

# Public Finance Resource Centre

## Terms of Reference: EPICS PFM

<b>Intervention title:</b>	<b>Empowering Palestinian Institutions and Civil Society - Public Financial Management Project (EPICS PFM)</b>
<b>Country:</b>	The Occupied Palestinian Territories (OPTs)
<b>FCDO client (i.e. relevant post):</b>	British Consulate General Jerusalem
<b>Beneficiary:</b>	The Palestinian Authority
<b>Duration:</b>	36 months initial contract period, with a potential extension of a further 36 months.
<b>Type of contract:</b>	Milestone (time and materials with output-based and KPI-based payment triggers)
<b>Budget ceiling:</b>	£15 million
<b>Funding source:</b>	British Consulate General Jerusalem
<b>Risk rating:</b>	Major
<b>Version:</b>	29 <sup>th</sup> July 2024

## Definitions

Abbreviation	Definition
BCGJ	British Consulate General Jerusalem
EPICS	Empowering Palestinian Institutions and Civil Society
FCDO	The UK's Foreign, Commonwealth and Development Office
GESI	Gender equity and social inclusion
KPIs	Key Performance Indicators
MA	Managing Agent (ASI)
MA's MERL Team	PFRC team, led by the MERL Advisor
MA's Core Team	PFRC's team, overseeing all FCDO interventions
MA's MERL Advisor	Core Team MERL Advisor
MA's VfM Advisor	Core Team VfM Advisor
MA's GESI Advisor	Core Team GESI Advisor
MA's Contract Management Team	PFRC team for management of this EPICS PFM contract
MERL	Monitoring, evaluation, reporting and learning
ODA	Overseas Development Aid
OPTs	Occupied Palestinian Territories
PA	Palestinian Authority
PECA	Political economy and conflict analysis
PFM	Public financial management
PFRC	(FCDO's) Public Finance Resource Centre
PFRC MA	PFRC Management Agent (Adam Smith International)
PFTD	Public Finance and Tax Department
Supplier	The organization or entity that is delivering the Services of these Terms of Reference under the terms of the contract
TORs	Terms of reference

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## 1. Introduction

This Terms of Reference (TOR) sets out the PFRC Management Agent's requirements for the Empowering Palestinian Institutions and Civil Society Public Financial Management Project ('EPICS PFM'). The EPICS PFM contract will be for an initial 36 month period, with the expectation of an extension of a further 36 months dependent on performance and assessed need.

The Supplier is expected to deliver the EPICS PFM contract in line with the requirements set out in this TOR. The scope of work may be subject to change in negotiation with the Supplier and will be finalized during the Inception Phase.

The Supplier will be expected to provide advice and capacity building to support the Palestinian Authority (PA) to improve its PFM and revenue mobilization systems in the Occupied Palestinian Territories (OPTs). The Supplier will deliver a number of core functions for EPICS PFM (activities that need to be delivered throughout the duration of the EPICS PFM contract), as well as providing demand-driven draw-downs for individual assignments in the form of technical assistance and capacity building expertise.

It is envisaged that EPICS PFM will be built around a small core team and will deploy a mixture of national, regional and international experts to deliver both discrete short-term interventions and longer-term embedded support to the Palestinian Authority's Ministry of Finance, and other Ministries, Departments and Agencies (MDAs).

The Supplier will deliver this project by working closely with the PFRC Management Agent (MA) and HMG partners, and by embedding international and national consultants within relevant ministries to help facilitate access, strategies and senior governmental buy-in. These individuals will need to work closely with the British Consulate General Jerusalem (BCGJ), who will own the overarching strategy and retain close relationships with relevant PA stakeholders.

EPICS PFM should retain the flexibility to adapt to an uncertain operating context and to seize windows of opportunity to push forward reforms that are expected to contribute to EPICS programme objectives. It is therefore imperative that EPICS PFM should 'think and work politically' throughout all phases of delivery.

## 2. Background

The UK Government has been providing technical assistance to the Palestinian Authority (PA) through FCDO's *Takamol* programme since 2019. *Takamol* has been focused on PFM, revenue and centre of government reforms, and will complete its final phase by September 2024, to be replaced by the Empowering Palestinian Institutions and Civil Society (EPICS) programme.

The PFM and revenue reform aspects of EPICS ("EPICS PFM") will be delivered through the Public Finance Resource Centre (PFRC). The PFRC MA has been charged with running a competitive procurement process for EPICS PFM and will enter a contract with the Supplier selected to implement the intervention.

The PFRC MA has developed this TOR jointly with the BCGJ. They incorporate lessons from *Takamol* and from the FCDO's use of flexible technical assistance facilities in other volatile operating contexts to mitigate delivery risks and maximise impact.

The PA operates in a challenging environment marked by prolonged occupation, political instability, fragility, and ongoing conflict. The PA itself is felt by many Palestinians to lack legitimacy, given corruption-related issues and a failure to meet expectations in terms of service delivery and protection of citizens. These factors present significant obstacles to effective governance and fiscal stability. It is critical that public financial management reforms in the OPTs are designed in a way that can help strengthen this currently weak social contract between the PA and citizens.

Likewise, the PA functions within a constrained fiscal environment exacerbated by external pressures, such as Israel's withholding of tax revenues and long-term substantial reductions in international aid. These

financial constraints put additional pressure on the PA's ability to fulfil its financial obligations and deliver essential services.

The political and security challenges in the region contribute to fiscal instability and uncertainty. The ongoing conflict and political tensions disrupt economic activity, hinder investment, and exacerbate financial risks, making it difficult for the PA to plan and manage its budget effectively. Moreover, the fragmented Palestinian political landscape and the frequent Israeli Security Forces incursions and military operations in the West Bank add complexity to the PA's governance efforts, making it difficult to formulate and implement coherent policies, including those related to fiscal management, leading to inefficiencies and delays in resource allocation.

Against this backdrop, the recent changes in PA leadership offer both opportunities and challenges for advancing PFM and revenue reform efforts within the OPTs. The new Prime Minister and Cabinet have the potential to instigate positive change and strengthen the PA's capacity to address the challenges related to PFM. However, this will require a delicate balance between fiscal prudence and meeting the urgent needs of the population, particularly in vital sectors such as healthcare, education, utilities, and social welfare, which are crucial for Palestinian citizens' well-being and livelihoods.

Given these complexities, the design and delivery of EPICS PFM must prioritise adaptability. This means ensuring that intervention efforts are flexible and responsive to the constantly changing political, security, and economic landscape within the OPTs.

### 3. Objectives

The EPICS programme aims to contribute to sustainable development and stability in the OPTs by:

- Improving the viability, legitimacy and inclusion of governance and service delivery;
- Protecting and supporting civic space; and
- Empowering women.

EPICS PFM will focus on the first of these objectives (improving governance and service delivery), whilst also contributing to the third objective (empowering women). It will be complemented by another project or projects within the EPICS programme that will focus on the second objective to build demand for reform.

### 4. Delivery locations

The Services will be delivered in the OPTs, particularly in Ramallah (where the PA is based). The majority of the Supplier's core team is expected to be based in, or spend a significant amount of time in, the OPTs. The Supplier should clearly articulate which positions and functions will be based in the OPTs.

The expectation is that the majority of assignments will be delivered in the OPTs (predominately Ramallah), subject to security. However, some assignments may be delivered remotely, and/or take place in a third country. Given the uncertainty around the operating context in the OPTs, the Supplier should be ready to utilize a range of different technical assistance and capacity building delivery modalities, for example:

- Embedded advisory support in PA institutions;
- Short-term in-person advisory missions to advise PA institutions;
- Short-term in-person training missions;
- Remote training; and
- Training events and courses run in third countries.

The FCDO programme team for EPICS PFM is part of the BCGJ. The PFRC MA expects the Supplier will conduct regular meetings with the BCGJ team: ideally some of these will be in person (though travel between Ramallah and Jerusalem is subject to disruption).

## 5. Delivery principles

EPICS PFM should operate in line with the following principles:

- **Ensure local ownership.** All technical assistance and capacity building conducted under EPICS PFM should be based on a clear request for support from a relevant senior-level PA official (likely at Director or Director-General level), who will serve as the ‘intervention sponsor’. Engagement by the EPICS PFM team at the ministerial level is also expected to be required to ensure that technical reforms have the political support needed for successful and sustainable implementation.
- **Focus on the outcome-level.** Flexibility will be essential to enable the programme to remain effective in an uncertain operating context. The project will need to adapt as appropriate at the activity level in order to maximise value for money and the effectiveness of the project’s contribution to EPICS’ outcome-level objectives (see Section 15). We anticipate that the balance between different workstreams will shift over the course of the programme, and that new workstreams may be initiated as windows of opportunity open up whilst other workstreams may be terminated if they fail to achieve traction or in light of contextual changes and evidence on what works.
- **Think and work politically.** The political economy context in which EPICS PFM will operate will be complex and challenging, with a major risk that progress on even the most essential reforms (e.g., efforts to prioritise salary payments to essential personnel) may be derailed by political, institutional and personal rivalries, vested interests and taboos. It will be essential that the project thinks and works politically and uses PEA to inform its overall approach and everyday decision making<sup>1</sup>. This will need to be achieved without becoming embroiled in the politics of the PA itself: the team will need to navigate a complex political arena to support effective reform, without being seen to be ‘manoeuvring’ or influencing broader politics.
- **Focus on context-appropriate, politically feasible solutions to specific, locally-defined problems.** The PA faces huge challenges and is beset by serious issues and risks related to its PFM and revenue systems. There is a history of technical assistance to the PA that has focused on pursuing ‘best practice’ systems that have not proven to be a good fit for the PA, given its level of capacity and unique context. Rather than simply pursuing ‘best-practice’, the project should help the PA develop ‘best-fit’ solutions (i.e., politically feasible and appropriate given the operating context and counterpart capacity) to specific, locally-defined performance problems. EPICS PFM interventions should be demand-led, contextually and politically informed, effective and efficient.
- **Build sustainable capacity and avoid capacity substitution.** The team should prioritise building sustainable capacity, notably by providing the kind of long-term coaching, mentoring and informal training required to enable counterparts to be able to operate systems developed with the help of external consultants. This includes building the PA’s own change management capacity. Where feasible and appropriate local experts should be utilized to further embed sustainable capacity. The team should work to minimize the risk that EPICS PFM advisors end up spending a high proportion of their time conducting routine operational tasks that should be conducted by PA employees. However, realism is required regarding the fact that capacity substituting activities may sometimes be required for valid, pragmatic reasons: where this is the case the team should conduct regular reviews to identify opportunities to put things on a more sustainable footing.
- **Coordinate with other programmes supporting the PA.** EPICS PFM will focus on the PFM and revenue reform elements of the EPICS programme, but the team will need to be mindful of work being done by other implementers under the EPICS programme – notably centre of government work (including potential work on aid management, and support to the PM’s office) and work with civil society (including potential work on the ‘demand-side’ of PFM and revenue reform) – and should coordinate with them as appropriate. The EPICS programme in turn forms one part of a wider portfolio of interrelated FCDO-funded programmes in Palestine (e.g., the *Tasdeer* economic

