Terms of Reference for an Audit Firm to complete the Empowerment Due Diligence Checklist for the LIFE-AR National Platform in Bhutan

Date: 29 August 2023
Location: Bhutan

<table>
<thead>
<tr>
<th>Assignment title</th>
<th>Audit of the Empowerment Due Diligence Checklist in Bhutan</th>
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<tbody>
<tr>
<td>Point of contact</td>
<td>Valentine Lecluse (Mrs.), LIFE-AR (interim) Secretariat (UK)</td>
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<td><a href="mailto:Valentine.Lecluse@iied.org">Valentine.Lecluse@iied.org</a></td>
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<td>Duration of assignment</td>
<td>September – November 2023</td>
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<td>Assignment logistics</td>
<td>The assignment will be partly desk-based but will include a visit to Bhutan to review evidence and to participate in/lead workshops.</td>
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<td>Deadline to apply</td>
<td>13th of September 2023</td>
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1.0 Project background

To date, responses to climate change have often been short-term, projectised and sectoral, with limited impact due to climate action requiring long-term, cross-sectoral and multi-level support. In addition, climate responses have often been defined and led externally and not by the Least Developed Countries (LDCs) themselves, limiting opportunities for long-term capacity building and the building of LDC systems.

To overcome the pressing and unprecedented challenge of climate change, the LDCs have launched their 2050 Vision for a climate resilient future: all countries to be on climate-resilient development pathways by 2030 and deliver net-zero emissions by 2050. One initiative to support LDCs in achieving this vision is the LDC Initiative for Effective Adaptation and Resilience (LIFE-AR). This will be LDC led and driven, ensuring climate action is in line with LDC needs and priorities.

LIFE-AR is a 10-year initiative to support LDCs to strengthen their approaches to climate resilience and support learning between countries. The LIFE-AR Platform will initially work closely with a group of six “front-runner countries” (FRCs) who are ready to commit to the changes required to deliver the Vision. The front-runner countries will develop, strengthen, and operationalise their own long-term climate resilient and low emission strategies, all led by their respective LIFE-AR National Platforms.

1 Uganda, Malawi, Burkina Faso, Ethiopia, Bhutan, The Gambia
IIEED has been providing support to the LDCs on climate change for nearly 20 years, including technical advice, training and capacity strengthening for its members and leaders. The LDC Group considered the options for a partner to support the interim period before the LIFE-AR/LDC Platform is fully operational, and selected IIEED to act as the interim secretariat for LIFE-AR.

Within their role of interim secretariat, IIEED is to provide support to (i) the establishment of the global LIFE-AR/LDC Platform that will take over providing the secretariat for the implementation of the initiative and the management of the funding; while (ii) managing the LIFE-AR funds on behalf of the LDC group and identifying interim measures for getting funds into each FRC quickly while developing, with the FRC, a more sustainable, long-term mechanism that strengthens existing public finance management systems to enable countries to gain direct access to LIFE-AR funding from the LIFE-AR/LDC Group Platform thereby creating a track record for gaining direct access to global climate finance.

Bhutan is one of the first FRCs expected to receive funds from LIFE-AR. However, in line with agreed procedures, before this can happen, an Empowerment Due Diligence review needs to be completed using the new LIFE-AR Empowerment Due Diligence Tool to ensure that the funds can pass through the systems of the proposed LIFE-AR National Platform of Bhutan with an acceptable level of fiduciary risk.

2.0 Purpose

The purpose of this assignment is to support the LIFE-AR National Platform in Bhutan to complete the Empowerment Due Diligence Tool, to check the evidence provided by the National Platform, to provide an overall assessment of the National Platform (using the LIFE-AR categories), and to assist with the development of an Action Plan to address identified weaknesses. The overall aim is to assist the interim LIFE-AR Secretariat in determining the basis on which funds can be released to the National Platform in Bhutan.

3.0 Scope of Work/Assignment summary

The assignment will require the selected audit firm to:

i. Participate in an initial briefing session with LIFE-AR and the National Platform.
ii. Confirm the design of the National Platform and clarify the flow of LIFE-AR funds that is being proposed by Bhutan – graphics to be provided.
iii. Assess whether the National Platform responses have adequately addressed all of the questions in the Due Diligence Empowerment Tool, taking into account the LIFE-AR Due Diligence Approach as set out in the LIFE-AR Granting Policy.
iv. Assess whether there is sufficient evidence to support each of the responses. Where evidence is considered to be inadequate, request the National Platform to provide additional evidence.
v. Test the evidence through risk-based audit checks. These checks will necessarily be restricted to certain key areas to be agreed with the LIFE-AR Secretariat.
vi. Grade each answer in accordance with the LIFE-AR grading methodology.
vii. Identify any other key issues to be brought to the attention of the National Platform and the LIFE-AR Secretariat.
viii. Make recommendations to address identified weaknesses.
ix. Collaborate with the National Platform and the LIFE-AR Secretariat to assist in the determination of a “moderated score” for each question in the Tool.
x. Input into the development of the Empowerment Action Plan in accordance with LIFE-AR approach as set out in the Granting Policy.


