



Generic Scope of Works for: Financial Closure

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Contents

Contents	2
Objectives.....	3
Scope of Work.....	3
Overview of scope of work	3
Detailed Scope of Works.....	3
Deliverables.....	7
Stages & Objectively Verifiable Indicators	9
Annex 1. Conditions of Financial Closure Checklist.....	11

Objectives

The objectives of this phase are to complete and confirm all necessary aspects to achieve full financial closure, to provide all information for the proceeding procurement and implementation stages.

Scope of Work

The scope of work under financial closure is to apply due diligence to the final Bankability report; due diligence will be based on the guidelines that have been prepared by CRIDF.

(NB. The details provided below are those relevant to projects where CRIDF will provide the capital funds. Whilst similar tasks are envisaged when another financier provides the capital funds the exact details of these tasks will have to be determined together with the financier).

Overview of scope of work

The following 7 components need to be considered and adequately addressed before any fund disbursement can occur - with points 1, 2, 3 and 4 completed during Bankability and confirmed during financial closure, and points 5, 6 and 7 finalised during Financial Closure:

	Elements that will be included in all projects (the extent of which may vary according to sector and location)
1	Feasibility – technical, financial and economic, environmental and social assessments signed off
2	Design – technical designs finalised in line with procurement strategy
3	Stakeholder engagement – social acceptance and endorsement (including both formal backing and community engagement)
4	Regulations and permits – abides by regulations, submissions made for all necessary legal permits
5	Implementation management and monitoring – management structures in place for implementation
6	Procurement contract and management – strategy in accordance with CRIDF procurement policy
7	Due diligence – report on all parties to the contract (legal and financial status, service delivery record); this would include a record of financial commitments if applicable

Detailed Scope of Works

Feasibility

To confirm that the project is feasible the PMU sign off on the full feasibility study,

- Technical design
- Financial & economic feasibility
- Environmental and social impact assessments

(Background / guidance)

CRIDF's bankability stage provides a template for the components that must be included in appraisal of the project. Confirmation that the feasibility studies are comprehensive and accurate should be verified by relevant technical specialists and signed off by the CRIDF PMU.

The appraisal of the project includes a financial assessment (of the costs and revenues pertaining to the operation of the infrastructure), and an economic analysis (cost-benefit analysis with NPV, IRR and BCR – or a cost-effectiveness analysis where CBA is not possible). These quantitative economic indicators should provide justification for the project. Moreover, those economic impacts that cannot be quantified should be qualitatively explored and critically examined.)

Design

To confirm that the technical designs have been finalised in line with the procurement strategy.

(Background / guidance)

Different procurement strategies will require technical designs to varying degrees of completion before reaching financial closure (e.g. Design-Build-Operate requires only preliminary designs, versus a Build-Operate-Transfer arrangement which requires detailed drawings.)

Stakeholder engagement

To confirm the necessary social acceptance and endorsement of the project has been attained. This must include,

- Evidence of support received from relevant ministries, departments and agencies, and other key stakeholders at local level; this would include evidence of financial commitments if applicable
- Community engagement conducted at a local level as part of the feasibility studies, and corresponding social issues/risks incorporated in a risk management plan.
- Draft PLA circulated to stakeholders and comments (written or verbal) received and incorporated.

(Background / guidance)

A component of determining project feasibility is a social impact assessment. For the sake of sustainability, it is essential that this work results in adequate endorsement of the project from relevant authorities and buy-in from local/ national stakeholders.)

Regulations & permits

To confirm that the project abides by all relevant regulations, and the necessary legal permits and clearances have been applied for prior to financial close. This will include,

- All necessary environmental clearances and approvals have been submitted
- All relevant permits (water use, safety, electricity, etc.) have been submitted
- There is clear allocation of (and no conflict over) all land to be irrigated under the project
- The project owner has ownership/legal right of access over all land where key infrastructure is located
- The ownership and management rights over the asset are clearly allocated and formalised by the relevant authority

(Background / guidance)

It is the responsibility of the project team to ensure that all relevant regulations and legal requirements are identified and fully addressed in order for the project to reach financial closure. CRIDF funding cannot be committed to project implementation until all regulatory and legal requirements have been applied for).

