payment by results mechanism for Transaction Facilitation as set out in the PBR document – note that that the PBR Document is not negotiable with the exception of the following aspects: o the definition of "deal signing"; o the approach to recording the current status of deals already in progress, which the programme may seek to support; o the process for information sharing and assessment between the supplier and DFID, and the monitoring contractor (including the design of communication systems set out in Annex D of Volume 8) - Compliance with IATI, reputational risk screening, UK branding and supply chain mapping (see paragraphs 35ff below).
Compliance	Transparency- DFID requires Suppliers receiving and managing funds, to release open data on how this money is spent, in a common, standard, re-usable format and to require this level of information from immediate sub-contractors, sub-agencies and partners. Further IATI information is available from: http://www.aidtransparency.net/ Delivery Chain Mapping- The supplier must provide a delivery chain map that identifies and captures (usually in visual form) the names of all partners involved in delivering a specific product or service, ideally down to the end beneficiary. The first version of this will be needed by the end of the first month of the inception phase. Updates to this will be required whenever the delivery chain changes. These must be produced in accordance with DFID guidance (current version of the guidance annexed). Small to Medium Sized Enterprises (SMEs)- The

	supplier is expected to report on the levels of contracted work being allocated to SMEs. Information needs to be provided on the levels of direct and indirect SME spend. This should be provided in the annual report.

Annex 7 – Key Performance Indicators

Indicator 1 Delivery of programme 40%	Transaction Facilitation See separate table Technical Assistance See separate table Overall See separate table
Indicator 2 Staff and subcontractors 20%	• Staff turnover and appropriate staff continuity in country minimised (avoiding too much fly in/fly out and ensuring staff have good political economy, local business knowledge and deep personal networks) • Appropriate geographical spread and coverage of staff and their work (including working in harder or smaller countries etc) • DFID satisfaction with quality (including performance) of staff • Positions filled appropriately and - where relevant - quickly • Work with local subcontractors and local staff maximised to the extent reasonable including building up of capacity. • Sub-contractors delivering to a high quality and being appropriately motivated
Indicator 3 Forecasting, Reporting and Planning 10%)	• Robust cost control in line with contract • Accuracy of monthly forecasts versus actual expenditure (minimum target of <5% variation) • Utilisation of agreed annual budget • Timely submission of forecasting and invoices • Quality and timeliness of non-financial reporting • Appropriate and effective identification and management of risks
Indicator 4 Client Relationships and Broader collaboration 15%	• Extent to which supplier is responsive and flexible to client and stakeholder needs and seeks to align with DFID priorities. This will be assessed in part by the monitoring supplier's engagements and discussions with stakeholders. • Regularity of communication with DFID and delivery of agreed action points • Dissemination of lessons learned, public good documents or similar • Good working relationship with DFID and other UK Government programmes / staff and other donor partners e.g. referrals leading to successful partner engagement (measured by their feedback)
Indicator 5 Value for Money 15%	• Economy, Efficiency, effectiveness (including issues such as travel, conferences/visits, business co-funding, publicity, administrative burden for DFID); also, about delivering projects (Transaction Facilitation and Technical Assistance) using lower cost staff) and delivering objectives such as maximising additionality and business co-funding. • Supplier proactively promotes innovation in the programme • Quarterly retrospective report on this from supplier

	All figures are cumulative	Retention on Percentage		Feb 2019	Feb 2020	Feb 2021	Feb 22	Feb 23	Feb 24	Feb 25
		Transaction Facilitation – 25%								
1.1	Number of investment deals provided substantive support by Invest Africa (as demonstrated by documentation including investment information form, investor tracking database and verification with the investor and third parties)	5%		0	18 (but 5 started by someone other than supplier)	40	80	130	170	215
1.2	Number to deals brought to financial close – 7%	7%		0	0	8	20	35	40	55
1.3	Additional foreign direct investment generated in Invest Africa (£ Billion) - Definition as per "deal signing" in PBR document – 5%	5%		0	0	0.3	0.6	0.8	1	1.2
1.4	Number of deals for which the PBR element is paid for one or more of a) "consumer goods for poor" b) other social c) environmental d) gender -3%	3%		0	0	0	5	9	15	20
1.5	Number of employees' investors supported by IA have committed to engage as a direct result of the investment supported by Invest Africa– 5%	5%		0	0	2500	5000	8750	10000	13750
		Technical Assistance – 15%								
1.6	Number of investment/business environment policy reforms supported with government agencies/ institutions ("Policy reform" entails a change to legislation or a change in strategy or approach by a government institution recorded in a public pronouncement)– 5%	5%		0	6	12	15	30	40	50
1.7	Number of material market development technical assistance interventions designed, with implementation underway in targeted sectors, addressing key barriers originating from either the public or private sector to investment (e.g. lack of local skills, weak logistics etc)" – 5%	5%		0	4	12	16	20	24	28

