

**ITT Volume 3**

**Terms of Reference for Arab Women's Enterprise Fund**

**I. Introduction**

1. DFID is procuring for an Implementing Agent to manage the Arab Women's Enterprise Fund (AWEF). This terms of reference sets out the requirements of this contract and expectations of the supplier's team and/or consortia, and supplier's proposals.
2. The Arab Women's Enterprise Fund will promote more inclusive economic systems supporting poor women's participation in markets in selected Arab countries. AWEF is a five-year programme. It will work in three countries initially, Egypt, Jordan, and the Occupied Palestinian Territories (the OPTs), with the potential to work in Yemen or other countries in the region depending on developments in the country or regional context. The programme is a partnership with the Islamic Development Bank (IDB), with both donors contributing £10 million each. It addresses the gaps in women's economic empowerment in the MENA region, which has one of the lowest rates of female labour force participation in the world.
3. AWEF will adopt a market development approach to promote poor women's economic empowerment by supporting market actors (including poor women) to adopt new practices (business models, products, services, rules, behaviours and norms) that improve the way markets work for poor women. Market actors are firms, poor women, government agencies, business associations, financial institutions, and NGOs that have a legitimate role in markets. AWEF will facilitate change through the provision of a flexible package of technical assistance and access to finance, including grant and Islamic finance. Further information on AWEF's approach can be found in section V.
4. The programme will be delivered through a third party supplier (referred to as the Implementing Agent in the business case and governance structures) who will support market actors to facilitate market change and address constraints in the enabling environment. The supplier will be responsible for managing DFID funds but will not directly manage IDB funds. DFID will have and manage the contract with the supplier.
5. DFID funds will be used to deliver the market development approach, including conducting market analysis, strategy development and support to market actors adopting new practices, and intermediaries/partners addressing constraints in the enabling environment. Support could take the form of 'non-financial' technical support (listed above) and financial support through grant financing if deemed essential, and in accordance with DFID rules on provision of subsidy to the private sector.
6. IDB funds will be used to provide Islamic finance to unblock access to finance constraints, which are impeding women's access to markets. This will be channelled through financial intermediaries (e.g. Microfinance Institutions) with whom IDB will contract directly. Finance can be targeted along the value

chain to market actors and poor women. For example, this could take the form of microfinance products (e.g. credit, insurance, saving etc.) for poor women, but equally financing for market actors for the development of products that targets women producers and entrepreneurs. Annex 1 provides further information on the types of financing instruments that IDB provides.

7. Strategic partnerships should underpin the market development approach to policy advocacy, addressing formal and informal constraints, or access to finance gaps. For example, where access to finance is a particular constraint it may be necessary to also link to other sources of financing, e.g. other International Financial Institutions (IFIs) and government schemes to ensure sustainable access to finance for poor women.
8. To ensure effective delivery of the programme DFID and IDB will jointly lead AWEF, ensuring there is close coordination across all components. There will be an AWEF Steering Committee and AWEF Programme Management Unit (PMU) to provide strategic and operational oversight and coordination to the programme. Both donors will be equally represented at these two levels, with IDB taking the lead in the AWEF Steering Committee and DFID in the PMU (see Annex 2 for more detail on governance and management structures). This will enable coordination and joint decision-making by both donors. However, following agreement through these joint governance structures actions may also be subject to internal approval processes, for example Islamic microfinance will follow IDB's internal approval process. DFID also proposes to second a member of staff to the supplier. This role will enable bridging between DFID, IDB and the supplier to ensure strategic and operational oversight between the "technical" and the "access to finance" components of the programme.
9. Further information on how the programme will be financed and the implications for this contract can be found in section IV on Scope of the assignment. Section V provides information on AWEF's approach to market development and Sections VI to XI outline the deliverables and key requirements of the contract, including expectations of factors to be considered in suppliers' proposals.

## **II. The Objective**

10. AWEF aims to promote women's economic empowerment. The programme's intended impact is to increase the income and well-being for 150,000 poor women in the targeted countries by March 2020. The programme's outcome is to increase the participation of 150,000 poor women (as producers, entrepreneurs and employees) in focus markets. The objective of this piece of work is to identify a supplier or consortium that can implement the requirements of this terms of reference and deliver AWEF's results.

## **III. Recipient**

11. The ultimate recipient of support and benefits through this contract will be poor women participating in focus markets in the three target countries. This

will be through the provision of support and services to these women and other market actors to address constraints in poor women's market access.

#### IV. Scope of Work

12.AWEF will promote women's participation in the economy in three target countries, Egypt, Jordan and the OPTs. The five year AWEF programme will be split into three phases: an inception phase (approx. 6 months), an Implementation phase (4 years), and an Evaluation phase (approx. 6 months).

13.The main functions the supplier will be expected to deliver are: strategy development; facilitation and advisory services; programme management; and monitoring. This section explains these four broad functions in more detail and what is in and out of scope of this contract.

14.DFID will channel its funds through the supplier, but IDB's funds will go directly to financial intermediaries. Therefore the supplier will have different responsibilities across these four functions vis-à-vis the two donors' funds. These are outlined below:

*Table 1: The responsibilities the supplier has for the two donors' funds*

Function	DFID funds	IDB Funds
Strategy Development	YES	YES
Facilitation and advisory services to support market actors	YES	NO (but with some possible input) <sup>1</sup>
Programme management	YES	NO
Monitoring and lesson learning	YES	YES

**15.Strategy Development:** This function is the foundation of the programme. The supplier will develop market strategies based on in-depth gendered market analysis to identify constraints facing poor women. The market strategies will outline the interventions or 'projects' that address the critical constraints, such as through the adoption of new practices by market actors, access to financial products and services targeted at women, and efforts to address barriers in the enabling environment. Therefore, strategies should be designed in a comprehensive way, addressing all relevant and feasible constraints. This should include recommending and designing interventions to address capacity gaps of financial intermediaries that IDB might partner with, for example, gender-sensitive financial services or product bundles for women.

