

Operational Tools for Funders

TERMS OF REFERENCE—GUIDANCE AND SAMPLES

Terms of Reference (TOR) describe a specific assignment, including relevant background information, objectives, organization, and deliverables.¹ TOR may be used internally, but they are usually used to define work requested of an outside service provider (e.g., a consultant, a training facility, a translator, etc.).

Many agencies, faced with fewer specialist staff and a proliferation of mandates, increasingly need to work with outside service providers. As a result, staff are spending a lot of time writing project proposals and TOR for contracted partners. Examples of projects that may require the use of consultants include a microfinance institution appraisal, an external audit, and a training event.

Writing an effective TOR determines to a great extent how well the project will be implemented and that the results correspond to the requested outcomes. It can help agencies spend their resources more effectively.

A TOR document should follow a basic outline:

- A. Introduction**
- B. Background**
- C. Objectives**
- D. Specific Tasks and Deliverables (including timeline)**
- E. Principles of Conducting the Assignment**
- F. Remuneration and Terms of Payment**
- G. Other**

Unfortunately, you cannot just use any Terms of Reference to define your projects. Each TOR document needs to be very closely adapted to specific agency needs, its internal systems, and its administrative processes. The consultant should also provide comments to a draft version of the TORs to ensure that they are practical and that the task is clearly understood.

The generic TOR document presented next is intended only as a sample to illustrate how one might address the basic outline for a simple assignment involving an independent consultant. For a larger project involving a consulting firm and a competitive bidding process, the TOR would need to be tailored to your internal needs.

Additional Resources (all available on www.cgap.org/direct)

CGAP. Building Capacity for Retail Microfinance. CGAP Donor Brief, no. 24. Washington, D.C.: CGAP, April 2005.

CGAP. Building Capacity for Retail Microfinance. CGAP Presentation, no. 24. Washington, D.C.: CGAP, April 2005.

DIRECT Operational Tool. How to select a good consultant? (forthcoming)

DIRECT Operational Tool. Terms of Reference - Guidance for capacity building assignments (forthcoming)

¹ TOR are different from “contracts” which include legal rights and obligations (i.e. title rights, copyrights, etc.), termination of agreement, arbitration of disputes etc...

Checklist for your Terms of Reference

Writing a good TOR is not an easy task, but investing time and effort in defining clear and concise TOR will mean that you won't have to spend additional time and resources during the project to restate the project's objectives. Though not exhaustive, the list of questions below can be useful in making sure your TOR is as clear and concrete as possible, and that all important aspects are covered.

- Will the designed assignment reach its objectives and/or solve the initial overarching problem?
- Have you consulted with other actors who have conducted a similar assignment? Worked in the same country? Contracted the same consultant?
- What are the measurable results of the assignment?
- Is the background section short and focused on the context for the task and the overarching goal?
- Is the objective of the assignment and the problem it is expected to solve clearly defined and consistent throughout the TOR?
- Is the breadth of the assignment and its boundaries clear?
- What is the time limit for the project? Is that time limit reasonable? What will happen if the consultant exceeds the time limit? Are there opportunities that might be missed?
- Are the reporting procedures in place within the commissioning organization?
- What happens if deadlines are missed? What happens if deliverables are not satisfactory? What are sanctions?
- Are resources (budget, training, etc.) sufficient for the assignment?
- Does the consultant of the project team have the right qualifications, essential knowledge and competencies? If the assignment is conducted by a team, is its composition and the leadership clear?
- Has the consultant provided feedback and comments on the TOR?
- Have you planned the preparation of the consultant and his/her access to key information and staff?
- Is there a feedback loop in place to comment on the performance of the specific consultant after the assignment?

Sample Terms of Reference

<NAME OF CONSULTANT>
TERMS OF REFERENCE
<PROJECT NAME>

TASK MANAGER: <name of task manager>
TECHNICAL ACTIVITY: <MFI appraisal, external audit, product costing exercise, training event, etc. >
TIMEFRAME: <dates from x to y>
LOCATION: <town, country>
AMOUNT OF CONTRACT: <number of hours>

A. INTRODUCTION

Short executive summary that includes all major issues of the assignment: reason, objective, deliverable, duration.

1. <project background; what is the reason for the assignment?>
2. <overall objective of the consultant's work>
3. <output the consultant needs to deliver to successfully end the assignment>
4. <assignment duration>

B. BACKGROUND

Rationale of the assignment: information on overall project (components, partners and parties involved, cost, objectives regarding poverty reduction, etc.), why the assignment is necessary, and how it contributes to the project objectives.

1. <relevant background information on the project (start date, donors/organizations involved and their roles/hierarchy)>
2. < project partners; specific target groups>
3. < overall project cost; list of contributors>
4. <project partners and parties set up to run/monitor specific tasks; composition of project partners and parties and their role>
5. <project objective in terms of its impact>

C. OBJECTIVE

Specific information on the project’s objectives, including goals to be reached.

1. <project’s objective, components, timeframe>
2. <specific project activities to reach the objective>
3. <desired outcome>

D. SPECIFIC TASKS AND DELIVERABLES

List of tasks to be accomplished (e.g., review existing information, draft a document, make recommendations, present findings, etc.) and the desired deliverables mentioning deadlines and reporting requirements; Mention of milestones/decision points to potentially discuss the continuation of the assignment; Accountability to commissioning organization including reporting procedures (to whom? When?)

1. **Tasks.** The consultant’s terms of reference will include the following
 - a. <...>
 - b. <...>
2. **Deliverables and deadlines.** The outputs of the assignment shall include
 - a. <...>
 - b. <...>
3. **Reporting Procedures and Supervision.** The consultant will be required to report back to <selected project manager> when different milestones of the projects have been reached:
 - a. <...>
 - b. <...>

E. PRINCIPLES OF CONDUCTING THE ASSIGNMENT

Specific information on what actors the consultant will work and collaborate with; List of meetings scheduled; Specification of resources available.

1. **Persons Involved:** During the assignment, the consultant will work and collaborate with the following actors:
 - a. <...>
 - b. <...>

2. **Meetings:** Before, during, and after the assignment, the following meetings, phone calls and contact between the commissioning organization are planned:
 - a. <...>
 - b. <...>

3. **Resources available:** During the assignment, the consultant will have access to the following resources:
 - a. <accommodation, technology, communication, supplies, research etc.>
 - b. <training and how this will be provided>
 - c. <budget>

E. REMUNERATION AND TERMS OF PAYMENT

Explanation of how and when the consultant will be paid; mention of any milestones.

1. <when and in what intervals (if there are any) will the consultant be paid: advance, per diem, etc. >
2. <major milestones>
3. <details on travel time, visa fees, airport tax, payment of tax and insurance>

F. OTHER

Other information the consultant might need or other information specific to the assignment.

1. **List of Reference Documents** <relevant background material and resources>
2. <...>