

**TERMS OF REFERENCE
POVERTY IMPACT FUND
FUND MANAGER**

Introduction

1. DFID, the Department for International Development, is responsible for leading the British government's fight against world poverty. A central focus of DFID's policy is a commitment to the internationally agreed Millennium Development Goals (MDGs) including the target to halve the numbers of people living in absolute poverty by 2015.
2. DFID recognises the key role civil society plays in contributing to the achievement of the MDGs and has a range of policy and funding relationships with a diverse range of civil society organisations (CSOs) in the UK and overseas. These include international non-governmental organisations, community based organisations, trade unions, faith and diaspora groups.
3. DFID has five objectives for its work with civil society:
 1. deliver goods and services effectively and efficiently;
 2. empower citizens in developing countries to be more effective in holding donors, governments, private sector to account;
 3. enable civil society to influence, advocate and hold to account national, regional and international institutions and increase aid effectiveness;
 4. work in partnership with other UK Government Departments to build support for development ;
 5. build and maintain capacity and space for an active civil society.

The Poverty Impact Fund (PIF)

4. To complement its other central funding streams for civil society, DFID intends to establish a new Poverty Impact Fund (PIF). The PIF will support innovative and effective civil society organisations to contribute more effectively to the achievement of the MDGs.
5. The PIF will be a demand-led fund supporting projects focused on poverty reduction, service delivery and the most off-track MDGs in poor countries. Projects will be selected on the basis of demonstrable impact on poverty, clarity of outcomes, effectiveness and value for money.
6. The PIF will agree grants worth £40 million per year for three years, leading to a total DFID contribution of £120 million being disbursed over the full five to six year life-span of the fund. This will include up to £13m worth of grants agreed as part of the Additional Support to CSOs (ASCOS - December 2009) scheme which will be rolled into the PIF but managed by a separate Fund Manager.
7. Initially, the PIF will comprise of two funding windows tailored to different types and sizes of organisation:

- **Innovation Grants:** for small UK-based CSOs (annual average turnover < £500,000), encouraging innovative approaches to poverty reduction.
- **Impact Grants:** for UK-based CSOs working on poverty reduction programmes at larger scale in one or more poor countries. This window is also available to locally registered NGOs in countries where DFID has a country office.

8. DFID may consider adding an **Investment window**, for larger organisations that have strategic and policy relevance to DFID, at a later stage. This window would probably be managed in-house by DFID.

9. The PIF will provide funding with a maximum contribution of £250,000 for an Innovation Grant and £2 million for an Impact Grant. The project duration for both types of grants will be up to 3 years. Applicants are expected to contribute matched funding – a minimum of 25% for innovation grants and 50% for impact grants.

10. DFID expects ten per cent of the PIF (£12m over 3 years) to be allocated for the Innovation Window and 90% (£108m over 3 years) for the Impact Window. This will however depend on the amount and quality of applications for each window.

11. For the £12m Innovation window, it is estimated that an average project will cost £200,000 – this would mean approximately 60 projects in total. If the £12m is distributed evenly over the 3 years, this would lead to approximately 20 projects receiving £4m of funding each year.

12. The funding spread for the Impact Window is expected to be structured differently. For 10/11 it will consist of the 22 strongest projects (£13m worth of grants) agreed through the ASCSO scheme. If there is insufficient time to agree further funding for Impact projects in 10/11, the remaining £95.4m will be split over 2011/12 (£40m) and 2012/13 (£55.4m). It is anticipated that these projects will on average cost £1.8m and that approximately 22 projects will be agreed in 2011/12 and 31 projects in 2012/13.

13. An early estimate for both the Investment and Impact Windows across the next five to six years (excluding ASCSO projects) is:

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Innovation	£650,000	£2,450,000	£3,800,000	£2,500,000	£1,800,000	£800,000
Impact		£6,000,000	£15,000,000	£40,000,000	£28,000,000	£6,400,000
Total	£650,000	£8,450,000	£18,800,000	£42,500,000	£29,800,000	£12,200,000

Note: The costs for Fund Management will be in addition to these figures.

14. Bidders should note that DFID is currently holding a public consultation on the PIF design, which may result in some adjustments relating to the Innovation and Impact Window criteria. None of these will have any material impact on the Fund Manager tasks. The proposed parameters for the PIF Innovation and Impact Windows can be found on DFID's website at <http://www.dfid.gov.uk/Working-with-DFID/Consultations/Public-consultation-on-the-design-of-the-new-poverty-impact-fund/>. The PIF Project Document outlining PIF project details, implementation and risks is attached at **Annex A**.