**16.Facilitation and advisory services to support market actors and interventions:** This function involves engaging with market actors to encourage uptake of new practices, facilitate market linkages, and build capacity, and to provide ongoing support to interventions. This includes

<sup>1</sup> It is possible that there will be some facilitation and advisory support provided either to IDB or to their chosen MFI to enable design and delivery of financial services and products targeted at women. However contracting and delivery of that capacity building will be independently contracted by IDB.

engaging with existing firms, cooperatives and associations, women's groups and micro-entrepreneurs, and working with market actors that are willing to adopt new practices initially (first-adopters) and those that follow (second-adopters). It also involves linking them to other service providers. Some innovations and market actors may require access to finance in the form of matched grants (DFID funds) or Islamic finance (IDB funds). IDB will contract with financial intermediaries directly and will integrate capacity building support to loan agreements based on the market strategies' recommendations, but provided independently of the contract. There may be some facilitation and advisory services provided to IDB and MFIs to enable this (see footnote 1).

- 17.**Programme management:** The supplier will be responsible for sound programme and financial management. They will need to develop and work to agreed work plans and budgets within accepted boundaries and delegated authorities to deliver activities and agreed results (outputs and outcomes). This function includes robust financial management, such as accurate forecasting and budget management and regular reporting; procurement and contracting in accordance with DFID procedures, where required to support interventions and markets actors. Critical to sound programme management is the operational and strategic alignment of interventions funded by DFID and IDB.
- 18.**Monitoring and lesson learning:** This function is fundamental to the programme. It includes process monitoring (ensuring interventions are on track), risk monitoring (using and building on the programme's risk matrix), monitoring for intended and unintended consequences, and evaluative monitoring (to measure the outputs and outcomes of the programme). Monitoring should include both quantitative and qualitative indicators and methodologies and draw on beneficiary feedback. It is important that the supplier monitors and maintains oversight across the entire programme for both DFID and IDB components to ensure these are a coherent "whole", and that there is strategic and operational alignment.
- 19.AWEF represents a relatively new approach to women's economic empowerment in the region and the supplier will be expected to learn, record and share lessons from programme implementation with programme funders, partners and more widely.
- 20.In summary, the supplier is required to manage the programme and deliver on all of its outputs and outcomes. They will need to work closely with DFID and IDB throughout the programme, ensuring that the programme is a coherent whole. The DFID secondee will play an important role in supporting work to bridge across the different organisations. Annex 3 shows the process flow for the programme, including decision-making and approval for different steps.
- 21.The supplier will also need to work closely and cooperate with the Independent Evaluation Manager, ensuring monitoring data is fit for evaluation purposes, and interim evaluation findings should inform programme adaptations. The Independent Evaluation Manager will be tendered separately, after the procurement for the supplier is complete to ensure no conflict of interest. Both suppliers (supplier and Independent Evaluation Manager) will be monitored in terms of how effectively they work together and coordinate.

## V. AWEF's approach: Making markets work for poor women

22.AWEF aims to promote women's economic empowerment through a market development approach. It is based on the premise that changing how markets work for poor women will lead to increased income and also greater economic (and potentially wider) empowerment of women (see Annex 4 for AWEF's theory of change). Women's empowerment means women having a **voice** in decision-making in their household, community and country; **choice** in their lives; and **control** over their lives. Related to this, economic empowerment is a process that increases people's access to and control over economic resources and opportunities, including jobs, businesses, financial services, property and other productive assets from which they can generate an income.

### i. AWEF's results

23.AWEF is expected to achieve the following results by March 2020 (or 4 and half years after procurement):

- **Impact:** Increased income and well-being for 150,000 poor women in the targeted countries.
- **Outcome:** Increased participation of 150,000 poor women (as producers, entrepreneurs and employees) in focus markets.
- **Output 1:** AWEF Programme Team (of supplier) established and operational in three target countries (completed within the first month)
- **Output 2:** AWEF pursuing credible strategies and interventions within focus markets.
- **Output 3:** Market actors (first and second adopters) adopt new practices (business models, products, services) that address market constraints for poor women in focus markets
- **Output 4:** Changes in rules (formal and informal) (laws, policies, attitudes or custom and practice) which address market constraints for poor women in focus markets.

24.The targets in the draft Logframe (see business case for details) are indicative and the programme is expected to exceed them. Detailed and context-specific results chains will be developed as part of market strategies and intervention design. However it is also important to have an aggregated picture of results across the programme – the logframe. We expect suppliers to use the business case logframe as a base and demonstrate in their proposals how they will improve on it, by providing both suggested amendments and additions to the results and associated indicators (at output and outcome level) based on evidence, good practice and similar experience, and also how the supplier will exceed logframe targets in programme delivery. Any amendments should be made in line with AWEF's theory of change, and should not represent a substantive change to intention or deliverables of the programme, and in particular targets cannot move downwards.

### ii. Market development approach in AWEF

25.For AWEF, **markets** can include product and commodity markets (e.g. agricultural, clothing, inputs), service markets (e.g. infrastructure, business services) or factor markets (e.g. labour, finance). A narrow definition of markets is preferable as it allows for more in-depth analysis and identification of the constraints facing poor women and therefore, more realistic and

specific outcomes and outputs that capture changes to the market system. We expect supplier's proposals to provide initial market analysis for each country, showing an understanding of both the desired market development approach and contextual knowledge.

26. The expectation is that AWEF will work in 2 to 4 markets in each country depending on a range of factors, e.g. operating environment, security and accessibility to different markets, opportunity to engage and support women in particular markets.

27. The supplier will be responsible for identifying **interventions** that address constraints to women's participation across the market system: the **core functions** (core exchange within the market), **supporting functions** (information or services that support the exchange), or **rules** (formal or informal) that shape how the market works. Interventions are essentially the ways that AWEF incentivises change in markets. The supplier will need to make judgements on what to "offer" market actors (e.g. access to grant or Islamic finance, technical assistance, business development support, networking opportunities, and facilitating market linkages) and when to enter and exit partnerships in line with AWEF's principles (see table 2) and the overall objective of promoting poor women's economic empowerment.