Implementation management and monitoring

To confirm that there are robust management structures in place for project implementation. This will include as a minimum,

- An approved Project Development and Monitoring Plan (PDMP) is in place for project implementation
- The PDMP includes a comprehensive risk mitigation / management plan relating to key project risks
- The PDMP includes monitoring & reporting processes, indicators and targets that will inform CRIDF's programme level M&E framework. For non-CRIDF funded projects a Project Monitoring and Reporting Plan will be developed and agreed by the financier.

(Background / guidance)

The PDMP, developed by the portfolio lead & project manager must include the finance plan and disbursement schedule, and will address risks and monitoring and reporting processes for the implementation stage.

To ensure risks to CRIDF are appropriately managed, the PDMP must make provision for a mechanism by which identified risks are monitored and reported on so that the responsible party is able to take the necessary action..

It is also necessary to ensure that the monitoring and reporting indicators and targets relating to implementation as set out in the PDMP are aligned to CRIDF's programme level Monitoring and Evaluation framework.)

Procurement & Contract Management

To confirm that the integrity of the procurement process has been established (regardless of whether the procurement process being followed is internal or external to CRIDF). This will include,

- Definition of the most appropriate procurement strategy, in accordance with the CRIDF Procurement Policy
- Assessment of the integrity of the procuring institution's procedures and provision of technical assistance or other support from CRIDF , as specified in the PDMP, where necessary
- A project contract reflecting the financing plan; and the various parties' roles, powers, responsibilities and risk allocation, signed by all parties; this would be captured in a draft PLA incorporating the comments of key stakeholders
- A comprehensive contract management plan for operation has been prepared, and there is evidence that the plan is adequately resourced

(Background / guidance

CRIDF's Procurement Policy must be interpreted for each project into a procurement strategy in line with the nature of the project and country context.

Where a project partner is the main funder, and is primarily responsible for procurement, it is still important to CRIDF that the procedures followed exhibit due diligence to the relevant country regulations, and the agreed standards. CRIDF must assess the procurement procedures that will be followed, and provide technical assistance or other support where necessary.

In addition to the project contract, there is the need for a contract management plan that relates to the infrastructure's operation. The operational sustainability of a project should be a key consideration in committing capital funds to infrastructure, even though the operation of the infrastructure might be beyond the lifetime of CRIDF. To ensure operational sustainability as far as possible, the contract

management plan must be adequately resourced, and clearly indicate how the project owner will manage and maintain the infrastructure.)

Due Diligence

To confirm the competence of the parties to the project contract. A Due diligence report on the parties to the contract is required to include:

- Legal status
- Financial status
- Service delivery record

This report would be based on the due diligence guidelines prepared by CRIDF.

(Background / guidance)

CRIDF will conduct due-diligence on the parties to the contract. Of particular importance is the due diligence of the project owner. CRIDF must ensure that the project owner has adequate capacity to ensure the operational sustainability of the project. This might be evidenced by:

- *A constitution / Standard Operating Procedure;*
- *A conflict resolution mechanisms;*
- *Commitment to an annual audit.*
- *A credible track record in financial management; or access to requisite financial management skills from a credible service provider;*
- *Clearly defined roles & responsibilities for financial administration, and for on-going monitoring and reporting against agreed outputs, quality standards, service levels, and financial performance.)*

Deliverables

The individual sub-deliverables of the stage are presented in the OVI table below. The overall deliverables for the stage will include:

Deliverable	Detail
Completed Financial Closure Checklist	Please see Annex A
Draft PLA	Incorporating stakeholder inputs
Updated PDMP	

Financial Closure Report	<p>Please see below for the generic report structure. Key information will include (but not limited to):</p> <ul style="list-style-type: none"> • Due diligence • Procurement and implementation arrangements • Stakeholder engagement and endorsement/commitment • Project monitoring and reporting plan (if applicable) • Log-frame contribution and VfM
Accompanying Information	<ul style="list-style-type: none"> • Acceptance/endorsement of Bankability report by stakeholders • Financier's commitment (if applicable) • Submission of requisite permits/ approvals
Decision Note	Identifying CRIDF's recommendations to proceed to the next stage

Final Report Sections:

As indicated above key information will include (but not limited to):