15. DFID anticipates a high degree of interest in the PIF. Based on experience with other centrally managed DFID funding schemes for civil society, we expect in the region of 500 applications per year across the two windows.

16. Decisions on PIF funding will be made by the PIF Board, based on assessments and recommendations from the Fund Manager. The PIF Board will comprise of stakeholder representatives and lay-people to be recruited by DFID externally.

17. In addition to the contract for the PIF Fund Manager, DFID is setting up two other contracts to ensure that the Fund operates effectively: (i) Due diligence checks (assessing each organisation prior to funding) to manage risk; and, (ii) Evaluation Manager: responsible for independent evaluation of the Fund and to advise on an effective framework for assessing development results. The Fund Manager is expected to coordinate work closely with the Evaluation Manager to ensure coherence in how this work will be managed.

18. The contract for the Fund Manager will be for 36 months with an option to extend for a further 24 months, subject to continuing needs and satisfactory performance including a clear demonstration of value for money. This will be assessed against the delivery of results and the achievement of effectiveness and efficiency improvements in fund operations and systems as set out by the Fund Manager.

Overall Responsibilities

19. The Fund Manager will be responsible for the technical appraisal, performance assessment and all day to day administration of the two PIF windows. This will entail:

- providing advice and guidance to all enquirers about the Fund;
- completing professional appraisal of all Concept Notes;
- completing professional appraisal of all Proposals (including budgets and logframes) with due consideration of environmental impact, value for money and the need to demonstrate results;
- providing funding recommendations to the PIF Board;
- providing Secretariat function for the PIF Board;
- providing constructive feedback to all unsuccessful applicants;
- negotiating and agreeing logframes and detailed project budgets for all successful applicants (logframes must be jointly agreed with Evaluation Manager prior to sign-off);
- confirming prescribed match-funding and managing match-funding throughout the life-time of the grant;
- issuing all grant agreements;

- checking, authorising and processing payment of all grant claims;
- providing timely advice and effective guidance to all grant holders;
- developing and implementing a strategy for lesson learning in agreement with the Evaluation Manager;
- appraising all annual reports and project completion reports as well as a sample of evaluation reports;
- submitting to DFID an inception report (after 6 months) and six monthly progress reports to DFID on the Management Contract and Fund;
- maintaining a comprehensive database and financial and performance records of all grants and applications;
- ensuring all beneficiary organisations conform to the UK Aid Transparency Guarantee, including publishing information on their websites (including but not limited to the proposal, budget, results and any reviews – see <http://www.dfid.gov.uk/Media-Room/News-Stories/2010/The-UKAid-Transparency-Guarantee/>) and DFID’s policies on Equality and Diversity.

20. DFID puts a premium on efficiency and value for money in all its operations. As such, the overall transactional effort and management process (from assessing applications to monitoring impact) is expected to be proportionate to the value of grant funding and the risks involved. The Fund Manager should set out plans for improving fund operations and systems, specifying targets for efficiency savings and improved effectiveness. This should include details on Quality Control procedures that enable continuous monitoring of fund operations and systems improvements that result in efficiency savings and improved effectiveness. The Fund Manager should also set out plans for monitoring the efficiency of organisations receiving PIF grants and providing them with timely assistance to improve their systems.

Specific Tasks

PIF Concept Notes (Impact Grants only)

21. Using the criteria set out for the PIF, the Fund Manager will:

- deal with ad hoc enquiries about PIF concept notes, selection criteria and application processes on a daily basis;
- undertake a full and comprehensive appraisal of all Concept Notes, including an assessment of the capacity of all applicants to deliver the proposed projects and potential risks;
- provide comprehensive feedback to all rejected applicants within four weeks of receipt of the Concept Note, making feedback documentation available to DFID on request;

- provide successful applicants with an invitation to submit a full proposal within four weeks of receipt of the Concept Note, making this correspondence available to DFID on request;
- manage a quality control process to ensure consistency of recommendations;
- maintain a database with records of all Concept Notes and subsequent correspondence

22. The Impact Window of the Fund is expected to receive large numbers of Concept Notes which do not meet the selection criteria. The Fund Manager must be able to produce rejection letters which are worded sensitively, in plain English and which can be used constructively by the applicant to improve subsequent applications.

23. If the Fund Manager identifies a Concept Note which they feel is potentially sensitive for any reason they must inform DFID before issuing any feedback.