Table 2: Principles underpinning AWEF interventions

Principle	Description
<b>Benefits accrue to poor women</b>	AWEF will support the significant shift in women's access to market and economic contribution and their share of and contribution to economic development. Interventions will have benefits to women at their core.
<b>Shared &amp; inclusive models</b>	AWEF will support the establishment of different business models that are based on equity and partnership between existing market actors and poor women where both share the benefits and risks and have a stake in the success of poor women.
<b>Additionality</b>	AWEF will support genuine market innovation based on sound analysis of how and why focus markets are excluding women. It will enable market actors to invest where and/or in ways that they would not have otherwise, e.g. via strategic public/private partnerships to facilitate design of a new product.
<b>Scale</b>	AWEF will support interventions and market actors that enable outreach to poor women at scale, and (where possible) supporting innovations that are beneficiary-led, e.g. group financing or support of collective action to reach markets.
<b>Non-distortionary</b>	AWEF will support a package of interventions that aim to attenuate market inefficiencies with minimal market disruptions and distortions, ensuring the programme does not directly intervene in markets but rather facilitates change. Market actors should 'own' the interventions and are not treated as sub-contractors.
<b>Replicability</b>	AWEF will work with pioneering market actors who are willing to innovate and take risks, but will also seek to encourage a market response by working with others in the market who might facilitate broader uptake (government, business association, media, other firms), e.g. profitable projects with good rates of return that will be replicated.

Principle	Description
<b>Culturally and socially sensitive</b>	AWEF will support interventions that are culturally relevant and sensitive to local norms and customs and will include the provision of Islamic modes of financing and support.
<b>Sustainability</b>	AWEF will take a sustainable approach to creating developmental impact and increasing women's opportunities. Interventions will be supported that are durable and resilient to challenges, and also responsive to changes in the environment and market, and are viable and owned by beneficiaries.

28. These principles are interdependent; however the supplier may face trade-offs when applying these principles to intervention design and selection, which will need to be explained in the market strategies.

### iii. **Women's economic empowerment and market development in AWEF**

29. ***Women's economic empowerment*** is the main objective of the programme, and will be achieved through a market development approach. Gender norms widely and frequently work to women's disadvantage. Generally women have fewer opportunities, lower status and less power and influence than men, and so progress towards women's economic empowerment can often require complementary actions to address these issues.

30. Therefore gender needs to be core to the entire management of the programme from structure and composition of the implementing team, through to full integration of gender into analysis, design and monitoring. However, experience from other market development programmes has shown that it can be quite challenging to achieve these combined objectives.

31. Firstly, women face multiple barriers to participation on many levels (individual, household, relational, access to assets, societal) due to their gender, as compared to men. Therefore, interventions need to take account of individual constraints (educational attainments, skills and confidence) and also social constraints, such as gender roles, identities and power relations between men and women at various levels in order to enable and promote women's economic participation. Secondly, economic empowerment is not as simple as increasing income. Income is not a determinant of increased choice, control and decision-making for women. Therefore the supplier will need to identify more meaningful measures of empowerment so the real impact of the programme can be tracked.

32. Thirdly, market actors that respond to women's empowerment objectives tend to be quite small and niche, and are not seen as market leaders. This can mean achieving scale and successfully crowding-in other market actors to replicate the new practice is more difficult. Definitions of scale will need to be adapted and reflect issues of the depth of impact, the marginal benefit or distribution of impacts to the poorest and most marginalised and not just measure coverage or numbers of women reached. Further, market strategies will need to take a proactive approach to crowding-in other market actors and promoting replication.

33. These challenges have implications for the methodology that the supplier adopts. AWEF needs to take a more holistic approach to promoting empowerment that addresses the constraints from individual to systemic levels to enable women to take advantage of opportunities and that encourages replication and crowding in of other market actors. See Section

VI for more information on what is expected in suppliers' proposals on methodology.

### **VI. Programme Requirements**

34. This section details the programme requirements and deliverables in line with the three programme phases: Inception phase (approx. 6 months), Implementation phase (4 years), and Evaluative phase (approx. 6 months).

#### **a. Inception phase**

35. Output 1 and 2 are deliverables during the Inception phase.

#### **Output 1 Deliverables:**

36. The supplier will need to ensure it has the requisite skills, expertise and capacities in all three countries, while ensuring value for money. Regional and in-country presence and expertise should be used as far as possible with a clearly explained balance of international and local staff and consultants.

37. Skills required across this team include:

- Market development or M4P approaches;
- gender and women's economic empowerment, specifically gender in market development approaches;
- in-depth regional and country knowledge and expertise;
- capacity building of local partners;
- results measurement and value for money; and
- Islamic Finance knowledge and practical experience.

38. The proposal should outline how gender will be mainstreamed and integrated in working practices, structures and activities. Proposals will be assessed on the quality and composition of the team or consortium, clearly demonstrating the balance of skills and expertise required, including local partners, role and responsibilities across the team/consortium, and respective contributions in terms of man-hours and tasks and detailed activities that will be conducted. Therefore, this deliverable should be completed almost immediately after contract approval.

39. Proposals will also be assessed on the focus on learning and capacity development, building skills and knowledge among local partners, networks and institutions on issues of gender, market development and access to finance (among others), such that the programme is sustainable and leaves capacity in country.

#### **Output 2 Deliverables:**

40. The supplier will need to deliver:

- Operational manual (within one month of contract signing);
- Market strategies in each country (minimum of 6 strategies approved by end of inception phase);
- Monitoring framework and system
- Inception report (at end of inception phase).

41. The **Operational manual** should include:

- the criteria and process for market selection (from long list of potential markets to detailed gendered market analysis of those markets with greatest relevance to



women, feasibility of interventions, and complementarity with other initiatives in the country);

- criteria and process for identification of beneficiaries;
- criteria and process for identification and selection of interventions and potential market actors and financial intermediaries in line with AWEF principles and the overarching objective of women's economic empowerment;
- structure of market strategies and criteria or performance measures to assess their quality;
- the approach to portfolio management at a programme level, balancing AWEF's portfolio within a country and across countries, including principles or criteria to guide and recommend budget allocations across countries and markets, taking into account donor funding constraints across countries (e.g. funds already allocated to particular countries or types of interventions, see section VIII);
- The identification, monitoring and mitigation of risks, including triggers or measures of risks; and
- The process for consultation, engagement and collaboration with DFID and IDB throughout the programme, including delegated authorities (see annex 3 for the AWEF Process Flow that provides more information on decision-making steps and approval timelines for both donors).