- Due diligence
- Procurement and implementation arrangements
- Stakeholder engagement and endorsement/ commitment
- Project monitoring and reporting plan (if applicable)
- Log-frame contribution and VfM

Stages & Objectively Verifiable Indicators

	Milestone	OVI	DFID approval	Comments
	<i>Financial Closure (project pitch)</i>			
	Acceptance of bankability report by client	Evidence the client finds the bankability report acceptable	None	
	Implementation packages identified	Report internally QA'd and filed on SharePoint	None	
	Stakeholder engagement formalised	Draft PLA circulated to stakeholders and comments (written or verbal) received and incorporated.	None	
	Regulations and Permit application submitted	Proof of submission	None	

	Procurement Strategy	Procurement strategy filed on SharePoint	None	
	Due Diligence including finalisation of implementation arrangements	Due diligence report	None	
	Financiers commitment	Proof of commitment	None	Not relevant for CRIDF funded projects
	Project monitoring and reporting plan	Monitoring plan agreed by financier	None	Will not be used for CRIDF funded projects as monitoring will be carried out through the implementation contract for these projects.
	Financial Closure report	Report internally QA'ed and filed on Sharepoint	None	Report includes updated statement of project contribution to logframe and updated VfM case for project.
	Financial Closure report (contents already agreed with DFID)		Approval to release retention	Final report will be accompanied by Decision Note with CRIDF recommendations on how to proceed.

Annex 1. Conditions of Financial Closure Checklist

Considerations	Conditions	Responsibility / data source	Minimum standards	Achieved (Y/N)	Action required: CRIDF/other?
Project Feasibility	The feasibility of the project is confirmed	CRIDF PMU	PMU sign off on the technical feasibility		
			PMU sign off on the financial & economic feasibility (business case)		
			PMU sign off on environmental and social impact assessments		
Design	Engineering designs complete	CRIDF PMU	Finalisation of technical drawings and designs required (with respect to the procurement strategy applicable)		
Stakeholder engagement	Necessary social acceptance and endorsement of the project attained	CRIDF PMU	Formal sign-off received from relevant ministries, departments and agencies, and other key stakeholders		
			Community engagement conducted at a local level as part feasibility studies, and corresponding social issues/risks incorporated in a risk management plan		
Regulations	The project	Relevant	All necessary environmental clearances and approvals have been secured		

Considerations	Conditions	Responsibility / data source	Minimum standards	Achieved (Y/N)	Action required: CRIDF/other?
and permits	abides by all relevant regulations, and the necessary permits and clearances have been acquired	Authority & Project Owner	All relevant permits (water use, safety, electricity, etc.) have been secured		
			There is clear allocation of (and no conflict over) all land to be irrigated under the project		
			The project owner has ownership/legal right of access over all land where key infrastructure is located		
			The ownership and management rights over the asset are clearly allocated and formalised by the relevant authority		
Implementation Management and Monitoring	There are robust management structures in place for implementation	CRIDF PMU & Project Owner	An approved Project Development and Monitoring Plan (PDMP) is in place for project implementation		
			The PDMP includes a comprehensive risk mitigation / management plan relating to key project risks		
			The PDMP includes monitoring & reporting processes, indicators and targets that will inform CRIDF's programme level M&E framework		
Procurement & Contract	Integrity of the procurement	CRIDF PMU	Definition of the most appropriate procurement strategy, in accordance with the CRIDF Procurement Policy		

Considerations	Conditions	Responsibility / data source	Minimum standards	Achieved (Y/N)	Action required: CRIDF/other?
Management	processes have been established		Assessment of the integrity of the procuring institution's procedures and provision of technical assistance or other support from CRIDF , as specified in the PDMP, where necessary		
			A project contract reflecting the financing plan; and the various parties' roles, powers, responsibilities and risk allocation, signed by all parties		
			A comprehensive contract management plan for operation has been prepared, and there is evidence that the plan is adequately resourced		
Due Diligence	Due diligence report completed on the parties to the project contract	CRIDF PMU & Project Contract Parties	Due diligence report on the parties to the contract legal status		
			Due diligence report on the parties to the contract financial status		
			Due diligence report on the parties to the contract service delivery record		