1.8	Number of domestic enterprises that have secured contracts as upstream market providers in the value chain as a result of Invest Africa. – 2.5%	2.5%	0	0	5	8	12	20	35
1.9	Number of new buyers introduced by Invest Africa to FDI investors in IA country, resulting in contracts with a likely value of more than £500k in country-2.5%	2.5%	0	8	15	18	20	25	30

<u>Notes</u>

1. Where a KPI has a zero-figure target against it or does not entail any increase from the previous year, the weight attached to that indicator is spread evenly across the other delivery indicators (i.e. those from indicator 1) which have positive result requirements allocated to them in the table.
2. All delivery KPI targets are cumulative
3. Targets are based on the overall programme logframe which will involve assessment in Feb each year in advance of DFID's programme review in May each year. The table assumes the contract is signed by August 2018. If this is not the case, then the KPIs will be amended to reflect this.
4. All dates are year ending.

Total

KPI deductions and retentions are capped at 5% of the net fees (after taxes and expenses). This 5% figure is sub-divided in its allocation between the indicators above according to the percentage figures identified against each. These fees are payable only in the event that the KPIs are met.

Verification Method

The Delivery KPIs (KPIs 1.1 to 1.9) will be assessed using the relevant target via a scoring system of 'Met' or 'Not Met'. This will assess whether either a) the additional results expected since the previous year have been achieved, or b) the cumulative target has been achieved. The KPI will be evaluated to be "met" for that year if either condition holds. If neither condition holds, it will be considered "not met". If a KPI is not met, then the corresponding retention percentage referred to above will be deducted from the supplier's fees and withheld by DFID. If in the following year(s) the shortfall in the previous year's or years' KPI(s) is/are met, then the retention from the previous year(s) will be paid over without interest. For the avoidance of doubt if a KPI is never met before the contract expires or is terminated by either party, then the retention amount shall not be due and payable in any way to the supplier. If for some reason data is not available, then no retention will be made against that KPI to which the missing data relates, but retention can be made against a later payment to reflect the unmet KPI.

The Service KPIs (KPIs 2 to 5) will be assessed via a scoring system of 'Met' or 'Not Met'. As part of the proposal bidders should suggest detailed measures for indicators 2 – 5 (building on the guidance in the table above), provisional progressive targets and how these will be monitored. If a KPI is not met the corresponding percentage will be deducted from the supplier's fees at the end of the review period. Unlike with the delivery percentage however, this amount will be deducted by DFID as compensation for the failure to meet the standard required. It shall not be reclaimable in any subsequent years. If for some reason data is not available, then no deduction will be made against that KPI to which the missing data relates, but this doesn't prevent DFID making a deduction later if that data emerges.

For both delivery and service KPIs, the decision on the scores shall be made by one or more appropriate DFID staff familiar with the programme acting reasonably and using any additional guidance document created during the inception period.

The Key Performance Indictor criteria targets and the verification method may be varied if the following conditions are met:

- A Force majeure Event has occurred and is likely to persist for a period of more than 2 months;
- Political Economy justifications, including a change to Invest Africa's country footprint which leads to an easier or harder political or investment economy;
- DFID, at its discretion determines adjustments should be made to better incentivise performance;
- The Funding Allocation set out in paragraph 15 has been varied.