42. The methodology set out in the proposal should provide detailed information on the supplier's proposed approach to all of these issues. The proposal will then form the basis of the Operational Manual delivered during the inception phase.

43. **Market strategies** should include due consideration of:

- Gender analysis of constraints, and delivering women's empowerment objectives through a market development approach;
- Overall logic of the market strategy across all components of the programme (interventions supporting market actors including technical and financing needs and those that address rules and the enabling environment);
- Approach to promote uptake of interventions;
- Approach to ensure alignment (strategic and operational);
- Results measurement in accordance with the DCED standard;
- Risk management (monitoring and mitigation); and
- Value for money including equity and marginal benefits for changes among the most excluded or poorest (e.g. women).

44. **Monitoring framework and system** should be developed by the end of the inception phase, including programme results chain and indicators, strategies' and interventions' results chains, and methodology and process for data collection.

45. The purpose of monitoring and evaluation in AWEF is for both accountability and learning. Change does not happen in a linear way in market development programmes so learning and adaptive programme management is essential. AWEF will need to be an iterative programme, so decisions on interventions and innovation scaling must be based on robust evidence generated by the results measurement system. For this reason, results measurement needs to be at the centre of how AWEF is managed.

46. AWEF will align with the Donor Committee for Enterprise Development (DCED) standard for measuring results<sup>2</sup>. As such, the supplier will need to develop a results chain and associated indicators for each intervention; and a work plan and budget for delivering the intervention, which will be included in the market strategies. This essentially translates and adapts AWEF's theory of change into specific interventions. These market strategies will then be adapted over time based on monitoring data of what is working and the changing situation on the ground. There should be a mix of specific indicators and universal indicators for each intervention that allow for the generation of specific case studies and also aggregation at market and country level.
47. The measurement system will need to capture gender disaggregated impacts, including unintended consequences looking at the impacts on women as individuals, in household and societal relations. It also needs to capture both the qualitative and quantitative measures (e.g. of well-being and women's economic empowerment), and build in effective beneficiary participation in monitoring from the outset. The measurement system also needs to ensure regular and effective monitoring of risks, building on the programme's risk register.
48. Furthermore, AWEF must have a strong learning component because the programme is on relatively new programmatic ground, aiming to deliver women's empowerment through a market development approach, and integrating market development and access to finance. Therefore, the supplier will need to conduct ongoing and periodic learning on specific themes or topics. It is essential that the programme contributes to evidence on these different issues and therefore that the right data is collected to inform these wider debates.
49. The supplier's proposal will provide details on effective (cost effective, timely and adaptive) monitoring systems and approaches, including consideration of when and what information will be needed, the most cost effective ways to collect data (quantitative and qualitative) on programme performance, and ways of incorporating beneficiary feedback into the system. Proposals should also outline the approach to learning in the programme, including suggesting particular thematic studies.
50. **The Inception Report** should be produced at the end of the inception phase based on the detailed market analysis carried out by the supplier. As part of the proposal the supplier should submit an annual work plan including man-days (detailed for year one and indicative for the remaining years), proposed revisions to the logframe, and detailed risk register with appropriate mitigation strategies. Therefore, the Inception report should provide any amendments to these based on the market analysis and an overview of the portfolio as a whole. The following information should be captured: :
- Annual work-plan and project budget including the financial forecast;
  - Revised Logframe;
  - Monitoring Framework and system, including beneficiary feedback/monitoring and approach to adaptation and proposing change;

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<sup>2</sup> See <http://www.enterprise-development.org/page/measuring-and-reporting-results>

- Risk Register with appropriate mitigation strategies and approach to monitoring (data sources, frequency of monitoring, sharing with PMU; and
- Aggregated picture of interventions and market strategies across the programme, including balance within and across countries, and rationale for decisions made, including outreach to marginalised areas and groups.

51. At the end of the Inception phase there will be a Break Point to review Inception deliverables. Progress to the Implementation Phase will be subject to the satisfactory performance of the supplier, delivery of Inception deliverables and the continuing needs of the Programme.

**b. Implementation phase:**

52. Outputs three and four are the deliverables of the Implementation phase. The supplier will be responsible for managing and delivering the interventions and results agreed in the market strategies and across the programme overall. Interventions in markets will need to support uptake of new practices by market actors, including poor women, and to address barriers in the enabling environment. This is the micro and macro distinction made in output 3 and 4 below, though market strategies should deal with these as a whole.

**Output 3 and 4 Deliverables:**

53. The supplier will be responsible to ensure:

- Timely delivery of interventions that promote new practices (business models, products or services) that enable poor women to engage in supply chains and markets
- Delivery of replication of new practices and crowding in of other market actors
- Timely delivery of interventions that promote changes in formal and informal rules
- Timely delivery of agreed results for interventions and market strategies
- Learning and thematic studies and papers delivered against key themes agreed during inception

54. The supplier's proposal needs to outline the methodology for delivering AWEF's results. The methodology should include the supplier's approach to:

- achieving women's empowerment through a market development approach;
- engaging with market actors (both first and second-adopters) to encourage uptake and replication of new practices;
- addressing constraints in the enabling environment or the rules and norms (formal and informal), such as through strategic partnerships, evidence-based dialogue and technical assistance;
- assessing value for money of interventions and market strategies, including discussion of measures of "value" and reflecting issues of equity and assessing and valuing the marginal benefits of changes in the lives of the poorest and most excluded (e.g. poor women);
- ensuring operational and strategic alignment between DFID and IDB funded interventions;
- monitoring and risk management.

55. The methodology proposed should be based on evidence of good practice and previous experience of what works, and should also recommend

performance measures for these deliverables to ensure these are adequately captured in AWEF's logframe and monitoring processes.

### **c. Evaluation phase**

56. The supplier will need to make information available to the Independent Evaluation Manager and give support as required to the evaluation and programme closure during this period.