development programme and the British Support Team's security sector work). Likewise, other donors and International Financial Institutions (IFIs) are involved in PFM and revenue reform work. The Supplier should be aware that even informal donor coordination has proved challenging in the OPTs to date. However, within the constraints it faces, the Supplier is expected to be proactive in coordinating with other relevant programmes and donors (including the World Bank's PURSE TA Facility, GIZ's local government programme, IMF TA, EU-funded support delivered by the OECD and support from the Office of the Quartet) to avoid duplication of effort and maximise synergies.

- **Ensure delivery resilience.** The operating context in the OPTs is such that there is a significant risk that the ability of EPICS PFM to deliver in the manner envisaged will be disrupted at some point in the contract period, and potentially for prolonged periods. The Supplier should anticipate the potential for disruption, for example challenges deploying international staff to the OPTs due to security issues or significant shifts in the priorities or structure of the PA. The Supplier should ensure that its approach to delivery is as resilient as possible to such changes, and should conduct contingency planning where appropriate.

## 6. Contract management

The PA will be the primary beneficiary of the EPICS PFM contract.

The programme forms part of the EPICS programme and is funded by the BCGJ. EPICS PFM will be overseen by the BCGJ programme team, with oversight from the SRO, and key inputs from the BCGJ governance advisor and EPICS programme manager. Additional advice and support will be provided by the PFRC Regional Adviser.

The FCDO's PFTD has overall responsibility for the PFRC programme and is responsible for overseeing the work of the PFRC MA. The Supplier will be contracted by the PFRC MA to deliver EPICS PFM in accordance with this TOR. The PFRC MA will be responsible for overseeing the performance of the Supplier, ensuring that it delivers in accordance with the contract.

The PFRC MA will play a key role in the verification, quality assurance and monitoring and evaluation of the Supplier's work, as set out throughout these terms of reference, and in the ToR for the PFRC overall. These functions will be performed by members of the PFRC MA's Core Team, which includes tax, PFM, PEA, MERL and GESI advisors in addition to commercial and project management expertise. The MA will manage the performance of the supplier and hold them to account for KPI performance, and will review key documents, provide expert advice to the BCGJ programme team on EPICS PFM on demand, provide critical challenge to the Supplier, and make suggestions on design and delivery approaches where appropriate.

It is anticipated that a Steering Committee will be established for EPICS PFM, including representation from the BCGJ, PA, Supplier and MA. Steering Committee meetings are anticipated to be held on a quarterly basis and will be used as a forum to guide programmatic decision making on key delivery issues.

The Supplier will work closely with the BCGJ and PFRC MA throughout the assignment. Bi-weekly progress meetings with the BCGJ and PFRC MA contract management teams responsible for EPICS PFM are anticipated throughout the duration of the project.

The Supplier will be required to establish robust quality assurance processes to ensure the quality and effectiveness of the services delivered.

Supplier performance shall be measured against delivery of the requirements set out in Section 9 and against Key Performance Indicators (KPIs). A draft set of KPIs for the inception phase are included in Annex A, and these are expected to also form the basis of delivery phase KPIs, but some amendment is expected through the inception phase (see Section 9). Where the Supplier fails to meet the required standards in delivering the contract, the PFRC MA will be empowered to take appropriate and proportionate performance management measures up to and including suspension or termination of the Supplier's contract.



Periodic Supplier Review Meetings will take place to review the Supplier's performance (captured by the Supplier in the Performance Monitoring Reports) under the contract. The frequency and terms of reference of meetings will be agreed by all parties during the inception phase. The Supplier will submit Monthly (Tier 1 KPIs) and Quarterly (Tier 2 KPIs) Performance Monitoring Reports for MA approval.

The contract will contain annual break clauses at the end of each UK Financial Year. Decisions will be made on performance against achievement of Deliverables, Key Performance Indicators, Budget availability and the priorities of the BCG team.

## 7. Intervention approval and work planning process

This section sets out the process to be followed to identify, screen and select EPICS PFM interventions, including how interventions will be packaged together through the work planning process.

**Initial identification of potential interventions.** This could occur in a number of different ways – for example, a direct request from a counterpart institution, a need identified by a member of the programme team or a suggestion from the BCGJ programme team. The Supplier shall maintain regular contact with the BCGJ to understand the context and potential needs to support ongoing and prospective assignments.

**Logging of potential interventions.** Throughout delivery for EPICS PFM the Supplier will need to maintain an 'intervention pipeline' spreadsheet. Whenever a potential intervention is identified it will be logged in an 'intervention pipeline' spreadsheet (created by the Supplier)– where the source is external to the programme team (e.g., a counterpart or BCGJ) this must be done regardless of whether the potential intervention is considered appropriate by the team. This will enable the team to ensure that any requests from counterparts are tracked systematically – mitigating the risk of damaging relations with counterparts by failing to respond appropriately to requests for support.

**BCGJ preliminary decision on whether to take forward interventions.** For urgent requests the Supplier should inform the BCGJ programme team at the earliest opportunity. More generally, the Supplier will be required to present pipeline updates to the BCGJ as part of regular progress meetings. At these meetings the Supplier will be expected to provide an initial recommendation and rationale for whether the potential intervention should be considered further (i.e., to confirm whether it is the kind of intervention that might plausibly be an appropriate intervention for the programme).

The BCGJ SRO will decide on the basis of this assessment whether to task the Supplier to consider the intervention in more depth. Where it is decided that an intervention should not be approved, the Supplier will need to ensure that the decision is communicated appropriately to counterparts (this may be communicated by the BCGJ where judged appropriate).

**Assessment against the intervention screening criteria.** At the request of the BCGJ, the Supplier will be required to conduct further analysis to assess whether requests meet the intervention selection criteria for EPICS PFM. These are:

- **Local ownership.** EPICS PFM interventions will normally only be approved where there has been an explicit request for support from the relevant counterpart, and where a senior (director-level or above) PA official is willing to act as the Intervention Sponsor. In addition, interventions should - wherever possible – be aligned with any relevant PA strategies or high-level priorities.
- **Theory of Change alignment.** Interventions should be assessed to ensure that they are consistent with the project's overall theory of change (see Section 15) and will support EPICS PFM's outcome level objectives.
- **Problem-focus.** Interventions should be focused on resolving specific, well-defined and meaningful problems affecting the performance of the PA in fulfilling its mandate, rather than pursuing more abstract goals like 'best practice'.
- **Context appropriate.** The Supplier should assess whether the intervention is politically feasible, in light of the political economy context. Consideration should be given to the level of commitment



of the recipient and the attitudes of the stakeholders who will be critical to successful implementation. The Supplier should also consider whether the intervention is appropriate given factors like counterpart capacity, whether results are likely to be sustainable (e.g., whether recurrent cost implications can be met given the PA's fiscal constraints) and whether the intervention is expected to impact on conflict dynamics (including meeting the FCDO's 'do no harm' requirement). Interventions should support the strengthening of the 'social contract'.

- **Building capacity and avoiding capacity substitution.** Interventions that are expected to build sustainable capacity will be prioritized. Those that would involve long-term capacity substitution will be avoided where possible.
- **Coordination.** Interventions should be coherent with other activity being funded by the FCDO and with activity being funded by other donors. The Supplier should assess whether the intervention would risk duplication of effort in relation to support being provided by other programmes or donors.
- **Risk assessment.** Interventions will only be approved that fit within the BCGJ's risk appetite. The Supplier will be required to conduct a proportionate risk assessment. This should take into account reputational, fiduciary, safeguarding and duty of care risks.
- **Gender Equality and Social Inclusion.** At a minimum, interventions should avoid harming the FCDO's GESI goals. Appropriately disaggregated GESI data (including by gender) will be gathered wherever feasible. Interventions will be prioritized that contribute to achievement of GESI objectives. The Supplier should conduct a light-touch and proportionate assessment of the GESI impact of an intervention, including how it will impact on all vulnerable groups and whether it could be designed in a way that will increase its positive impact on such groups. Consideration should be given to the impact on women and girls, disabled people, and the poorest people in society. The assessment should also assess whether the intervention is compatible with the FCDO's commitment to human rights, poverty reduction and addressing climate change. A key consideration in relation to revenue reform interventions specifically should be ensuring that efforts to raise more revenue do not exacerbate poverty and social exclusion.
- **Value for Money and Social Value.** The Supplier will be required to assess whether the intervention would represent value for money. This should include consideration of whether there is sufficient budget available for the intervention, whether expected benefits are proportionate to the expected costs, whether the benefit is expected to be achieved in the lifetime of the programme or will take a longer period of time to be realized, and whether benefits achieved are likely to prove sustainable. The Supplier will also be required to specify how the intervention will contribute to the delivery of Social Value.<sup>2</sup>

This assessment should not be conducted in isolation by the programme team but should involve a dialogue with the relevant counterpart institution.

