

# Terms of Reference for the Mid-Term Review of the Innovative Startups and SMEs Fund (ISSF) Project in Jordan

## Deadline: 30/9/2020

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From 15/10/2020 to 15/12/2020, the Ministry of Planning and International Cooperation (MOPIC) will conduct a mid-term evaluation of the ISSF project, jointly with the Central Bank of Jordan (CBJ), the Jordan Loan Guarantee Corporation (JLGC), ISSF's Board of Directors (BOD), and ISSF Management.

### 1. Background

ISSF is a US\$50 million Investment Project Financing (IPF) loan signed between the World Bank (WB) and MOPIC (borrower). To this amount, the CBJ committed to adding US\$48 million to the ISSF Capital during the entire life of the ISSF, of which US\$13.88 million during the life of the WB project. The Project Development Objective (PDO) is ***to increase private early stage equity finance for innovative small and medium enterprises (SMEs)***. The project loan became effective on September 23, 2018 and the current closing date is scheduled for November 30, 2023.

The JLGC is the implementing agency for the project, in charge of ensuring proper project implementation and reporting by the ISSF, but it does not have any role in the implementation of the activities or selection of investments. The ISSF, set up as a private shareholding company and is managed by a private fund manager, is solely responsible for ensuring the implementation of all the project activities including those related to investments and deal flow creation.

Project components and activities include:

- **Equity Financing Program (WB loan: US\$44.75 million / Total ISSF Budget: US\$53.5 million)** to enable new and existing innovative startups and SMEs to access risk capital.

*Broad Investment Parameters of the ISSF over the Project Life (6 years) \**

Type	Indirect Investments			Direct Investment	Total
Stage	Seed (below US\$280,000)	Early Stage (US\$280,000- US\$750,000)	Venture US\$750,000 - US\$2 million	Early Stage and Above	
ISSF Allocation	US\$7 million	US\$14 million	US\$24 million	US\$5 million	US\$50 million
Sectors	Opportunistic with focus on Tech, Media, Telecom, Agricultural, Pharmaceutical, and energy				
Players	Accelerators / Incubators + Seed Funds	Accelerators / Incubators + Angel Funds / networks	Early stage and VC Funds	Co-investment with incubators/accelerators, Angel and VC funds	
Size of Opportunity	Fund Size US\$2 million-US\$5 million	Fund Size US\$5 million – US\$15 million	Fund Size US\$15 million +	Investment raising a total of US\$500,000 - US\$1.5 million	
ISSF Support	Up to US\$1.5M million per fund	Up to US\$3.5M million per fund	Up to US\$5.5M million per fund	Investment of US\$200,000- US\$500,000 per startup	
Target number of funds	3-4 funds	3-4 funds	3-4 funds	N/A	
Private leverage (approximation)	US\$2 million per fund (total US\$7M)	US\$7 million per fund (total US\$24M)	US\$9.5 million per fund (total US\$33M)	US\$250,000 - US\$1 million per deal (total US\$7.5M)	US\$71.5 million
High Level Criteria for each investment	No more than 40% of the total fund allocation.	No more than 30% of the total fund allocation.	No more than 30% of the total fund allocation.	Co-investing only; no more than 50% of each round.	
Number of companies (approximation)	70-80 companies	60-70 companies	30-40 companies	10 - 15 companies	150 - 200
<b>Total Allocation</b>	<b>US\$14 million</b>	<b>US\$38 million</b>	<b>US\$57 million</b>	<b>US\$12.5 million</b>	<b>US\$121.5 million</b>

\* This plan is indicative and subject to change depending on market needs.

The ISSF also provides partner funds, in addition to capital, with an amount (non-reimbursable) to cover investment support costs, related to supporting the growth of the innovative startups, including professional financial, legal, and administrative costs of registering/maintaining/updating patents, field testing a product in a new market, and other back office support (accounting, legal, marketing, administration).

- **Deal Flow Creation Support (WB loan: US\$3.125 million / Total budget: US\$6.25 million)** to stimulate ecosystem support intermediaries to create new innovative enterprises. The ISSF contracts/outsources to ecosystem support intermediaries (such as accelerators, incubators and business development support entities) and cover their cost to implement the following activities.

*Ecosystem Support Activities for Deal Flow Creation over the Project Life (6 years)*

Nature of Support	Ecosystem Element	Target	Numbers	US\$, millions
Incubation/Acceleration programs	Deal flow (Startups)	New entrepreneurs and their teams with promising concepts across industries and governorates	150 entrepreneurs/ teams	2.5
Investment readiness training and BDS grants for established high growth potential SMEs	Deal flow (Existing businesses)	Young but established ventures, and established SMEs who have the prospect of significant growth but need support to address internal gaps	600 (investment readiness training), 75 BDS recipients	2.75
Angel investment capacity building	Ecosystem building/deal-flow	Building knowledge, investment capacity and involvement in angel investment activity	2 groups	1.0

- **Project Management, Coordination, and Monitoring and Evaluation (WB loan: US\$2 million / Total budget: US\$4 million).**

## 2. Objectives of the Mid-Term Review

The objective of the mid-term review is to examine all aspects of the project, including at the strategic, operational, and administrative levels.