## **VII. Programme reporting**

57. The supplier will report to DFID and interaction with the PMU will be largely through DFID. DFID expects quarterly narrative and financial progress reports, and any request for funds will be linked to the achievement of a deliverable or a key interim point and will need to be accompanied by financial and progress reports. The supplier will be expected to provide detailed annual narrative and financial report in line with DFID's annual review process, and also provide the Independent Evaluation Manager with access to monitoring data and reports at key moments in the Independent Evaluation. The supplier will be expected to develop an Implementation dashboard capturing progress, results and lessons across all interventions and strategies.
58. There will be a break point at the end of the inception phase and at the mid-term point to review progress on deliverables and the results of the programme. The mid-term point should be accompanied by a detailed narrative and financial progress report based on delivery of agreed results and detailed work plan for the remaining period. Input from the Independent evaluation will also be sought for annual reviews and the mid-term review.
59. Regular contact between the supplier and DFID and IDB is essential for programme delivery. A number of mechanisms will be put in place, such as formalised monthly meetings between the supplier and the PMU, invitations to attend the AWEF steering committee as appropriate, as well as more frequent but informal communications during key stages, such as market analysis or when programme adaptations are required. There also needs to be clearly agreed delegated authorities, escalation process and reporting channels for programme amendments and risk management.
60. Supplier's proposals should include the suggested approach to programme reporting, quality assurance and ensuring regular contact at key decision points and the role and responsiveness requirements of DFID and the PMU.

## **VIII. Constraints and dependencies**

74. In addition to the risks identified in the risk register in the business case, we have identified the following important constraints and dependencies in the programme:
- Alignment (operational and strategic) across the whole programme, especially ensuring close linkages between DFID, IDB and the supplier;
  - Relationship with the Independent Evaluation manager;
  - Security situation, wider political and economic stability and other risks in the region;

- Constraints on IDB funding include:
  - IDB funds cannot be used for sectors that are non-sharia compliant for example, tobacco, alcohol, gambling, etc.
  - IDB funding is currently restricted to the OPTs and Jordan, though there may be future flexibility on working in a third country.
  - IDB has a US\$5million loan and a US\$2 million grant allocated to the OPTs, which cannot be allocated elsewhere.
  - IDB can provide technical support and capacity building to Microfinance Institutions (MFIs) if required via a grant component attached to the loan.
  - IDB's grant funding can only be dedicated to capacity building of public institutions, MFIs, end-beneficiaries, and other market actors as agreed upon by IDB.
- Constraints on DFID funding: DFID funds must be used in accordance with the provisions of the International Development Act and DFID's Smart Rules.

75. We would expect successful proposals to detail how they will manage such dependencies and constraints. This could include the ability to be flexible concerning the countries of operation if the security situation changes or how they will ensure they do no harm.

### **IX. Performance requirements**

76. DFID is concerned with the delivery of results – outputs and outcomes of the programme. The supplier's proposal should outline the approach to payment by results (PbR) in the programme, detailing how payments can be linked to delivery of results at different levels. Suppliers are expected to submit a detailed pricing work plan including payment structure. The deliverables are up to the tenderer to form but it should be noted these deliverables will be evaluated for workability and efficiency.

77. Some additional criteria that will be used to assess quality of performance are:

- Accurate, timely and high quality reports;
- Financial disbursement or management and forecasting within 95 per cent accuracy;
- Delivery of agreed deliverables on time and to high quality;
- Quality of collaboration and relationship with the Independent Evaluation Manager, evidenced through alignment of work plans and sharing information; and
- Evidence of programme adaptations based on monitoring and evaluation information evidenced through the annual review process and regular reporting.

### **X. Coordination**

75. Coordination with DFID and IDB will be managed through the DFID-led PMU. It is essential there is close communication between all parties. The process flow in Annex 3

outlines the key steps, decisions and coordination with the PMU. Supplier's proposals should clearly articulate the role of DFID and IDB and propose ways of communicating and coordinating for the effective delivery of the programme.

#### **XI. Duty of Care**

76. The Supplier is responsible for the safety and well-being of their Personnel and Third Parties affected by their activities under this contract, including appropriate security arrangements. They will also be responsible for the provision of suitable security arrangements for their domestic and business property.

77. DFID will share available information with the Supplier on security status and developments in-country where appropriate. DFID will provide the following:

- All Supplier Personnel will be offered a security briefing by the British High Commission/DFID on arrival. All such Personnel must register with their respective Embassies to ensure that they are included in emergency procedures; and
- A copy of the DFID visitor notes (and a further copy each time these are updated), which the Supplier may use to brief their Personnel on arrival.

78. The Supplier is responsible for ensuring appropriate safety and security briefings for all of their Personnel working under this contract and ensuring that their Personnel register and receive briefing as outlined above. Travel advice is also available on the FCO website and the Supplier must ensure they (and their Personnel) are up to date with the latest position.

79. Tenderers must develop their PQQ Response and Tender (if Invited to Tender) on the basis of being fully responsible for Duty of Care in line with the details provided above and the initial risk assessment matrix prepared by DFID (see Annex 5). They must confirm in their PQQ Response that:

- They fully accept responsibility for Security and Duty of Care;
- They understand the potential risks and have the knowledge and experience to develop an effective risk plan; and
- They have the capability to manage their Duty of Care responsibilities throughout the life of the contract.

75. If you are unwilling or unable to accept responsibility for Security and Duty of Care as detailed above, your PQQ will be viewed as non-compliant and excluded from further evaluation.

76. Acceptance of responsibility must be supported with evidence of Duty of Care capability and DFID reserves the right to clarify any aspect of this evidence. In providing evidence,

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interested Suppliers should respond in line with the Duty of Care section in Form E of the Pre-Qualification Questionnaire (PQQ).

### Annex 1: Islamic Financing Instruments

#### ***What is Islamic Microfinance?***

Islamic Microfinance is a combination of two disciplines, Microfinance and Islamic Finance. Islamic Finance and Banking can be distinguished from conventional financial services by several features including:

- Financial transaction must bear no interest on top of a nominal service fee. Profit can only be taken from business/economic transactions;
- The transactions with clients are based on real economic transactions which added value to the economy, often backed by hard assets;
- The Bank is an active participant of the transaction and sharing the risks involved in the transaction of goods and services;
- The Bank as well as the depositors, have the ability to go beyond debt-based relation and enter equity-type or venture capital investments; and
- The transaction and investments made by the Bank should not violate Islamic standards and morals.