PIF Proposals (Innovation Grants and Impact Grants)

24. Using the criteria set out, the Fund Manager will:

- deal with ad hoc enquiries about proposals, selection criteria and application process;
- undertake a full technical appraisal of all PIF proposals with due consideration for gender and other cross cutting issues, environmental impact, risks, value for money and the need to demonstrate results. This includes a comprehensive review of the logical framework and the budget, as well as an assessment of the technical capacity and operational capability of applicants to deliver the proposed outputs;
- review the applicants annual accounts and Articles of Association or other appropriate documentation;
- manage a quality control process to ensure consistency of assessment;
- maintain database with records of all Proposals and subsequent correspondence
- provide DFID and the PIF Board with summaries of all technical appraisals;
- produce a statistical breakdown on proposals received and funded (including but not limited to a breakdown by type of organisation, geography, level of risk/opportunity);
- produce and obtain DFID agreement on a list of fundable proposals that will be issued to relevant DFID Country Offices / UK Embassies and Policy teams for comment. The Fund Manager will send a representative to DFID to present and discuss the list as part of this process;

- request, collate and analyse comments on proposals from relevant DFID Country Offices / UK Embassies and Policy teams;
- produce a list of proposals recommended for funding for the PIF Board. The Fund Manager will send a representative to the PIF Board meeting to present and discuss final recommendations as part of this process;
- provide DFID with input for an information note for Ministers on PIF recommendations.

25. Once projects to be supported and rejected have been finally agreed the Fund Manager will promptly:

- prepare and issue letters informing each applicant of the outcome of their proposal;
- prepare and issue feedback letters for all unsuccessful PIF applicants;
- deal with requests for clarification or complaints from unsuccessful applicants.

26. DFID's Civil Society Department will provide contact details for relevant DFID country offices, desks and policy teams for comments on proposals.

27. DFID anticipates that the Fund will receive large numbers of unsuccessful proposals. The Fund Manager must be able to produce rejections letters which are worded sensitively, in plain English and can be used constructively by applicants to improve future applications.

PIF Board Secretariat

28. The Fund Manager will act as the PIF Board Secretariat. This will include arranging Board meetings, preparing agendas and background documents, and taking and issuing minutes. In addition to an introductory meeting in November, we anticipate that the PIF Board will meet twice a year, in connection with each funding round.

29. DFID will recruit the PIF Board members and chair the Board meetings.

Funding seminars

30. The Fund Manager will design, organise and deliver up to four funding seminars to be held in the lead-up to the PIF funding rounds, as required.

Annual Reports, Project Completion Reports and Evaluations

31. All PIF funded projects will be required to produce an annual report detailing progress towards the outcomes in the project logframe, an independent external evaluation towards the end of the project, and a Project Completion Report once the project has finished. These reports will be submitted to the Fund Manager who will:

- undertake a full and comprehensive appraisal of all annual reports and project completion reports, as well as a sample of evaluation reports as agreed with DFID and the Evaluation Manager;
- manage a quality control process to ensure consistency of appraisal;
- draft and issue a letter of feedback on each report within 6 weeks of receipt;
- maintain a database of all reports, assessments, feedback letters and lessons learned;
- ensure that all reports are published by recipient organisations, including on their websites.

32. Grantees will be required to submit a case study for each project with their annual report, including photos and short human interest stories. The Fund Manager will collate these case studies and pass them of to DFID to use for learning and communication purposes. The Fund manager will agree the learning priorities with DFID at the start of each year and develop 20 case studies (in accordance with DFID website standards) according to this theme.

33. The Fund Manager will actively pursue those grant holders who fail to submit reports and case studies on time. The Fund Manager will report any concerns about overdue reports to DFID.

Project Monitoring and Lesson Learning Visits

34. As part of this contract the Fund Manager will undertake a suitable number of monitoring and lesson learning visits per year to be agreed with DFID and the Evaluation Manager. The Fund Manager may be accompanied by a DFID member of staff, the Evaluation Manager or other nominated individual.

Lesson Learning Strategy

35. The Fund Manager will develop and implement a lesson learning strategy in agreement with the Evaluations Manager for the PIF. This should include a series of seminars, learning papers and dissemination of learning through the DFID website. As a minimum, there should be an annual learning event for existing PIF grant holders.