**In principle approval by the FCDO.** The findings of this screening process will be submitted to the BCGJ with a recommendation. The BCGJ SRO will then decide whether to task the Supplier to develop the request for support into a costed proposal, including sourcing any expertise required to deliver the assignment. It will be the responsibility of the Supplier to identify in the proposal the most effective means of responding to requests for technical expertise. These proposals will be reviewed by the MA and the EPICS SRO will then make a final decision on whether to authorize the intervention.

**Costed proposal.** Where an 'in-principle' approval is received the team will then communicate this to the counterpart institution's Intervention Sponsor. The Supplier will then work with personnel from the counterpart institution to finalise a costed proposal for the intervention. The costed proposals will utilize analysis conducted in the assessment against the intervention screening criteria. They should be short documents that include, but are not limited to:

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<sup>2</sup> Please refer to Section 16 of this TOR, "Value for Money and Social Value" for PFRC's general approach to value for money and social value.

- A short summary of what the intervention will involve.
- The **overarching intent for the intervention**, including how it links to the EPICS PFM theory of change and relevant PA strategies and priorities;
- A **mini-PEA** (political economy analysis) for the intervention;
- An **intervention-level workplan**. This should set out when the intervention will start and be completed, timelines for achievement of key milestones – including any dependencies and sequencing considerations – and responsibilities for the personnel involved (from both the programme team and the counterpart institution);
- An **intervention-level budget**, providing a clear and satisfactory elemental breakdown of the budget for each activity delivered during the intervention. All prices must be attributable to an intervention activity;
- A **mini-MERL plan** for the intervention (produced with input from the PFRC MA's MERL team). This should include objectives for the intervention, indicators and targets<sup>3</sup> for outputs and outcomes, a data collection plan (e.g., to establish the baseline situation and then to assess what changes as the intervention is conducted) and how progress will be tracked and reported;
- A **mini-risk assessment** for the intervention. This should consider reputational, fiduciary and security risks, as well as any risks of unintended consequences from the intervention (e.g., exacerbating conflict risks, undermining other reform efforts, etc.);
- A **sustainability plan** for the intervention. This should set out how counterpart institution capacity will be built through the intervention, make explicit any long-term resourcing implications for the counterpart institution (e.g., ongoing budget and human resourcing implications of sustaining the change achieved through the intervention) and set out how the programme intends to eventually exit from work on this issue without undermining sustainability;

**Final approval.** The intervention plan will then be submitted to the FCDO for final approval. For time critical interventions, intervention plans will be submitted by email and discussed at the next feasible regular meeting (or in an ad hoc meeting if necessary to reach a timely decision). For interventions which are not considered time critical they will be submitted as a bundle as part of the work planning process.

**Development and modification of the EPICS PFM work plan.** Approved interventions will be included in the EPICS PFM work plan.

The majority of activities conducted in a given 12-month period are expected to be included in the relevant work plan agreed in advance of that period. The first such work plan will be agreed by the end of the inception phase, and subsequent iterations will be agreed during the final quarter covered by the preceding work plan. Once work plans are approved the MA will:

- In consultation with the Supplier, develop a draft update to the logframe targets (see Section 15) to reflect any changes in the focus of work set out in the work plan, as well as changes in the operating context materially impacting on expected results. The draft revised logframe will be presented to the BTC SRO for approval;
- In consultation with the Supplier, identify technical deliverables that will trigger payment milestones (see Section 6). These will be presented to the BTC SRO for approval.

The Supplier will need to retain flexibility to respond to counterparts' demand for support where windows of opportunity for reform arise during a given intervention year. A portion of the budget allocated to a given year is expected to be kept initially in reserve to enable the programme to respond in this way. Where interventions are approved during the project year, this will be formalized by adding them into the work plan.

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<sup>3</sup> Targets should be SMART (specific, measurable, achievable, realistic and time-bound).

## 8. Inception Phase requirements

It is expected that Supplier's proposal will provide adequate detail on the approach to be followed during the inception phase, along with activities, progress meetings, milestones, outputs and costs.

The 3-month inception phase will require the presence in-country of the core team nominated in the Supplier's proposal, and will commence no more than two weeks after signature of the Supplier's contract. The Supplier will be required to conduct extensive consultations with Post and with relevant PA officials at a working and political level in order to produce inception phase deliverables. The key inception phase outputs will be the first annual workplan and budget for Year 1.

The inception phase should be used to identify the appropriate TA Modalities and instruments that will most likely lead to sustainable reform and help build and sustain PA reform commitment.

The key responsibilities of the Supplier, MA and BCG programme team during the inception phase are set out in the table below:

Area	Supplier responsibility	MA responsibility	BCGJ responsibility	Deadline(s)
<b>Mobilisation</b>	Mobilization of the team in country within two weeks after the signature of the Supplier contract.	Ensure that the Supplier conducts its mobilisation in a timely and effective manner.	NA.	Within 2 weeks after the signature of Supplier contract.
<b>PECA</b>	Produce a detailed initial evidence-based Political Economy and Conflict Analysis (PECA) focused on PFM and revenue reform in the OPTs, including a stakeholder map. This should include: <ul style="list-style-type: none"> <li>• High-level political contextual factors affecting the selection of problems to address.</li> <li>• Institutional factors affecting the selection of problems to address.</li> <li>• Stakeholder mapping/analysis informing the selection of problems to address.</li> <li>• Summary assessment of areas where opportunities exist to sustainably deliver reform.</li> </ul>	Review and comment; advise BCGJ as requested.	Final approval.	Submitted as draft: end of Week 4.  Final approval: end of Week 12.
<b>PECA</b>	Produce a succinct 'PECA Plan', setting out a plan for ensuring that the PECA is kept up to	Review and comment; advise BCGJ as requested.	Final approval.	Submitted as draft: end of Week 6.

Area	Supplier responsibility	MA responsibility	BCGJ responsibility	Deadline(s)
	date over the lifetime of the programme, and procedures for ensuring that delivery is and remains politically aware.			Final approval: end of Week 12.
<b>Identification of problems</b>	Produce an evidence-based gap analysis of the opportunity areas identified by the PECA for the first 12 months of the implementation phase	Review and comment; advise BCGJ as requested.	Final approval.	Submitted as draft: end of Week 6.  Final approval: end of Week 12.
<b>Approach paper</b>	Produce a concise Approach Paper that will: (1) detail the Delivery Strategy the Supplier will adopt in order to achieve EPICS PFM's objectives following up on the gap analysis of the opportunity areas above; (2) set out the Supplier's approach to achieving GESI goals; and (3) set out briefly a recommended list of interventions for the first 12 months of the implementation phase.  This should be done in cooperation with PA counterparts to ensure PA buy-in and ownership	(1) Provide written guidance in advance to inform the Supplier's thinking on GESI; (2) review and comment on the draft Approach Paper; and (3) support BCGJ engagement with the Supplier (if requested) on intervention prioritization.	Final approval of the Delivery Strategy.  Identify which of the proposed interventions it wishes to be prioritized for the first 12 months of delivery, and provide provisional approval for a revised list reflecting those priorities.	Submitted as draft: end of Week 6  Final approval: end of Week 12.
<b>Costed proposals</b>	Produce a costed proposal (see Section 8) for each intervention given provisional approval by the BCGJ.	(1) Review and comment on each costed proposal; and (2) support BCGJ engagement with the Supplier (if requested).	Final approval.	Submitted as draft: end of Week 9.  Submission of revised intervention proposals reflecting feedback: end of Week 12.
<b>Core team budget</b>	Produce a resourcing plan and budget for the EPICS PFM core team	(1) Review and comment; and (2) support BCGJ engagement with the	Final approval.	Submitted as draft: end of Week 8/

Area	Supplier responsibility	MA responsibility	BCGJ responsibility	Deadline(s)
	for the first 12-month intervention phase.	Supplier (if requested)		Final approval: end of Week 12.
<b>Work plan</b>	Produce a work plan and budget for the first 12 months of the implementation phase, reflecting both the core team resourcing plan and budget and the approved intervention proposals.	Review and comment.	Final approval.	Submitted as draft: end of Week 10.  Final approval: end of Week 12.
<b>Milestone payment schedule</b>	Propose a schedule of output-based milestone payments for the same period (see Section 18).	(1) Provide written guidance in advance to inform the Supplier's work on the milestone and output-based payment schedule proposal milestone; (2) facilitate a workshop with the Supplier to discuss their proposal; and (3) initial approval of the proposal to be submitted to BCG for final approval.	Final approval.	Submitted as draft: end of Week 10.  Final approval: end of Week 12.
<b>KPIs</b>	Propose amendments (if relevant) to the draft implementation phase KPIs (See Annex A).	(1) Facilitate a workshop with the Supplier and BCG to finalize KPIs; and (2) initial approval of any KPI revisions.	Final approval.	Proposed amendments submitted: end of Week 4.  Final approval: end of Week 10.
<b>MERL</b>	Provide inputs to the EPICS PFM MERL Plan produced by the MA. Set out a clear plan for how it will track output-level delivery, collect feedback from beneficiaries and incorporate feedback and learning into its delivery approach.	Produce the MERL Plan and Results Framework for EPICS PFM (see Section 15).	Final approval.	Submitted as draft: end of Week 10.  Final approval: end of Week 12.
<b>Value for Money</b>	Provide inputs to the Value for Money Framework produced by the MA. Set out a clear	Produce Value for Money Framework for EPICS PFM (see Section 16)	Final approval.	Submitted as draft: end of Week 10.