The above features distinguish an ideal Islamic Bank as a risk-sharing institution.

Similarly, Islamic MFIs are expected to perform the role of investors / fund providers while being fully involved in the business transactions of their clients, sharing the risks with their clients as business partners instead of only being credit providers. **This role is even more critical, since they are sharing the risk with their clients, most of whom are poor and vulnerable.**

Presently more than 300 Islamic Microfinance Institutions in 32 countries including Indonesia, Kenya, Afghanistan, Bangladesh, Sri Lanka, Yemen, Egypt, Sudan, Tanzania, Mauritius, South Africa, Malaysia and Pakistan are working for the cause of poverty alleviation (Obaidullah and Khan, Islamic Microfinance Development 2008). The sector serves more than 1.2 million clients (most in Bangladesh, Sudan, and Indonesia), with portfolio of more than USD 740 million (highest in Indonesia - USD 400 million and Lebanon - USD 135 m), and more than USD 250 million micro deposits (more than 837 thousands depositors).

A list of Sharia compliant Microfinance products and nature of businesses can be seen in the table below.

*Table 3: Sharia Compliant Financing Products*

<b><i>Instrument</i></b>	<b><i>Role of MFI</i></b>	<b><i>Role of Client</i></b>	<b><i>Suitable for</i></b>	<b><i>Return Mechanism</i></b>	<b><i>Asset / Capital Risk</i></b>	<b><i>Business Risk</i></b>
Mudarabah	Investor	Executor	Fixed assets, working capital	Profit Sharing	MFI	MFI
Musharakah	Investor	Partner	Fixed assets, working capital	Profit Sharing	Shared	Shared



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Muzaraah	Land owner	Cultivator	Agricultural land	Profit Sharing	MFI	Shared
Ijarah (op. leasing)	Lessor	Lessee	Fixed Assets	Floating / fix rate	MFI	Client
Istisna (construction and sale)	Contractor	Buyer	Fixed Assets	Fix rate	MFI then Client	Client
Salam (advance purchase)	Advance buyer	Producer	Working Capital	Fix rate	Client	Client
Murabahah (purchase and sale)	Seller	Buyer	Fixed assets	Fix rate	Client	Client
Istijrar	Stand-by seller	Buyer	Working Capital	Variable rate with a boundary	Client	Client
Qardh (zero interest loan)	Lender	Borrower	All Purpose	None	Client	Client

### **IDB's Approach in Assisting the Poor through Microfinance**

#### ***Developing Microfinance Institutions***

There are two approaches that IDB takes in promoting Islamic Microfinance: a) setting up new Islamic Microfinance Institutions and b) developing the capacity of existing Microfinance Institutions to introduce Shariah-compliant financial products and services. Depending on several factors including: a) mandate of the available entities; b) target clientele for business development; c) target business sectors to engage and d) capacity to introduce Islamic Finance, IDB will adopt the approach that will best meet the needs of the market. Overall IDB aims to promote risk-sharing products and move away from debt-based services. The List of IDB's intervention in Microfinance is above.

IDB provides financing (lines or equity) to the Microfinance Institutions. However, the focus is to provide technical assistance to develop the MFI into a business entity with the capacity to develop and assess viable business opportunities, which the poor can benefit from. This includes identifying and engaging various stakeholders in the value chain to work as business partners.

The MFI's capability should be improved to manage risk at operational level instead of relying solely on a third party insurance company. They will be sharing the risk of their clients as business partners. Other institutions may also provide vocational training, agricultural extension, leveraging on existing investments that are being made to develop the workforce and generate employment.

The success indicators may be similar to those measured by conventional MFIs, however, since the financial transactions are tied to the real business transactions, the financial report will be more grounded and more closely reflect the existing business condition of their clients.

## Annex 2: Governance arrangements

Figure 1 outlines the management arrangements for AWEF outlining the roles of each donor.

**AWEF Steering Committee:** Has responsibility to set overall strategic direction, oversight and control and approval of significant programme amendments. It will be responsible for agreeing market strategies and significant programme implementation amendments that are beyond the delegated authority of the PMU, and for ensuring high level coordination and alignment between DFID and IDB. Both donors will be equally represented on the Steering Committee, and it will be led by IDB. It will include non-decision-making experts on market development and regional or gender issues in an advisory capacity.

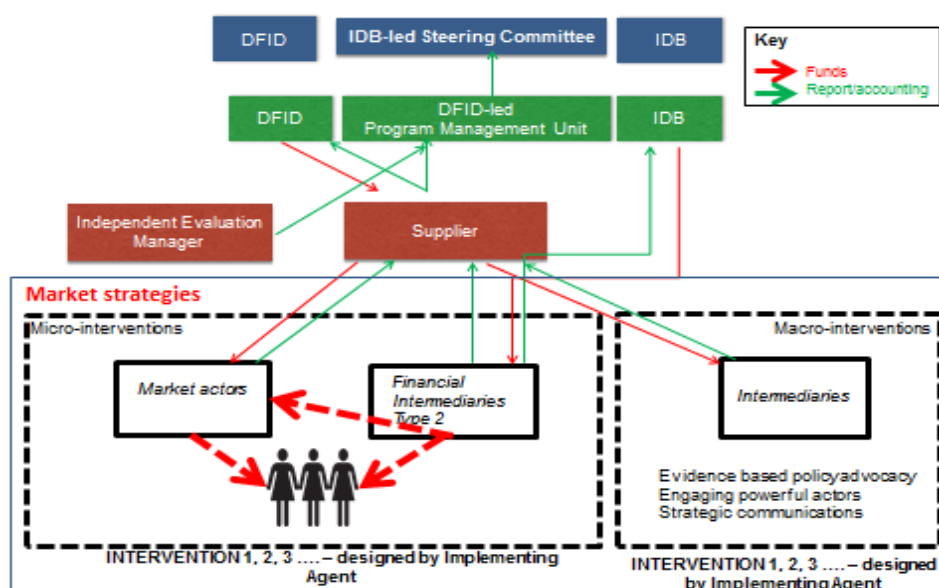
**Programme Management Unit (PMU):** Has responsibility for coordination between DFID and IDB in the programme management, procurement process, and day to day management of the supplier. It will be responsible for monitoring, oversight and control. It will agree interventions (non-financial and financing) proposed by the supplier. Both donors are equally represented on the PMU and it will be led by DFID MENAD. Effective alignment of the programme's support to market actors (non-financial and concessional financing) requires active contribution of both donors and speedy resolution of issues.