More specifically, it will focus on:

- (i) Progress towards the PDO, the quality in the implementation and progress of the project's performance indicators, the justification of any discrepancies (under- or over-performance) between the expected and achieved results, and whether they can be achieved or should be revised for the remaining implementation period;
- (ii) The overall performance of the project based on consultations with project stakeholders such as intermediaries and beneficiaries, challenges and areas for improvement for each component, as well as fiduciary (financial management, procurement), disbursement (proactivity, justification), environmental and social safeguards (E&S), and monitoring and evaluation aspects; and
- (iii) Modifications or new activities that could be implemented with the support of the project.

The final outcome of this review will be confirmation of the PDO and the indicators, components, activities and institutional arrangements for implementation - or an agreement to adjust any of these elements of the project. It is common to have a restructuring to improve the structure, performance, and effectiveness of a project following a mid-term review.

Recipients of this review include MOPIC, CBJ, JLGC, ISSF's BOD and ISSF Management, and the WB.

## 3. Key focus areas

<i>Area of review</i>	<i>Possible activities</i>
<b>a. Commitment of the Borrower, Implementing Agency and Fund Manager</b>	<ul style="list-style-type: none"> <li>• Organize meetings with senior authorities, the implementing agency, the fund manager, and other relevant stakeholders to discuss the borrower's commitment to the project and assess the capacity of the implementing agency and the fund manager.</li> </ul>
<b>b. Relevance of the PDO and cross-cutting issues</b>	<ul style="list-style-type: none"> <li>• Assess the overall development outcomes and impacts of the project (identify specific beneficiaries, directly related benefits for key stakeholders, and potential benefits to be achieved during the remaining project implementation period). Use the results and impacts achieved with similar projects in other countries as a baseline for this assessment.</li> <li>• Discuss with the borrower and beneficiaries the continued relevance of the project's development objectives and the likelihood of their achievement during the remaining implementation period (taking into account current sector/government priorities).</li> <li>• Review, in light of institutional issues, at a minimum, the project's approach to gender issues, maximizing financing for development (MFD), climate change and citizen participation.</li> <li>• Assess early impact of the COVID-19 convertible notes, a new financing instrument introduced in April/May 2020.</li> </ul>

<p><b>c. Adequacy of project implementation</b></p>	<ul style="list-style-type: none"> <li>• Examine the quality of the direct results and their compliance with the technical specifications.</li> <li>• Analyze the financial progress of each project component and assess whether the use of funds is commensurate with the progress, efficiency, quality and timeliness of procurement and disbursement activities.</li> <li>• Identify internal and external factors affecting project implementation and suggest solutions to overcome them.</li> <li>• Analyse the performance and detailed results achieved by the direct and indirect beneficiaries of the project using international databases (e.g. Global Accelerator Learning Initiative<sup>1</sup>) as a baseline.</li> </ul>
<p><b>d. Adequacy of the implementation plan</b></p>	<ul style="list-style-type: none"> <li>• Assess the adequacy of the project implementation plan in terms of the remaining timeframe and the implementation of (i) remaining procurement activities, (ii) execution of direct and indirect investments, (iii) capacity of ecosystem support intermediaries, and the timing of disbursements related to (i), (ii) and (iii).</li> <li>• Review project costs and assess whether the initial cost estimates remain accurate. Examine whether the costs of activities could have been reduced by using alternative approaches.</li> <li>• Assess the cost-effectiveness of the project.</li> <li>• Compare the cost-effectiveness of the project components with those of similar interventions in other countries.</li> <li>• Assess (by component) the capacity of the implementing agency and the commitment of the borrower to implement the restructured project, if any.</li> </ul>
<p><b>e. Adequacy of implementation and management arrangements</b></p>	<ul style="list-style-type: none"> <li>• Review the adequacy of project implementation and management arrangements in terms of staffing, good management practices, effectiveness in the use of existing systems (fiduciary, safeguards, M&amp;E.), contract management capacity, effectiveness of the grievance mechanism, outstanding or new legal commitments, review of the effectiveness of project-level planning and reporting, institutional agility, etc.</li> <li>• Review the "user experience" of the project.</li> <li>• Assess the quality of cooperation with other donors, partners and relevant institutions within the sector, as well as clarity of roles and responsibilities, effectiveness of decision-making, etc.</li> <li>• Assess the adequacy of implementation support modalities (approach, resources), the usefulness in anticipating problems and the effectiveness of follow-up recommendations.</li> <li>• Assess the adequacy and appropriateness of the counterpart funds provided to the project.</li> <li>• Assess the adequacy of project progress in response to progress and difficulties in achieving project results.</li> </ul>
<p><b>f. Compliance with fiduciary/safeguards aspects</b></p>	<ul style="list-style-type: none"> <li>• Assess the degree of compliance with the project's fiduciary and safeguards aspects and with project legal covenants in financing agreement.</li> </ul>

<sup>1</sup> For more information about the database, visit <https://www.galidata.org/>