Area	Supplier responsibility	MA responsibility	BCGJ responsibility	Deadline(s)
	plan for how it will capture and record data and evidence related to VfM in line with that Framework.			Final approval: end of Week 12.
<b>Social Value</b>	Develop approach to delivering social value through implementation of EPICS PFM, focusing on diversity and inclusion in the workforce and supply chain.	Review and comment.	Final approval.	Submitted as draft: end of Week 10.  Final approval: end of Week 12.
<b>Risk management</b>	Produce EPICS PFM risk register (see Section 17).	Review and comment.	Final approval.	Version 1 submitted: end of Week 4.  Revised version submitted: end of Week 12.
<b>EPICS PFM Operations Manual</b>	Produce EPICS PFM operations manual documenting programme procedures including in relation to: (1) programme governance (e.g., steering committee arrangements); (2) financial management (including forecasting, asset management, etc.); (3) safeguarding; and (4) duty of care.	Review and comment.	Final approval.	Version 1 submitted: end of Week 7.  Final approval: end of Week 12.

The FCDO's PFTD, which oversees the PFRC programme, will conduct a review at the end of the inception period to assure itself that a credible technical work plan has been developed. The contract may be terminated if this review finds that this is not the case.

## 9. Implementation Phase requirements

The implementation phase will last from the end of the inception phase until three months prior to the expected end of the Supplier's contract.

During the implementation phase, the Supplier will deliver a number of core functions for EPICS PFM (activities that need to be delivered throughout the duration of the EPICS PFM contract), as well as providing demand-driven draw-down functions for individual assignments (i.e., activity that will need to be delivered when requested on an ad hoc basis) in the form of technical assistance and capacity building expertise.

The core functions of the Supplier will include:



- Core project management and financial management functions required to enable EPICS PFM to operate as required and in a manner that ensures Value for Money (VfM);
- Regular engagement with both the BCGJ programme team and the PFRC Management Agent's contract management team for EPICS PFM;
- Developing and regularly updating the EPICS PFM Political Economy and Conflict Analysis in order to ensure that delivery of EPICS PFM is politically aware and contextually appropriate;
- Co-development of an overarching strategic framework governing EPICS PFM's use;
- Work planning; and
- Development of costed intervention proposals, including identification of intervention teams.

Supplier draw-down functions will involve the implementation of EPICS PFM technical assistance and capacity building interventions, either in line with an agreed annual work plan or as approved in-year by the EPICS PFM SRO. Intervention implementation will include all activity related to an intervention from the point at which the costed intervention approval is approved – including contracting, mobilizing and managing experts to deliver the intervention in line with the costed proposal.

The key responsibilities of the Supplier, MA and BCG programme team during the implementation phase are set out in the table below. These arrangements are subject to review and modification by the FCDO:

Area	Supplier responsibility	MA responsibility	BCG responsibility	Deadline(s)
<b>TA and capacity building</b>	Delivery of EPICS PFM outputs and results as agreed at the end of the inception phase, including technical assistance and capacity building to PA counterparts.	(1) Review and comment on key technical products; and (2) initial approval of technical deliverable payment milestones.	Final approval.	Ongoing
<b>PECA (core function)</b>	Ongoing monitoring of the political economy environment, including provision of quarterly light-touch updates to the programme PEA. Ensure that ongoing PECA informs intervention selection, design and implementation.	Review and comment on PEA updates.	Engagement with the Supplier on PEA issues.	Ongoing
<b>Reporting (core function)</b>	Submission of required progress reports (see Section 15 for details)	Review and initial approval of progress reports.	Final approval of progress reports.	Ongoing
<b>EPICS PFM governance (core function)</b>	Engagement with the BCGJ programme team and PFRC MA contract	(1) Participation in progress meetings; (2) review and initial approval of	(1) Participation in progress meetings; (2) final approval of regular narrative reports; and (3)	Ongoing

Area	Supplier responsibility	MA responsibility	BCG responsibility	Deadline(s)
	management team to enable effective oversight and strategic decision making on EPICS PFM, including attending regular progress meetings and fulfilling reporting requirements (see Section 13).	regular narrative reports; and (3) participation in programme governance bodies (e.g., Steering Committee meetings) as agreed with the BCGJ programme team.	leadership of programme governance bodies (e.g., Steering Committee meetings).	
<b>Stakeholder management (core function)</b>	Day-to-day management of relationships with key programme counterparts.	NA	Ownership of the relationship with the most senior priority stakeholders (e.g. ministers); engagement with other stakeholders as appropriate.	Ongoing
<b>Intervention pipeline management (core function)</b>	(1) Engagement with counterparts around requests for support; (2) assessments against the intervention screening criteria; (3) develop costed proposals; and (4) maintaining an intervention pipeline spreadsheet.	Review and comment on proposals.	Final approval.	Ongoing
<b>MERL</b>	Cooperation with the activities of the MA's MERL Team and fulfilling its responsibilities in line with the responsibilities set out in Section 15.	Monitoring, evaluation and learning activity in line with the programme's MERL plan (see Section 15)	(1) Final approval of MERL reports; and (2) conduct an annual review of the project.	Ongoing
<b>Exit Plan</b>	Produce an Exit Plan for the programme.	Review and initial approval of the Exit Plan.	Final approval of the Exit Plan.	End of implementation phase.

The FCDO's PFTD, which oversees the PFRF programme, will conduct a formal review at the end of the first year of implementation into whether a credible technical work plan is in place and is being delivered. The contract may be terminated if this review finds that this is not the case.

## 10. Exit Phase requirements

The Exit Phase is expected to comprise the final three months of the Supplier's contract. Implementation may continue during the Exit Phase, but the Supplier will be required to close activities sensitively during this period and prior to the Contract End Date.

During the Exit Phase the Supplier will work with the MA and BCGJ programme team to implement the approved programme Exit Plan. Key expected responsibilities during the exit phase are set out in the table below:

Supplier responsibility	MA responsibility	BCG responsibility
Continuation of implementation phase activity as appropriate.	As above.	As above.
Produce and implement handover plan for all programme materials/documents (either to a successor programme or to the PFRC MA). This should include learning products and case studies disseminated to relevant stakeholders.	Ensure handover is conducted effectively.	Final approval.
Produce asset management disposal plan	Ensure asset disposal plan is conducted effectively.	Final approval of the asset management disposal plan.
Cooperate with MA on production of the final lessons learnt report	Produce final lessons learnt report	Approve final lessons learnt report.
Cooperate with MA to produce end of intervention report	Produce end of intervention report	PFTD: approval of the end of intervention report.

## 11. Priority areas for technical assistance

EPICS PFM will strengthen, through technical assistance, the PA's PFM and tax capabilities. The programme will apply a problem driven and flexible approach, helping the PA to address specific problems, with an emphasis on building long-term capability of the PA to deliver solutions independently and sustainably in the long term. The selection of reforms to be supported will be informed by robust Political Economy and Conflict Analysis (PECA). Technical assistance may include, *inter alia*, support for policy development and implementation, the development of legislation, strategic planning and coordination of cross-cutting issues – all such support will fall within the domain of PFM and revenue reform.

The following have been identified as potential areas on which the programme may provide support. These should be taken as indicative rather than prescriptive. A work plan will be developed during the inception phase setting out the TA plan. If this is not approved by the PFRC HQ team the project will not continue. While the need for flexibility is recognised, there must be a clear plan of technical work throughout implementation to protect the value for money of the project.

### PFM – reform to underpin fiscal stability

**Intervention Area 1: support to the Macro-Fiscal Unit:** It is anticipated that EPICS PFM will support the Ministry of Finance's Macro-Fiscal Unit, potentially including support to:

- Developing, refining and embedding a medium-term fiscal framework;
- Strengthening the methodology for macro-economic forecasting model (using IMF's Financial Policy Programming) including work with counterparts on developing internal formulae and linkages and developing a more rigorous excel-based model;
- Reviewing the functions of the MFU;
- Improving performance in relation to debt analysis, research and use of IT systems; and

- Capacity building to sustainably improve the effectiveness of the Macro-Fiscal Unit.

**Intervention Area 2: support to the MoF related to expenditure side reforms.** It is anticipated that EPICS PFM will support basic but essential expenditure side reforms, potentially including support to:

- Strengthen capacity in resource allocation, planning and budgeting in the MoF;
- Ensuring that the chart of accounts is applied appropriately and consistently, including through development of clear guidelines on usage for budget preparation and execution;
- The introduction of programme-based budgeting and costing techniques;
- Conducting a stock-take of IFMIS/accounting software and other systems in place with a view to developing an IT strategy (including improvements to the budget preparation and execution modules in the BISAN system); and
- Strengthening the internal control environment, commitment controls, internal audit, procurement, and capital/assets management and accounting.

**Intervention Area 3: support related to planning and budgeting within priority sectors.** It is anticipated that EPICS PFM will work with the MoF and a selection of key line ministries to improve the quality of budget submissions, including through a stronger linkage to sector-level plans. This may include:

- Continuation of on-going work on strengthening of budget submissions and programme policy statements;
- Improvements in the analysis of budget submissions by the MoF;
- Capacity building in economic, social and climate-related impact assessments of budget submissions (including work to support the reinstatement of budget hearing sessions).

**Intervention Area 4: budget performance management.** It is anticipated that EPICS PFM will support efforts to embed a culture of budget performance management. This may include:

- Building the capacity of budget performance management units;
- Supporting the development of processes, systems and templates for quarterly and annual budget reporting on performance against approved budgets, including through work with selected line ministries;
- Develop systems, processes and templates for data collection from different systems (IFMISs, revenue management systems, etc.) and data manipulation and analysis; and
- Building staff capacity in the MoF to collate, analyse and succinctly report to senior PA officials on performance using concise policy briefs.

**Intervention Area 5: Tax Policy.** It is anticipated that EPICS PFM will support tax policy reforms. This may include:

- Support to the development of a culture of data-led decision making, including building an institutional risk based, data led approach to tax system design implementation;
- Support to the further development and implementation of a revenue strategy for the DG Revenue;
- Advice on options to widen and increase the domestic tax base, notably including work related to large taxpayers (including both businesses and high net worth individuals), taking into account the need to secure agreement and local buy-in; and

Advice and tools to enhance overall PA revenue policy, ensuring linkages through the Macro-Fiscal Unit in the MoF to expenditure policy and decision making.