**Supplier:** The responsibilities of the supplier are outlined in this TOR.

**Independent Evaluation Manager:** Has responsibility to design and implement the independent evaluation and support and quality assure the development of the results measurement system.

**DFID Seconded:** will be based with the supplier and has responsibility for supporting the bridging between DFID, IDB and the supplier and supporting with capacity development and sustainability of the gender market development approach with partners and local networks. Their responsibilities are of oversight and support, rather than direct implementation which remains with the supplier.

Figure 1: Governance and management of AWEF



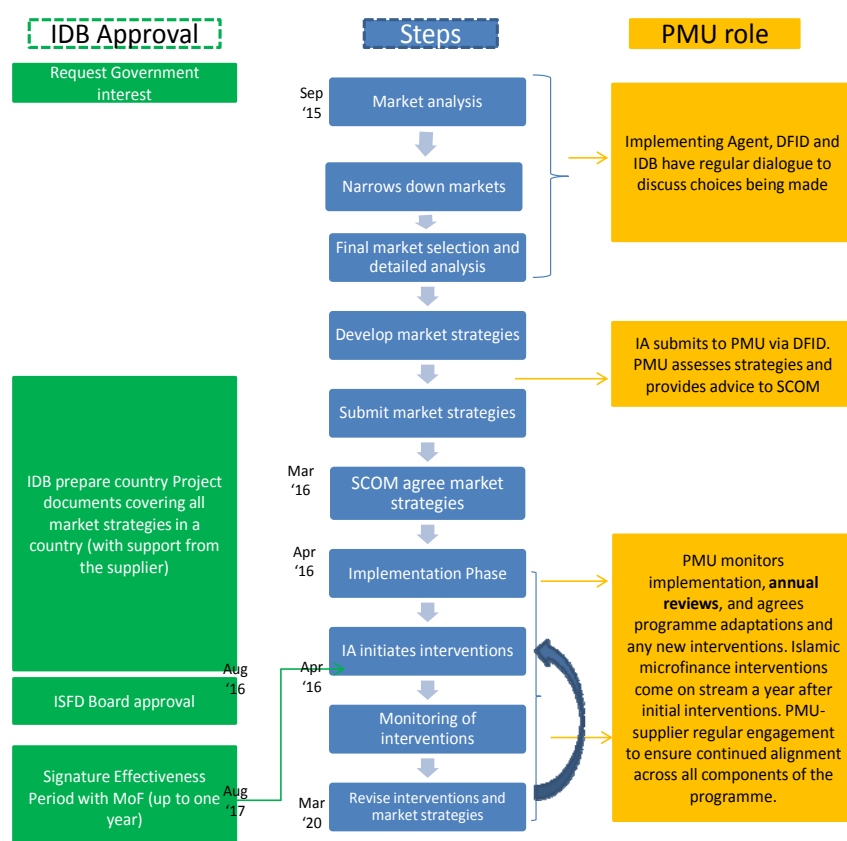
### Annex 3: Decision-making process flow

The following diagram outlines the main steps in delivering AWEF's market development approach (blue boxes) and the required interaction and responses from the DFID-led PMU (yellow boxes). It also shows IDB's internal approval process for microfinance (green boxes). This is matched to an indicative timeline which can be amended if necessary. Market strategies should include sufficient detail that implementation of interventions can move forward immediately following approval. This will particularly be the case for DFID funded interventions and IDB microfinance that is already approved and allocated. This is likely to apply only to the US\$7 million already approved by IDB for the Occupied Palestinian Territories. However for the rest of IDB's lines of microfinance, the process will follow the internal approval process indicated in the diagram (green boxes).

IDB's microfinance can be given with or without a sovereign guarantee. In the latter case, funds are disbursed directly from IDB to the microfinance institution (MFI), whereas in the former funds are disbursed to a special account of the government (and then onto the MFI). For microfinance with a sovereign guarantee there is a process of agreeing this with governments and often needs Parliamentary approval (referred to as 'Signature Effectiveness' in the diagram). This process can take up to a year. More detail on the different steps for approval of IDB microfinance with or without a sovereign guarantee can be found after the diagram.

Any new interventions developed through adaptive programming over the course of implementation will be agreed by the PMU and by exception by the Steering Committee.

Figure 2: Process flow



### Process for Line of Microfinance with Sovereign Guarantee

- i. The supplier provides a short list of MFIs in the beneficiary country.
- ii. The IDB team assesses the MFIs and selects most suited MFIs for the program. The selected MFI will provide IDB the balance sheets and other necessary documents for IDB due diligence and risk assessment.
- iii. The Group Risk Management Department (GRMD) assesses the risk of the MFI and recommends maximum exposure.
- iv. The Financing agreement will be signed between the IDB and the government of the beneficiary country.
- v. The on-lending agreement will be signed between the government and the beneficiary MFIs. The on-lending agreements will also stipulate the terms and conditions of on-lending to the end beneficiaries (minimum and maximum amount of loan, target sectors, target group of beneficiaries, etc.).
- vi. The funds are disbursed to a special account of the beneficiary government (opened in a commercial bank or central bank).
- vii. The government pays back the loan according terms and conditions stipulated in the financing agreement.