<p><b>g. Overall implementation risks</b></p>	<ul style="list-style-type: none"> <li>• Based on the above, reassess project risks, identifying any new risks that need to be taken into consideration.</li> </ul>
<p><b>h. Adequacy of the project design to achieve the expected results and sustain efforts during and after project implementation</b></p>	<ul style="list-style-type: none"> <li>• Review the progress, effectiveness and adequacy of each project component in terms of the implementation of project activities and outputs. Determine whether the results of the components are still relevant to the counterparts and to the development objectives of the project, as well as identify those that need to be strengthened and suggest ways to improve them.</li> <li>• Examine the influence of the design and implementation of the project components on its additionality, on the behaviour of project beneficiaries, and on project results and progress, based on international experience. Assess the relevance and effectiveness of the technical assistance in strengthening the client's capacities and institutions, including the training provided to key stakeholders and staff in relation to the expected objectives.</li> <li>• Examine the validity of the project's theory of change in relation to its development objectives, i.e. put into perspective the assumptions on which the structuring of the project was based at the time of its design to achieve its objectives with the full range of effects observed in the first half of the project. To do this, it will be necessary to identify the assumptions behind the theory of change adopted at the time of project design, which are not validated, and suggest alternative theories in the light of observable results and the experience of similar projects internationally.</li> <li>• Identify the main areas of risk internal and external to the project (other than in its implementation) that could affect the achievement of the project development objectives.</li> <li>• Identify unexpected project results that were not accounted for in the original theory of change.</li> <li>• Review/assess whether the current project design (components, scope, activities, schedule) continues to be an adequate mechanism to achieve the project's expected outcomes. If not, describe how the project will be restructured to improve implementation efficiency and results, using international experience with similar projects as a baseline.</li> <li>• Determine whether the financial and human resources will be adequate to sustain the results after project completion.</li> <li>• Assess the likelihood that the project's achievements will be sustainable and will continue to be sustainable after project completion. Identify factors that may influence the sustainability of project results.</li> </ul>

The mid-term review will be done through:

- An analysis of data and documents related to the project,
- Benchmarking with international experience and with data from international programs,
- Meetings and interviews with counterparts and direct and indirect beneficiaries of the project, including through the use of journey mapping techniques, and
- Documents and data external to the project.

#### 4. Mid-term review mission preparation

Counterparties should:

- (i) Prepare an updated results framework and theory of change to ensure that the analysis uses the most up-to-date information,
- (ii) Gather all technical and administrative documents necessary for the mid-term review in a digital data room,
- (iii) State their objectives for the mid-term review, as well as any concerns regarding strategic, operational or administrative levels that should be discussed and resolved.

The methodologies, international comparisons, interview guides, and detailed report narrative will be shared with counterparts for comments and adjustments. The schedule of interviews will be communicated to the WB Task Team Leader (TTL) for the purpose of attending selected interviews.

#### Non-exhaustive list of documentation to be made available to the Firm/Consultant

To be provided to the consultant	By
Project Documents: <ul style="list-style-type: none"> <li>• Project Appraisal Document</li> <li>• Project Operations Manual</li> <li>• Legal agreements and amendments</li> <li>• Disbursement letters</li> <li>• Etc.</li> </ul>	WB ( <a href="#">publicly accessible on World Bank operations website</a> )
Implementation Status & Results Reports (ISRs)	WB ( <a href="#">publicly accessible on World Bank operations website</a> )
Presentations of evaluation tools and methodologies and data collection (such as IBM) relevant to the project	WB
Aide-Memoires of technical and implementation support missions	WB
Annual activity reports of the project since inception	JLGC and ISSF Management
Technical proposals submitted to the ISSF by the project direct and indirect beneficiaries (funds, start-ups, ecosystem support intermediaries) and evaluations thereof	JLGC and ISSF Management
Minutes of meetings between the ISSF and the project direct and indirect beneficiaries (funds, start-ups, ecosystem support intermediaries) since inception	JLGC and ISSF Management
Minutes of the boards of directors/ IC/ other LPs/investors in funds/start-ups since inception	JLGC and ISSF Management
Procurement documentation	JLGC and ISSF Management
Detailed beneficiary presentation sheets including qualitative and quantitative data, e.g. changes in key performance indicators (sales, net income, etc.), financial stability (balance	JLGC and ISSF Management

sheet ratios, capital, debt, etc.) and other relevant elements (jobs, fundraising, etc.)	
Project E&S screening sheets	JLGC and ISSF Management
External audit reports submitted since inception	JLGC and ISSF Management

**5. Timeline (Approx.)**

- 15/10: MTR kick-off
- 20/10 -15/11: Interviews with the WB, MOPIC, CBJ, JLGC, ISSF, and project beneficiaries
- 30/11: Draft MTR Report submitted to WB, MOPIC, CBJ, JLGC, and ISSF.
- 10/12: Meeting to discuss draft report findings and recommendations.
- 15/12: Final MTR Report submitted for non-objection.

**6. Follow-up**

After the mid-term review report has been drafted, it will be circulated to counterparts for comments, and will be adjusted to take account of the full analysis, as well as the implications for project implementation (including possible restructuring). Any operational changes will be reflected in the existing project operations manual, which will require a non-objection approval from the WB TTL.