The Empowerment Due Diligence process is summarised in the following diagram.

**LIFE-AR Empowerment Due Diligence process**

1. LIFE-AR Empowerment Due Diligence team resources identified and timeline of assessment and follow up planned

2. Empowerment Due Diligence checklist shared with potential partner(s) and timeline agreed for response.

3. Review documentation + checklist responses + interviews to verify evidence + on-the-ground implementation of the systems/processes.

4. Empowerment Due Diligence team scores assessment using scoring matrix

5.0 Outputs

A. A short report outlining the flow of funds being proposed by Bhutan and the design of the National Platform (3 pages maximum)

B. Testing plan setting out a methodology for checking evidence in selected areas (to be agreed) provided by the National Platform.

C. Draft report setting out an overall assessment, areas of weakness identified, recommendations to address any weaknesses, and any other issues which have come to light.

D. Final report including areas mentioned above and incorporating feedback from the National Platform and LIFE-AR Secretariat, in particular the National Platform’s response to recommendations.

E. Participation in two half-day workshops in Bhutan, including to develop an Empowerment Action Plan and to identify lessons learned.

6.0 Time Frame

The assignment will start in September 2023 and be completed by the end of November 2023.
Precise dates will be agreed during a virtual inception meeting to be scheduled for the end of September 2023 (date to be confirmed).

7.0 Reporting Requirements/Project Organization

The Bhutan Focal point and LIFE-AR Secretariat will work together to support the consultancy processes.

IIED, as the current host of LIFE-AR Secretariat, will be involved in the process of selecting the Audit Firm and reviewing the outputs once submitted.

Detailed management and reporting arrangements (including the names of contact points) will be confirmed during the inception meeting.

8.0 Consultant’s expertise

IIED is looking for a reputable Audit Firm to undertake the assignment. The Firm should have the following expertise:

- at least 3 years’ experience of undertaking due diligence reviews (or similar);
- appropriately qualified team with relevant experience and professional qualifications in audit and/or accountancy;
- an understanding of donor conditionality;
- an understanding of the operations of the Royal Government of Bhutan (preferred);
- presence in Bhutan or in the wider region (but with easy access to Bhutan);
- experience of public sector training and capacity building.

The evaluation criteria which will be used to evaluate technical bids are shown in the Annex.

9.0 Support from the Client

The Client shall provide the following inputs to support the Consultant in undertaking the assignment:

- Relevant documents related to the assignment and LIFE-AR project.
- Relevant staff shall be made available to attend scheduled Workshops.
- A contact at the National Platform to work alongside the consultant and to provide evidence and facilitate audit testing.
- Inputs from IIED throughout the process.
- Any other information required for the exercise in the agreed time.

10.0 LIFE-AR Reference Materials

- Responses by Bhutan National Platform to the Preliminary Questions (Pending)
- Review of In-Country Mechanism to Receive, Disburse, Manage and Report on LIFE-AR Funds in Bhutan
- Record of Discussion for the Inception meeting to review of in-country financial mechanisms to receive, distribute, manage and report on funds in Bhutan under the LDC Initiative for Effective Adaptation and Resilience (LIFE-AR)
- LIFE-AR 10-year strategy
11.0 How to apply

Please send your technical and financial proposal to Valentine Lecluse; Valentine.Lecluse@iied.org and Rinchen Penjor; rpenjor@moenr.gov.bt before 13th of September 2023.
Annex: Evaluation Criteria

A. Does the team leader have at least three years’ experience of managing due diligence reviews (or similar)? (10%)
B. Are all members of the team suitably qualified with at least three years’ relevant experience and professional qualifications in audit and/or accountancy? (10%)
C. Has the bidder undertaken assignments which demonstrate a sound understanding of the operations of the Royal Government of Bhutan? (15%)
D. Are at least 70% of the team (by input days) based in Bhutan? (10%)
E. Provide details of undertaking at least three similar reviews in the past 3 years. (15%)
F. Does the technical approach proposed by the bidder meet the requirements of LIFE-AR? (20%)
G. Does the financial case offer VFM to LIFE-AR (reasonable day rates, timely delivery)? (20%)