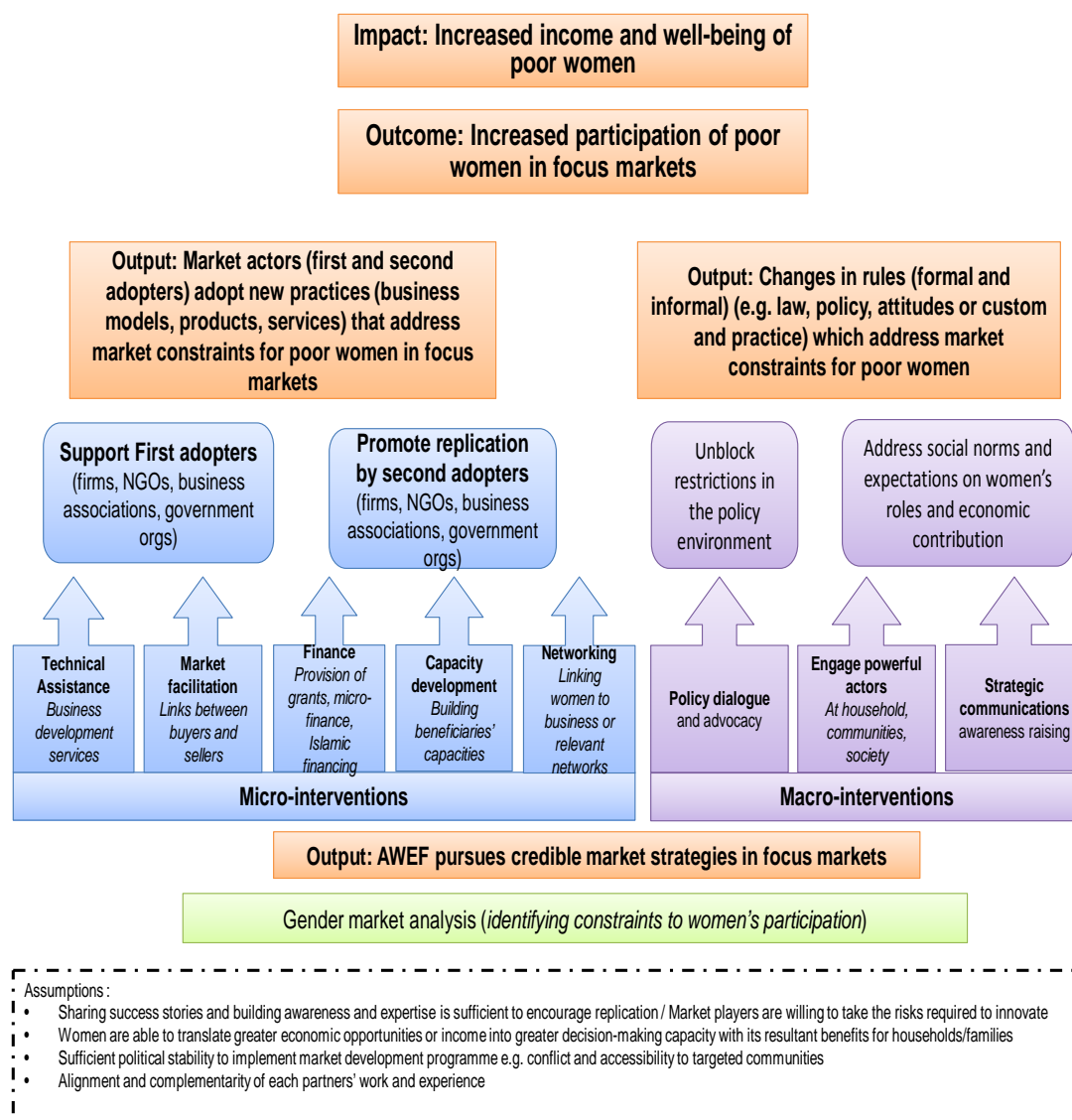
### **Process for Line of Microfinance without Sovereign Guarantee**

i-iii are as above.

- iv. The Financing agreement will be signed with each of the selected MFI. The financing agreement will also stipulate the terms and conditions of on-lending to the end beneficiaries (minimum and maximum amount of loan, target sectors, target group of beneficiaries, etc.).
- v. The funds are disbursed to a special account of the beneficiary MFI (opened in a commercial bank or central bank).
- vi. The MFIs pay back the loan according terms and conditions stipulated in the financing agreement

## Annex 4: AWEF's Theory of Change

Figure 3: AWEF Theory of Change



**ANNEX 5: DUTY OF CARE**

As part of the new Duty of Care Policy of DFID, we have assessed the risk of the countries (see below) to be visited as part of this programme. These assessments are provided in order to allow the supplier to take reasonable steps to mitigate risks where necessary.

**DFID Overall Project/Intervention  
Summary Risk Assessment Matrix**

1 Very Low Risk	2 Low Risk	3 Medium Risk	4 High Risk	5 Very High Risk
Low		Medium	High Risk	

Overall Risk level for AWEF programme is 2 - Low risk.

**Location: Egypt (excluding North Sinai and Libyan border)**

Date of assessment: January 2015

Theme	DFID Risk score
<b>OVERALL RATING<sup>3</sup></b>	<b>2</b>
FCO travel advice	3
Host nation travel advice	Not available
Transportation	3
Security	4
Civil unrest	2
Violence/crime	2
Espionage	5
Terrorism	4
War	1
Hurricane	1
Earthquake	2
Flood	1
Medical Services	2
Nature of Project/ Intervention	2

<sup>3</sup> The Overall Risk rating is calculated using the MODE function which determines the most frequently occurring value.

## ITT Volume 3

### Location: Jordan

Date of assessment: January 2015

Theme	DFID Risk score – Amman	DFID Risk score – The rest of Jordan
<b>OVERALL RATING</b>	<b>2</b>	<b>2</b>
FCO travel advice	1	3
Host nation travel advice	Not available	Not available
Transportation	2	3
Security	2	2
Civil unrest	2	2
Violence/crime	1	1
Terrorism	3	3
War	1	3
Hurricane	1	1
Earthquake	2	2
Flood	1	2
Medical Services	2	4
Nature of Project/ Intervention	2	2

### Location: [Occupied Palestinian Territories](#)

Date of assessment: August 2014

Theme	DFID Risk score
<b>OVERALL RATING</b>	<b>2</b>
FCO travel advice	4
Host nation travel advice	Not available
Transportation	2
Security	2
Civil unrest	2
Violence/crime	1
Espionage	4
Terrorism	4
War	3
Hurricane	1
Earthquake	4
Flood	2
Medical Services	2
Nature of Project/ Intervention	1