Annex 8 – DFID Safeguarding

Risks to be addressed

The following is a non-exhaustive list of safeguards[14] to be considered when conducting a risk assessment:

- All organisations that work with or come into contact with children should have safeguarding policies and procedures to ensure that every child, regardless of their age, gender, religion or ethnicity, can be protected from harm.
- Protection from violence, exploitation, and abuse through involvement, directly or indirectly, with DFID 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. Does the organisation have appropriate policies and procedures in place to expressly prohibit sexual exploitation and abuse and to receive and address reports of such acts?
- Protection for bio-diversity and natural habitats, including forestry - will the project impact on key natural resources and or areas of important wildlife? How is the carbon impact considered? Are there conditions on the use of pesticides and commercial logging activities?
- Vulnerable groups, including indigenous peoples (IP) and or specific social groups or people with protected characteristics (PPC) – Will the project and or funding impact negatively on well-being of IP and PPC and their land? Are there steps you can take to enhance opportunity and inclusion for vulnerable groups as part of the intervention? What is the physical scope of the project? Will secondary impacts affect IP and PPC and other disadvantaged peoples?
- Cultural heritage - is the funding and/or are the activities of the organisations involved likely to impact on the non-material good and/or traditions of a group of people? Will affected communities' participation and/or cultural practices be affected?
- Land and People whose access to land or other resources will be impacted by the investment - How will legitimate tenure rights of communities be respected and protected? How can involuntary resettlement be avoided, but where unavoidable be executed by best practice standards (e.g. IFC PS 5), and how can violations of people's human and legitimate other rights be avoided. How will this be managed and communicated?
- Upholding human rights and non-discrimination including gender, disability, children – Will the funding ensure international human rights, including child and disability rights, are not undermined? Will the organisation undertake an assessment of the human rights situation in the region in line with their mandate? Does the organisation have safeguarding policies and procedures in place to protect the children and vulnerable adults from all those who might pose a risk to the child's safety?
- Worker and community Health and safety, working and employment conditions. Will the funding ensure labour standards are met? Will the funding/and or the activities involved cause safety concerns for people living and working in affected communities or contracted workers involved in development projects? Will the funding/and or the activities create any negative impact on community health through exposure to hazardous materials or increased exposure to communicable or non-communicable diseases which could result from project activities?
- Modern Slavery. Could the programme funding or activities create conditions that lead to the use of modern slavery in any part of the supply chain? The risk of using slave labour somewhere in the supply chain is present in almost all sectors from infrastructure to agriculture and textiles. Forced labour is frequently associated with some degree of informality. Adherence is required to existing guidance (e.g. Tackling Modern Slavery in Supply Chains: A Guide)?
- Sector specific safeguards. In agriculture programmes or investments this could include respect for animal health and welfare in livestock investments, responsible use of antimicrobials, or considering whether food produced as part of a programme is sufficiently safe and healthy for human consumption.

[14] Safeguards that are routinely considered in other organisations involved in international development finance.

Further considerations of particular importance to managing the risk of doing unintended harm to people and/or the environment include (but are not limited to)): social and poverty impact, gender equality, resource scarcity and environmental vulnerability, climate change, institutional environment, the political economy, conflict and fragility.

Approaches required to address these risks

The supplier will be required to demonstrate the following:

- Top-level commitment - evidence of top-level organisational commitment to implement E&S safeguards, enhance E&S outcomes, and seek continual improvement. This should ideally take the form of a written statement signed by senior management, shared publicly.
- Appropriate systems and processes – having robust policies and systems in place for identifying E&S risks, implementing E&S safeguards, and monitoring performance relevant to the programme, including regular field supervision and spot-checks
  This should include, where relevant, clear policy and strategy and robust processes and documents such as Environmental and Social Impact Assessments (ESIAs), child safeguarding policies, Environmental and Social Management Plans (ESMPs), Stakeholder Engagement Plans (SEPs), Resettlement Action Plans (RAPs), Occupational Health and Safety Management Plan (OHSMPs) documentation.
- Adequate resources - adequate financial, professional, and institutional resources in place to implement E&S safeguards, coordinate down-stream partner implementation of E&S safeguards, and seek continual improvement throughout the entire lifecycle of the programme. This should include adequate staff with specialist training and experience (including high-risk issues such as gender-based violence, and child protection), and dedicated budgets.

Appendix A: 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 DFID and any changes to the content of this schedule must be agreed formally with DFID under a Contract Variation.

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