**Intervention Area 6: Revenue Administration.** It is anticipated that EPICS PFM will support revenue administration reforms. This may include:

- Advice on compliance risk management;

- Support to tax audit (including field audit offices), investigation, risk management, collection, and enforcement, and the development & refinement of, and training of staff on audit manuals, and improving processes;
- Advice and support in optimizing tax departments and functions using the work done on a new organisational structure;
- Support for digital transformation of revenue administration, including options for process redesign, customization and implementation of a revenue management system, and training and capacity building on this system;
- Improve effectiveness of efforts to collect revenue from large taxpayers; and
- Focused work on VAT administration, including preparation for implementation of the newly drafted VAT Law, support to the E-VAT Committee to further improve VAT administration and enhance revenue collection and development of clearance processes.

**Other potential areas of work.** The above areas of work should be taken as indicative and further work will be required during inception to confirm priorities (see Section 8). Other potential areas of work could include:

- Improving public investment management, including procedures for project appraisal, prioritisation and development, the development of guidelines, templates and examples, and support to the Technical and Political Project Appraisal Committees; and
- Strengthening transparency and inclusion, building on progress to date in the MoF on GESI, improving linkages between the MoF and civil society (working as appropriate with other parts of the EPICS programme that will be focused on civil society issues); create awareness of policy versus evidence-based planning and budgeting and programme-based budgeting, possibly piloting with suitable sectors, thus strengthening the social contract.

## 12. Team requirements

Suppliers will be required to field a small core team (comprising a Project Management Unit and Core Technical Team). A substantial portion of the budget is expected to be reserved for a combination of short- and long-duration interventions. Suppliers will need to demonstrate the ability to field high quality consultants with relevant experience and expertise to fulfil the requirements of such interventions.

### Core team

The Supplier is required to establish a small core team, comprising a Project Management Unit (PMU) and Core Technical Team, with strong national representation, based in-country year-round to build strong, trusting relationships. We are especially interested in receiving proposals that ensure the inclusion of women and people with disabilities in the core team, including in leadership positions.

**Project Management Unit:** We envisage a PMU with responsibilities related to financial management of the project and human resource management (recruitment, contracting, mobilization and HR support for team members), programme risk management, client relationship management and quality assurance of deliverables.

We encourage Suppliers to propose an appropriate PMU structure that is realistic, has the flexibility to scale up and down rapidly if required, and is resourced to provide Value for Money. We require that this should include a senior staff member (a 'Project Director') with ultimate accountability to the MA for the performance of the Supplier on the contract.

**Core Technical Team:** The core technical team is expected to comprise:

Role	Responsibilities	Requirements	Expected level of effort	Expected location
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<b>Team Leader</b>	Leadership of the delivery team; overall responsibility for technical delivery; lead the team's engagement with the BCGJ programme team; own key senior counterpart relationships.	Demonstrable understanding of PFM and revenue reform issues; strong relationship management skills; strong leadership skills (leadership experience for substantial, long-term technical assistance programmes in fragile states highly desirable); experience in the OPTs is highly desirable.	Full-time	Substantially in-country
<b>Lead PFM Advisor (potentially deputy team leader)</b>	Lead the programme's work on PFM reform; oversee and contribute to design of PFM interventions; provide advice to key counterparts; oversight of delivery by long-term and short-term technical advisors; own key counterpart relationships related to PFM work; delivering selected TA interventions.	Demonstrable experience and expertise in PFM reform in a developing country context, including experience providing technical assistance and capacity building support; strong relationship management skills; experience in relevant operational contexts (experience in OPTs highly desirable).	Full-time	Substantially in-country
<b>Lead Revenue Reform Advisor (potentially deputy team leader)</b>	Lead the programme's work on revenue reform; oversee and contribute to design of revenue interventions; provide advice to key counterparts; oversight of delivery by long-term and short-term technical advisors; own key counterpart relationships related to revenue work; delivering selected TA interventions.	Demonstrable experience and expertise in revenue reform in a developing country context, including experience providing technical assistance and capacity building support; strong relationship management skills; experience in relevant operational contexts (experience in OPTs highly desirable).	Full-time	Substantially in-country
<b>PECA Lead</b>	Lead the development of the programme PEA and ensure it is updated appropriately on a quarterly basis; provide or oversee inputs as required to intervention-level PECAs.	Strong understanding of PECA good-practice; must have a deep understanding of the Palestinian context (or the Supplier must demonstrate how they will work in partnership with other advisors who do).	Part-time	As appropriate
<b>GESI Advisor</b>	Lead the development of the GESI section of the Approach Paper (to be produced during the	Strong understanding of GESI issues in the context of international development programming; experience	Part-time	As appropriate



	inception phase); identify opportunities to build gender and inclusion considerations into all interventions.	working in the MENA region.		
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The core team will need to include individuals with a:

- Strong understanding of revenue and PFM administration, processes and systems, and links between them and accountability and the broader governance agenda
- Strong understanding of FCDO, or similar development partner, programming;
- Strong understanding of the specific Palestine context and a demonstrable capacity to think and work politically;
- Knowledge of previous revenue and PFM reforms in the OPTs; Strong management, communication and interpersonal skills;
- Arabic language skills;
- Understanding of vulnerability and exclusion in the OPTs; and
- A deep understanding of governance and PFM issues, and strong interpersonal skills, able to support the PA's Minister of Finance effectively and serve as a trusted advisor.

We envisage that it will include a mixture of national, regional and international personnel. The team structure and membership should be designed to ensure resilience in terms of the Supplier's ability to continue delivering effectively in circumstances where individual team members are unable to deploy to the OPTs and/or to work on the programme.

### Access to experts

The Supplier will need to demonstrate its access to the expertise needed to deliver the requirements of the programme set out above. The Supplier will need to deploy a combination of national and international experts for short-term and long-term deployments under the EPICS PFM contract. The expertise required will relate to a broad range of PFM and revenue reform related tasks. Section 11 provides an indication of the areas of expertise that are anticipated to be required, but this should not be regarded as exhaustive.

The Supplier may form a subcontract with partners and/or demonstrate access to a pool of national and international experts and organisations in the above areas, with experience of, and relevant to, the context who are willing and able to work in the OPTs. Arabic language skills will be required for some deployments, and access to experts with Arabic language skills is therefore essential. We are seeking an efficient model without excessive management costs.

The Supplier will ensure an organizational model that enables a broad pool of national expertise can be drawn upon. The Supplier shall commit to use and strengthen local expertise and capacity when delivering the proposed solution, providing a clear rationale for how their proposed mix of local, regional, and international experts maximises Value for Money.

The Supplier must also demonstrate access to Arabic translators and/or interpreter support, including individuals with specific experience working on issues related to PFM and revenue reform (reflecting the expected need to translate documents and interpret meetings/workshops that include highly technical vocabulary).

## 13. Gender Equality and Social Inclusion

The Supplier should demonstrate a high level of ambition on GESI providing a GESI strategy for the project's delivery, with particular attention paid to maximising cross-cutting themes uniformly across all thematic areas. The Supplier should seek to maximise the benefits of EPICS PFM for women, youth, people

with disabilities and the most vulnerable and marginalised. This should include ensuring that the specific needs of women and girls, of people with disabilities and of other people from other vulnerable groups are considered in the design and delivery of the programme.

The Supplier will need to implement EPICS PFM in a way that accords with the FCDO's commitment to achieve GESI objectives, including ensuring compliance with the UK's International Development (Gender Equality) Act 2014. The supplier must pinpoint within their proposal specific opportunities in their Public Financial Management (PFM) and revenue interventions. These should address the systems, functions, and capabilities they believe will be necessary for a GESI responsive approach to be meaningful and effective. GESI should not be treated as a discrete component. The successful supplier will instead be required to demonstrate how GESI issues will be mainstreamed across the project and will be required to complete a scored section in their proposals on their GESI approach.

As set out in Section 9, GESI analysis will form a key part of inception phase work, including as part of the PECA, the Approach Paper and the design proposed interventions. The EPICS PFM inception phase should consider the gender and social power dynamics and the impact of revenue and PFM reforms in the OPTs on those, with the aim of ensuring that the design of the programme responds appropriately to those dynamics.

This analysis will need to be revisited regularly during the implementation phase. GESI analysis will be expected to inform the Supplier's choice, design and approach to delivering interventions throughout implementation.

GESI performance will be continually assessed throughout implementation through reporting and monitoring. The Supplier will be expected to work closely with the MA's MERL team to ensure that the GESI impact of EPICS PFM can be monitored and evaluated rigorously.

## 14. Political Economy and Conflict Analysis (PECA)

Thinking and working politically is one of the key delivery principles identified in Section 5.

The political economy context in which EPICS PFM will operate is complex and challenging, especially given the limited legitimacy enjoyed by the PA, and strong public scepticism about its use of public revenue. Given the weakness of the social contract, special effort will be required to consider how to bolster public confidence, including through measures that enhance transparency, and engage taxpayers / citizens in the design and delivery of services, as well as establishing clear, visible links between revenue raising and service delivery. Tax reform should be designed to encourage broader governance gains. There is a major risk that progress on even the most essential reforms (e.g., efforts to prioritise salary payments to essential personnel) may be derailed by political, institutional and personal rivalries, vested interests and taboos. For the project to be an effective catalyst and support for positive change, the EPICS PFM team will need to understand both how the external politics of the PA will influence scope for reform (e.g., in relation to the impact of Israel's leverage over the PA's fiscal situation) and the complex internal politics of the PA overall and of the key stakeholder PA institutions for the project. It will be essential that the project thinks and works politically, and uses PEA to inform its overall approach and everyday decision making. This will need to be achieved without becoming embroiled in the politics of the PA itself: the team will need to navigate a complex political arena effectively to support effective reform, without being seen to be 'manoeuvring' or influencing broader politics. Phasing of interventions will need to be carefully planned.