Grant Agreements

36. The Fund Manager will be responsible for preparing and dispatching all grant agreements for successful PIF applicants (DFID will provide the Fund Manager with a draft grant agreement). PIF grant agreements will be formally signed by DFID.

37. The Fund Manager will ensure that all outstanding issues, raised either through the appraisal process or through feedback from DFID, have been clarified or resolved to the satisfaction of both the grant holder and the Fund

Manager, before any grant agreement is issued. This will include negotiations and agreement on final logframes and programme budgets, including, where applicable, any efficiency saving targets.

38. The Fund Manager will also ensure that grant recipients are fully aware of the importance of managing environmental risks and opportunities. This may involve developing practical guidance for grant recipients, as appropriate. In line with standard DFID procedures, the Fund Manager will be responsible for developing an Environmental Screening Note for any project over £1m.

39. The Fund Manager will ensure that all grant agreements are returned on time and signed by an appropriate representative of the grant holder.

Financial Management

40. The Fund Manager will be responsible for all financial aspects of the PIF. This will include:

- negotiating and agreeing budgets for all approved grants;
- confirming that proposed grants reflect value for money by using benchmarks, cost comparisons and agreeing formal efficiency savings targets;
- confirming prescribed match-funding and managing match-funding throughout the life-time of each grant;
- producing and issuing grant agreements;
- providing grant holders with advice on use of the UKaid logo and ensuring it is applied according to the DFID guidelines;
- checking, verifying and authorising all claims, ensuring grants are claimed in accordance with agreed budgets;
- disbursement of grants to ensure valid claims are paid within agreed timeframes;
- agreeing appropriate budget amendments, presenting revised grant agreements to DFID for signature and dispatching these;
- checking and verifying annual expenditure reports for all projects submitted with the annual narrative reports;
- receiving Annual Audited Accounts from all grantees and verifying that the PIF grant was expended in accordance with the agreed terms of the grant;
- dealing with ad hoc enquiries relating to the project;
- monitoring the overall PIF budget;
- producing quarterly and annual financial returns for the PIF showing amounts disbursed, broken down into individual projects in DFID's

financial year period.

41. The Fund Manager will actively pursue those grant holders who fail to submit annual financial expenditure reports and Annual Audited Accounts on time. The Fund Manager will report any concerns about reports to DFID.

42. DFID's preferred method of payment is quarterly in arrears. There may be legitimate circumstances for quarterly payments to be made in advance to not-for-profit organisations. The Fund Manager will assess and agree applications for advance payments from PIF grantees, liaising with DFID as appropriate. Under current centrally managed funding schemes for civil society approximately 55% of grantees are paid in advance with grant holders providing actual expenditure details at the end of each quarter. The Fund Manager will be expected to work towards reducing this level of advance funding.

43. DFID has permission from Her Majesty's Treasury to provide the Fund Manager with advance payments for grant claims. On a monthly basis (or more frequently, if necessary), the Fund Manager will provide DFID with a breakdown of claims received from grant holders and a total figure for payment along with an assurance statement that all amounts claimed have been checked and verified. DFID will issue payment to the Fund Manager for onward payment subject to cross-checking and receipt of all necessary assurances.

44. Any interest accrued by the Fund Manager stemming from balances held through advance payments of grant funds can be used to offset any bank charges incurred through the normal operations of the account. Any interest over and above such bank charges will remain the property of DFID.

45. Payments for the Fund Manager's fees and expenses will be made in arrears.

Reporting on the Performance of the Contract and Fund

46. The Fund Manager will provide an inception report (six months after contract start) followed by six monthly reports to DFID on the performance of the Contract and the Fund. Bidders should develop a quality assurance plan to ensure successful delivery of objectives. This must include a set of quantifiable targets for key performance indicators, including appraisal of proposals and time spend on this, response times to applicants and grantees, and turn-around times for processing of payments. The successful bidder will also work with DFID and the Evaluation Manager to develop a results framework/logframe for the PIF.

47. Reporting on the performance of the Contract and Fund will include:

- An annual financial report on the PIF including details of efficiency savings;
- An overview of the performance of all PIF projects, listing key points of interest and any areas of concern;

- Recommendations of any remedial actions required for individual projects;
- Recommendations on lessons learnt and any changes in process or Fund criteria.

48. The Fund Manager will make their review team available to meet with DFID (either in person or by video-conference) to discuss this report. The Fund Manager is also expected to respond to ad hoc requests regarding applicants, ongoing projects, guidelines, application processes, payment processes and reporting formats throughout the year.

Civil Society Department
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