The operating context for EPICS PFM means that it is essential that the Supplier adopts a robust approach to conflict sensitivity throughout delivery of the programme. 'Do no harm' will be a fundamental principle of support – particularly as it relates to which partners HMG works with, who benefits from assistance, and how this is communicated. However, the Supplier will also be expected to go beyond 'do no harm' principles to include maximising opportunities for positive effect on peacebuilding and conflict dynamics, such as

improved community relations and enhanced mediation, and good governance. The supplier will need to ensure:

- That the team includes appropriate expertise in relation to PECA and individuals with a deep understanding of the political and institutional dynamics of PFM reform in the OPTs;
- That a detailed top-down evidence-based PECA is conducted in the inception phase;
- That a light touch review of the programme's understanding of the political economy context is conducted on a quarterly basis throughout the implementation phase, and that insights into the political economy gained by all members of the delivery team in the conduct of their work is harvested and used to inform programme decision making; and
- That the selection and design of each intervention conducted as part of EPICS PFM is informed by a systematic assessment of relevant political economy factors – in order to ensure that only politically feasible interventions are selected and that, once selected, they are designed and conducted in a fashion that maximises their chances of success given the political economy context and maximizes their contribution to building the social contract.

## 15. Monitoring, Evaluation, Reporting and Learning (MERL)

### Theory of Change

A draft theory of change statement for the project is set out in the box below. This remains provisional and is based on a number of assumptions, including the following:

- The security situation in the West Bank does not deteriorate to a point where EPICS PFM is unable to deploy advisors in-country (see also the Duty of Care section below);
- The economic, political and security situation in the West Bank remains sufficiently stable that opportunities for PFM and revenue reform will arise during the lifetime of the programme;
- The PA's capacity and will to implement reforms is not significantly reduced; and
- The PA remains extant or is replaced by another body that represents the Palestinian people and is willing and able to absorb TA support funded by the UK.

#### Theory of change statement

EPICS PFM will work to build demand for reform through engagement with key PA officials. Maintaining an up-to-date PECA, the project will use those insights in programmatic decisions, placing and supporting high-quality TA expertise in revenue mobilisation and PFM into the Ministry of Finance and selected MDAs. These activities will be agreed and actively managed to adapt and evolve in response to changes in the operating environment and reform context in the OPTs.

Assuming that the demand for change exists within the relevant counterpart MDAs, that there is both the capacity and the appetite to engage with FCDO support provided through TA, and that the project focuses on interventions that are in line with the delivery principles outlined above, these activities will contribute to:

- Strengthened capacity of PA counterparts to manage revenue mobilization and public finances effectively and equitably;
- Strengthened systems to deliver effective and equitable revenue mobilisation and PFM; and
- Improved and better implemented policies and procedures governing PFM and revenue mobilization.

Strengthened capacity means that the counterpart staff have the skills and abilities to do their jobs. Strong systems are appropriately structured and resourced, use efficient and effective tools, processes and models. Those systems are guided and governed by policies and procedures that are aligned with

effective and equitable tax and PFM, taking into account the priorities of different groups, particularly those most in need.

If those 3 objectives are delivered, and complemented by successful work with civil society to build demand for reform (through other parts of the EPICS programme), this will contribute to:

- Strengthened systems and capacities for public financial management and tax; and
- Strengthened systems processes and capacities for transparency, accountability and inclusion.

Contributing to these high-level outcomes will, in turn, contribute to the overarching EPICS goals of improved PA finances, better directed towards the equitable provision of quality public services and thus improving the viability, legitimacy and inclusion of governance and service delivery.

### MERL approach

In line with the PFRC programme-level terms of reference, the PFRC MA's MERL Team will have overarching responsibility for monitoring, evaluation and learning of the EPICS PFM contract. The MA will work collaboratively with the EPICS Monitoring and Evaluation Service Provider expected to be contracted by Post. The Supplier will be required to cooperate closely with the MA's MERL Team in order to facilitate effective MERL on EPICS PFM and will retain specific MERL responsibilities. This is set out in outline below and will be covered in greater detail in the MERL Plan to be developed by the PFRC MA MERL Team during the inception phase.

**MERL system design.** The PFRC MA will be responsible for establishing adequate and comprehensive MERL arrangements for and on behalf of the FCDO for the EPICS PFM programme. To do this, the PFRC Core Team MERL Advisor will be closely involved in the 3-month inception phase so that appropriate MERL systems are built into EPICS PFM systems and reporting arrangements from the outset.

Specifically, the PFRC MA MERL Team will lead the finalization and periodic updating of the EPICS PFM theory of change, logical framework and MERL Plan. The Supplier will be required to cooperate with the MERL Team to enable this, including ensuring timely access to relevant documentation, facilitating MERL Team meetings with counterparts as required, and engaging in constructive dialogue with the MERL Team, including providing inputs and feedback as appropriate throughout the process.

The Supplier should expect to operate in line with a flexible results framework on EPICS PFM, which will be reviewed regularly to ensure that it is able to evolve in line with the nature of the interventions being conducted and in response to the evolving circumstances and opportunities. This logical framework will utilize – where practicable – indicators drawn from the PFRC indicator menu already developed by the PFRC MERL Advisor, to enable effective nesting of the results framework within the broader PFRC results framework (however, this will not be mandated where it would be at the expense of relevance).

**Progress Monitoring.** The Supplier will have primary responsibility for the collection of the data and evidence required to monitor EPICS PFM's output and outcome level progress. This will be conducted in line with the MERL Plan produced by the MA's MERL Team.

The MA's MERL Team will hold the Supplier to account for the above. It is expected that an independent MERL provider will be contracted by Post which will conduct additional verification and monitoring activity as appropriate, in line with the MERL Plan and any direction from the EPICS PFM SRO.

**Reporting.** The Supplier will be responsible for producing regular progress reports. Progress reports will be reviewed by both the PFRC MA contract management team for EPICS PFM and by the BCGJ programme team. The Supplier will be expected to provide:

- **Monthly progress dashboard:** This should be provided for the preceding month by the end of the fifth working day of the month. The format will be confirmed during inception but is expected to involve a light touch update on progress (including activity starts/ ends and changes), political economy developments and any emerging risks and issues;
- **Monthly risk register update:** An updated version of the risk register (and accompanying change log) should be submitted by the end of the fifth working day of the month.
- **Quarterly Progress Report:** This formal report should be provided by the end of the tenth working day of the first month of the following quarter. The exact format will be confirmed during inception, but it is expected that this will include: a more detailed update on progress against the work plan; issues and risks from the previous quarter and for the next one; an updated risk register; summary of progress against the logframe; financial information including expenditure in the quarter, and an update on the financial forecast; summary of changes in programming that affect Output milestones; reflections on progress and challenges, and an update on the political economy context;
- **Value for Money reporting:** See Section 16; and
- **Financial reporting:** See Section 18.

**Progress meetings.** The Supplier will be required to attend regular progress meetings with the EPICS PFM SRO, the PFRC MA's Contract Responsible Officer for EPICS PFM (and other members of the BCGJ programme team and PFRC MA contract management team as appropriate). This will be at least fortnightly during the inception phase and is anticipated to be also fortnightly during the implementation phase of the project. These meetings should be attended routinely by the Supplier's Team Leader and relevant members of the Supplier's PMU.

The Supplier will need to make sure relevant personnel can be available for additional ad hoc meetings with the BCGJ programme team as required, including at short notice.

**Evaluation.** The BCGJ programme team will lead annual reviews of EPICS PFM's performance (as part of the overarching PFRC annual review process).

The PFRC MA will conduct any additional in-depth evaluative work required (e.g., mid-term evaluations, final evaluations, deep dive evaluations into the project's work in particular areas) in line with the EPICS PFM MERL Plan and direction from the EPICS PFM SRO and PFRC SRO. The Supplier will be expected to contribute to such reviews.

**Learning.** In such a dynamic context, and with a flexible and responsive programme, strong systems will need to be put in place to capture programmatic decisions made and the rationale for each. Furthermore, regular opportunities for reflection should be put in place to enable Supplier staff and consultants to share their experiences and take a more strategic view of progress, challenges and opportunities. This should include debriefing with consultants on short-term assignments, as well as counterpart feedback. The MA will support this learning.

The Supplier shall take appropriate measures to enable effective knowledge management. All programme documentation, deliverables and outputs must be stored securely and in a manner that makes them easily accessible by the BCGJ programme team and PFRC MA contract management team. All documentation Deliverables/Outputs must be produced in Microsoft Office compatible format unless otherwise agreed.

## 16. Value for Money and Social Value

Suppliers will need to ensure that Value for Money is considered in all aspects of their delivery of EPICS PFM. The EPICS PFM programme will be expected to utilise a Value for Money (VfM) approach that can be nested within the broader PFRC VfM Framework, which in turn is based around the FCDO's guidance note on VfM for Service Providers (FCDO, 2020) and the 5 Es model. The Supplier will need to deliver EPICS PFM in a manner that drives value for money in relation to:



- **Economy.** Controlling costs, without compromising quality, including through effective fee rate negotiations during recruitments, a rigorous approach to conducting any procurement required through systematic procedures to control costs (e.g., in relation to flight and accommodation costs);
- **Efficiency.** Turning inputs into outputs effectively, including through deployment of high-quality consultants, an appropriate team mix and rigorous project management systems. The PFRC is designed to be a streamlined offer and risks of excessive management costs (both in terms of time and money) will be closely monitored and managed.
- **Effectiveness.** Achieving outcomes and demonstrating impact. Coherence of outputs, targeting the right beneficiaries, scaling up and sustainability of outcomes are all related to effectiveness.
- **Cost Effectiveness:** Achieving effectiveness and maintaining quality at the lowest possible cost.
- **Equity.** Ensuring that inclusion is addressed in delivery and the benefits reach disadvantaged groups. The Management Agent will be monitoring performance against inclusion of women and people with disabilities in the project team.

The Supplier will be required to submit an annual value for money report with content reflecting direction provided by the PFRC MA's Value for Money Advisor. The Supplier will also be required to cooperate fully with the MA Contract Management Team in relation to any reasonable requests it may make in order to fulfil its functions in relation to monitoring and evaluating the Supplier's Value for Money performance in delivering the EPICS PFM contract.

PFRC aims to deliver social value through, inter alia, diversity and inclusion in its supply chain, in its own workforce and in the workforce of its supplier network. Bid evaluation criteria for each PFRC procurement will incorporate a social value element. The Supplier should design and operate the project in a manner which embraces PFRC's commitment to delivering social value and contributes to delivery against that commitment, including through identifying opportunities to include women and people with disabilities in their delivery team and supply chains.

## 17. Risk management

The overall risk for EPICS PFM is currently assessed as **major**. This rating reflects the challenging and volatile security and political context in which the project is expected to operate and the flexible design of the intervention.

The Supplier will have responsibility for managing risk appropriately on EPICS PFM, working in close partnership with the MA's contract management team for EPICS PFM and the BCGJ programme team. The Supplier shall be proactive in identifying risks or threats to programme delivery and shall identify appropriate risk mitigation measures for identified risks. In the case of key risks that could have a material impact on the ability of EPICS PFM to function and/or achieve its objectives, the Supplier will be expected to escalate risks to the PFRC MA at the earliest opportunity and to conduct detailed contingency planning.

The Supplier will be required to comply with the PFRC's risk management approach, including utilisation of a standard risk reporting template/system that enables nesting of project-level risks within the broader PFRC risk management framework.

The Supplier's responsibilities include developing and maintaining the EPICS PFM risk register, which will need to follow a format specified by the PFRC MA (to enable it to be nested within the broader PFRC risk register). The register will encompass both risks and live issues. A complete risk register will need to be submitted during the inception phase (see Section 8) and an updated risk register (and accompanying change log) will need to be submitted to the PFRC MA and BCG programme team on a monthly basis. The Supplier will need to provide updates on emerging risks, changes to the assessed likelihood of previously identified risks and developing issues as part of regular progress meetings with the PFRC MA and BCG programme team. The Supplier will be responsible for timely escalation of risks and will therefore also need to be ready to provide ad hoc oral and/or written reports on critical changes in risks where appropriate.



More detail on the Supplier's responsibilities in relation to certain key risk areas (duty of care; safeguarding; information security; cyber security; legal and compliance) are set out in the sub-sections that follow.

### Duty of Care

The Supplier shall develop their Tender response on the basis of being fully responsible for Duty of Care. Specifically, but not exhaustively, the Supplier will be responsible for ensuring:

- The safety and well-being of their Personnel and any parties sub-contracted by them in the course of delivering EPICS PFM;
- The provision of appropriate security arrangements and documentation required for in-country personnel;
- The provision of suitable security arrangements for their domestic and business property;
- That appropriate safety and security briefings are provided for all of their Personnel working under this contract prior to their deployment and at appropriate junctures thereafter;
- That all team personnel deployed to the OPTs (or who will spend more than 5 days in Israel and/or the OPTs in the course of their EPICS PFM duties) have received appropriate SAFE and/or HEAT training from a reputable training provider within the past 12 months (and such training must be repeated on an annual basis, so that no personnel are deployed whose last SAFE and/or HEAT training occurred more than 12 months previously). The cost of such trainings should be budgeted for by the Supplier;

If a Bidder is unwilling or unable to accept responsibility for Duty of Care as detailed above, their Tender will be viewed as non-compliant and excluded from further evaluation.

The Supplier will develop and maintain a Security Management Plan – building on the Duty of Care and security risk management procedures set out in its response to these terms of reference - detailing all aspects of managing security threats associated with the provision of these services. The Security Management Plan will be delivered to the PFRC MA contract management team within 20 days of the Start Date and the Supplier will report progress towards the implementation of the Security Management Plan in its monthly meetings with the PFRC MA.

### Safeguarding

The Supplier and any sub-contractors or partner organisations it may use in the delivery of EPICS PFM must have safeguarding policies and procedures to ensure that every person, regardless of their age, gender, religion or ethnicity, can be protected from harm through involvement, directly or indirectly, in the programme. This includes sexual exploitation and abuse but should also be understood as all forms of physical or emotional violence or abuse and financial exploitation.

The Supplier must demonstrate a sound understanding of the ethics of working in this area and must apply these principles throughout the lifetime of the programme to avoid doing harm to beneficiaries. In particular, the Supplier should recognise and mitigate the risk of negative consequences for women, children, and other vulnerable groups.

In line with FCDO standards, suppliers will be required to take the lead in incorporating robust environmental and social safeguards into their processes. This ensures that the interventions uphold the highest standards of safeguarding and protection, promoting sustainable development that respects the rights and well-being of all Palestinians.

To ensure social and economic justice for the Palestinian people, project delivery must prioritise adherence to the FCDO's core principles of preventing harm. This entails ensuring that project interventions do not perpetuate unequal power dynamics, reinforce social exclusion or predatory institutions, escalate conflict, pose human rights risks, or exacerbate issues like resource scarcity, climate change, and environmental damage.

These principles should encompass several key aspects:

- The Supplier should take proactive measures to prevent harm or abuse, prioritising the well-being of individuals and communities, including vulnerable groups such as women, persons with disabilities, children, and other marginalised populations;
- Project responses to safeguarding concerns should be balanced and proportionate to the level of risk and harm involved, ensuring interventions are neither excessive nor insufficient, especially when addressing the needs of marginalised and vulnerable populations;
- Suppliers should hold individuals and organisations accountable for their actions and decisions related to safeguarding, including timely reporting and appropriate responses to concerns, with special attention to protecting the rights of women, disabled people, and the well-being of vulnerable populations;
- Safeguarding concerns, particularly those involving vulnerable groups should be managed with confidentiality and privacy to the extent possible, while still ensuring that they are appropriately addressed, and that the safety of all individuals is upheld); and
- The Supplier should strive to prevent the creation or worsening of resource scarcity while also reducing vulnerabilities to shocks and trends within communities.
- Additionally, the Supplier must acknowledge the importance of not displacing or weakening local capacity or imposing unnecessary financial burdens on partner governments.

### Information security

This project will be run at OFFICIAL level. There are no existing requirements to receive or produce material at SECRET or above. However, there is a possibility that information generated by the programme could be considered highly sensitive. These will be discussed on a case-by-case basis with the FCDO to agree whether it should be classified at above OFFICIAL and to move to the appropriate handling level.

Project delivery may require members of the Supplier's team to handle personal data (e.g. data on taxpayers). Where this is the case, the Supplier will need to operate rigorous controls that comply with both UK law and any relevant laws and regulations in the OPTs.

### Cyber Security

EPICS PFM and its suppliers are likely to be the target of cyber-attack during the life of the project. The Supplier is required to report all successful and unsuccessful cyber-attacks on the Supplier within set timeframes (e.g., within 24 hours for a successful cyber-attack on the Supplier).

The Supplier must ensure that every effort is made to provide the project with effective cyber security provision. All IT must have up-to-date encryption installed, and its make/type should be specified in the proposal.

The details on communication between the Supplier, the PFRC MA and the BCGJ programme team will be confirmed once the contract has been awarded. The Supplier will provide a method of secure electronic communication (e.g., email or file transfer) which will enable the Parties to share sensitive information securely. It may include an end-to-end encrypted email service or file transfer system. Files must also be password protected, as a minimum. The Supplier may be required to work with the PFRC MA's IT team to ensure the communication method can be accessed securely by the PFRC MA.

The Supplier will maintain valid Cyber Essentials Plus certification throughout the contract.

### Legal and compliance

The Supplier is required to comply with its legal obligations in relation to both UK law and the laws of the jurisdictions in which it operates in order to deliver the contract.

In particular, the Supplier must have, or must set out in its proposal a viable plan to establish, a platform and the licences required to operate in the OPTs by the proposed contract commencement date. We encourage organisations to begin the registration process as early as feasible to ensure this date is met.

### Counter-Terrorism and Anti-Money Laundering Compliance

Terrorism and money laundering are serious threats, and there is an increasing risk that resources could be diverted for use by terrorist organizations or for money laundering activities. The FCDO is responsible for protecting its funds from such diversions and must comply with both domestic and international law.

Under the Terrorism Act 2000, it is illegal to provide material assistance and support to individuals or groups knowing or having reasonable cause to suspect that it will or may be used for terrorist purposes. This includes activities such as fundraising, use and possession of money or other property, and funding arrangements. Similarly, the UK's Anti-Money Laundering (AML) regulations, primarily outlined in the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, require stringent measures to prevent funds from being used to launder money or finance illegal activities.

The FCDO takes its responsibility for protecting its funds from diversion to proscribed organizations and for preventing money laundering seriously and expects its partners to do the same. In line with UK legislation, the Management Authority (MA) is accountable to the FCDO for ensuring that it is not inadvertently funding or providing humanitarian goods to terrorist organizations or enabling money laundering through PFRC. The MA will hold the Supplier accountable for ensuring that this does not occur under the project.

The Supplier must therefore:

- Show an **understanding of the risks** of terrorist financing and money laundering, and the importance of compliance with relevant legislation.
- Have **robust policies and procedures** in place to ensure compliance with UK counter-terrorism and AML legislation, preventing any resources from being diverted to terrorist organizations or used for money laundering.
- Establish **clear protocols for reporting** any suspected cases of terrorism financing or money laundering to the appropriate authorities.  
Be **held accountable** by the MA for ensuring that no funds or resources are inadvertently diverted to terrorist organizations or used for money laundering.

## 18. Financial management

The anticipated budget ceiling for the contract is £15,000,000, including both the initial 36-month contract period and the potential 36-month extension period. The funding will be 100% ODA. The contract may be extended in duration or value at the sole discretion of the MA acting on the direction provided by HMG.

The maximum budget available per year for EPICS PFM will be determined as part of the annual budget and work planning cycle for EPICS PFM, based on the annual programme budget made available to the BCGJ, and taking into account demand for support from the PA, the political economy environment and other relevant contextual factors. Any in-year changes to the annual budget will be agreed in writing with the Supplier and will be accompanied by an updated annual workplan, delivery schedule and payment schedule. Where funds allocated to a given year is not fully spent, any unspent annual budget will not be automatically transferred to the next financial year.

Contract delivery will be in three phases:

- Inception (3 months);
- Implementation (30 months, extendable); and,
- Exit (3 months).

### Budgeting

A detailed budget for the core functions provided by the core team will be agreed annually between the Supplier, MA Contract Management Team for EPICS PFM and BCGJ programme team. The first such budget will be agreed during the inception phase (see Section 8).

The Supplier will provide fully costed proposals for individual interventions on a draw-down basis during the term of the contract. These proposals will be approved by the BCGJ programme team as part of the annual work planning process or on an individual basis (where the need for interventions is identified during the programming year). Costed proposals will be provided on a Time and Materials basis.

The Supplier will submit a monthly forecast to the MA Contract Management Team by the 5<sup>th</sup> working day of the month in a format specified by the MA. The MA will combine the Supplier's forecast for their work on EPICS PFM with the MA's forecast for fees and expenses related to the MA's contract management and MERL work on EPICS PFM and submit it onwards to the BCGJ programme team. The MA will be expected to ensure a high level of forecast accuracy and will be assessed against this on a monthly basis as part of the Tier 1 KPI assessment process.

The Supplier will be expected to adhere to guidance provided by the MA in relation to the invoicing process. This guidance will be shared once the contract has been awarded.

The Supplier shall submit an audited financial report for the project based on the UK financial year within three months of the end of the financial year.

The MA's internal audit team will periodically conduct audits of the Supplier's delivery of EPICS PFM focused on compliance with contractual and legal obligations and good practice management.

The Supplier is required to ensure the highest standards in relation to maintaining, controlling and reporting on any assets purchased with project funds, mitigating against theft, damage or loss. An asset management plan should be developed if assets exist and/or created within the delivery plan for EPICS PFM. The BCGJ programme team will then determine how the assets are disposed of at the end of the programme as part of the closure activities. All assets will be disposed of in a way that represents best value for money with a clear record of decision making, including approval by the EPICS PFM SRO and in accordance with relevant legislation on asset disposal.

## **Payment**

The Supplier will be required to report and receive payment in British Pound Sterling (GBP). Managing exchange risk fluctuations is entirely the responsibility of the Supplier. The provision of services will be paid in accordance with the provisions of the PFRC Subcontractor Terms and Conditions.

Payments will be made in arrears with payment triggers linked to a combination of output milestones and assessment of the Supplier's KPI performance. Payments may be partially or wholly delayed where output milestones are not met or where KPI performance falls below an acceptable level, and may be withheld altogether where performance is below the required standard or fails to improve to the required standard despite appropriate warnings (see Annex A for more detail).

EPICS PFM will utilise milestone-based payment mechanism:

- The Supplier's fees – not including the Supplier's gross margin – will be invoiced on a monthly basis in arrears based on achievement of EPICS PFM's Tier 1 KPIs (see Annex A). All daily rates must be based upon an eight-hour working day: it is prohibited for the Supplier to invoice for more than 8 hours of work per worker per day. The fees shall be paid in accordance with the rate card set out in the Commercial Pricing Schedule;
- The Supplier's gross margin on fees incurred in a given quarter will be retained and paid in arrears on the basis of a quarterly assessment of Tier 2 KPIs (see Annex A); and
- Reimbursement of actual expenses incurred by the Supplier in a given quarter will be paid in arrears based on achievement of quarterly output-payment milestones. The Supplier may not make margin on

expenses. For the inception phase output-payment milestones consist of the achievement of delivery to a high standard of the inception phase milestones identified in Section 8. For the implementation and exit phases, quarterly output-payment milestones will be confirmed on an annual basis subsequent to approval of the relevant annual work plan. The milestones and corresponding payment schedule will be initially agreed between the MA contract management team and the Supplier, and subsequently submitted to the EPICS PFM SRO for final approval.

These arrangements may be amended by mutual agreement of the FCDO, PFRC MA and the Supplier.

The Supplier must notify the MA immediately if it becomes apparent that the cost of delivering core team functions for a given year will exceed the agreed budget or if the cost of delivering a call-down intervention will exceed the agreed budget for that intervention, and shall only proceed with and be paid for the relevant Services in excess of the agreed budget with the prior written consent of the MA.

The Supplier's invoices must always include an appropriate breakdown of the fees and/or expenses contributing to the invoice total. This breakdown will clearly distinguish between fees and/or expenses related to the core functions of the Supplier and call-down interventions. The precise nature and level of detail of this breakdown shall be agreed between the MA Contract Management Team and the Supplier.

At the request of the PFRC MA, the Supplier shall provide relevant supporting documentation including but not limited to all relevant timesheets, receipts (if applicable), a list of Services to which the invoice relates and a reference to the Contract and Commercial Pricing Schedule, as well as any other information as reasonably requested by the MA from time to time.

## Annex A: draft EPICS PFM Service Levels - KPIs

**Tier 1 KPIs.** Tier 1 KPIs will be assessed on a monthly basis.

KPI	Sub-criteria	Measured by	Weighting
Financial management	Forecasts submitted on time.	MA logs submission date.	20%
	Forecast variance at or below 5%.	Supplier states variance from forecast when submitting invoice (MA validates).	30%
Monthly Dashboard	Monthly Dashboard is submitted to schedule and is of a high quality.	MA logs submission date; MA assesses quality and compliance with agreed requirements.	50%

**Tier 2 KPIs.** Tier 2 KPIs will be assessed on a quarterly basis.

KPI	Sub-criteria	Measured by	Weighting
Economy (Value for Money)	Robust cost control in line with contract.	MA assessment based on Supplier invoices and Value for Money evidence submitted in quarterly reports.	20%
Quarterly Reporting	Reports submitted to schedule and are of a high quality.	MA logs submission date; MA assesses report quality and compliance with agreed requirements.	20%
Risk Management	Updated risk register submitted to schedule. Risks are quickly identified and are managed appropriately.	MA logs submission date; MA assessment based on review of risk register, reports, and discussions with Supplier and FCDO programme team.	10%
Resourcing	Core team fully resourced, with an appropriate mix of high quality personnel. Timely identification and deployment of appropriate, high quality personnel to meet requirements.	MA assessment based on Supplier reporting on any core team gaps and assessment of CVs proposed to meet identified requirements; assessment of core team performance based on reports, meetings, progress against the work plan, and feedback from counterparts and the FCDO programme team.	20%
Timely and high quality technical delivery.	Technical deliverables and reports are submitted to schedule and are of a high quality.	MA logs submission dates; MA assessment of quality of deliverables; feedback from counterparts and the FCDO programme team.	20%
Effective cooperation with PFRC MA	Working satisfactorily and collaboratively with: (1) PFRC contract management team; (2) PFRC MERL Team; and (3) ASI internal audit team.	Feedback from these teams.	10%

**KPI scoring.** KPI sub-criteria will be scored on a six-point scale, as follows:

Score	Definition	Impact on payment of at risk funds
<b>6</b>	Responsibilities met with performance at a very high standard	Full payment of portion at risk.
<b>5</b>	Responsibilities met with performance at a good standard	Full payment of portion at risk.



<b>4</b>	Responsibilities largely met, but with some minor issues or omissions.	80% of funds at risk paid.
<b>3</b>	Responsibilities partly met, but with significant issues or omissions.	50% of funds at risk paid.
<b>2</b>	Responsibilities largely not met, with very significant issues or omissions.	0% of funds at risk paid.
<b>1</b>	Responsibilities not met, serious under-performance.	0% of funds at risk paid.

Suppliers will never be scored below a 5 on a sub-criteria where they cannot reasonably be considered to bear some responsibility for under-performance in relation to that sub-criteria.

Funds at risk that are not paid will normally be held back and added to the funds at risk during the next assessment of that tier of KPIs. However, where a Critical Service Level Failure occurs the funds at risk may, at the discretion of the MA, not be paid at all. A Critical Service Level Failure will be considered to have occurred where the Supplier:

- Score 1 against any KPI sub-criteria during a KPI assessment;
- Score 2 against more than one sub-criteria during a KPI assessment;
- Scores 3 against the same sub-criteria on at least three occasions during the contract term, and there is not evidence of consistent improvement.

**Worked example.** Below we illustrate how the fees-at-risk system works, taking the hypothetical example of a Tier 1 KPI assessment where the initial invoice value is £100,000.

On this occasion the Supplier has scored a 5 or 6 in relation to three of the four sub-criteria. However, the Supplier has scored a 3 on forecast variance, reflecting a significant forecast inaccuracy. This means that 50% of the funds-at-risk tied to forecast variance at risk will be held back until the next assessment, when they'll be added to the fees at risk. Since this sub-criteria is weighted at 30%, there is £30,000 tied to forecast variance, meaning that £15,000 will be held back. As a result the Supplier will be paid £85,000 instead of £100,000.

KPI	Sub-criteria	Measured by	Weighting	Funds at risk	Score	Funds paid	Funds held-back
Financial management	Forecasts submitted on time.	MA logs submission date.	20%	£20,000	5	£20,000	-
	Forecast variance at or below 5%.	Supplier states variance from forecast when submitting invoice (MA validates).	30%	£30,000	3	£15,000	£15,000
Monthly Reporting	Reports submitted to schedule and are of a high quality.	MA logs submission date; MA assesses report quality and compliance with agreed requirements.	50%	£50,000	6	£50,000	-
<b>TOTAL</b>						<b>£85,000</b>	<b>£15,000</b>